#### NEW ISSUE—BOOK-ENTRY-ONLY

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS."



#### **Dated: Delivery Date**

# \$14,480,000 CITY OF SACRAMENTO DELTA SHORES COMMUNITY FACILITIES DISTRICT NO. 2019-01 (IMPROVEMENTS) IMPROVEMENT AREA NO. 1 SPECIAL TAX BONDS, SERIES 2024

#### Due: September 1, as shown on the inside cover page

This Official Statement describes bonds that are being issued by the City of Sacramento (the "City") with respect to Improvement Area No. 1 ("Improvement Area No. 1") of the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California (the "District"). The City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds, Series 2024 (the "Bonds") are being issued by the City to (a) pay the cost and expense of the acquisition and construction of certain public facilities benefitting the development of the District; (b) fund a reserve fund securing the Bonds to the extent described herein; (c) pay costs of issuance of the Bonds; and (d) fund capitalized interest on a portion of the Bonds accruing through December 1, 2026.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California), and pursuant to a Master Indenture, dated as of December 1, 2024 as supplemented by a First Supplemental Indenture dated as of December 1, 2024, each between the City and Zions Bancorporation, National Association, as trustee (the "Trustee") (collectively, the "Indenture").

The Bonds are special limited obligations of the City and are payable solely from the proceeds of Net Special Tax Revenues (as defined in this Official Statement) received from the Special Tax (as defined in this Official Statement) levied on taxable parcels within Improvement Area No. 1 and from certain other funds pledged under the Indenture, all as further described in this Official Statement. The Special Tax will be levied according to the amended and restated rate and method of apportionment approved by the City Council of the City and the qualified electors within Improvement Area No. 1. See "SOURCES OF PAYMENT FOR THE BONDS." Special taxes levied on taxable parcels in Improvement Area No. 2 and Improvement Area No. 3 of the District are not pledged to and are not available to pay debt service on the Bonds.

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds may be made in integral multiples of \$5,000 and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds will be payable semi-annually on each March 1 and September 1, commencing March 1, 2025. The Bonds will be transferable or exchangeable only to another nominee of DTC or as otherwise described in this Official Statement. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS — General Provisions" and APPENDIX I — "BOOK-ENTRY ONLY SYSTEM."

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF SACRAMENTO, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET SPECIAL TAX REVENUES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE NET SPECIAL TAX REVENUES AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

The Bonds are subject to optional redemption, extraordinary redemption from Special Tax prepayments and mandatory sinking fund redemption prior to maturity as set forth in this Official Statement. See "THE BONDS — Redemption."

THE BONDS ARE NOT RATED BY ANY RATING AGENCY, AND INVESTMENT IN THE BONDS INVOLVES SIGNIFICANT RISKS THAT ARE NOT APPROPRIATE FOR CERTAIN INVESTORS. CERTAIN EVENTS COULD AFFECT THE ABILITY OF THE CITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "SPECIAL RISK FACTORS" FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE (See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, and subject to certain other conditions. Stradling Yocca Carlson & Rauth LLP, Newport Beach, California is serving as Disclosure Counsel to the City with respect to the Bonds. Certain legal matters will be passed on for the City by the Office of the City Attorney, for the Underwriter by Best Best & Krieger LLP, Riverside, California, as counsel to the Underwriter, for the Developer by the Law Offices of Thatch & Hooper, LLP, Sacramento, California, for the builders described herein by their respective counsel, and for the Trustee by its counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about December 19, 2024.



## \$14,480,000 CITY OF SACRAMENTO DELTA SHORES COMMUNITY FACILITIES DISTRICT NO. 2019-01 (IMPROVEMENTS) IMPROVEMENT AREA NO. 1 SPECIAL TAX BONDS, SERIES 2024

## MATURITY SCHEDULE

# BASE CUSIP®†: 786071

## SERIAL BONDS

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	<i>CUSIP</i> ®†
2026	\$350,000	5.00%	3.12%	103.084	RS1
2027	75,000	5.00	3.30	104.352	RT9
2028	75,000	5.00	3.52	105.087	RU6
2029	95,000	5.00	3.59	106.043	RV4
2030	115,000	5.00	3.72	106.514	RW2
2031	140,000	5.00	3.78	107.156	RX0
2032	160,000	5.00	3.85	107.594	RY8
2033	185,000	5.00	3.90	108.043	RZ5
2034	210,000	5.00	3.95	108.373 <sup>C</sup>	SA9

\$1,920,000 5.00% Term Bonds due September 1, 2040, Yield: 4.07% Price: 107.386<sup>CC</sup> CUSIP No.<sup>†</sup> SB7 \$2,680,000 5.00% Term Bonds due September 1, 2045, Yield: 4.23% Price: 106.068<sup>CC</sup> CUSIP No.<sup>†</sup> SC5 \$3,085,000 5.00% Term Bonds due September 1, 2049, Yield: 4.35% Price: 105.092<sup>CC</sup> CUSIP No.<sup>†</sup> SD3 \$5,390,000 5.00% Term Bonds due September 1, 2054, Yield: 4.40% Price: 104.689<sup>CC</sup> CUSIP No.<sup>†</sup> SE1

<sup>&</sup>lt;sup>C</sup> Priced to optional redemption date of September 1, 2033, at 101% of par.

<sup>&</sup>lt;sup>CC</sup> Priced to optional redemption date of September 1, 2034, at par.

<sup>&</sup>lt;sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such numbers.

#### CITY OF SACRAMENTO

#### **CITY COUNCIL**

Kevin McCarty, Mayor Caity Maple, Vice Mayor, District 5 Karina Talamantes, Mayor Pro Tem, District 3 Lisa Kaplan, District 1 Roger Dickinson, District 2 Phil Pluckebaum, District 4 Eric Guerra, District 6 Rick Jennings II, District 7 Mai Vang, District 8

#### **ADMINISTRATIVE OFFICES**

Howard Chan, City Manager Michael Jasso, Assistant City Manager Mario Lara, Assistant City Manager Leyne Milstein, Assistant City Manager Ryan Moore, Assistant City Manager John Colville, City Treasurer Susana Alcala Wood, City Attorney Farishta Ahrary, City Auditor Mindy Cuppy, City Clerk

#### **PROFESSIONAL SERVICES**

**Bond** Counsel

Orrick, Herrington & Sutcliffe LLP

#### Disclosure Counsel

Stradling Yocca Carlson & Rauth LLP

#### Municipal Advisor

Fieldman, Rolapp & Associates, Inc. Irvine, California

#### Trustee

Zions Bancorporation, National Association Los Angeles, California

#### Special Tax Consultant

NBS Temecula, California

#### Appraiser

Smith & Associates, Inc. Folsom, California

#### Market Absorption Consultant

John Burns Real Estate Consulting Folsom, California

#### Appraisal Reviewer

BBG, Inc. Sacramento, California Except where otherwise indicated, all information contained in this Official Statement has been provided by the City. No dealer, broker, salesperson or other person has been authorized by the City, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City, the Trustee or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment to this Official Statement, is intended to be deposited with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org.

The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable, but such information is not guaranteed as to accuracy or completeness by the City. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement since the date of this Official Statement. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is made by this Official Statement to such documents on file with the City for further information. While the City maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the City. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "IMPROVEMENT AREA NO. 1" and "DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA NO. 1."

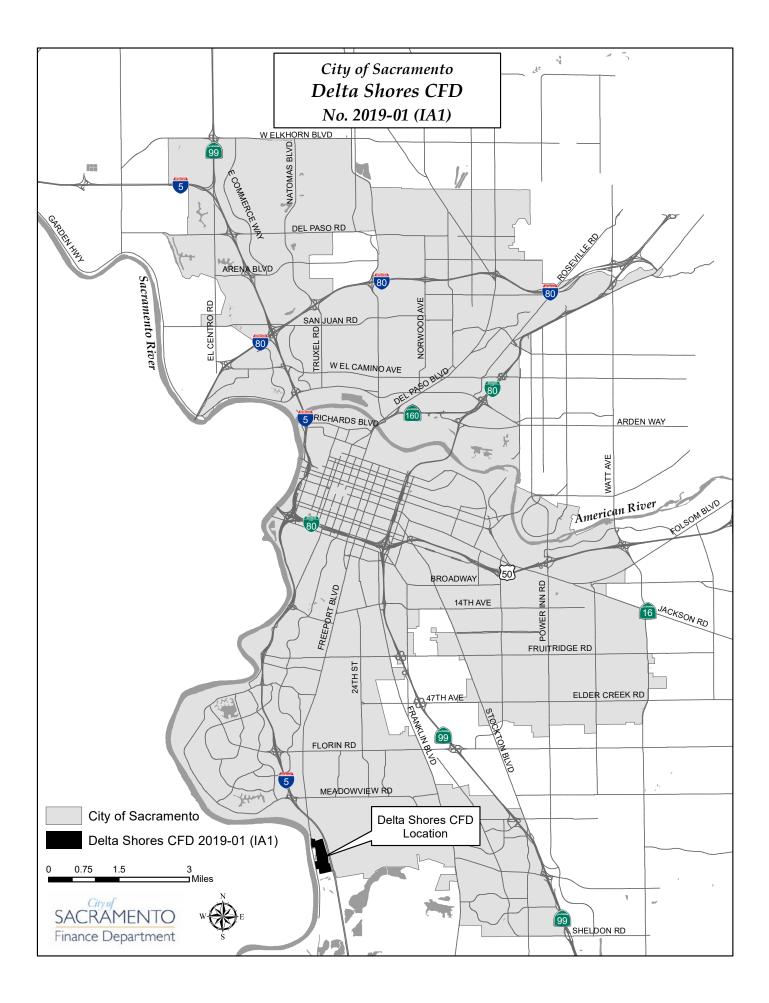
THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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# \$14,480,000 CITY OF SACRAMENTO DELTA SHORES COMMUNITY FACILITIES DISTRICT NO. 2019-01 (IMPROVEMENTS) IMPROVEMENT AREA NO. 1 SPECIAL TAX BONDS, SERIES 2024

## **INTRODUCTION**

#### General

The purpose of this Official Statement, which includes the cover page, the table of contents and the appendices (collectively, the "Official Statement"), is to provide certain information concerning the issuance by the City of Sacramento (the "City") of the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds, Series 2024 (the "Bonds") in the aggregate principal amount of \$14,480,000. The Bonds are being issued by the City with respect to Improvement Area No. 1 ("Improvement Area No. 1") of the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvement Area No. 1") of the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California (the "District"). The proceeds of the Bonds will be used to (a) pay the cost and expense of the acquisition and construction of certain public facilities benefitting the development of the District; (b) fund a reserve fund securing the Bonds to the extent described herein; (c) pay costs of issuance of the Bonds; and (d) fund capitalized interest on a portion of the Bonds accruing through December 1, 2026. See "THE FINANCING PLAN — Estimated Sources and Uses of Funds."

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the "Act"), and pursuant to a Master Indenture, dated as of December 1, 2024 ( the "Master Indenture"), as supplemented by a First Supplemental Indenture dated as of December 1, 2024 (the "First Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), each between the City and Zions Bancorporation, National Association, as trustee (the "Trustee").

The Bonds are secured under the Indenture by a pledge of and lien upon the Net Special Tax Revenues, which are the proceeds of the Special Tax levied on taxable parcels within Improvement Area No. 1, less the Priority Administrative Expenses (as such terms are defined in this Official Statement), and all amounts held in the Special Tax Fund, the Bond Redemption Fund and the Bond Reserve Fund as provided in the Indenture. See "SOURCES OF PAYMENT FOR THE BONDS." *Special taxes levied on taxable parcels in Improvement Area No. 2 and Improvement Area No. 3 of the District are not pledged to and are not available to pay debt service on the Bonds.* 

The Bonds are being issued and delivered pursuant to the provisions of the Act and the Indenture. The Bonds are being sold pursuant to a Bond Purchase Contract between the Underwriter and the City. See "THE BONDS — General Provisions" and "UNDERWRITING."

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Definitions."

#### Delta Shores, the District and Improvement Area No. 1

*General.* The property in Improvement Area No. 1 is part of an approximately 782-acre new masterplanned community being marketed as "Delta Shores." Delta Shores is located in the southern portion of the City, approximately 10 miles from downtown Sacramento, straddling the Interstate 5 freeway. Delta Shores is bordered to the north by the developed Meadowview community, to the south by an open space "buffer zone" between the Sacramento Area Sewer District's treatment plant, to the west by the Sacramento River, and to the east by Morrison Creek and existing communities. In 2016, a new freeway interchange and extension of Cosumnes River Boulevard (a major thoroughfare bisecting the Delta Shores site) was completed, providing direct access to the site from the Interstate 5 freeway.

Delta Shores is currently entitled for up to 5,222 residential units and 1.3 million square feet of commercial and retail space and a mixed-use town center of approximately 20 acres. At buildout, Delta Shores is expected to include approximately 2,300 for-sale low and medium-density single-family homes, 1,700 high-density housing units in for-rent offerings, 1.3 million square feet of retail and commercial space, two new elementary schools, approximately 50 acres of parks, a City fire station and open space. A portion of the planned retail development within Delta Shores has been completed by the Developer (as defined below). The completed portion is located adjacent to the Interstate 5 freeway and consists of approximately 900,000 square feet of retail space and associated parking facilities. In July 2022, the Developer sold the completed retail development to a real estate investment firm.

*The District.* The District spans approximately 535 acres of the Delta Shores community, including the planned residential development but excluding the completed retail development described above. The District is divided into three improvement areas. Improvement Area No. 1 is located west of Interstate 5 freeway while Improvement Area No. 2 and Improvement Area No. 3 are located east of Interstate 5. All three improvement areas are entitled for a mix of low, medium and high-density residential units, parks and open space. Elementary schools are planned in each of Improvement Area No. 2 and Improvement Area No. 3. The first phase of residential development in Improvement Area No. 2 is being undertaken by Signature Homes with home construction and sales underway. As of September 1, 2024, of the 421 planned for-sale homes in Improvement Area No. 2, Signature Homes had completed and conveyed 67 homes to individual homeowners. The City issued special tax bonds with respect to Improvement Area No. 2 of the District in June 2022 to acquire certain public improvements. *The property in Improvement Area No. 2 and Improvement Area No. 3 is not subject to the levy of the Special Tax and is not security for the Bonds*.

**Improvement Area No. 1.** Improvement Area No. 1 consists of approximately 107 gross acres and approximately 87 net acres. Improvement Area No. 1 is bordered to the east by the Interstate 5 freeway, to the south by the City-owned Bartley Cavanaugh Golf Course, to the west by the community of Freeport and the Sacramento River and to the north by an existing commercial development. Cosumnes River Boulevard bisects Improvement Area No. 1 with approximately 86.5 gross acres (approximately 77.5 net acres) of property in Improvement Area No. 1 located to the south of Cosumnes River Boulevard and approximately 20.5 gross acres (approximately 8.85 net acres based on the current recorded large lot map) of property north of Cosumnes River Boulevard.

The portion of Improvement Area No. 1 that is located south of Cosumnes River Boulevard is planned for 348 for-sale units. Substantially all of the infrastructure necessary to support development in such portion of Improvement Area No. 1 is complete with remaining infrastructure consisting of minor offsite work. As of October 15, 2024, the property in Improvement Area No. 1 that is located south of Cosumnes River Boulevard included completed model homes, production homes under construction and finished/near-finished lots.

The Developer has not finalized development plans with respect to the property in Improvement Area No. 1 located to the north of Cosumnes River Boulevard, which is zoned for medium-density residential projects and high-density residential projects. Such property is currently in an undeveloped state with utilities finished to the property line.

*Formation and Change Proceedings.* The District was formed by the City pursuant to the Act. The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the

Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities, development-related fees, and services. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Act, on August 13, 2019, the City Council adopted Resolution No. 2019-0312 (the "Resolution of Intention"), stating its intention to form the District, to designate three improvement areas therein (Improvement Area No. 1, Improvement Area No. 2 and Improvement Area No. 3), and to authorize the levy of a special tax on the taxable property within each of the improvement areas within the District. On August 13, 2019, the City Council also adopted Resolution No. 2019-0313, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed \$8,000,000 with respect to Improvement Area No. 1 for the purpose of financing the acquisition, construction, expansion, improvement, or rehabilitation of certain public facilities to serve the area within the District and its neighboring areas. See "IMPROVEMENT AREA NO. 1 — Description of Authorized Facilities."

On September 24, 2019, the City Council adopted Resolution No. 2019-0371, establishing the District and designating three improvement areas therein. On October 15, 2019, the City Council adopted Resolution No. 2019-0390, which certified the mailed ballot election held for Improvement Area No. 1 of the District at which the eligible voters approved the levy of the Special Tax in accordance with a rate and method of apportionment of special tax (the "Original Rate and Method") and the issuance of bonds in an amount not to exceed \$8,000,000 for Improvement Area No. 1.

On December 14, 2021, the City Council adopted Resolution No. 2021-0362, pursuant to which it determined to consider: (1) replacing the Original Rate and Method with an amended and restated rate and method of apportionment of special tax for Improvement Area No. 1 (the "Amended Rate and Method"), (2) increasing the amount of bonded indebtedness authorized to be incurred for Improvement Area No. 1 from \$8,000,000 to \$17,000,000 and (3) increasing the appropriations limit with respect to Improvement Area No. 1. On February 1, 2022, the City Council adopted Resolution No. 2022-0036, pursuant to which it determined that the necessary two-thirds vote of the eligible voters within Improvement Area No. 1 in a special mailed-ballot election have been received approving: (1) the levy of the Special Tax in accordance with the Amended Rate and Method, (2) the increase of the amount of bonded indebtedness authorized to be incurred for Improvement Area No. 1 from \$8,000,000 to \$17,000,000 and (3) increasing the appropriations limit with respect to be incurred for Improvement Area No. 1. A copy of the Amended Rate and Method is attached as Appendix A hereto.

An Amended Notice of Special Tax Lien was recorded in the office of the Clerk Recorder's office of the County of Sacramento (the "County") on February 18, 2022, as Document No. 202202180717. On February 8, 2022, the City Council adopted Ordinance No. 2022-0002 (the "Ordinance") which authorizes the levy of the Special Tax pursuant to the Amended Rate and Method. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Authorization and Pledge.*"

On February 7, 2023, the City Council adopted Resolution No. 2023-0030, which interpreted the Amended and Restated Rate and Method for Improvement Area No. 1. The interpretation clarified the expected unit counts in Villages LDR-1 and LDR-2 and expected special tax revenues to be generated at buildout, as shown in Appendix A hereto.

#### **Property Ownership and Development Status**

M&H Realty Partners VI, L.P., a California limited partnership (the "Developer") has served as the master developer of the Delta Shores development. Since approximately 2009, the Developer has developed and sold significant portions of the Delta Shores development to homebuilders and to another property development company. The Developer was formed and managed by individuals of Merlone Geier Partners.

The major backbone infrastructure necessary for development in Improvement Area No. 1 is complete, which includes Cosumnes River Boulevard (one of the main thoroughfares from which Improvement Area No. 1 is accessed), related traffic signal improvements, wet utilities, dry utilities and wet storm water detention ponds to serve the entire Delta Shores community. For planning purposes, the property in Improvement Area No. 1 has been divided into Villages. The property located south of Cosumnes River Boulevard is planned for 348 market-rate for-sale single-family detached homes, with two Villages zoned for low-density residential development (referred to herein as "LDR-1" and "LDR-2") and one Village zoned for medium-density residential development (referred to herein as "MDR-1").

KB HOME Sacramento Inc., a California corporation ("KB Home") acquired all of the property in MDR-1 and LDR-1 from the Developer which is planned for 191 market-rate homes. As of October 15, 2024, KB Home had completed five model homes and had commenced construction of 50 production homes. As of such date, KB Home had 22 homes in escrow in Improvement Area No. 1. All of the property owned by KB Home in Improvement Area No. 1 is in a finished lot condition with minor in-tract improvements remaining to be completed.

As of October 15, 2024, all of the property in LDR-2, consisting of 157 lots, were in a finished lot condition with minor in-tract improvements remaining to be completed. The Developer has entered into a purchase and sale agreement with Meritage Homes of California, Inc., a California corporation ("Meritage") for Meritage to acquire these 157 lots in LDR-2 in phased takedowns. As of October 15, 2024, Meritage had acquired 77 lots. As of such date, Meritage was undergoing design approvals with the City and had not commenced construction of any homes in Improvement Area No. 1. Under the purchase and sale agreement with the Developer, Meritage is scheduled to acquire the remaining lots in LDR-2 in two additional takedowns, with the final takedown currently scheduled for April 2025. Meritage plans to construct 157 market-rate homes in its project in Improvement Area No. 1.

# See "DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA NO. 1" and "PROPERTY OWNERSHIP."

The property in Improvement Area No. 1 that is located to the north of Cosumnes River Boulevard consists of approximately 20.5 gross acres (approximately 8.85 net acres based on the current recorded large lot map). A portion of such property is zoned for density ranging from 8-14 units per acre (approximately 46-80 units) (referred to herein as "MDR-2") and a portion of such property is zoned for density ranging from 15-27 units per acre (approximately 59-106 units) (referred to herein as "HDR-1"). The development plan for the property in Improvement Area No. 1 that is located to the north of Cosumnes River Boulevard has not been finalized and may include a combination of detached and attached products and for-sale and for-rent products. The Developer may convey all or a portion of such property to third-party builders and/or enter into joint ventures to develop all or a portion of such property.

With respect to the property in Improvement Area No. 1 that is located north of Cosumnes River Boulevard, the Bonds have been sized based on Special Tax revenues using the assumed unit mix and count for such property as shown in Exhibit 1 to the Amended Rate and Method, which consists of 34 medium density units and 59 high density residential units. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Amended and Restated Rate and Method of Apportionment of Special Tax*" and Appendix A hereto for a description of the required Special Tax prepayments or increases to the Special Tax rates should the unit mix and type deviate from those set forth in Exhibit 1 to the Amended Rate and Method.

#### **Forward Looking Statements**

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally

identifiable by the terminology used such as a "plan," "expect," "estimate," "project," "budget" or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions "IMPROVEMENT AREA NO. 1," "DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA NO. 1" and APPENDIX B — "APPRAISAL REPORT."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

#### Sources of Payment for the Bonds

*General.* The Bonds and any bonds issued and secured by and payable from Net Special Tax Revenues on a parity with the Bonds (the "Parity Bonds"), are limited obligations of the City, and the interest on and principal of and redemption premiums, if any, on the Bonds and any Parity Bonds are payable solely from Net Special Tax Revenues which are derived from the Special Tax to be levied annually against the Taxable Land in Improvement Area No. 1, or, to the extent necessary and subject to the conditions set forth in the Indenture, from the monies on deposit in the Bond Reserve Fund. As described in this Official Statement, the Special Tax will be collected along with *ad valorem* property taxes on the tax bills mailed by the County. Although the Special Tax constitutes a lien on the property subject to taxation in Improvement Area No. 1, it does not constitute a personal indebtedness of the owners of such property. There is no assurance that such owners will be financially able to pay the annual Special Tax or that they will pay such taxes even if they are financially able to do so.

*Limited Obligations*. Except for Net Special Tax Revenues, no other revenues or taxes are pledged to the payment of the Bonds and any Parity Bonds. The Bonds and any Parity Bonds are not general obligations of the City but are special limited obligations of the City payable solely from the Net Special Tax Revenues and other amounts held under the Indenture, as more fully described herein.

**Special Tax**. As used in this Official Statement, the terms: (1) "Special Tax" means the special tax authorized to be levied and collected annually on all Taxable Land in Improvement Area No. 1 under and pursuant to the Act at the special election held within Improvement Area No. 1; (2) "Net Special Tax Revenues" means the proceeds of the Special Tax, less the Priority Administrative Expenses; and (3) "Priority Administrative Expenses" means (i) for Fiscal Year 2025-26, \$20,000, and (ii) for each subsequent Fiscal Year, an amount equal to the Priority Administrative Expenses for the preceding Fiscal Year plus 3% of such amount. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax" and APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." Under the Indenture, the City will pledge to pay debt service on the Bonds and any Parity Bonds from the Net Special Tax Revenues received by or on behalf of the City and any other amounts held in the Special Tax Fund, the Bond Redemption Fund, and the Bond Reserve Fund, as provided in the Indenture.

The Net Special Tax Revenues are the primary security for the repayment of the Bonds and any Parity Bonds. In the event that the Special Tax is not paid when due, the only sources of funds available to pay the debt service on the Bonds and any Parity Bonds are amounts, if any, held by the Treasurer in the Special Tax Fund and the amounts, if any, held in the Bond Reserve Fund and the Bond Redemption Fund held by the Trustee under the Indenture, subject to the terms of the Indenture. See "SOURCES OF PAYMENT FOR THE BONDS."

*Foreclosure Covenant.* The City will covenant in the Indenture to, annually on or before October 1 of each year, review the public records of the County relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act: against (i) all parcels that are delinquent in the payment of two installments of such Special Tax in such Fiscal Year; and (ii) all parcels that are delinquent in the payment of such Special Tax if the total amount so collected is less than ninety-five percent (95%) of the total amount of the Special Tax levied in such Fiscal Year; in each case to enforce the lien of all such delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale provided, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Government Code of the State of California.

The City is not obligated to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the City has received 100% of the amount of the installment from the County under the Teeter Plan (as defined below). The County's policy is that any new taxing entity or special assessment district that includes its levy on the County's secured tax roll is qualified to be under the County's Teeter Plan. Fiscal Year 2025-26 will be the first year of the Special Tax levy and it is expected that Improvement Area No. 1 will be included in the County's Teeter Plan when the Special Tax is levied. See "SOURCES OF PAYMENT FOR THE BONDS — Teeter Plan" and "SPECIAL RISK FACTORS — Teeter Plan Termination."

See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax —*Foreclosure Covenant*" herein and APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens." There is no assurance that the property subject to taxation within Improvement Area No. 1 can be sold for the appraised or assessed values described in this Official Statement and in the Appraisal Report (as defined herein), or for a price sufficient to provide monies to pay the principal of and interest on the Bonds in the event of a default in payment of the Special Tax by current or future landowners within Improvement Area No. 1. See "SPECIAL RISK FACTORS — Property Values" and APPENDIX B — "APPRAISAL REPORT."

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF SACRAMENTO, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET SPECIAL TAX REVENUES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE NET SPECIAL TAX REVENUES AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

**Parity Bonds and Additional Liens.** Under the terms of the Indenture, the City may issue Parity Bonds secured by Net Special Tax Revenues on a parity with the Bonds if certain conditions are met. See "SOURCES OF PAYMENT FOR THE BONDS — Issuance of Parity Bonds." Parity Bonds may be issued by means of a supplemental indenture and without any requirement for the consent of any Holders. See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Conditions for the Issuance of Bonds." Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Tax have been levied and may also be levied in the future on the property within Improvement Area No. 1, which could adversely affect the ability and willingness of the landowners to pay the Special Tax when due. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments."

#### **Appraisal Report**

An MAI appraisal (the "Appraisal Report") of the real property that is subject to the lien of the Special Tax in Improvement Area No. 1 was prepared by Smith & Associates, Inc., Folsom, California (the

"Appraiser"). The Appraisal Report has a date of value of September 25, 2024 (the "Date of Value"). See APPENDIX B — "APPRAISAL REPORT." As of the Date of Value, the Appraiser estimates that the aggregate value of all of the Taxable Property (as defined in the Amended Rate and Method) within Improvement Area No. 1 subject to the Special Tax was not less than \$88,651,000. The following table summarizes the appraised value by ownership as of the Date of Value:

Owner	Village	Expected No. of Homes at Buildout	Appraised Value
KB Home	MDR-1 and LDR-1	191	\$42,786,000
Meritage	LDR-2 (portion)	77	19,700,000
Developer	LDR-2 (portion)	80	19,615,000
Developer	MDR-2 and HDR-1	<u>93</u> <sup>(1)</sup>	6,550,000
	Totals	441	\$88,651,000

<sup>(1)</sup> Based on the expected units as set forth in the Amended Rate and Method. Development plans for Villages MDR-2 and HDR-1 have not been finalized and the actual number of units for such property at buildout may vary from the amounts shown in this table.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in APPENDIX B. The City makes no representations as to the accuracy of the Appraisal Report. See "IMPROVEMENT AREA NO. 1 — Property Values" and "—Value-to-Lien Ratios." There is no assurance that any property within Improvement Area No. 1 can be sold for the estimated values set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to provide monies to pay the Special Tax for that parcel in the event of a default in payment of the Special Tax by the landowner. See "IMPROVEMENT AREA NO. 1," "SPECIAL RISK FACTORS — Property Values" and APPENDIX B — "APPRAISAL REPORT."

#### **Market Absorption Report**

In order to provide information with respect to the potential market demand for the proposed development within Improvement Area No. 1, the City retained John Burns Real Estate Consulting, Folsom, California (the "Market Absorption Consultant") to conduct an absorption analysis and to prepare a report with respect thereto. The Market Absorption Consultant prepared a report (the "Market Absorption Report") attached to this Official Statement as Appendix J. The Market Absorption Study assumes that Improvement Area No. 1 will be developed with 348 for-sale residential units in Villages MDR-1, LDR-1 and LDR-2, south of Cosumnes River Boulevard, and either 87 build-to-rent single family homes or 261 for-rent apartment units, north of Cosumnes River Boulevard. The development plan for the property in Improvement Area No. 1 north of Cosumnes River Boulevard has not been finalized and the Market Absorption Study acknowledges that such property could also be developed as for-sale housing.

Based on the assumptions and subject to the limiting conditions set forth in the Market Absorption Study, the Market Absorption Consultant estimates that the 348 proposed for-sale homes within Improvement Area No. 1 will be closed out in 2028, 87 build-to-rent single family homes could achieve equilibrium (95% occupancy) in 2026 and a 261 for-rent apartments could achieve equilibrium in 2027.

The conclusions set forth in the Market Absorption Report are based upon various expected economic and real estate factors. If any of these and other factors are not achieved, the rates of absorption set forth in the Market Absorption Report could be adversely affected. See Appendix J—"MARKET ABSORPTION REPORT."

#### **Description of the Bonds**

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to

actual purchasers of the Bonds (the "Beneficial Owners") in integral multiples of \$5,000, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described in Appendix I. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See APPENDIX I — "BOOK-ENTRY ONLY SYSTEM."

Principal of, premium, if any, and interest on the Bonds are payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Trustee, all as provided in the Indenture.

The Bonds are subject to optional redemption, extraordinary redemption, and mandatory sinking fund redemption as described herein. See "THE BONDS — Redemption." For more complete descriptions of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see "THE BONDS" and APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

## **Professionals Involved in the Offering**

Zions Bancorporation, National Association, Los Angeles, California, will serve as Trustee under the Indenture. Stifel, Nicolaus & Company, Incorporated is the underwriter (the "Underwriter") of the Bonds. The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City in connection with the issuance of the Bonds. Stradling Yocca Carlson & Rauth LLP, Newport Beach, California is serving as Disclosure Counsel to the City with respect to the Bonds. Certain legal matters will be passed on for the City by the Office of the City Attorney, for the Underwriter by Best Best & Krieger LLP, Riverside, California, as counsel to the Underwriter, for the Developer by the Law Offices of Thatch & Hooper, LLP, Sacramento, California and for the Trustee by its counsel. Other professional services have been performed by Smith & Associates, Inc., Folsom, California, as the Appraiser, John Burns Real Estate Consulting, Folsom, California as Market Absorption Consultant, Fieldman, Rolapp & Associates, Inc., Irvine, California as municipal advisor to the City, NBS, Temecula, California, as Special Tax Consultant, and BBG, Inc., Sacramento, California, as Appraisal Reviewer.

For information concerning respects in which certain of the above-mentioned professionals, advisors, counsel and consultants may have a financial or other interest in the offering of the Bonds, see "FINANCIAL INTERESTS" herein.

#### **Continuing Disclosure**

The City has agreed to provide, or cause to be provided, pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission (the "Rule") certain financial information and operating data on an annual basis (the "City Reports"). The City has further agreed to provide, in a timely manner, notice of certain events with respect to the Bonds (the "Listed Events"). These covenants have been made in order to assist the Underwriter in complying with the Rule. The City Reports will be filed with the Electronic Municipal Market Access System ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB") available on the Internet at http://emma.msrb.org. Notices of Listed Events will also be filed with the MSRB on EMMA. Within the last five years, the City and certain related entities have failed to comply in certain respects with prior continuing disclosure undertakings. See "CONTINUING DISCLOSURE."

The Underwriter does not consider any of the Developer, KB Home or Meritage to be an "obligated person" with respect to the Bonds for purposes of the Rule. To assist in the marketing of the Bonds, the Developer, KB Home and Meritage will each execute and deliver a continuing disclosure undertaking pursuant to which they will agree to provide, or cause to be provided on EMMA, updated information relating to their

respective property in Improvement Area No. 1 (the "Developer Reports" and together with the City Reports, the "Reports") on a semi-annual basis, and notices of certain events.

See "CONTINUING DISCLOSURE" and APPENDIX G and APPENDIX H for a description of the specific nature of the annual reports to be filed by the City, the Developer, KB Home and Meritage, notices of Listed Events and the forms of the continuing disclosure undertakings pursuant to which such Reports are to be made.

#### **Bond Holders' Risks**

Certain events could affect the ability of the City to collect the Special Tax in an amount sufficient to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The Bonds are not rated by any nationally recognized rating agency. The purchase of the Bonds involves significant risks, and the Bonds may not be appropriate investments for certain investors. See "SPECIAL RISK FACTORS."

#### **Changes Since the Date of the Preliminary Official Statement**

Changes have been made in this Official Statement since the Preliminary Official Statement dated November 21, 2024 as follows: (i) on the page following the maturity schedule to update the identity of the Mayor and certain City Council members who took office effective December 10, 2024; (ii) to provide that since October 15, 2024, all in-tract infrastructure in Improvement Area No. 1 south of Cosumnes River Boulevard has been completed; and (iii) to update Meritage's estimated sales commencement timeframe from December 2024 to March 2025.

## **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the Bonds and the Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bonds and the constitution and laws of the State as well as the proceedings of the City Council, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Indenture. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

Copies of the Indenture and other documents and information are available for inspection and (upon request and payment to the City of a charge for copying, mailing and handling) for delivery from the City Treasurer's Office at 915 I Street, Historic City Hall, 3<sup>rd</sup> Floor, Sacramento, California 95814.

# THE FINANCING PLAN

#### **Authorized Facilities**

A portion of the proceeds of the Bonds will be applied to finance the costs of the acquisition and construction of certain facilities authorized under the Act which include without limitation, water and storm drain improvements, roadways and traffic improvements, landscaping and park improvements, in addition to other improvements authorized under the Acquisition Agreement described below. See "IMPROVEMENT AREA NO. 1 — Description of Authorized Facilities."

# **Estimated Sources and Uses of Funds**

The following table sets forth the expected sources and uses of Bond proceeds.

Sources of Funds:	
Principal Amount of Bonds	\$ 14,480,000.00
Plus Original Issue Premium	799,995.75
Total Sources	<u>\$ 15,279,995.75</u>
Uses of Funds:	
Acquisition and Construction Fund	\$ 12,117,220.30
Bond Redemption Fund <sup>(1)</sup>	921,112.50
Costs of Issuance <sup>(2)</sup>	987,410.00
Bond Reserve Fund	1,254,252.95
Total Uses	<u>\$ 15,279,995.75</u>

<sup>(1)</sup> Amount represents capitalized interest on a portion of the Bonds accruing through December 1, 2026.

(2) Includes Underwriter's discount, Bond Counsel, Disclosure Counsel, Special Tax Consultant, Municipal Advisor and Trustee fees, appraisal costs, printing costs and other issuance costs.

Source: The Underwriter.

#### THE BONDS

#### **General Provisions**

The Bonds will be dated as of their date of delivery and will bear interest at the rates per annum, payable semi-annually on each March 1 and September 1, commencing on March 1, 2025 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates, all as set forth on the inside cover page of this Official Statement. The interest accruing on a portion of the Bonds through December 1, 2026 is being funded from capitalized interest.

Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless it is authenticated on a day during the period from the 16<sup>th</sup> day of the month next preceding an Interest Payment Date to such Interest Payment Date, both dates inclusive, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on a day on or before the 15<sup>th</sup> day of the month next preceding the first Interest Payment Date, in which event it shall bear interest from its date; <u>provided</u>, that if at the time of authentication of any Bond interest is then in default on any Outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to the Indenture as the registered owner thereof at the close of business as of the Record Date, meaning the 15<sup>th</sup> day of the month next preceding any Interest Payment Date. Such interest will be paid by check of the Trustee mailed by first class mail to such registered owner at his address as it appears on such books, except that in the case of a Holder of \$1,000,000 or more in aggregate principal amount of Outstanding Bonds, payment shall be made at such Holder's option by federal wire transfer of immediately available funds according to written instructions provided by such Holder to the Trustee at least 15 days before such Interest Payment Date to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the United States of America.

Payment of the principal of and redemption premiums, if any, on the Bonds shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to the Indenture as the registered owner thereof, such principal and redemption premiums, if any, to be paid only on

the surrender of the Bonds at the Principal Corporate Trust Office of the Trustee at maturity or on redemption prior to maturity.

The Bonds will be issued as fully registered bonds without coupons and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal and interest on the Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC's procedures and the procedures of DTC's Participants. See APPENDIX I — "BOOK-ENTRY ONLY SYSTEM."

#### Redemption

**Optional Redemption.** The Bonds maturing on or after September 1, 2032, are subject to optional redemption by the City before their respective stated maturity dates, as a whole or in part on any date on or after September 1, 2031, from any source of available funds other than prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at the following redemption prices (expressed as a percentage of the principal amount of Bonds or portions thereof called for redemption), together with accrued interest to the date of redemption:

<b>Redemption Dates</b>	<b>Redemption Price</b>
September 1, 2031, through and including August 31, 2032	103%
September 1, 2032, through and including August 31, 2033	102
September 1, 2033, through and including August 31, 2034	101
September 1, 2034, and any date thereafter	100

*Extraordinary Redemption from Special Tax Prepayments.* The Bonds are subject to extraordinary redemption by the City before their respective stated maturity dates, as a whole or in part on any Interest Payment Date, solely from prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at the following redemption prices (expressed as a percentage of the principal amount of Bonds or portions thereof called for redemption), together with accrued interest to the date of redemption:

Redemption Dates	Redemption Price
Any Interest Payment Date from March 1, 2025 through and including March 1, 2032	103%
September 1, 2032, and March 1, 2033	102
September 1, 2033, and March 1, 2034	101
September 1, 2034, and any Interest Payment Date thereafter	100

See the caption "SPECIAL RISK FACTORS—Potential Early Redemption of Bonds from Prepayments or Bond Proceeds" for a discussion of the potential for a lower-than-expected yield on the Bonds as a result of a special mandatory redemption from prepayment of the Special Tax.

*Mandatory Sinking Fund Redemption*. The Bonds maturing on September 1, 2040, are subject to mandatory redemption by the City before their stated maturity date in part on each September 1, as set forth in the schedule below, solely from Sinking Fund Account Payments established under the Indenture for that purpose, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

Sinking Fund Redemption Date (September 1)	Sinking Fund Payments
2035	\$ 240,000
2036	270,000
2037	300,000
2038	335,000
2039	370,000
2040 (maturity)	405,000

The Bonds maturing on September 1, 2045, are subject to mandatory redemption by the City before their stated maturity date in part on each September 1, as set forth in the schedule below, solely from Sinking Fund Account Payments established under the Indenture for that purpose, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

Sinking Fund Redemption Date (September 1)	Sinking Fund Payments
2041	\$ 445,000
2042	490,000
2043	535,000
2044	580,000
2045 (maturity)	630,000

The Bonds maturing on September 1, 2049, are subject to mandatory redemption by the City before their stated maturity date in part on each September 1, as set forth in the schedule below, solely from Sinking Fund Account Payments established under the Indenture for that purpose, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

Sinking Fund Redemption Date (September 1)	Sinking Fund Payments
2046	\$ 685,000
2047	740,000
2048	800,000
2049 (maturity)	860,000

The Bonds maturing on September 1, 2054, are subject to mandatory redemption by the City before their stated maturity date in part on each September 1, as set forth in the schedule below, solely from Sinking Fund Account Payments established under the Indenture for that purpose, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

Sinking Fund Redemption Date (September 1)	Sinking Fund Payments
2050	\$ 930,000
2051	1,000,000
2052	1,075,000
2053	1,150,000
2054 (maturity)	1,235,000

*Selection of Bonds for Redemption*. If less than all of the Bonds outstanding are to be redeemed at the option of the City at any one time, the City will select the maturity date or dates of the Bonds to be redeemed. If less than all of the Bonds of any one maturity date are to be redeemed at any one time, the Trustee shall select the Bonds or the portions thereof of such maturity date to be redeemed in integral multiples of \$5,000 in any manner that the Trustee deems appropriate.

*Notice of Redemption.* When Bonds are to be redeemed under the Indenture, the Trustee shall give notice of the redemption of such Bonds. The notice of redemption must state the date of the notice, the Bonds to be redeemed, the date of issue of the Bonds, the redemption date, the redemption price, the place of redemption (being the address of the Principal Corporate Trust Office of the Trustee), the CUSIP number (if any) of the maturity or maturities and, if less than all of any such maturity, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. The notice must further state that interest on the Bonds must be surrendered for redemption at the Principal Corporate Trust Office of the Trustee for payment of the redemption price thereof. If any Bond chosen for redemption is not redeemable in whole, the notice must state that the Bond is to be redeemed in part only and that upon presentation of the Bond for redemption there will be issued in lieu of the unredeemed portion of principal amount to the unredeemed portion.

At least 30 days but no more than 90 days before the redemption date, the Trustee shall mail a copy of such notice by first-class mail, postage prepaid, to (a) the Holders of all Bonds selected for redemption at their addresses appearing on the register maintained by the Trustee in accordance with the Indenture, (b) the securities information services selected by the City in accordance with the Indenture, and (c) the Underwriter. Neither the failure to receive any such notice nor any immaterial defect in such notice will affect the sufficiency or validity of the proceedings for redemption.

Notwithstanding anything to the contrary contained in the Indenture, with respect to any notice of optional or extraordinary redemption of Bonds, unless, upon the giving of such notice, such Bonds are deemed to have been paid within the meaning of the Indenture, such notice will state that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such amounts are not received the notice will be of no force and effect and the City will not be required to redeem such Bonds. In the event that any such notice of redemption contains such a condition and such amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the same manner, and to the same parties, as the notice of redemption was given. Such failure to redeem such Bonds shall not constitute an Event of Default under the Indenture.

Notwithstanding anything to the contrary contained in the Indenture, any notice of optional or extraordinary redemption of Bonds may be rescinded by written notice given to the Trustee by the City no later than five Business Days prior to the date specified for redemption. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as notice of such redemption was given.

*Effect of Redemption.* If notice of redemption is given as provided in the Indenture and the money necessary for the payment of the principal of, and any redemption premiums and interest to the redemption date on, the Bonds or portions thereof so called for redemption is held by the Trustee, then on the redemption date the Bonds called for redemption or portions thereof will become due and payable, and from and after the redemption date interest on those Bonds or such portions thereof will cease to accrue and the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the principal or such portions thereof and the redemption date.

# **DEBT SERVICE SCHEDULE**

The following table presents the semi-annual debt service on the Bonds (including sinking fund redemption), assuming there are no optional or extraordinary redemptions.

Date	Principal	Interest	Total Debt Service
3/1/2025		\$144,800.00	\$144,800.00 <sup>(1)</sup>
9/1/2025		362,000.00	362,000.00 <sup>(1)</sup>
3/1/2026		362,000.00	362,000.00 <sup>(1)</sup>
9/1/2026	\$350,000	362,000.00	712,000.00 <sup>(2)</sup>
3/1/2027		353,250.00	$353,250.00^{(2)}$
9/1/2027	75,000	353,250.00	428,250.00
3/1/2028		351,375.00	351,375.00
9/1/2028	75,000	351,375.00	426,375.00
3/1/2029		349,500.00	349,500.00
9/1/2029	95,000	349,500.00	444,500.00
3/1/2030		347,125.00	347,125.00
9/1/2030	115,000	347,125.00	462,125.00
3/1/2031		344,250.00	344,250.00
9/1/2031	140,000	344,250.00	484,250.00
3/1/2032		340,750.00	340,750.00
9/1/2032	160,000	340,750.00	500,750.00
3/1/2033		336,750.00	336,750.00
9/1/2033	185,000	336,750.00	521,750.00
3/1/2034		332,125.00	332,125.00
9/1/2034	210,000	332,125.00	542,125.00
3/1/2035		326,875.00	326,875.00
9/1/2035	240,000	326,875.00	566,875.00
3/1/2036		320,875.00	320,875.00
9/1/2036	270,000	320,875.00	590,875.00
3/1/2037		314,125.00	314,125.00
9/1/2037	300,000	314,125.00	614,125.00
3/1/2038		306,625.00	306,625.00
9/1/2038	335,000	306,625.00	641,625.00
3/1/2039		298,250.00	298,250.00
9/1/2039	370,000	298,250.00	668,250.00
3/1/2040		289,000.00	289,000.00
9/1/2040	405,000	289,000.00	694,000.00
3/1/2041		278,875.00	278,875.00
9/1/2041	445,000	278,875.00	723,875.00
3/1/2042		267,750.00	267,750.00
9/1/2042	490,000	267,750.00	757,750.00
3/1/2043		255,500.00	255,500.00
9/1/2043	535,000	255,500.00	790,500.00
3/1/2044		242,125.00	242,125.00
9/1/2044	580,000	242,125.00	822,125.00
3/1/2045		227,625.00	227,625.00
9/1/2045	630,000	227,625.00	857,625.00
3/1/2046		211,875.00	211,875.00
9/1/2046	685,000	211,875.00	896,875.00
3/1/2047		194,750.00	194,750.00
9/1/2047	740,000	194,750.00	934,750.00
3/1/2048		176,250.00	176,250.00

Date	Principal	Interest	Total Debt Service
9/1/2048	800,000	176,250.00	976,250.00
3/1/2049		156,250.00	156,250.00
9/1/2049	860,000	156,250.00	1,016,250.00
3/1/2050		134,750.00	134,750.00
9/1/2050	930,000	134,750.00	1,064,750.00
3/1/2051		111,500.00	111,500.00
9/1/2051	1,000,000	111,500.00	1,111,500.00
3/1/2052		86,500.00	86,500.00
9/1/2052	1,075,000	86,500.00	1,161,500.00
3/1/2053		59,625.00	59,625.00
9/1/2053	1,150,000	59,625.00	1,209,625.00
3/1/2054		30,875.00	30,875.00
9/1/2054	1,235,000	30,875.00	1,265,875.00
Totals	\$14,480,000	\$15,321,050.00	\$29,801,050.00

<sup>(1)</sup> Amount to be paid from capitalized interest.

<sup>(2)</sup> A portion of such amount to be paid from capitalized interest.

Source: The Underwriter.

## SOURCES OF PAYMENT FOR THE BONDS

#### **Limited Obligations**

The Bonds are payable from and secured by Net Special Tax Revenues and by amounts on deposit in the Special Tax Fund, the Bond Redemption Fund and the Bond Reserve Fund. The Bonds are not secured by monies on deposit in the Expense Fund, the Rebate Fund, the Community Facilities Fund, the Costs of Issuance Fund or the Acquisition and Construction Fund established by the Indenture.

The Indenture defines the terms: (1) "Special Tax" to mean the special tax authorized to be levied and collected annually on all Taxable Land in Improvement Area No. 1 under and pursuant to the Act at the special election held within Improvement Area No. 1; (2) "Net Special Tax Revenues" to mean the proceeds of the Special Tax, less the Priority Administrative Expenses; and (3) "Priority Administrative Expenses" to mean (i) for Fiscal Year 2025-26, \$20,000, and (ii) for each subsequent Fiscal Year, an amount equal to the Priority Administrative Expenses for the preceding Fiscal Year plus 3% of such amount.

See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Definitions." Special taxes levied in Improvement Area No. 2 and Improvement Area No. 3 of the District are not pledged to and are not available to pay debt service on the Bonds.

The City is legally authorized and has covenanted in the Indenture to cause the levy and collection of the Special Tax in an amount determined according to the Amended Rate and Method. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax" and "SPECIAL RISK FACTORS — Proposition 218" below. The Amended Rate and Method apportions the total amount of the Special Tax to be collected among the Taxable Property in Improvement Area No. 1. See "—Special Tax" and APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

Although the Special Tax will be levied against Taxable Property within Improvement Area No. 1, it does not constitute a personal indebtedness of the property owners. There is no assurance that the property owners will be able to pay the Special Tax or that they will pay it even if able to do so. See "SPECIAL RISK FACTORS" herein.

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF SACRAMENTO, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET SPECIAL TAX REVENUES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE NET SPECIAL TAX REVENUES AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

### Special Tax

*Authorization and Pledge.* In accordance with the provisions of the Act, the City established the District and designated various improvement areas therein, including Improvement Area No. 1, on September 24, 2019, for the purpose of financing the various public improvements benefitting the proposed development within the District. Subsequent to the establishment of the District, the City undertook change proceedings pursuant to which the eligible voters approved the levy of the Special Tax in accordance with the Amended Rate and Method and the increase of the amount of bonded indebtedness authorized to be incurred for Improvement Area No. 1 from \$8,000,000 to \$17,000,000 to finance the acquisition of the facilities.

The City will covenant in the Indenture, so long as any Bonds are Outstanding, to annually levy the Special Tax against all Taxable Land in Improvement Area No. 1 in accordance with the Amended Rate and Method and, subject to the limitations in the Amended Rate and Method and the Act, make provision for the collection of the Special Tax in amounts which will be sufficient, together with the money then on deposit in the Bond Redemption Fund or on deposit with the Trustee for transfer to the Bond Redemption Fund, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Indenture, and which in any event will be sufficient to pay the interest on and principal of and Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Fund and to pay all current Expenses as they become due and payable in accordance with the provisions and terms of the Indenture.

The Special Tax is collected in the same manner as *ad valorem* property taxes for the County and, except as otherwise provided in the Indenture or by the Act, is subject to the same penalties and the same collection procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes. See APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

Under the Indenture, except as described below all proceeds of the Special Tax are to be deposited in the Special Tax Fund, which is being established under the Indenture and is held and maintained in trust by the City Treasurer. The City agrees in the Indenture to transfer all amounts in the Special Tax Fund into the following funds in the following order of priority:

- (1) to the Expense Fund in an amount equal to the Priority Administrative Expenses for the Fiscal Year,
- (2) to the Bond Redemption Fund to pay debt service payments on all outstanding Bonds and any Parity Bonds,
- (3) to the Bond Reserve Fund to the extent necessary to replenish the Bond Reserve Fund to the Required Bond Reserve,
- (4) to the Expense Fund, to the extent Expenses were not already funded or reimbursed by the deposit of Priority Administrative Expenses in (1) above, and

(5) to the Community Facilities Fund.

Notwithstanding anything to the contrary in the Indenture, as soon as practicable after the receipt by the City of any prepayment of the Special Tax, the Treasurer shall (i) deposit any component thereof representing the "Future Facilities Amount" (as defined in the Amended Rate and Method) in the Acquisition and Construction Fund, (ii) deposit any component thereof representing the "Administrative Fees and Expenses" (as defined in the Amended Rate and Method) in the Expense Fund, and (iii) transfer to the Trustee for deposit in the Bond Redemption Fund, any remaining amounts, for the extraordinary redemption of Bonds or Parity Bonds pursuant to the terms of any Supplemental Indenture.

See APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Money in the Special Tax Fund" for additional information regarding the deposit, transfer, application, use and withdrawal of money deposited in the Special Tax Fund.

The Special Tax levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Amended Rate and Method. See APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" hereto. There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See the caption "— *Limitation on Special Tax Levy*" below and "SPECIAL RISK FACTORS — Insufficiency of Special Tax" herein.

Amended and Restated Rate and Method of Apportionment of Special Tax. The City is legally authorized and will covenant to cause the levy of the Special Tax in an amount determined according to a methodology, i.e., the Amended Rate and Method which the City Council and the electors within Improvement Area No. 1 have approved. The Amended Rate and Method apportions the total amount of the Special Tax to be collected among the Taxable Property in Improvement Area No. 1 as more particularly described below.

The following is a synopsis of the provisions of the Amended Rate and Method for Improvement Area No. 1, which should be read in conjunction with the complete text of the Amended Rate and Method which is attached as APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." The definitions of the capitalized terms used under this caption "— *Amended and Restated Rate and Method of Apportionment of Special Tax*" are as set forth in APPENDIX A. This section provides only a summary of the Amended Rate and Method, and is qualified by more complete and detailed information contained in the entire Amended Rate and Method attached as APPENDIX A.

Assignment to Land Use Categories. Each Fiscal Year, all Taxable Property within Improvement Area No. 1 shall be classified as Developed Property, Final Subdivision Property, Taxable Contingent Property, Tentative Map Property or Undeveloped Property. Developed Property is defined in the Amended Rate and Method as all Assessor's Parcels of Taxable Property for which a building permit has been issued prior to June 1st preceding the Fiscal Year in which the Special Tax is being levied.

The following table summarizes the currently estimated number of units within each Land Use Class at buildout and the Fiscal Year 2025-26 Assigned Special Tax rates on Developed Property.

Location Relative to Cosumnes River Boulevard South	Land Use Class	Village	Expected Units <sup>(1)</sup>	Fiscal Year 2025-26 Assigned Special Tax Rate per Unit	Expected Fiscal Year 2025-26 Maximum Special Tax Revenues <sup>(2)</sup>
	1	LDR-1	81	\$2,347	\$190,084
	1	LDR-2	157	2,347	368,434
	2	MDR-1	110	1,889	207,773
North					
	2	MDR-2	34	\$1,889	64,221
	3	HDR-1	<u> </u>	271	15,966
		Totals	441		\$846,477

<sup>(1)</sup> Based on the expected units as set forth in the Amended Rate and Method. Development plans for the Villages north of Cosumnes River Boulevard have not been finalized and the actual number of units for such property at buildout may vary from the amounts shown in this table.

<sup>(2)</sup> Based on a levy at the Assigned Special Tax rate on Developed Property. Source: Special Tax Consultant.

Source: Special Tax Consultant.

*Exemptions.* No Special Tax shall be levied on up to 20.10 Acres of Non-Residential Property, Open Space Property Owner Association Property, and Public Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Non-Residential Property, Open Space Property, Property Owner Association Property, or Public Property. For the following property types in excess of the 20.10 Acres exempted under the Amended Rate and Method, Non-Residential Property, Open Space Property, Property Owner Association Property, or Public Property that is not exempt from the Special Tax under the Amended Rate and Method, or pursuant to the Act, shall be classified as Taxable Contingent Property. In addition, no Special Tax shall be levied on Welfare Exempt Property under the conditions set forth in the Amended Rate and Method. See Section E of the Amended Rate and Method attached as Appendix A hereto for a detailed description of exempt property in Improvement Area No. 1.

Maximum Special Tax for Taxable Contingent Property, Tentative Map Property, and Undeveloped Property. The Maximum Special Tax for each Assessor's Parcel of Taxable Contingent Property, Tentative Map Property and Undeveloped Property will be \$10,505.00 per Acre in Fiscal Year 2025-26. The Maximum Special Tax for Taxable Contingent Property, Tentative Map Property and Undeveloped Property increases by 2% on July 1 of each year. See the Amended Rate and Method attached as APPENDIX A.

*Maximum Special Tax for Developed Property and Final Subdivision Property.* The Maximum Special Tax for each Assessor's Parcel of Developed Property and Final Subdivision Property shall be the greater of (1) the Assigned Special Tax, or (2) the Backup Special Tax. The Assigned Special Tax rates for Developed Property and Final Subdivision Property are set forth in Tables 1 and 2 to the Amended Rate and Method. The Assigned Special Tax rates increase by 2% on July 1 of each year. See the Amended Rate and Method attached as APPENDIX A.

The Backup Special Tax per Village for each Assessor's Parcel of Developed Property and Final Subdivision Property, is calculated as follows:

Backup Special Tax = Expected Revenue / Units on Developed Property and/or Units expected on Final Subdivision Property.

For each Village, by reference to Exhibit 1 to the Amended Rate and Method, should the number of Units be less than the Expected Units when all Assessor's Parcels are classified as Developed Property, the Backup Special Tax per Unit shall be adjusted so that the Backup Special Tax per Unit is sufficient to generate

the Expected Revenue in any Fiscal Year. Each Fiscal Year, the CFD Administrator shall update Exhibit 1 to the Amended Rate and Method with the revised Units and Expected Revenue to be derived from each Village.

Notwithstanding the foregoing, once an Assessor's Parcel is used for private residential purposes (as determined by the Act), the Backup Special Tax for the Assessor's Parcel cannot be increased because of future reductions in the number of Units on other Assessor's Parcels. The increases to the Backup Special Tax by 2% per Fiscal Year pursuant to the Amended Rate and Method would still apply to such Assessor's Parcel.

*Changes to Land Use Class.* After a Bond sale, if a Land Use Class change is proposed or identified, the following must be applied:

If the revenues calculated are higher than those reflected in Exhibit 1 or less than those calculated in Exhibit 1, but the reduction in Expected Revenues does not reduce debt service coverage below the required 110% debt service coverage, no further action is needed, and the CFD Administrator shall update Exhibit 1 to show the revised Expected Revenues.

If the revenues calculated are less than those reflected in Exhibit 1, and the CFD Administrator determines that the reduction in Expected Revenues would reduce debt service coverage below the required 110% debt service coverage the Special Tax levied on the Parcel subject to a Land Use Class change will need to be paid and one of the following shall occur: (i) The landowner requesting the Land Use Class change may make a prepayment in an amount that will ensure that the reduced Expected Revenues are sufficient to meet the required 110% debt service coverage or (ii) If a prepayment is not selected, the Assigned Special Tax on the Parcel or Parcels subject to the Land Use Class change shall be increased proportionately until the Expected Revenues are sufficient to maintain the required 110% debt service coverage. Notwithstanding the foregoing, once an Assessor's Parcel is used for private residential purposes (as determined pursuant to the Act), the Maximum Special Tax for the Assessor's Parcel cannot be increased because of future Land Use Class changes for other Assessor's Parcels.

The development plans for the property in Improvement Area No. 1 north of Cosumnes River Boulevard and the mix of the Land Use Class within such property may differ from the mix set forth in Exhibit 1 to the Amended Rate and Method, which may trigger the required actions described in the immediately preceding paragraph.

*Method of Apportionment of Special Tax.* Each Fiscal Year, the CFD Administrator shall determine the Special Tax Requirement and shall levy the Special Tax until the amount of the Special Tax levied equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

<u>First</u>: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at a rate up to 100% of the greater of the applicable Assigned Special Tax or the applicable Backup Special Tax to satisfy the Special Tax Requirement;

<u>Second</u>: If additional monies are needed in order to meet the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Final Subdivision Property at a rate of up to 100% of the greater of the applicable Assigned Special Tax or the applicable Backup Special Tax for Final Subdivision Property;

<u>Third</u>: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on all Tentative Map Property at a rate up to 100% of the Maximum Special Tax for Tentative Map Property; and

<u>Fourth</u>: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax shall be levied Proportionately on all Undeveloped Property at a rate up to 100% of the Maximum Special Tax for Undeveloped Property; and

<u>Fifth</u>: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on all Taxable Contingent Property at a rate up to 100% of the Maximum Special Tax for Taxable Contingent Property.

**Prepayment of Annual Special Tax.** The Annual Special Tax obligation for an Assessor's Parcel of Developed Property, Final Subdivision Property, Taxable Contingent Property, Tentative Map Property, or Undeveloped Property may be prepaid in full, or in part, provided that the terms set forth under the Amended Rate and Method are satisfied. The Prepayment Amount is calculated based on the sum of the Bond Redemption Amount, the Future Facilities Amount, the Redemption Premium, the Defeasance Amount, Administrative Fees and Expenses and less a credit for the resulting reduction in the Required Bond Reserve for the Bonds and Capitalized Interest Credit (if any), all as specified in Section I of the Amended Rate and Method attached as APPENDIX A.

*Limitation on Special Tax Levy.* Pursuant to Section 53321(d) of the Government Code, the Special Tax levied against any Assessor's parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency or default by the owner of any other Assessor's parcel within Improvement Area No. 1 by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, it is possible that the City may not be able to increase the tax levy to the Maximum Special Tax in all years. However, subject to the limitations on the City's ability to levy the necessary amount of the Special Tax as imposed by Section 53321(d) of the Government Code, the City can levy the Special Tax on all Taxable Property to make-up all or a portion of any shortfall in the Special Tax levy, subject to the maximum Special Tax rate on such Taxable Property.

To the City's knowledge, the application of such limitation to for-rent apartment properties has not been subject to interpretation by the courts. A court could hold that such limitation applies, which decision could be binding on community facilities districts within the City. If such limitation were to apply, it is possible that the City may not be able to increase the tax levy to the Maximum Special Tax rate on Taxable Property with for-rent apartment in all years. However, subject to the limitations on the City's ability to levy the necessary amount of Special Tax as imposed by Section 53321(d) of the Government Code, the City can levy Special Taxes up to the Maximum Special Tax rates on all Taxable Property to make-up all or a portion of any shortfall in the Special Tax collections due to delinquencies.

**Collection of Special Tax.** The Special Tax is levied and collected by the Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes. The City may, however, collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations with respect to Improvement Area No. 1.

Although the Special Tax constitutes a lien on Taxable Parcels within Improvement Area No. 1, it does not constitute a personal indebtedness of the owners of property within Improvement Area No. 1. In addition to the obligation to pay the Special Tax, properties in Improvement Area No. 1 are subject to other assessments and special taxes as set forth in Table 1 below. These other special taxes and assessments are on parity with the lien for the Special Tax. Moreover, other liens for taxes and assessments could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners in Improvement Area No. 1. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments." There is no assurance that property owners will be financially able to pay the Special Tax or that they will pay such taxes even if financially able to do so. See "SPECIAL RISK FACTORS" below.

*Foreclosure Covenant.* The proceeds of delinquent amounts of the Special Tax received following a judicial foreclosure sale of parcels within Improvement Area No. 1 resulting from a landowner's failure to pay the Special Tax when due, up to the amount of the delinquent Special Tax lien, are included within the Net Special Tax Revenues pledged to the payment of principal and interest on the Bonds under the Indenture, except any payment of the Special Tax on tax-defaulted parcels, including all delinquent parcels and

redemption penalties, fees and costs and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture, so long as the County has paid to the City the Special Tax levied for a tax-defaulted parcel pursuant to the Teeter Plan established by the County. See "— Teeter Plan" below.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the City of the Special Tax in an amount which is less than the Special Tax levied, the City Council of the City may order that the Special Tax be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory.

The City will covenant in the Indenture to, annually on or before October 1 of each year, review the public records of the County relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act: against (i) all parcels that are delinquent in the payment of two installments of such Special Tax in such Fiscal Year; and (ii) all parcels that are delinquent in the payment of such Special Tax levied in such Fiscal Year; in each case to enforce the lien of all such delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgement and sale provided, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Government Code of the State of California.

However, the City is not obligated to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the City has received 100% of the amount of the installment from the County under the Teeter Plan (as defined below).

See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens."

If foreclosure is necessary and other funds (including amounts in the Bond Reserve Fund) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City. See "SPECIAL RISK FACTORS — Bankruptcy and Foreclosure." Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See "SPECIAL RISK FACTORS — Property Values." Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* property taxes.

#### **Bond Reserve Fund**

In order to secure the payment of principal of and interest on the Bonds, the City is required, upon delivery of the Bonds, to deposit in the Bond Reserve Fund an amount equal to the Required Bond Reserve and thereafter to maintain in the Bond Reserve Fund an amount equal to the Required Bond Reserve.

The Indenture provides that the amount to be maintained in the Bond Reserve Fund as the Required Bond Reserve, as of any date of calculation, shall be the least of (a) ten percent (10%) of the principal amount of the Outstanding Bonds and Parity Bonds, or (b) Maximum Annual Debt Service, or (c) one hundred twenty-

five percent (125%) of the average Debt Service payable under the Indenture in the current and in all future Bond Years, all as determined by the City under the Internal Revenue Code of 1986, as amended (the "Code") and specified in writing to the Trustee; provided, that the Required Bond Reserve (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have at least one rating at the time of issuance of such policy or surety bond or letter of credit equal to "A" or higher assigned by Fitch or "A" or higher assigned by Moody's or "A" or higher assigned by Standard & Poor's, in each case without regard to any numerical modifier or plus or minus sign; and provided further, that the amount of the Required Bond Reserve shall not increase at any time except upon the issuance of a new Series of Parity Bonds; and provided further, that, with respect to any issuance of Parity Bonds, if the amount on deposit in the Bond Reserve Fund would have to be increased by an amount greater than ten percent (10%) of the stated principal amount of such issue of Parity Bonds (or, if the issue has more than a de minimis amount of original issue discount or premium, of the issue price of such issue of Parity Bonds) then the Required Bond Reserve shall be such lesser amount as is determined by a deposit of such 10%.

As of the date of issuance of the Bonds, the Required Bond Reserve will be fully funded in the amount of \$1,254,252.95 from a portion of the proceeds of the Bonds.

Subject to the limits on the maximum annual Special Tax which may be levied within Improvement Area No. 1 in accordance with the Amended Rate and Method set forth in APPENDIX A, the City will covenant to levy the Special Tax in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Bond Reserve Fund at the Required Bond Reserve. Amounts in the Bond Reserve Fund are to be applied to (i) pay debt service on the Bonds and any Parity Bonds, to the extent other monies in the Bond Redemption Fund are insufficient therefor; (ii) reinstate the amount available under any municipal bond insurance policy, surety bond, or letter of credit which may be issued and held in satisfaction of all or a portion of the Required Bond Reserve; and (iii) retire Bonds and any Parity Bonds in whole or in part, to the extent that the amount on deposit in the Bond Reserve Fund exceeds the Required Bond Reserve due to a redemption or defeasance of Bonds or Parity Bonds. See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Allocation of Money in the Special Tax Fund."

#### **Issuance of Parity Bonds**

The City may issue one or more series of Parity Bonds (each a "Series"), in addition to the Bonds, which shall be payable from the Net Special Tax Revenues under the Master Indenture on parity with the Outstanding Bonds. The Parity Bonds shall be issued by means of a Supplemental Indenture and without the consent of any Holders, upon compliance with the provisions of the Master Indenture, which include, among others, the following specific conditions:

(a) No Event of Default under the Master Indenture or under any Supplemental Indenture shall have occurred and shall be then continuing; and

(b) The Net Special Tax Revenues expected to be available to the City if the Special Tax were to be levied and collected at its maximum rate and amount on all Taxable Land in Improvement Area No. 1 during each Fiscal Year that any Bonds and Parity Bonds will be Outstanding, as shown by a written certificate of a special tax consultant selected by the City on file with the Trustee, would have produced a sum equal to at least 110% of the annual Debt Service during the Bond Year that begins in such Fiscal Year; and

(c) The Aggregate Value-to-Lien Ratio of all Taxable Land (excluding the Value of any parcels of Taxable Land then delinquent in the payment of any Special Tax) shall be at least 3:1; and the Allocable Value-to-Lien Ratio of all Unimproved Property (excluding the Value of any parcels of Taxable Land then delinquent in the payment of any Special Tax) shall be at least 3:1. The term "Value" means either the current

assessed valuation of a parcel of Taxable Land or the appraised value of a parcel of Taxable Land determined by an MAI appraiser, and the term "Aggregate Value-to-Lien Ratio" means the ratio of the Value of all Taxable Land to the aggregate principal amount of all Bonds and any Parity Bonds Outstanding and the Series proposed to be issued plus the aggregate principal amount of all other assessment bonds and bonds issued under the Act and reasonably allocable to such Taxable Property, the term "Allocable Value-to-Lien Ratio" means the ratio of the Value of all Unimproved Property to the principal amount of all Bonds and any Parity Bonds Outstanding and the Series proposed to be issued and reasonably allocable to such Unimproved Property, plus the principal amount of all other assessment bonds and bonds issued under the Act and reasonably allocable to such Unimproved Property, and the term "Unimproved Property" means all parcels of Taxable Land for which a building permit has not been issued.

Notwithstanding provisions of the Indenture described in (b) and (c) above, nothing contained in the Indenture shall limit the issuance of any Series payable from the Net Special Tax Revenues as provided therein if after the issuance and delivery of such Series, either (i) none of the Bonds and Parity Bonds theretofore issued under the Indenture will be Outstanding, or (ii) the Debt Service in each Bond Year that begins after the issuance of such Series is not increased by reason of the issuance of such Series.

See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Conditions for the Issuance of Bonds."

#### **Teeter Plan**

In July 1993, the Board of Supervisors of the County approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis (irrespective of actual collections) to local political subdivisions for which the County acts as the tax-levying or tax-collecting agency.

Under the Teeter Plan, the County distributes tax collections on a cash basis to taxing entities during the fiscal year and at year-end distributes 100% of any taxes delinquent as of June 30th to the taxing entities and those special assessment districts and community facilities districts (and individual parcels within each district) that the County determines are eligible to participate in the Teeter Plan. The County may make eligibility determinations on an annual basis and may exclude a district or an individual parcel that had previously been included in the plan. The County has the discretion to determine which delinquent special taxes will be paid through the Teeter Plan on a case-by-case basis.

The County's policy includes the following criteria for delinquent parcels to be excluded from the County's Teeter Plan: (1) tax bills belonging to a governmental/public agency; (2) common area parcels; (3) tax bills on the unitary assessed values or pipeline assessed values; (4) special assessments (subject to judiciary foreclosure) to be stripped from the tax bill; (5) bankruptcy; (6) demolition of the property; (7) vacant buildings (due to a risk of possible demolition); (8) contamination of the property; (9) property that is subjected to the "sealed bid"; (10) the delinquent amount is greater than or equal to assessed value of the property; (11) property that is de-enrolled from the Teeter Plan in previous years under the same owner and (12) the amount of code enforcement liens, other delinquent abatement liens, and delinquent utilities levied on the property is equal to or greater than 5% of the assessed value of the property.

The County's policy is that any new taxing entity or special assessment district that includes its levy on the County tax roll is qualified to be under the County's Teeter Plan. Fiscal Year 2025-26 will be the first year of the Special Tax levy and it is expected that Improvement Area No. 1 will be included in the County's Teeter Plan when the Special Tax is levied. See "SPECIAL RISK FACTORS — Teeter Plan Termination."

## **DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA NO. 1**

The information in this section about the Developer, KB Home and Meritage and the developments within Improvement Area No. 1 has been provided by the Developer, KB Home and Meritage and has not been independently confirmed or verified by the Underwriter or the City. The Underwriter and the City make no representation as to the accuracy or adequacy of the information contained in this section, including, but not limited to the description of any other agreement between the Developer and Meritage or their respective affiliates with respect to the Delta Shores project.

The information provided in this section has been included because it may be considered relevant to an informed evaluation and analysis of the Bonds. No assurance can be given, however, that the proposed development of the property within Improvement Area No. 1 will occur in a timely manner or in the configuration or to the density described in this Official Statement, or that the Developer, KB Home, Meritage, or any owners or affiliates thereof, or any other property owner described in this Official Statement will or will not retain ownership of its respective property within Improvement Area No. 1. Neither the Bonds nor the Special Tax represent personal obligations of any property owner within Improvement Area No. 1. The Bonds are secured by and payable solely from Net Special Tax Revenues and amounts on deposit in certain of the funds and accounts established and maintained under the Indenture. See "SPECIAL RISK FACTORS" for a discussion of certain of the risk factors that should be considered in evaluating the investment quality of the Bonds. Neither the Bonds nor the Special Tax are personal obligations of the property owners within Improvement Area No. 1 or any affiliate thereof and, in the event that a property owner defaults in the payment of its Special Tax, the City may proceed with judicial foreclosure, but has no direct recourse to the assets of such property owner or any affiliate thereof.

#### Delta Shores, the District and Improvement Area No. 1

**Delta Shores.** The property in Improvement Area No. 1 is part of an approximately 782-acre new master-planned community being marketed as "Delta Shores." M&H Realty Partners VI, L.P., a California limited partnership (previously defined as the "Developer") has served as the master developer of the Delta Shores development. Since approximately 2009, the Developer has developed and sold significant portions of the Delta Shores development to homebuilders and to another property development company. Delta Shores is located in the southern portion of the City, approximately 10 miles from downtown Sacramento, straddling Interstate 5. Delta Shores is bordered to the north by the developed Meadowview community, to the south by an open space "buffer zone" between the Sacramento Area Sewer District's treatment plant, to the west by the Sacramento River, and to the east by Morrison Creek and existing communities. See the map following the table of contents for a depiction of the location of the Delta Shores community. In 2016, a new freeway interchange and extension of Cosumnes River Boulevard (a major thoroughfare bisecting the Delta Shores site) was completed, providing direct access to the site from the Interstate 5 freeway.

Delta Shores is currently entitled for up to 5,222 residential units and 1.3 million square feet of commercial and retail space and a mixed-use town center of approximately 20 acres. At buildout, Delta Shores is expected to include approximately 2,300 for-sale low and medium-density single-family homes, 1,700 high-density housing units in for-rent offerings, 1.3 million square feet of retail and commercial space, two new elementary schools, approximately 50 acres of parks, a City fire station and open space.

A portion of the planned retail development within Delta Shores known as the South Regional Shopping Center has been completed by the Developer. The completed portion is located adjacent to the Interstate 5 freeway and consists of approximately 900,000 square feet of retail space and associated parking facilities. Current anchor tenants include WalMart, PetSmart, Dick's Sporting Goods, Ross, RC Wiley, At Home, Floor & Décor and Regal Cinema. In July 2022, the Developer sold the property that it owned within the South Regional Shopping Center. At the time of sale, the Developer estimated that approximately 96% of the space within the South Regional Shopping Center had been leased.

**The District.** The District consists of approximately 535 acres and includes the property within the Delta Shores community with the exception of the South Regional Shopping Center described above, which is not within the District. Improvement Area No. 1 is located on the western portion of the District. Improvement Area No. 2 is located to the east of Improvement Area No. 1 and is planned for a mix of low, medium and high-density residential units, as wells as parks and open space, an elementary school and a wet detention basis. The first phase of the residential development of Delta Shores commenced in Improvement Area No. 2, which initial residential development is being undertaken by Signature Homes. Development in Improvement Area No. 2 is ongoing with home construction and sales underway. As of September 1, 2024, of the 421 planned for-sale homes in Improvement Area No. 2, Signature Homes had completed and conveyed 67 homes to individual homeowners.

Improvement Area No. 3 is located to the north of Improvement Area No. 2 and is planned for a mix of low, medium and high-density residential units, parks, an elementary school and open space. The Developer has conveyed substantially all of the property in Improvement Area No. 3 to Taylor Builders. In connection with such sale, certain obligations under the Development Agreement (as defined below) for Delta Shores, as well as the obligation to complete a regional sewer lift station, was transferred from the Developer to Taylor Builders. *The property in Improvement Area No. 2 and Improvement Area No. 3 is not subject to the levy of the Special Tax and is not security for the Bonds.* 

**Improvement Area No. 1.** Improvement Area No. 1 consists of approximately 107 gross acres and approximately 87 net acres. Improvement Area No. 1 is bordered to the east by the Interstate 5 freeway, to the south by the City-owned Bartley Cavanaugh Golf Course, to the west by the community of Freeport and the Sacramento River and to the north by an existing commercial development. Cosumnes River Boulevard bisects Improvement Area No. 1 with approximately 86.5 gross acres (approximately 77.5 net acres) of property in Improvement Area No. 1 located to the south of Cosumnes River Boulevard and approximately 20.5 gross acres (approximately 8.85 net acres based on the current recorded large lot map) to the north.

As of October 15, 2024, all of the property located south of Cosumnes River Boulevard was in a finished condition with minor in-tract and offsite improvements remaining to be completed. Since October 15, 2024, all in-tract work has been completed leaving only minor off-site work to be completed. The Developer currently expects such remaining infrastructure to be complete in the first quarter of 2025. The balance of the property in Improvement Area No. 1 that is located south of Cosumnes River Boulevard includes a completed detention basin and property planned for two parks totaling approximately 6.6 acres.

The property in Improvement Area No. 1 located south of Cosumnes River Boulevard (consisting of Villages MDR-1, LDR-1 and LDR-2) is planned for 348 market-rate for-sale single-family detached homes. As of October 15, 2024, KB Home owned 191 lots in Villages MDR-1 and LDR-1 and had completed five model homes, commenced construction of 50 production homes and had 22 homes in escrow. As of such date, all of the property in Village LDR-2, consisting of 157 lots, were in a finished lot condition with minor in-tract improvements remaining to be completed. The Developer has entered into a purchase and sale agreement with Meritage for Meritage to acquire these 157 lots in Village LDR-2 in phased takedowns. As of October 15, 2024, Meritage had acquired 77 lots. As of such date, Meritage was undergoing design approvals with the City and had not commenced construction of any homes in Improvement Area No. 1. Under the purchase and sale agreement with the Developer, Meritage is scheduled to acquire the remaining lots in Village LDR-2 in two additional takedowns, with the final takedown of 53 lots currently scheduled for April 2025. Meritage plans to construct 157 market-rate homes in its project in Improvement Area No. 1.

The property in Improvement Area No. 1 that is located to the north of Cosumnes River Boulevard consists of approximately 20.5 gross acres (approximately 8.85 net acres based on the current recorded large lot map) zoned in two Villages. Village MDR-2 is zoned for density ranging from 8-14 units per acre (approximately 46-80 units) and Village HDR-1 is zoned for density ranging from 15-27 units per acre (approximately 59-106 units). The development plan for this property has not been finalized and may include a combination of detached and attached products and for-sale and for-rent products. The balance of the

property in Improvement Area No. 1 that is located to the north of Cosumnes River Boulevard is planned for a park of approximately 2.8 acres and approximately 7.8 acres of open space. All of such property currently consists of undeveloped land with backbone infrastructure complete to the property line. The Developer may convey all or a portion of such property to third-party builders and/or enter into joint ventures to develop all or a portion of such property.

With respect to the property in Improvement Area No. 1 that is located north of Cosumnes River Boulevard, the Bonds have been sized based on Special Tax revenues using the assumed unit mix and count for such property as shown in Exhibit 1 to the Amended Rate and Method, which consists of 34 medium density units and 59 high density residential units. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Amended and Restated Rate and Method of Apportionment of Special Tax*" and Appendix A hereto for a description of the required Special Tax prepayments or increases to the Special Tax rates should the unit mix and type deviate from those set forth in Exhibit 1 to the Amended Rate and Method.

Water and sewer conveyance service to Improvement Area No. 1 is provided by the City. Electricity is supplied by Sacramento Municipal Utility District and natural gas is supplied by Pacific Gas & Electric. Delta Shores is located within the Sacramento City Unified School District.

For more information on the Developer, KB Home and Meritage, see the caption "PROPERTY OWNERSHIP."

## **Entitlements and Required Mitigation Monitoring**

*General.* In 2009, the City Council approved a series of entitlements relating to the development of Delta Shores, including approval of the Delta Shores Planned Unit Development (PUD), which envisioned the project as a mix of commercial and residential development, a development agreement, the original Delta Shores Public Facilities Finance Plan (the "2009 Finance Plan"), master and tentative parcel maps, and the certification of the project Environmental Impact Report ("EIR"). Since the completion of the 2009 Finance Plan, development in Delta Shores commenced with the completion of the South Regional Commercial Shopping Center (as described above). In addition to the South Regional Commercial Shopping Center, major regional and backbone infrastructure components were constructed including an Interstate 5 freeway interchange, extension of Cosumnes River Boulevard, wet detention ponds, arterial roadways, traffic signals, water, drainage sewer, electric, gas and telecommunication improvements. The Updated Delta Shores Finance Plan approved by the City Council in 2019 (the "Updated Finance Plan") presents a strategy to finance the remaining backbone infrastructure and other public facilities serving the proposed land uses within the Delta Shores project area. The Updated Finance Plan includes updates to land use assumptions, completed and remaining backbone infrastructure and public facility costs.

Located adjacent to the Delta Shores development to the east of the Interstate 5 freeway is an approximately 141-acre site proposed for an approximately 1,159-unit residential development known as "Stone-Beetland" (formerly known as "Stone-Boswell"). In February 2024, Taylor Builders acquired the Stone-Beetland site. Taylor Builders has commenced mass grading of the Stone-Beetland site. The expectation is that certain backbone infrastructure constructed and to be constructed with respect to Delta Shores will also serve the adjacent Stone-Beetland development. The Updated Finance Plan also considers funding and reimbursement obligations associated with the Stone-Beetland site as part of an overall update to the development and infrastructure funding strategy for Delta Shores. The Updated Finance Plan includes the use of existing fee programs, the development of a new plan area fee program (the "Delta Shores Impact Fee"), implementation of a land-secured financing district (i.e., the District), and the use of other funding mechanisms.

**Development Agreement.** In 2009, the City and the Developer entered into a development agreement with respect to Delta Shores, as approved by the City Council by Ordinance No. 2009-002 on January 13, 2009 (the "Original Development Agreement"). Pursuant to the Original Development Agreement and together

with the amendments described below (as amended, the "Development Agreement"), the Developer is vested with the right to develop the Delta Shores project with up to 2,012 single-family homes, 3,210 multifamily homes (subject to adjustment as development occurs), and up to 1.3 million square feet of commercial and retail space, subject to compliance with the terms and conditions of the Development Agreement. The term of the Development Agreement expires in February 2039 unless it is terminated sooner or the term is further extended by the mutual consent of the parties. In connection with the sale of the property to Taylor Builders and the merchant builders described herein, certain rights and obligations under the Development Agreement were assigned to such entities.

The Development Agreement includes mitigation measures to be satisfied and fees to be paid in order to achieve full buildout of the Delta Shores project, certain of which are described below. Aside from such mitigation measures to be satisfied, payment of fees and satisfaction of certain City conditions of approval for final subdivision maps as development within Delta Shores progresses, all discretionary approvals from State and federal agencies in order to complete the Delta Shores project have been obtained. Sufficient capacity for water (which is provided by the City) and sewer (which is provided by the City (collection services) and the Sacramento Area Sewer District (treatment services) is available to achieve full buildout of Delta Shores. The following describes the amendments to the Original Development Agreement that have been executed and delivered:

First Amendment. After the approval of the EIR for Delta Shores (as described below under "- Environmental Review"), a group of petitioners challenged the EIR. The City, the Developer and the petitioners entered into a settlement agreement (the "Settlement Agreement") pursuant to which the parties agreed to amend the Original Development Agreement to include certain mitigation measures for certain parcels within Delta Shores located within 500 feet of the Interstate 5 freeway. In accordance with the Settlement Agreement, the City and the Developer entered into the First Amendment to the Original Development Agreement, dated as of October 6, 2010 (the "First Amendment"). The First Amendment provided that such mitigation measures would be required if a Health Risk Assessment Report prepared pursuant to the terms of the Settlement Agreement finds that the health risk posed to residents within 500 feet of the Interstate 5 freeway is elevated beyond thresholds set forth in the Settlement Agreement. Mitigation measures required include: (1) planting of certain types of trees on those affected parcels which are considered to be effective in reducing particulates; (2) installing air intakes for multi-family residential buildings as far away from the Interstate 5 freeway as possible; (3) installing air filtering systems in residential units which are designed to filter particulates; and (4) installing inoperable windows in any residential units with a view facing the Interstate 5 freeway. KB Home has commenced construction of homes in Improvement Area No. 1 and none of the homes under construction are expected to have elevated health risk thresholds which would require implementation of the mitigation measures under the First Amendment.

<u>Second Amendment</u>. The Original Development Agreement required that the Developer pay Delta Shores' fair share of costs of regional facilities, including library facilities. In addition, the Original Development Agreement required that the Developer transfer \$4 million to the City for the development of a community park no later than the issuance of the 3,375<sup>th</sup> residential building permit within Delta Shores. In 2015, the City, the Developer and certain landowners within Delta Shores (as assignees of the Developer) entered into the Second Amendment to the Original Development Agreement to: (1) provide that Delta Shore's share of the costs of regional library facilities shall only be used to provide such services and facilities within Delta Shores; and (2) the payment of \$4 million to the City for the costs of a community park may be satisfied if paid as a subcomponent of a Delta Shores Impact Fee as set forth in the Updated Finance Plan (as described below under "*—Delta Shores Impact Fee*"). The Developer currently expects that the \$4 million amount owed with respect to the community park will be paid through the Delta Shores Impact Fee prior to the issuance of the 3,375<sup>th</sup> residential building permit within Delta Shores.

<u>Third Amendment</u>. In 2015, the City adopted a new City-wide affordable housing requirement which allowed previously approved projects to comply with an adopted Inclusionary Housing Plan or with the new Mixed-Income Housing Ordinance ("MIHO"). The Developer opted to comply with the

MIHO to satisfy the affordable housing requirement with respect to Delta Shores. In 2020, the City, the Developer and certain landowners within Delta Shores (as assignees of the Developer) entered into the Third Amendment to the Original Development Agreement to allow for Delta Shores to meet the City's affordable housing requirement through the MIHO. See "—*Affordable Housing Requirement*" below for a description of the affordable housing requirement for Delta Shores.

<u>Fourth Amendment</u>. As described below under "*—Parks*," with respect to the Delta Shores project, at the time of the entitlement approvals, the City required the total parkland dedication such that the number of dwelling units, multiplied by a factor, will produce five acres of parkland per each thousand population. The City requirement for parkland dedication for Delta Shores has since been reduced to 3.5 acres of parkland per each thousand population. In 2024, the City, the Developer and certain landowners within Delta Shores entered into the Fourth Amendment to the Original Development Agreement to, among other matters, reflect the reduced parkland dedication requirement, which would facilitate converting certain areas previously planned for parkland within Delta Shores (outside of Improvement Area No. 1) to residential uses.

*Affordable Housing Requirement.* The MIHO requires the approval of a "Mixed Income Housing Strategy" that obligates a developer to provide for affordable housing. The obligation can be satisfied through the payment of housing impact fees, land dedication, construction of affordable housing units, or through a combination of these options. In accordance therewith, the Developer elected to dedicate land to the Sacramento Housing and Redevelopment Agency ("SHRA") consistent with the guidelines established pursuant to City Code in order to fully satisfy Delta Shores' obligations under the MIHO. In connection with the sale of the property in Improvement Area No. 3 to Taylor Builders, Taylor Builders agreed to set aside approximately 15.89 buildable acres in Improvement Area No. 3 to be dedicated to the SHRA (the "Affordable Housing Planning Areas"). Based on SHRA's guidelines for land dedication under the MIHO, the 15.89 buildable acres of land identified for dedication exceeds the dedication requirement and can accommodate 429 affordable housing units, which corresponds to a total capacity of 5,921 market rate homes at Delta Shores.

Building permits may not be issued for more than 50 percent of the market rate homes within Delta Shores prior to dedication of the Affordable Housing Planning Areas to SHRA. Based on the projected timing of buildout within the currently active developments in Delta Shores, the Developer does not expect this threshold to adversely impact the timing of development in Improvement Area No. 1.

*Parks*. At the time of the entitlement approvals for Delta Shores, the City required the total parkland dedication such that the number of dwelling units, multiplied by a factor, will produce five acres of parkland per each thousand people. The City requirement for parkland dedication has since been reduced to 3.5 acres of parkland per each thousand population. Pursuant to the Development Agreement, the total parkland dedication for Delta Shores is approximately 50 acres, which amount may be revised based on the type and actual number of units constructed.

Approximately 9.1 acres of parkland in Improvement Area No. 1 and approximately 32.38 acres of parkland in Improvement Area No. 2 are expected to be dedicated to the City. Within the portion of the property in Improvement Area No. 1 located south of Cosumnes River Boulevard, the parkland is expected to be dedicated by KB Home to the City in conjunction with the development of the homes located within the vicinity of such parkland. Similarly, for the property in Improvement Area No. 1 located to be dedicated to the City in conjunction with the development of Cosumnes River Boulevard, the parkland is expected to be dedicated to the City in conjunction with the development of the homes located within the vicinity of such parkland. Similarly, for the property in Improvement Area No. 1 located north of Cosumnes River Boulevard, the parkland is expected to be dedicated to the City in conjunction with the development of the homes located within the vicinity of such parkland. Within Improvement Area No. 2, the Developer has dedicated approximately 6.1 acres of parkland to the City. The Developer expects that Taylor Builders will allocate the necessary acreage within Improvement Area No. 3 to satisfy the remaining parkland dedication for Delta Shores, including Taylor Builders' future projects in Improvement Area No. 3. The Developer and the builders are not required to complete any park facility improvements on the property to be dedicated to the City as parkland.

The City's development impact fees that are allocated to fund community/neighborhood parks will be required to be paid for each residential unit that is developed. KB Home, Meritage and any future builders will be required to pay such fees with respect to the property in which they plan to construct and sell homes.

**Delta Shores Impact Fee.** As required by the Development Agreement, the Developer caused to be prepared the Updated Finance Plan setting forth the funding sources for the required backbone infrastructure, public facilities, development fees and maintenance costs for the Delta Shores project. The Updated Finance Plan requires a "Delta Shores Impact Fee" to be paid on a per-unit basis for the residential component of the Delta Shores project, and on a per-square foot building basis for any commercial component. The Delta Shores Impact Fee is to be used to fund the cost of regional infrastructure, backbone infrastructure and public facilities that are not funded by existing City impact fee programs or other sources of revenue. Such infrastructure and facilities include roadways, sewer, storm drainage, parks, trails, open space, police and fire, transit and library costs. The Delta Shores Impact Fee currently ranges from \$15,182 to \$23,013 for residential and mixed-use units and \$47.96 to \$50.73 per square foot for retail uses. Such impact fee is subject to an annual escalator.

Similar to the payment of development impact fees to fund park improvements, KB Home and Meritage will be required to pay the Delta Shores Impact Fee with respect to the Villages in which they plan to construct and sell homes. The future developers, if any, of the remaining Villages will be required to pay the Delta Shores Impact Fee with respect to such property as development thereon commences.

Under the Development Agreement there is a requirement to pay \$4 million to the City for the costs of a regional park adjacent to Delta Shores, which amount is being satisfied through payment of the Delta Shores Impact Fee.

In February 2024, Taylor Builders acquired an approximately 141-acre site adjacent to Delta Shores known as "Stone-Beetland," which is expected to benefit from the public infrastructure that has been and expected to be constructed for Delta Shores. As currently set forth in the City Code, the Delta Shores Impact Fee is authorized to be charged to the Stone-Beetland development to pay for its share of such infrastructure. See "— Entitlements and Required Mitigation Monitoring — *General.*"

*School Mitigation Payments*. Other than the reservation of certain school sites, which are in Improvement Area Nos. 2 and 3 of the District, and the payment of statutory school fees, there are no other conditions to be satisfied with respect to the Sacramento City Unified School District in order to obtain building permits and certificates of occupancy for the planned residential units within Improvement Area No. 1.

*Environmental Review*. The environmental review process for the Delta Shores project began in 2006 with the preparation of a draft environmental impact report. In January 2009, the City certified the final EIR. Certain modifications in the project plan have been made since the certification of the EIR in 2009. Since that time, as a result of certain modifications to the Delta Shores development plan, addendums to the EIR have been approved.

In 2021, a Phase 1 Environmental Site Assessment was prepared for the property within Improvement Area No. 1 which identified no evidence of recognized environmental conditions, historical recognized environmental conditions, or controlled recognized environmental conditions.

The Developer has satisfied all conditions of approval and has obtained all discretionary approvals from State and federal agencies in order to complete the Delta Shores project. Such approvals and permits include, among others, a Section 404 permit under the federal Clean Water Act, incidental take permits from the State and federal agencies and a Section 1602 Permit (Lake and Streambed Alteration) from the State. All appeal periods with respect to such approvals have expired. However, as described below, there are several

ongoing monitoring and mitigation actions required to be complied with in connection with construction activities in the Delta Shores, including Improvement Area No. 1.

*Mitigation Monitoring Plan.* As required by the EIR and the Development Agreement, there are ongoing monitoring activities required in connection with the Delta Shores development that are set forth in a mitigation monitoring plan (the "Mitigation Monitoring Plan"). The Developer currently does not expect compliance with the Mitigation Monitoring Plan to result in any significant costs increases or delays for the proposed development in Delta Shores, including Improvement Area No. 1. However, no assurances can be made that actions necessary to comply with the Mitigation Monitoring Program will not result in such costs increases and/or delays, which may be significant. Certain of the ongoing mitigation requirements during the development phase within Delta Shores, including Improvement Area No. 1, are described below.

As described herein, the grading and construction of backbone infrastructure within the property in Improvement Area No. 1 that is south of Cosumnes River Boulevard have been substantially completed. KB Home has commenced and Meritage expects to commence, in the near future, vertical construction of homes. Vertical construction of homes (in contrast to grading and construction of backbone infrastructure) is not expected to be delayed as a result of the requirements under the Mitigation Monitoring Plan described below. However, the requirements under the Mitigation Monitoring Plan could cause delays in grading and similar activities on the property in Improvement Area No. 1 north of Cosumnes River Boulevard if/when such activities commence.

Through an assignment of the Development Agreement, the Developer expects that each developer/builder of a Village will be responsible for compliance with the Mitigation Monitoring Plan as such Villages are developed, to the extent the requirements are triggered.

<u>Surveys Required for Active Bird Nests</u>. The Mitigation Monitoring Plan requires that, between March 1 and August 1 of each year, a qualified biologist shall conduct nest surveys within 30 days prior to any demolition/construction or ground disturbing activities that are within <sup>1</sup>/<sub>4</sub> mile of potential nest trees. A pre-construction survey shall be submitted to the California Department of Fish and Wildlife ("CDFW") and the City that includes: (1) a description of the methodology including dates of field visits, the names of survey personnel with resumes, and a list of references cited and persons contacted; and (2) a map showing the location(s) of raptor and migratory bird nests observed on the project site. If no active nests of Migratory Bird Treaty Act, CDFW or United States Fish and Wildlife Service-covered species are identified then no further mitigation is required.

Should active nests of protected bird species be identified in the survey, the project applicant, in consultation with the City and CDFW, shall delay construction in the vicinity of active nest sites during the breeding season (March 1 through August 1) while the nest is occupied with adults and/or young. A qualified biologist shall monitor any occupied nest to determine when the nest is no longer used. If the construction cannot be delayed, avoidance shall include the establishment of a non-disturbance buffer zone around the nest site.

<u>Surveys Required for Nesting Migratory Birds</u>. The Mitigation Monitoring Plan requires that, prior to any demolition/construction activities that occur between March 1 and September 15 of each year, a qualified biologist shall conduct surveys for nesting migratory birds on the project site and within a half mile of demolition/construction activities unless the City and CDFW approve a reduced survey area. Surveys shall be conducted no more than 30 days prior to the start of any site disturbance for each phase of the project. If active nests are found, measures are required to be implemented to avoid impacts to nesting migratory birds, including: (1) nest trees shall not be removed unless there is no feasible way of avoiding their removal; (2) if there is no feasible alternative to removing a nest tree, authorization to remove shall be obtained from CDFW with the tree removal period (generally between October 1 and February 1) to be specified by CDFW; (3) no intensive disturbances (e.g., heavy equipment operation associated with construction, use of cranes or draglines, new rock crushing activities) or other project-related activities that could cause nest abandonment or

forced fledging, shall be initiated within half mile or less, as determined by CDFW, of an active Swainson's hawk nest or 500 feet for other nesting migratory birds, between March 1 and September 15 or until August 15 if authorization or a biological opinion is obtained from CDFW; and (4) if demolition/construction activities are unavoidable within the buffer zone of an active Swainson's hawk nest site, the project applicant shall consult with the CDFW and the City, and if necessary, obtain an incidental take permit pursuant to State law.

Survey for Burrowing Owl. The Mitigation Monitoring Plan requires that, prior to the issuance of grading permits, a qualified biologist shall conduct a pre-construction burrowing owl survey in accordance with most current version of the California Burrowing Owl Consortium Burrowing Owl Survey Protocol and Mitigation Guidelines. Surveys shall be conducted no more than 30 days prior to the start of any demolition or construction activities. If no suitable burrows are found, no further mitigation is required. If suitable burrows are found, but no owls are found, all burrows shall be hand-excavated and collapsed prior to project construction. If nesting owls are found, no disturbance shall be allowed within 160 feet of the active nest burrow between February 1 and August 31. Outside the nesting season, and/or upon confirmation by the qualified biologist, and in consultation with CDFW, that all young have fledged and left an active nest, burrowing owls present in the burrow shall be excluded from the burrow(s) by a qualified biologist through a passive relocation as outlined in the California Burrowing Owl Consortium's April 1993 Burrowing Owl Survey Protocol and Mitigation Guidelines. Once the burrows have been cleared, they must be hand-excavated and collapsed prior to project construction.

No burrowing owls have been found within Improvement Area No. 1 to date. However, if burrowing owls are found, to offset the loss of foraging and burrow habitat on the project site, and prior to issuance of grading permits, the Developer shall preserve a minimum of 6.5 acres of foraging habitat (calculated on a 100-meter foraging radius around the burrow) in accordance with the most current California Burrowing Owl Consortium's (April 1993) Burrowing Owl Survey Protocol and Mitigation Guidelines. The protected lands shall be adjacent to burrowing owl habitat and at a location acceptable to CDFW. Preservation shall occur through the purchase of conservation easements or fee title of lands. The Developer shall provide funding for long-term management and monitoring of the protected lands, by way of an endowment account (based on a Property Analysis Record type analysis) that is approved by CDFW. A mitigation and monitoring plan shall be submitted to CDFW and the City for approval and include details on mitigation site location, development, maintenance and monitoring. The monitoring plan shall include success criteria, remedial measures, and an annual report to the Department. This mitigation could overlap with mitigation provided for Swainson's hawk foraging habitat as deemed appropriate by CDFW.

If destruction of occupied burrows is unavoidable, the project applicant shall coordinate with CDFW to identify existing suitable burrows located on the protected lands site to be enhanced (enlarged or cleared of debris) or new burrows created (by installing artificial burrows).

All grading activities on the property in Improvement Area No. 1 that is south of Cosumnes River Boulevard is complete. Therefore, the requirement with respect to the burrowing owl survey is not expected to be applicable for the remaining development activities on such property. However, the future developer of the property in Improvement Area No. 1 north of Cosumnes River Boulevard will be required to comply with such requirements.

# **Infrastructure Development**

The Developer completed (either on its own or through partnerships with other builders within Delta Shores) certain major backbone infrastructure necessary for development in Delta Shores. Such infrastructure includes extension of Cosumnes River Boulevard, which is the main arterial roadway from which the property in Improvement Area No. 1 is accessed, as well as all related traffic signal improvements, wet utilities, dry utilities and wet storm water detention ponds to serve the entire Delta Shores community (including a completed detention pond in Improvement Area No. 1).

Through an arrangement with KB Home, the Developer and KB Home have expended approximately \$38 million on infrastructure improvements necessary for the development in Improvement Area No. 1. Substantially all of the infrastructure in the portion of Improvement Area No. 1 that is located south of Cosumnes River Boulevard has been completed. As of October 15, 2024, remaining infrastructure improvements consisted of minor in-tract work (water and drainage improvements, paving, striping, landscaping and fencing) and minor offsite road improvements. As of October 15, 2024, the estimated costs of the remaining infrastructure was approximately \$1.5 million, which amount has been set aside in escrow through a holdback of the purchase price of the property that Meritage is under contract to purchase in Improvement Area No. 1. Since October 15, 2024, all in-tract work has been completed leaving only minor off-site work to be completed. The Developer expects that all such remaining infrastructure will be completed in the first quarter of 2025.

Villages MDR-2 and HDR-1 located north of Cosumnes River Boulevard currently consist of undeveloped land, with utilities in place to the property line. Therefore, only in-tract infrastructure is expected to be required to be constructed in the property to the north of Cosumnes River Boulevard once development on such property commences. The Developer does not expect the costs of such in-tract infrastructure within Villages MDR-2 and HDR-1 to be significant.

A regional sewer lift station is required to be constructed once development within Delta Shores exceeds 1.2 million gallons per day of sewer generation. The Developer does not expect to exceed such threshold until approximately 1,400 to 1,600 residential units are completed. Within the active developments in Improvement Area No. 1 and Improvement Area No. 2, there are a total of 769 planned residential units. As a result, the Developer does not expect the foregoing sewer generation to be exceeded within the expected development timeframe within Improvement Area No. 1. Construction bids for the regional sewer lift station were received in August 2024. The requirement to construct the regional sewer lift station is the responsibility of Taylor Builders, as part of the terms of the sale of the property in Improvement Area No. 3 to Taylor Builders. The regional sewer lift station is also necessary to serve the adjacent Stone-Beetland development, which is also owned by Taylor Builders, and certain City-owned properties. The new Sump 53 that is planned to be constructed south of the 24<sup>th</sup> Street/Cosumnes River Boulevard intersection will eventually connect to the Sacramento Area Sewer District's Central Interceptor pipeline located near Franklin Boulevard.

*Amenities.* Other than park sites, which are to be dedicated to the City, no additional public amenities are planned within Improvement Area No. 1.

*Mapping Status*. Final tract maps have been recorded for the planned development in Improvement Area No. 1 that is located south of Cosumnes River Boulevard (creating 348 parcels for the planned residential developments). A large lot subdivision map has been recorded for the property in Improvement Area No. 1 that is located north of Cosumnes River Boulevard. The Developer currently does not have a timeline for the recordation of the final small lot subdivision map(s) for the property in Improvement Area No. 1 located to the north of Cosumnes River Boulevard.

#### **Developer Financing Plan**

*General*. Through the Date of Value, the Developer has expended in excess of \$80 million on backbone infrastructure and related soft costs necessary to develop the property in the District (which includes costs of infrastructure located outside of Improvement Area No. 1 but which benefits Improvement Area No. 1) and in excess of \$10 million on environmental mitigation costs on the Delta Shores development as a whole.

Other than certain costs that the Developer has contractually agreed to fund for certain projects in Improvement Area No. 2, the Developer does not expect to incur any significant additional costs for infrastructure with respect to the Delta Shores development. Notwithstanding the foregoing, the Developer may enter into future arrangements with third parties with respect to the property in Improvement Area No. 1 north of Cosumnes River Boulevard, Improvement Area No. 2 and Improvement Area No. 3 similar to the arrangement with KB Home as described herein pursuant to which the Developer participates in the funding of infrastructure costs for certain projects.

# **KB** Home Development Plan

No assurances can be made that KB Home or any other current or future owner of Taxable Property within Improvement Area No. 1 will have the resources, willingness, and ability to successfully complete development activities on the property within Improvement Area No. 1. No representation is made as to the ability (financial or otherwise) of KB Home or any other current or future owner of Taxable Property within Improvement Area No. 1 to complete development as currently planned.

*Home Construction Plans.* KB Home currently owns the property in Villages MDR-1 and LDR-1, which is planned for a total of 191 single-family market-rate homes. As of October 15, 2024, KB Home had completed five model homes, commenced construction of 50 production homes and had 22 homes in escrow. KB Home currently estimates that it will complete and convey all 191 of the planned homes in Villages MDR-1 and LDR-1 to individual homeowners by the end of the first quarter of 2027.

Within Village MDR-1, KB Home plans to construct 110 alley-loaded homes (alley-loaded homes generally do not have individual driveways and front yard garage access) in a project being marketed as "Riva at Delta Shores." The following table summarizes KB Home's planned development within the Riva at Delta Shores project.

# TABLE 1 KB HOME RIVA AT DELTA SHORES (As of October 15, 2024)

					Owned by KB Home		
Plan	Estimated Home Square Footage	Base Home Prices <sup>(1)</sup>	Total Units Planned	Closings	Completed Homes/Homes Under Construction <sup>(2)</sup>	Finished Lots	
1	1,795	\$605,000	37	0	8	29	
2	2,102	635,000	36	0	8	28	
3	2,236	648,000	_37	<u>0</u>	8	<u>29</u>	
Total			110	0	24	86	

. . ....

<sup>(1)</sup> Base home prices shown exclude lot premiums, options and extras and any incentives or price reductions. Base sales prices are subject to change.

<sup>(2)</sup> Completed Homes/Homes Under Construction consist of three completed model homes and 21 production homes under construction.

Within Village LDR-1, KB Home expects to construct 81 single family homes on traditional lots in a project being marketed as "Edgewater at Delta Shores." The following table summarizes KB Home's planned development within the Edgewater at Delta Shores project.

# TABLE 2 KB HOME EDGEWATER AT DELTA SHORES (As of October 15, 2024)

					Owned by KB Home		
Plan	Estimated Home Square Footage	Base Home Prices <sup>(1)</sup>	Total Units Planned	Closings	Completed Homes/Homes Under Construction <sup>(2)</sup>	Finished Lots	
1	1,685	\$655,990	20	0	10	10	
2	2,188	715,990	20	0	7	13	
3	2,391	725,990	21	0	6	15	
4	2,693	755,990	<u>20</u>	<u>0</u>	8	<u>12</u>	
Total			81	0	31	50	

<sup>(1)</sup> Base home prices shown exclude lot premiums, options and extras and any incentives or price reductions. Base sales prices are subject to change.

(2) Completed Homes/Homes Under Construction consist of two completed model homes and 29 production homes under construction.

*KB Home Financing Plan.* To date, KB Home has financed its land acquisition and various site development and homebuilding costs related to its property in Improvement Area No. 1 through internally generated funds. As of October 15, 2024, KB Home has expended approximately \$52.8 million on its projects in Improvement Area No. 1, including land acquisition costs, site development costs, permits and fees, direct and indirect home construction costs, and marketing and sales costs and expenses (exclusive of corporate overhead and other carry costs). KB Home expects to spend approximately \$49.7 million on remaining site development costs, permits and fees, direct and indirect home construction costs, and marketing and other carry costs) to complete and convey all 191 planned homes to individual homeowners. KB Home expects to use internal funding (which may include home sales revenue and funding from its parent company) to complete its development within Improvement Area No. 1, and believes that it will have sufficient funds available to complete its planned development as described in this Official Statement.

Although KB Home expects to have sufficient funds available to complete its development in Improvement Area No. 1 as described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining development costs will be available from KB Home Parent (as defined below), KB Home or any other source when needed. Neither KB Home Parent, KB Home, nor any of their subsidiaries or related entities are under any legal obligation of any kind to expend funds for the development of and construction of homes on KB Home's property in Improvement Area No. 1. Any contributions by KB Home Parent or KB Home to fund the costs of such development are entirely voluntary. KB Home has no legal obligation to Bond Owners to make any such funds available for construction or development, or the payment of ad valorem property taxes or the Special Tax.

If and to the extent that internal funding, including but not limited to home sales revenue and corporate financing from KB Home Parent, is inadequate to pay the costs to complete the planned development by KB Home within Improvement Area No. 1 and other financing is not put into place, there could be a shortfall in the funds required to complete the remaining planned development by KB Home in Improvement Area No. 1. Many factors beyond KB Home's control, or a decision by KB Home to alter its current plans, may cause the actual sources and uses to differ from the projections. See "SPECIAL RISK FACTORS" herein for a discussion of risk factors."

#### Meritage Development Plan

No assurances can be made that Meritage or any other current or future owner of Taxable Property within Improvement Area No. 1 will have the resources, willingness, and ability to successfully complete development activities on the property within Improvement Area No. 1. No representation is made as to the ability (financial or otherwise) of Meritage or any other current or future owner of Taxable Property within Improvement Area No. 1 to complete development as currently planned.

**Property Ownership Status and Phased Takedown Schedule.** The Developer and Meritage have entered into a purchase and sale agreement (as amended to the date hereof, the "Meritage Agreement") pursuant to which Meritage has agreed to acquire the 157 lots in Village LDR-2 in phased takedowns. As of October 15, 2024, Meritage had acquired 77 lots in Village LDR-2. Under the Meritage Agreement, the remaining scheduled takedowns are as follows: 27 lots on January 22, 2025 and 53 lots on April 7, 2025. The Meritage Agreement provides that the scheduled takedown dates may only be revised upon agreement by the Developer and Meritage. Meritage has provided a deposit that has and will continue to be credited toward the purchase price of each takedown. No assurances can be made that Meritage will acquire the remaining property in Village LDR-2 as currently planned.

*Home Construction Plans.* Meritage currently plans to develop the property in LDR-2 with 157 single-family market rate homes. As of October 15, 2024, Meritage was undergoing design approvals with the City and had not commenced construction of any homes in Improvement Area No. 1. Meritage currently expects to commence home construction and sales in March 2025. Meritage currently estimates that if it acquires all 157 lots as currently scheduled, it expects to complete and convey all 157 of the planned homes in Village LDR-2 to individual homeowners by December 31, 2027.

The following table summarizes Meritage's planned development within Improvement Area No. 1.

Plan	Estimated Home Square Footage	Base Home Prices <sup>(1)</sup>	Total Units Planned	Closings	Completed Homes/Homes Under Construction	Finished Lots
1	2,339	\$735,990	32	0	0	32
2	2,515	750,990	34	0	0	34
3	2,698	770,990	31	0	0	31
4	2,916	780,990	32	0	0	32
5	3,127	800,990	28	<u>0</u>	<u>0</u>	<u>28</u>
Total			157	0	0	157

# TABLE 3 MERITAGE DEVELOPMENT PLAN (As of October 15, 2024)

<sup>(1)</sup> Base home prices shown exclude lot premiums, options and extras and any incentives or price reductions. Base sales prices are subject to change.

*Meritage Financing Plan.* To date, Meritage has financed its land acquisition and various site development and homebuilding costs related to its property in Improvement Area No. 1 through internally generated funds. As of October 15, 2024, Meritage has expended approximately \$20.3 million on its projects in Improvement Area No. 1, including land acquisition costs, site development costs, permits and fees, direct and indirect home construction costs, and marketing and sales costs and expenses (exclusive of corporate overhead and other carry costs). Assuming Meritage acquires all 157 lots as currently planned, Meritage expects to spend approximately \$70.0 million on remaining land acquisition costs, site development costs, permits and fees, direct and indirect home construction costs, and marketing and sales costs and expenses (exclusive of corporate overhead and other carry costs) to complete and convey all 157 planned homes to

individual homeowners. Meritage expects to use internal funding (which may include homes sales revenue and funding from its parent company) to complete its development within Improvement Area No. 1, and believes that it will have sufficient funds available to complete its planned development as described in this Official Statement.

Although Meritage expects to have sufficient funds available to complete its development in Improvement Area No. 1 as described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining development costs will be available from Meritage Homes Corporation (as defined below), Meritage or any other source when needed. Neither Meritage Homes Corporation, Meritage, nor any of their subsidiaries or related entities are under any legal obligation of any kind to expend funds for the development of and construction of homes for Meritage's project in Improvement Area No. 1. Any contributions by Meritage Homes Corporation or Meritage to fund the costs of such development are entirely voluntary. Meritage has no legal obligation to Bond Owners to make any such funds available for construction or development, or the payment of ad valorem property taxes or the Special Taxes.

If and to the extent that internal funding, including but not limited to home sales revenue, is inadequate to pay the costs to complete the planned development by Meritage within Improvement Area No. 1 and other financing is not put into place, there could be a shortfall in the funds required to complete the remaining planned development by Meritage in Improvement Area No. 1. Many factors beyond Meritage's control, or a decision by Meritage to alter its current plans, may cause the actual sources and uses to differ from the projections. See "SPECIAL RISK FACTORS" herein for a discussion of risk factors.

#### **PROPERTY OWNERSHIP**

The information in this section about the Developer, KB Home and Meritage has been provided by Developer, KB Home and Meritage and has not been independently confirmed or verified by the Underwriter or the City. The Underwriter and the City make no representation as to the accuracy or adequacy of the information contained in this section.

# The Developer

*General*. M&H Realty Partners VI, L.P. (previously defined as the "Developer") is a California limited partnership formed on August 1, 2003. M&H Realty Partners VI, L.P. was formed for the purpose of, among other things, acquiring, improving and developing real property. The General Partner of M&H Realty Partners VI, L.P. is MHRP VI L.P., a California Limited Partnership. The General Partner of MHRP VI L.P. is Merlone/Hagenbuch VI Inc. The key officers of Merlone/Hagenbuch VI Inc. are John J. Hagenbuch (Chairman and Secretary) and Peter J. Merlone (President and Treasurer). Brief biographies of the foregoing individuals are set forth below.

The Developer is formed and managed by individuals of Merlone Geier Partners ("Merlone Geier"). Merlone Geier and its affiliated entities have been active in real estate investment, redevelopment and management activities on the west coast of the United States for approximately 40 years. Merlone Geier and its affiliated entities have primarily been focused on the acquisition and development of community and neighborhood shopping centers.

*Peter J. Merlone*. Peter Merlone is a founder, co-owner and managing partner of the general partner entities of Merlone Geier and Merlone Geier Management ("MGM"). Mr. Merlone is also a founder, co-owner and president of the general partner entities of M&H Realty Partners ("M&H"), the predecessor to Merlone Geier, and was a founder and president of M&H Property Management ("MHPM"), the predecessor to MGM. From 1986 to 1993, prior to the formation of the first M&H fund, Mr. Merlone was the founder and owner of The Merlone Company, MHPM's predecessor.

Since 1993, Mr. Merlone has overseen twelve institutional limited partnerships with aggregate equity capital commitments of \$4.3 billion which have acquired 173 operating properties aggregating to over 28.5 million square feet of retail improvements. Mr. Merlone is a graduate of UCLA, simultaneously earning an undergraduate degree in economics, summa cum laude, and a master's degree in education; he was also elected to Phi Beta Kappa.

*John J. Hagenbuch*. John J. Hagenbuch is Chairman of M&H and WestLand Capital Partners, investment firms he co-founded in 1994 and 2010, respectively. Prior to the formation of M&H, Mr. Hagenbuch served from 1985-1993 as a general partner of Hellman & Friedman, a San Francisco-based investment banking and investment firm, which provided investment banking services to a wide range of clients and managed private equity partnerships with aggregate capital commitments in excess of \$1 billion. Mr. Hagenbuch is the past director of several companies and charitable organizations. He graduated magna cum laude from Princeton University.

Projects. The following summarizes certain of Merlone Geier's projects:

<u>The Village at San Antonio Center</u>. Located in Mountain View, California, The Village at San Antonio Center is regional shopping center with retail, residential, hotel and office space. The two phases are complete and include approximately 225,000 square feet of retail space, 440,000 square feet of office space (which is 100% leased), a mixed-use component with 330 apartments, a boutique hotel and a nine-level parking structure. Anchor tenants include Safeway and a high-end cinema. Merlone Geier has sold this property.

<u>Stella</u>. Located in Marina Del Rey, California, Merlone Geier developed this project with 244 condominium units and 9,000 square feet of ground floor retail. Construction commenced in 2010 and the project reached stabilized occupancy in 2013. Merlone Geier sold the property in late 2013.

<u>The UV</u>. Located in Sacramento, California, Merlone Geier acquired this neighborhood shopping center in 2014 and reconfigured the site. The property now includes approximately 84,000 square feet of leasable space on approximately 7.6 acres. Approximately 91% of the space is currently leased.

Further information regarding Merlone Geier is available from its website at www.merlonegeier.com. This internet address is included for reference only, and the information on the internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement.

# KB Home

As previously defined in this Official Statement, "KB Home" is KB HOME Sacramento, Inc., a California corporation, a wholly-owned subsidiary of KB Home, a Delaware corporation ("KB Home Parent"), whose principal executive offices are located in Los Angeles, California. KB Home Parent is a publicly traded company listed on the New York Stock Exchange under the ticker symbol "KBH."

Founded in 1957, KB Home Parent constructs and sells homes through its operating divisions. KB Home Parent's ongoing principal operations are in nine states, including California, Arizona, Nevada, Colorado, Texas, Florida, North Carolina, Idaho and Washington within 47 major markets. KB Home first developed homes in California in 1963. KB Home Parent's homebuilding operations offer a variety of homes designed primarily for first-time, move-up and active adult homebuyers, including attached and detached single-family homes, townhomes and condominiums.

KB Home Parent is subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith is obligated to file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). Such filings set forth, among other things, certain data relative to the consolidated results of

operations and financial position of KB Home Parent and its subsidiaries. KB Home Parent's SEC filings are available to the public over the Internet at the SEC's website at www.sec.gov, and at KB Home's website at www.kbhome.com.

The foregoing websites are and references to filings with the SEC are given for reference and convenience only, and the information on such websites and on file with the SEC does not form a part of this Official Statement and is not incorporated by reference herein. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such websites. KB Home and KB Home Parent are not obligated to advance funds for construction or development or to pay ad valorem property taxes or the Special Taxes and investors should not rely on the information and financial statements contained on such websites in evaluating whether to buy, hold or sell the Bonds. The information contained on such websites may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter.

# Meritage

Meritage Homes of California, Inc., a California corporation (previously defined as "Meritage") is a subsidiary of Meritage Homes Corporation, a Maryland corporation ("Meritage Homes Corporation"). Meritage Homes Corporation is a homebuilder focused primarily on high-growth regions of the western and southern United States. Meritage Homes Corporation operates as a holding company, has no independent assets or operations, and is traded on the New York Stock Exchange under the ticker symbol "MTH." Homebuilding, construction, development and sales activities are conducted through subsidiaries. As of July 1, 2024, Meritage Homes Corporation had operations in three regions – West, South and East – comprised of ten states (Arizona, California, Colorado, Texas, Utah, Florida, Georgia, North Carolina, South Carolina and Tennessee).

Meritage Homes Corporation is subject to the informational reporting requirements of the Exchange Act, and in accordance therewith is obligated to file reports, proxy statements and other information with the SEC. Such filings set forth, among other things, certain data relative to the consolidated results of operations and financial position of Meritage Homes Corporation and its subsidiaries (e.g., see Meritage Homes Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, as filed with the SEC on February 14, 2024 and Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024, as filed with the SEC on July 26, 2024) as of the dates described therein. The SEC maintains an Internet website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including Meritage Homes Corporation. The address of such Internet website is www.sec.gov. All documents subsequently filed by Meritage Homes Corporation pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of Meritage Homes Corporation's annual report, quarterly reports and current reports, including any amendments, will be available from Meritage Homes Corporation's website at www.meritagehomes.com.

The foregoing internet websites are included for reference only and the information on these internet sites is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such internet websites. Neither Meritage nor Meritage Home Corporation is obligated to advance funds for construction or development or to pay ad valorem property taxes or the Special Taxes and investors should not rely on the information and financial statements contained on such internet sites in evaluating whether to buy, hold or sell the Bonds.

# **IMPROVEMENT AREA NO. 1**

# **General Description**

As described above, Improvement Area No. 1 is part of an approximately 782-acre new masterplanned community being marketed as "Delta Shores." Delta Shores is located in the southern portion of the City, approximately 10 miles from downtown Sacramento.

Improvement Area No. 1 consists of approximately 107 gross acres and approximately 87 net acres. Improvement Area No. 1 is bordered to the east by the Interstate 5 freeway, to the south by the City-owned Bartley Cavanaugh Golf Course, to the west by the community of Freeport and the Sacramento River and to the north by an existing commercial development. Cosumnes River Boulevard bisects Improvement Area No. 1 with approximately 86.5 gross acres (approximately 77.5 net acres) of property in Improvement Area No. 1 located to the south of Cosumnes River Boulevard and approximately 20.5 gross acres (approximately 8.85 net acres based on the current recorded large lot map) of property north of Cosumnes River Boulevard.

The property in Improvement Area No. 1 located south of Cosumnes River Boulevard (consisting of Villages MDR-1, LDR-1 and LDR-2) is planned for 348 market-rate for-sale single-family detached homes being developed by KB Home and Meritage. The development plan for the property in Improvement Area No. 1 that is located to the north of Cosumnes River Boulevard has not been finalized and may include a combination of detached and attached products and for-sale and for-rent products. See "DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA NO. 1" and "PROPERTY OWNERSHIP" for information with respect to the planned devevlopment and development status within Improvement Area No. 1.

#### **Description of Authorized Facilities**

**Acquisition Agreement.** The City and the Developer are parties to an Acquisition and Shortfall Agreement, dated as of September 1, 2019 (as it may be amended from time to time, the "Acquisition Agreement"), which provides, among other things, the means by which the Developer constructed the facilities to be acquired with the proceeds of the Bonds pursuant to certain requirements contained in the Acquisition Agreement, and which provides guidelines pursuant to which the City may acquire completed segments of the facilities with the proceeds of the Bonds. The Acquisition Agreement pertains to the acquisition of the public infrastructure constructed to serve development within the District.

*Facilities.* A portion of the proceeds from the sale of the Bonds will be deposited in the Acquisition and Construction Fund under the Indenture and used to pay for the costs of facilities authorized to be financed for Improvement Area No. 1, in accordance with the terms of the Indenture and the Acquisition Agreement. As more fully detailed in the Acquisition Agreement, such facilities consist of backbone infrastructure, including without limitation water and storm drain improvements, roadways and traffic improvements, landscaping and park improvements, in addition to other improvements authorized under the Acquisition Agreement. See "ESTIMATED SOURCES AND USES OF FUNDS."

# **Flood Hazard**

Development in the District is subject to federal and State requirements regarding the restoration of protection against flood hazards (e.g., levees). The Central Valley Flood Protection Act of 2008 requires that cities and counties within the California Central Valley (including the City) make certain findings with respect to flood protection before approving development agreements, tentative maps, discretionary permits, and ministerial permits for new residences. One of those findings is that the local flood-management agency has made "adequate progress" on the construction of a flood-protection system that will provide an Urban Level of Flood Protection ("ULOP") by the end of calendar year 2025. An ULOP is the level of flood protection needed to withstand a flood event that has a 0.5% chance of occurring in a year (i.e., a 200-year flood).

The property in Improvement Area No. 1 is currently mapped by the Federal Emergency Management Agency (FEMA) as "X (shaded)," which means that such area is between the limits of the base flood (100-year) and the 0.2% annual chance (or 500-year) flood. Flood insurance is currently not required for the property in Improvement Area No. 1. Notwithstanding the foregoing, all of the City, including Improvement Area No. 1, is subject to the ULOP requirement (i.e., protection from a 200-year flood).

The Sacramento Area Flood Control Agency ("SAFCA") is the local flood-management agency that serves the area within the City. In 2016, SAFCA prepared its ULOP plan, which the City accepted in June 2016. When making the adequate-progress finding, the City has relied on annual progress reports prepared by SAFCA, which demonstrate that the projects involving various levee systems designed to protect the City from flood events (the "Levee Project") are meeting specified development milestones toward providing an ULOP by the end of calendar year 2025. The City does not manage or otherwise have any control over the construction of the Levee Project. In the latest annual progress report prepared by SACFA (the "2024 ULOP Report"), which the City relied on to make the adequate-progress finding in October 2024, SAFCA noted that as the December 31, 2025 deadline for ULOP attainment draws near, new delays to remaining scheduled construction activities with respect to certain portions of the Levee Project could constrain attainment for affected portions of the subject basins.

If construction of a portion of the Levee Project is delayed so that the City is unable to make a finding of adequate-progress toward an ULOP for the affected basin, then the City might not be able to approve either or both of the following: a discretionary permit or other discretionary entitlement for construction of a new building or construction that would result in an increase in allowed occupancy for an existing building; or a ministerial permit for construction of a new residence. In such event, development within Improvement Area No. 1 could be materially delayed.

Certain jurisdictions within the vicinity of the City (e.g. the City of West Sacramento and the Mossdale Tract in the County of San Joaquin) have attained legislative extensions of the December 31, 2025 ULOP deadline, with a new deadline of 2040. The City may consider seeking a similar legislative extension if determined by the City to be advisable. However, no assurances can be made that such legislation will be sought and if sought, that such legislation will be passed.

Completion of the Levee Project provides additional protection but does not eliminate the risk of flood-related property damage within the City (including the property in Improvement Area No. 1). See "SPECIAL RISK FACTORS — Natural Disasters."

# **Direct and Overlapping Indebtedness**

The ability of an owner of land within Improvement Area No. 1 to pay the Special Tax could be affected by the existence of other taxes and assessments imposed upon the property. These other taxes and assessments consist of the direct and overlapping debt in Improvement Area No. 1 and are set forth in Table 4 below (the "Debt Report"). Table 4 does not include entities that only levy or assess fees, charges or special taxes for purposes other than supporting debt. The Debt Report includes the principal amount of the Bonds in addition to the Improvement Area No. 1's allocable share of any outstanding community facilities district and assessment district bonds. The Debt Report has been derived from data assembled and reported to the City by California Municipal Statistics, Inc. and NBS as of October 1, 2024. Neither the City nor the Underwriter have independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

The property in Improvement Area No. 1 that is owned by KB Home (Villages MDR-1 and LDR-1) is included within a community facilities district (the "SCIP CFD") formed by the California Statewide Communities Development Authority's ("CSCDA") Statewide Community Infrastructure Program ("SCIP"). CSCDA has informed the City that it expects to issue special tax bonds for the SCIP CFD in approximately May 2025. Based on estimates that CSCDA provided to the City, approximately \$5,265,000 principal amount of the SCIP CFD special tax bonds are expected to be allocated to such property owned by KB Home.

Assuming the SCIP CFD special tax bonds are issued and based on the appraised values set forth in the Appraisal Report, the appraised value-to-lien ratio of the property owned by KB Home could be reduced from 5.95-to-1 to 3.44-to-1 and the aggregate appraised value-to-lien ratio of the property in the District could be reduced from 5.84-to-1 to 4.33-to-1 (in each case including the principal amount of the Bonds and the overlapping debt shown in Table 4 below) if property values do not materially increase due to additional development and home sales or other factors. No assurances can be made that the SCIP CFD special tax bonds will be issued. The final par amount of the SCIP CFD special tax bonds will depend on market conditions at the time such bonds are sold. In the event the amount of the SCIP CFD special tax bonds allocated to the KB Home property is greater than current estimates, the foregoing value-to-lien ratios would be further reduced if property values do not materially increase due to additional development and home sales or other factors.

# TABLE 4 CITY OF SACRAMENTO DELTA SHORES COMMUNITY FACILITIES DISTRICT 2019-01 (IMPROVEMENTS) IMPROVEMENT AREA NO. 1 OVERLAPPING DEBT SUMMARY (AS OF OCTOBER 1, 2024)<sup>(1)</sup>

#### 2024-25 Assessed Valuation: \$53,485,097 (Land and Improvements)

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt
Los Rios Community College District General Obligation Bonds	0.019%	\$ 66,533
Sacramento Unified School District General Obligation Bonds	0.105	631,360
Sacramento Area Flood Control District Consolidated Capital Assessment District No. 2 Bonds	0.004	12,669
City of Sacramento CFD No. 2019-01 I.A. 1 Delta Shores	100.000	<u> </u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$710,562
Ratios to 2024-25 Assessed Valuation:		

(1) See the paragraph above Table 4 for information regarding the proposed SCIP CFD special tax bonds.

<sup>(2)</sup> Excludes the principal amount of the Bonds.

Source: California Municipal Statistics, Inc.

#### Estimated Fiscal Year 2024-25 Tax Burden

The following table sets forth the estimated total tax obligation for residential units planned within the Villages LDR-1, LDR-2 and MDR-1 in Improvement Area No. 1 based on the Fiscal Year 2024-25 Special Tax levy at the Assigned Special Tax rates for Developed Property and the Fiscal Year 2024-25 tax rates for overlapping taxing entities. The amounts charged and the effective tax rates vary for individual parcels within Improvement Area No. 1 and may increase or decrease in future years. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments."

The following table does not include the special tax levy with respect to the SCIP CFD, which includes the property in Improvement Area No. 1 owned by KB Home. The SCIP CFD's Fiscal Year 2024-25 special tax rates range from \$1,220 to \$1,740 per unit depending on the unit size of the home. Such tax rates increase by 2% per fiscal year.

# TABLE 5CITY OF SACRAMENTODELTA SHORES COMMUNITY FACILITIES DISTRICT 2019-01 (IMPROVEMENTS)IMPROVEMENT AREA NO. 1ESTIMATED TAX OBLIGATION FOR SAMPLE UNITS IN VILLAGES LDR-1, LDR-2 AND MDR-1

Village:	(	LDR-1 KB Home) <sup>(5)</sup>		LDR-2 (Meritage)	(	MDR-1 KB Home) <sup>(5)</sup>
Estimated Property Characteristics Minimum Lot Size (SF)	,	5,700		6,825	,	3.230
Average Building Square Footage		2,241		2,719		2,044
Minimum Lot Acreage		0.13		0.16		0.07
Winning Dot Notougo		0.15		0.10		0.07
Net Base Price <sup>(1)</sup>	\$	711,113.00	\$	771,647.00	\$	624,282.00
(Less) Homeowner Exemption		(7,000.00)		(7,000.00)		(7,000.00)
Average Assessed Value	\$	704,113.00	\$	764,647.00	\$	617,282.00
Ad Valorem Tax	Data					
General Purpose Ad Valorem Tax (Proposition 13)		7,041.13	\$	7,646.47	\$	6,172.82
Los Rios College General Obligation Bonds 0.02		140.82	Ψ	152.93	Ŷ	123.46
Sacramento City Unified School District General Obligation Bonds 0.13		927.32		1,007.04		812.96
Total Ad Valorem Taxes 1.15	17% \$	8,109.27	\$	8,806.44	\$	7,109.24
Special/Direct Assessments and Taxes						
City of Sacramento Delta Shores Community Facilities District No. 2019-1 IA 1	\$	2,300.70	\$	2,300.70	\$	1,851.81
Sacramento Additional Library Service Tax		40.41		40.41		40.41
Sacramento Core Library Services Tax		15.73		15.73		15.73
Neighborhood Park Maintenance Community Facilities District No. 2002-02		83.72		83.72		48.83
Sacramento Maintenance Community Facilities District No. 2014-04 Delta Shores		545.07		545.07		428.19
SAFCA Operation and Maintenance District No. 1 Assessment <sup>(2)</sup>		12.43		14.88		7.04
SAFCA Consolidated Capital Assessment No. 2 - 1 story		101.00		101.00		101.00
SAFCA Consolidated Capital Assessment No. 2 - 2 stories		83.00		83.00		83.00
Citywide Landscape & Lighting Assessment District		98.82		98.82		68.72
Maintenance Area 9		20.92		20.92		20.92
CSCDA Community Facilities District No. 2024-17 (Delta Shores) <sup>(3)</sup>		1,565.00		0.00		1,515.00
Total Special/Direct Assessments and Taxes – 1 Story <sup>(4)</sup>	\$	4,783.80	\$	3,221.25	\$	4,097.65
Total Special/Direct Assessments and Taxes – 2 Story <sup>(4)</sup>	\$	4,765.80	\$	3,203.25	\$	4,079.65
Total Estimated Annual Property Taxes-1 Story <sup>(4)</sup>	\$	12,893.07	\$	12,027.69	\$	11,206.89
Effective Tax Rate-1 Story	Ū.	1.8131%	Φ	1.5587%	Φ	1.7952%
Total Estimated Annual Property Taxes-2 Stories <sup>(4)</sup>	\$	12,875.07	\$	12,009.69	\$	11,188.89
Effective Tax Rate-2 Stories		1.8106%		1.5564%		1.7923%

<sup>(1)</sup> Based on the Appraisal Report.

<sup>(2)</sup> Based on the per-acre rate and the Minimum Lot Acreage shown.

<sup>(3)</sup> Reflects the Assigned Special Tax rate for Developed Property for Fiscal Year 2024-25.

<sup>(4)</sup> SAFCA Consolidated Capital Assessment No. 2 assessment varies depending on whether a home is single-story or two-story.

(5) See the paragraph above Table 4 for information relating to the SCIP CFD which includes the property in Improvement Area No. 1 that is currently owned by KB Home.

Source: Special Tax Consultant; Market Absorption Consultant; the Sacramento County Tax Collector's Office; and SAFCA.

#### Market Absorption Study

*General*. In order to provide an independent assessment of the residential absorption potential within Improvement Area No. 1, the City engaged John Burns Real Estate Consulting, the Market Absorption Consultant. The Market Absorption Consultant performed a comprehensive analysis of the product mix characteristics as well as the macroeconomic and microeconomic factors that the Market Absorption Consultant expects to influence the absorption of the forthcoming products within Improvement Area No. 1. The Market Absorption Report is attached hereto as Appendix J. In the Market Absorption Report, the Market Absorption Consultant observes that the immediate area surrounding Delta Shores and the City generally (other than Natomas Basin in the northern portion of the City) has long been constrained with respect to new residential development. Therefore, the Market Absorption Consultant assessed the market size for the residential products in Improvement Area No. 1 mainly on County-wide and Sacramento-Roseville-Arden Arcade metropolitan statistical area-wide data.

For purposes of the Market Absorption Report, the Market Absorption Consultant assumed that Improvement Area No. 1 will include: (i) 348 for-sale market-rate single family homes in Villages MDR-1, LDR-1 and LDR-2, and (ii) with respect to the property in Improvement Area No. 1 located north of Cosumnes River Boulevard, that such property will be developed with either 261 for-rent apartment units or 87 build-to-rent single family homes (build-to-rent units are generally units which have products more typical of medium/lower density single-family developments (e.g. no units above or below other units) but which are intended to be for-rent and not for-sale). The foregoing assumptions for the product mix are subject to change as the property in Improvement Area No. 1 is developed.

The development plan for the property in Improvement Area No. 1 north of Cosumnes River Boulevard has not been finalized and the Market Absorption Study acknowledges that such property could also be developed as for-sale housing.

Based on the Market Absorption Consultant's observations of the relevant market demand, the Market Absorption Consultant estimates that: (i) the 348 for-sale residential products located south of Cosumnes River Boulevard could achieve an absorption rate of between 3.5 to 4.0 homes per month; (ii) that a for-rent apartment product located north of Cosumnes River Boulevard could achieve 18 leases per month; and (iii) that build-to-rent single family homes located north of Cosumnes River Boulevard could achieve 6 leases per month.

*For-Sale Products*. In reaching its estimated rate of absorption for the for-sale residential products in Improvement Area No. 1, the Market Absorption Consultant incorporated product information provided by KB Home and Meritage with respect to the projects in Villages MDR-1, LDR-1 and LDR-2. The Market Absorption Consultant's absorption estimates are based on the assumption that sales within Villages MDR-1, LDR-1 and LDR-2 will all have commenced by the fourth quarter of 2024 (KB Home has commenced sales in Villages MDR-1 and LDR-1 and Meritage expects to commence sales in Village LDR-2 in March 2025).

In the Market Absorption Report, the Market Absorption Consultant observes that while absolute sales levels have decreased over the last two years given an increase in mortgage rates, the resulting minimal resale inventory has increased new home market share. Consequently, new home communities are generally absorbing reasonably well throughout the region and pricing remains stable to rising modestly over the last year or so. The Market Absorption Consultant forecasts modest slowing over the next year, but projects that home prices will remain positive through 2027 in the nation and the Sacramento region.

Based on the market trends described above and the product, pricing, location and masterplan setting of the proposed project, regional supply, the performance of new home comparables, and longer-term new home per project norms in the region, the Market Absorption Consultant reached the following estimates for the absorption for the for-sale products in Improvement Area No. 1.

Village	Total No. of Units	Market Absorption Projected Units Sold Per Y					
		<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	
MDR-1	110	26	48	36			
LDR-1	81	28	48	5			
LDR-2	<u>157</u>	<u>5</u>	42	42	<u>42</u>	<u>26</u>	
Totals	348	59	138	83	42	26	

*For-Rent Products*. The Developer has not finalized any development plans with respect to the products in Village HDR-1 and Village MDR-2. Based on input from the Developer, the Market Absorption Consultant assumed in the Market Absorption Report that such property will be developed with either 261 for-rent apartment units or 87 build-to-rent single family homes. Based on the assumption that the 87 build-to-rent single family homes would enter the market in the fourth quarter of 2025, the Market Absorption Consultant estimates that such product could achieve equilibrium (95% occupancy) in the fourth quarter of 2026. Based on the assumption that the 261 for-rent apartment units would enter the market in the second quarter of 2026, the Market Absorption Consultant estimates that such product could achieve equilibrium (95% occupancy) in the fourth quarter of 2026, the Market Absorption Consultant estimates that such product could achieve equilibrium in the third quarter of 2026, the Market Absorption Consultant estimates that such product could achieve equilibrium (95% occupancy) in the fourth quarter of 2026, the Market Absorption Consultant estimates that such product could achieve equilibrium in the third quarter of 2027.

The development plan for the property in Improvement Area No. 1 north of Cosumnes River Boulevard has not been finalized and the Market Absorption Study acknowledges that such property could also be developed as for-sale housing. The Developer is marketing such property for sale but no assurances can be made as to any actual sales of such property or the timing thereof.

With respect to the property in Improvement Area No. 1 that is located north of Cosumnes River Boulevard, the Bonds have been sized based on Special Tax revenues using the assumed unit mix and count for such property as shown in Exhibit 1 to the Amended Rate and Method, which consists of 34 medium density units and 59 high density residential units. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Amended and Restated Rate and Method of Apportionment of Special Tax*" and Appendix A hereto for a description of the required Special Tax prepayments or increases to the Special Tax rates should the unit mix and type deviate from those set forth in Exhibit 1 to the Amended Rate and Method.

# The Market Absorption Consultant identified potential risks that could affect the estimated absorption, including rising interest rates and an economic downturn. See "SPECIAL RISK FACTORS." A complete copy of the Market Absorption Study is attached hereto as APPENDIX J.

# **Property Values**

Assessed Value. The estimated assessed value of the Taxable Property within Improvement Area No. 1, as shown on the County's assessment roll for Fiscal Year 2024-25, is approximately \$53,485,097. The assessed value of the Taxable Property within Improvement Area No. 1 represents the secure assessed valuation established by the County Assessor. Assessed values do not necessarily represent market values. Article XIIIA of the California Constitution (Proposition 13) defines "full cash value" to mean "the County assessor's valuation of real property as shown on the 1975/76 roll under 'full cash value,' or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors. Because of the general limitation to 2% per year in increases in full cash value of properties which remain in the same ownership, the County tax roll does not reflect values uniformly proportional to actual market values. There can be no assurance that the assessed valuations of the properties within Improvement Area No. 1 accurately reflect their respective market values, and the future fair market values of those properties may be lower than their current assessed valuations.

*Appraisal.* As described above, due to Article XIIIA of the California Constitution, a property's assessed value is not necessarily indicative of its market value. In order to provide information with respect to the value of the property within Improvement Area No. 1, the City engaged Smith & Associates, Inc., the Appraiser, to prepare the Appraisal Report. The Appraiser has an "MAI" designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the City and has no material relationships with the City or the owners of the land within Improvement Area No. 1 other than the relationship represented by the engagement to prepare the Appraisal Report. The City instructed the Appraiser to prepare its analysis and report in conformity with City-approved guidelines and the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission. A copy of the Appraisal Report is included as APPENDIX B — "APPRAISAL REPORT."

The purpose of the Appraisal Report was to estimate the market value by ownership of the Taxable Property in Improvement Area No. 1 subject to the lien of the Special Tax. As of the Date of Value of the Appraisal Report, the property owners in Improvement Area No. 1 were the Developer, KB Home and Meritage. Subject to the contingencies, assumptions, and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of the Date of Value, the estimated market value of the property encumbered by the Special Tax within Improvement Area No. 1 was not less than \$88,651,000. The following table summarizes the appraised value by ownership as of the Date of Value:

<u>Owner</u>	<u>Village</u>	Expected No. of	<u>Appraised Value</u>
		Homes at Buildout	
KB Home	MDR-1 and LDR-1	191	\$42,786,000
Meritage	LDR-2 (portion)	77	19,700,000
Developer	LDR-2 (portion)	80	19,615,000
Developer	MDR-2 and HDR-1	<u>_93</u> <sup>(1)</sup>	6,550,000
-	Totals	441	\$88,651,000

<sup>(1)</sup> Based on the expected units as set forth in the Amended Rate and Method. Development plans for Villages MDR-2 and HDR-1 have not been finalized and the actual number of units for such property at buildout may vary from the amounts shown in this table.

The estimated market value assumed that the Bonds have just been sold. See "DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA NO. 1."

In estimating the value for the Taxable Property in Improvement Area No. 1, the Appraiser used a sales comparison approach and the extraction/land residual method. Under the extraction/land residual methodology method, land value is developed by deducting the construction costs and all costs for the construction of homes from the proposed revenues in arriving at an estimated value of the finished lots. The Appraiser then applied a discounted cash flow model to account for the revenue, absorption period, expenses and discount rate associated with the sale of the developable parcels in Improvement Area No. 1.

In the sales comparison approach, the subject property is compared to similar properties that have been sold recently or for which listing prices or offering figures are known. Data for generally comparable properties are used and comparisons are made to demonstrate a probable price at which the subject property would sell if offered in the open market. Under the extraction method, land value is developed by deducting the construction costs and all costs for the construction of homes from the proposed revenues in arriving at an estimated value of the finished lots.

Reference is made to APPENDIX B for a complete list of the assumptions and limiting conditions and a full discussion of the appraisal methodology and the basis for the Appraiser's opinions. In the event that any of the contingencies, assumptions and limiting conditions are not actually realized, the value of the property within Improvement Area No. 1 may be less than the amount reported in the Appraisal Report. In any case,

there can be no assurance that any portion of the property within Improvement Area No. 1 would actually sell for the amount indicated by the Appraisal Report.

The Appraisal Report indicates the Appraiser's opinion as to the market value of the Taxable Property in Improvement Area No. 1 as of the Date of Value and under the conditions specified in the Appraisal Report. The Appraiser's opinion reflects conditions prevailing in the applicable market as of the Date of Value. The Appraiser's opinion does not predict the future value of the subject property, and there cannot be any assurance that market conditions will not change adversely in the future.

It is a condition precedent to the issuance of the Bonds that the Appraiser deliver to the City a certification to the effect that nothing has come to the attention of the Appraiser subsequent to the Date of Value of the Appraisal Report that would cause the Appraiser to believe that the value of the Taxable Property in Improvement Area No. 1 is less than the market value of Improvement Area No. 1 reported in the Appraisal Report. The Appraiser notes, however, that acts and events may have occurred since the Date of Value of the Appraisal Report which could result in both positive and negative effects on market value within Improvement Area No. 1.

*Appraisal Review Report.* The City engaged BBG, Inc., independent appraisers, to conduct a review of the Appraisal Report. BBG, Inc. concluded in its report dated November 14, 2024 that: (i) the data used for the Appraisal Report is adequate and reasonable; (ii) the methods and techniques used in the Appraisal Report are appropriate; (iii) the value opinions stated in the Appraisal Report are adequately supported and are credible, given the data and analyses presented (however, BBG, Inc. expresses no opinions of value as to the properties appraised in the Appraisal Report); and (iv) in BBG, Inc.'s judgment, the Appraisal Report complies with Standards 1 and 2 of the Uniform Standards of Professional Appraisal Practice and California Debt and Investment Advisory Commission appraisal guidelines.

# Value-To-Lien Ratios

Table 6 below shows the estimated principal amount of the Bonds and overlapping debt allocable to the Taxable Property in Improvement Area No. 1 and the estimated value-to-lien ratios for various categories of parcels based upon the appraised value as set forth in the Appraisal Report and property ownership and development status as of the Date of Value. As of the Date of Value, the Developer, KB Home and Meritage were the only property owners in Improvement Area No. 1.

With respect to the property in Improvement Area No. 1 that is located north of Cosumnes River Boulevard (Villages MDR-2 and HDR-1), the Bonds have been sized based on Net Special Tax Revenues using the assumed unit mix and count for such property as shown in Exhibit 1 to the Amended Rate and Method, which consists of 34 medium density units and 59 high density residential units. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Amended and Restated Rate and Method of Apportionment of Special Tax*" and Appendix A hereto for a description of the required Special Tax prepayments or increases to the Special Tax rates should the unit mix and type deviate from those set forth in Exhibit 1 to the Amended Rate and Method.

Based on the principal amount of the Bonds, the estimated appraised value-to-lien ratio within Improvement Area No. 1, including all Taxable Property as of the Date of Value is approximately 5.84-to-1. This ratio includes the overlapping debt set forth in Table 4 above. See "— Direct and Overlapping Indebtedness" above.

As described above, the property in Improvement Area No. 1 that is owned by KB Home is included in the SCIP CFD. Table 6 below does not include the proposed SCIP CFD special tax bonds, which are expected to be issued in approximately May 2025. If issued, approximately \$5,265,000 principal amount of the SCIP CFD special tax bonds is expected to be allocated to such property owned by KB Home. Assuming the SCIP CFD special tax bonds are issued and based on the appraised values set forth in the Appraisal Report, the aggregate appraised value-to-lien ratio of the property owned by KB Home could be reduced from 5.95-to-1 to 3.44-to-1 and the appraised value-to-lien ratio of the property in the District could be reduced from 5.84to-1 to 4.33-to-1 (in each case including the principal amount of the Bonds and the overlapping debt shown in Table 4 above), if property values do not materially increase due to additional development and home sales or other factors.

In the City Reports provided pursuant to the City Continuing Disclosure Certificate, Table 6 will not be updated based on appraised value, but similar information will be provided based on the assessed value for the then current Fiscal Year.

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# TABLE 6 CITY OF SACRAMENTO DELTA SHORES COMMUNITY FACILITIES DISTRICT 2019-01 (IMPROVEMENTS) IMPROVEMENT AREA NO. 1 VALUE-TO-LIEN RATIOS BASED ON OWNERSHIP

Special Tax Category / Property Owner <sup>(1)</sup>	Village	Acreage	Planned Residential Units <sup>(2)</sup>	Appraised Value <sup>(3)</sup>	Estimated Fiscal Year 2025-26 Special Tax Levy <sup>(4)</sup>	Fiscal Year 2025-26 Maximum Special Tax at Build Out <sup>(5)</sup>	% of Fiscal Year 2025-26 Maximum Special Tax at Build Out	Allocation of City of Sacramento CFD No. 2019-01 Bonds <sup>(6)</sup>	Allocation of Overlapping Tax and Assessment Debt <sup>(7)(8)</sup>	Total Debt Lien	Value-to- Lien Ratio
Developed Property <sup>(9)</sup>											
KB Home <sup>(8)</sup>	LDR-1	4.29	31	\$ 8,275,241	\$ 72,748	\$ 72,748	8.6%	\$ 1,244,443	\$72,480	\$ 1,316,923	6.28
KB Home <sup>(8)</sup>	MDR-1	2.05	<u>24</u>	5,536,729	45,332	45,332	5.4	775,462	42,281	817,743	6.77
Subtotal		6.33	55	\$ 13,811,969	\$118,080	\$ 118,080	13.9%	\$ 2,019,905	\$114,761	\$ 2,134,666	6.47
Final Subdivision Property											
KB Home <sup>(8)</sup>	LDR-1	6.58	50	\$ 12,360,759	\$104,816	\$ 117,336	13.9%	\$ 2,007,166	\$116,847	\$ 2,124,013	5.82
KB Home <sup>(8)</sup>	MDR-1	7.20	86	16,613,271	145,108	162,441	19.2	2,778,740	151,489	2,930,229	5.67
Developer <sup>(10)</sup>	LDR-2	14.05	80	19,615,000	167,705	187,737	22.2	3,211,466	143,764	3,355,230	5.85
Meritage Homes	LDR-2	13.60	77	19,700,000	161,416	180,697	21.3	3,091,036	138,401	3,229,436	6.10
Subtotal		41.43	293	\$ 68,289,031	\$579,045	\$ 648,210	76.6%	\$ 11,088,408	\$550,500	\$11,638,908	5.87
Undeveloped Property											
Developer	MDR-2	5.47	34(2)	\$ 4,050,000	\$ 0	\$ 64,221	7.6%	\$ 1,098,572	\$28,011	\$ 1,126,583	3.59
Developer	HDR-1	3.38	<u>59</u> <sup>(2)</sup>	2,500,000	0	15,966	<u>1.9</u>	273,115	17,289	290,404	8.61
Subtotal		8.85	93	\$ 6,550,000	\$ 0	\$ 80,187	9.5%	\$ 1,371,687	\$45,300	\$ 1,416,987	4.62
Totals		56.62	441	\$ 88,651,000	\$697,125	\$ 846,477	100.0%	\$ 14,480,000	\$710,561	\$15,190,561	5.84

<sup>(1)</sup> Reflects ownership status as of October 15, 2024.

(2) Based on development status as of October 15, 2024. As of October 15, 2024, KB Home had commenced construction of 50 production homes and had completed five model homes. With respect to Villages MDR-2 and HDR-1, planned residential units shown are based on Exhibit 1 to the Amended Rate and Method. Development plans for such property have not been finalized and the number of units (and unit type) at buildout may differ from the number of units shown.

<sup>(3)</sup> Based on the Appraisal Report, as of the Date of Value.

(4) Does not reflect the application of any capitalized interest on the Bonds. Interest on a portion of the Bonds accruing through December 1, 2026 is being funded from capitalized interest. Reflects the estimated Fiscal Year 2025-26 Special Tax levy on Developed Property and Final Subdivision Property at the Assigned Special Tax rates.

<sup>(5)</sup> Reflects the levy at the Assigned Special Tax rates for Developed Property.

<sup>(6)</sup> Principal amount of the Bonds is allocated based on the estimated Maximum Special Tax levy at buildout.

(7) Reflects overlapping general obligation and assessment debt. Allocated based on the share of the appraised value of the Taxable Property in Improvement Area No. 1, as set forth in the Appraisal Report. See Table 4 above.

<sup>(8)</sup> Also see the paragraphs above this Table 6 and immediately preceding Table 4 for information relating to the proposed SCIP CFD special tax bonds that are proposed to be issued in approximately May 2025. A portion of such special tax bonds, if issued, will be allocable to the property in the District currently owned by KB Home. As a result, the overlapping debt on these parcels could materially increase and the value-to-lien ratios could materially decline assuming property values do not increase.

<sup>(9)</sup> As of October 15, 2024, KB Home had 22 homes in escrow.

<sup>(10)</sup> Meritage is under contract to acquire such property in two additional takedowns (27 lots in January 2025 and 53 lots in April 2025).

Source: Special Tax Consultant; Market Absorption Consultant; Appraiser; the Underwriter and California Municipal Statistics, Inc.

#### **Delinquency History**

Fiscal Year 2025-26 will be the first year of the Special Tax levy. The County's policy is that any new taxing entity or special assessment district that includes its levy on the County tax roll is qualified to be under the County's Teeter Plan. As a result, the City expects to receive 100% of the Special Tax levy with respect to Improvement Area No. 1, without regard to the actual amount of collections. See "SECURITY FOR THE BONDS — Teeter Plan" and "SPECIAL RISK FACTORS—Teeter Plan Termination."

#### **Debt Service Coverage**

The Bonds have been sized based on the Net Special Tax Revenues from Taxable Property at buildout as set forth in Exhibit 1 to the Amended Rate and Method. There are currently no finalized development plans for the property in Village MDR-2 and Village HDR-1. Table 7 below shows the estimated Special Tax revenues at buildout based on Exhibit 1 to the Amended Rate and Method. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Amended and Restated Rate and Method of Apportionment of Special Tax*" and Appendix A hereto for a description of the required Special Tax prepayments or increases to the Special Tax rates should the unit mix and type in Village MDR-2 and Village HDR-1 deviate from those set forth in Exhibit 1 to the Amended Rate and Method.

Table 8 below shows the estimated debt service coverage on the Bonds based on the Net Special Tax Revenues from Taxable Property at buildout and the product mix and unit count in Exhibit 1 to the Amended Rate and Method, assuming there are no Special Tax delinquencies or prepayments.

# TABLE 7 CITY OF SACRAMENTO DELTA SHORES COMMUNITY FACILITIES DISTRICT 2019-01 (IMPROVEMENTS) IMPROVEMENT AREA NO. 1 ESTIMATED SPECIAL TAX BY VILLAGE AT BUILDOUT

Land Use Class	Village	Planned Residential Units <sup>(1)</sup>	Fiscal Year 2025-26 Assigned Special Tax per Unit <sup>(2)</sup>	Fiscal Year 2025- 26 Estimated Special Tax Revenue <sup>(2)</sup>
1	LDR-1	81	\$2,346.71	\$ 190,084
1	LDR-2	157	2,346.71	368,434
2	MDR-1	110	1,888.84	207,773
2	MDR-2	34	1,888.84	64,221
3	HDR-1	59	270.61	15,966
Totals		441		\$ 846,477

<sup>(1)</sup> There are currently no finalized development plans for the property in Village MDR-2 and Village HDR-1 and the final product mix in such Villages may differ from the numbers shown in this table.

<sup>(2)</sup> On each July 1, the Assigned Special Tax rates shown (and therefore the Expected Special Tax Revenue) will increase by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

Source: Special Tax Consultant; Market Absorption Consultant.

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# TABLE 8 CITY OF SACRAMENTO DELTA SHORES COMMUNITY FACILITIES DISTRICT 2019-01 (IMPROVEMENTS) IMPROVEMENT AREA NO. 1 ESTIMATED NET DEBT SERVICE COVERAGE FROM TAXABLE PROPERTY AT BUILDOUT

		Priority			
	Maximum	Administrative	Net Maximum	Net Debt	
Fiscal Year	Special Tax	Expenses	Special Tax <sup>(1)</sup>	Service <sup>(2)</sup>	Coverage
2025-26	\$846,477	\$20,000	\$826,477	\$677,125	122%
2026-27	863,407	20,600	842,807	764,063	110
2027-28	880,675	21,218	859,457	777,750	110
2028-29	898,288	21,855	876,434	794,000	110
2029-30	916,254	22,510	893,744	809,250	110
2030-31	934,579	23,185	911,394	828,500	110
2031-32	953,271	23,881	929,390	841,500	110
2032-33	972,336	24,597	947,739	858,500	110
2033-34	991,783	25,335	966,447	874,250	110
2034-35	1,011,618	26,095	985,523	893,750	110
2035-36	1,031,851	26,878	1,004,973	911,750	110
2036-37	1,052,488	27,685	1,024,803	928,250	110
2037-38	1,073,538	28,515	1,045,022	948,250	110
2038-39	1,095,008	29,371	1,065,638	966,500	110
2039-40	1,116,909	30,252	1,086,657	983,000	110
2040-41	1,139,247	31,159	1,108,087	1,002,750	110
2041-42	1,162,032	32,094	1,129,938	1,025,500	110
2042-43	1,185,272	33,057	1,152,215	1,046,000	110
2043-44	1,208,978	34,049	1,174,929	1,064,250	110
2044-45	1,233,157	35,070	1,198,087	1,085,250	110
2045-46	1,257,820	36,122	1,221,698	1,108,750	110
2046-47	1,282,977	37,206	1,245,771	1,129,500	110
2047-48	1,308,636	38,322	1,270,314	1,152,500	110
2048-49	1,334,809	39,472	1,295,337	1,172,500	110
2049-50	1,361,505	40,656	1,320,849	1,199,500	110
2050-51	1,388,735	41,876	1,346,860	1,223,000	110
2051-52	1,416,510	43,132	1,373,378	1,248,000	110
2052-53	1,444,840	44,426	1,400,415	1,269,250	110
2053-54	1,473,737	45,759	1,427,979	1,296,750	110

(1) Bonds sized based on Net Special Tax Revenues from Taxable Property in Villages LDR-1, LDR-2 and MDR-1 at buildout, and the assumed Net Special Tax Revenues from Taxable Property in Villages MDR-2 and HDR-1, as depicted in Exhibit 1 of the Amended Rate and Method.

(2) Reflects the application of capitalized interest on the Bonds. Interest on a portion of the Bonds accruing through December 1, 2026 is being funded from capitalized interest.

Source: Special Tax Consultant and the Underwriter.

# **SPECIAL RISK FACTORS**

The purchase of the Bonds involves significant risks that are not appropriate investments for certain investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. The Bonds have not been rated by a rating agency. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed below could adversely affect the ability or willingness of property owners in Improvement Area No. 1 to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the City to make full and punctual payments of debt service

on the Bonds. In addition, the occurrence of one or more of the events discussed below could adversely affect the value of the property in Improvement Area No. 1. See "—Property Values" and "— Limited Secondary Market."

# **Risks of Real Estate Secured Investments Generally**

The Bond owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of Improvement Area No. 1, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes, fires and floods), which may result in uninsured losses; and (iv) high rate of inflation, rising interest rates and other economic trends that adversely affects consumers, whether cyclical or resulting from geopolitical events.

No assurance can be given that the Developer, KB Home, Meritage or any future builders or any future homeowners within Improvement Area No. 1 will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See "— Bankruptcy and Foreclosure" below, for a discussion of certain limitations on the City's ability to pursue judicial proceedings with respect to delinquent parcels.

#### **Concentration of Ownership**

Based on the ownership status of the property within Improvement Area No. 1 as of the Date of Value, the Fiscal Year 2025-26 Special Tax levy is expected to be concentrated with KB Home accounting for 47.0%, the Developer for 31.7% and Meritage for 21.3%. See "DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA NO. 1" above.

Failure of any developers currently owning property within Improvement Area No. 1, any future developers or any of their successor(s), to pay the Special Tax when due could result in a draw on the Bond Reserve Fund, and ultimately a default in payments of the principal of, and interest on, the Bonds, when due. No assurance can be given that the Developer, KB Home, Meritage or any future merchant builders or their successors, will complete the remaining intended construction and development in Improvement Area No. 1. See "— Failure to Develop Property."

Initial home construction has commenced with respect to the planned for-sale products in Improvement Area No. 1. Therefore, the Special Tax will be levied on property which is presently undeveloped. In the event that the Developer, KB Home or Meritage fail to complete the intended construction and development in Improvement Area No. 1, the Special Tax will continue to be levied on undeveloped property. No assurance can be given that the Developer, KB Home, Meritage or any future merchant builders will pay the Special Tax in the future or that they will be able to pay such Special Tax on a timely basis. See "— Bankruptcy and Foreclosure" for a discussion of certain limitations on the City's ability to pursue judicial proceedings with respect to delinquent parcels.

#### **Failure to Develop Property**

Development of property within Improvement Area No. 1 may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the Developer, KB Home, Meritage or any other future property owner to pay the Special Tax when due. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility

that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Development of land in Improvement Area No. 1 is also subject to the availability of water. Finally, development of land is subject to economic considerations.

The major infrastructure serving Improvement Area No. 1 as well as the on-site and in-tract infrastructure planned for the 348 for-sale products is substantially complete. However, no assurance can be given that the remaining proposed development will be partially or fully completed; and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain unimproved.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Holders should it be necessary for the City to foreclose on the property due to the nonpayment of the Special Tax. The failure to complete development in Improvement Area No. 1 as planned, or substantial delays in the completion of the development due to litigation or other causes may reduce the value of the property within Improvement Area No. 1 and increase the length of time during which the Special Tax will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within Improvement Area No. 1 to pay the Special Tax when due.

There can be no assurance that land development operations within Improvement Area No. 1 will not be adversely affected by future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in mortgage interest rates, the income tax treatment of real property ownership, the national economy, or other economic trends that adversely affects consumers, whether cyclical or resulting from geopolitical events. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the Special Tax. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Holders should assume that any event that significantly impacts the ability to develop land in Improvement Area No. 1 would cause the property values within Improvement Area No. 1 to decrease substantially from those estimated by the Appraiser as of the Date of Value and could affect the willingness and ability of the owners of Taxable Property within Improvement Area No. 1 to pay the Special Tax when due.

Based on current development status, the City expects to levy the Special Tax on Final Subdivision Property and Undeveloped Property in Fiscal Year 2025-26. The City will levy the Special Tax on property classified as Final Subdivision Property, and if necessary, Undeveloped Property, in future fiscal years until the Special Tax levied on Developed Property is sufficient to fund the Special Tax Requirement. Property without vertical improvements is less valuable per unit of area than property with completed vertical improvements, especially if there are no plans to develop such land or if there are severe restrictions on the development of such land. Undeveloped property also provides less security to the Holders should it be necessary for the City to foreclose on such property due to the nonpayment of the Special Tax. Furthermore, an inability to develop the land within Improvement Area No. 1 as currently proposed will make the Holders dependent upon timely payment of the Special Tax levied on undeveloped property. A slowdown or stoppage in the continued development of Improvement Area No. 1 could reduce the willingness and ability of the Developer, KB Home and/or Meritage to make Special Tax payments on property that they own and could greatly reduce the value of such property in the event it has to be foreclosed upon. See "—Property Values."

#### **Parity Taxes and Special Assessments**

Property within Improvement Area No. 1 is subject to taxes and assessments imposed by other public agencies also having jurisdiction over the land within Improvement Area No. 1. See "IMPROVEMENT AREA NO. 1 — Direct and Overlapping Indebtedness."

The Special Tax and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on parity with all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Tax has priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation. See "— Bankruptcy and Foreclosure."

See "IMPROVEMENT AREA NO. 1—Direct and Overlapping Indebtedness" for a discussion of the SCIP CFD which CSCDA has formed and covers property in Improvement Area No. 1 currently owned by KB Home.

The City has no control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* property taxes or assessments payable from all or a portion of the property within Improvement Area No. 1. In addition, the landowners within Improvement Area No. 1 may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by special taxes and *ad valorem* property taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Tax and could reduce the estimated value-to-lien ratios for the property within Improvement Area No. 1 described herein. See "SOURCES OF PAYMENT FOR THE BONDS" and "IMPROVEMENT AREA NO. 1 — Direct and Overlapping Indebtedness" and "—Value to Lien Ratios."

# **Limited Obligations**

The Bonds are not payable from the general funds of the City. Except with respect to the Net Special Tax Revenues, neither the faith and credit nor the taxing power of the City is pledged for the payment of the Bonds or related interest, and, except as provided in the Indenture, no owner of the Bonds may compel the exercise of any taxing power by the City or force the forfeiture of any City property. The principal of, premium, if any, and interest on the Bonds are not a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of the City's income, receipts or revenues, except the Net Special Tax Revenues and other amounts pledged under the Indenture.

# **Insufficiency of Special Tax**

Under the Amended Rate and Method, the annual amount of Special Tax to be levied on Taxable Property in Improvement Area No. 1 will generally be based on Land Use Class to which a parcel of Taxable Property is assigned. See APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" and "SOURCES OF PAYMENT FOR THE BONDS — Special Tax."

In order to pay debt service on the Bonds, it is necessary that the Special Tax be paid in a timely manner. The City will establish and fund upon the issuance of the Bonds a Bond Reserve Fund in an amount, initially, equal to the Required Bond Reserve to pay debt service on the Bonds to the extent other funds are not available. See "SOURCES OF PAYMENT FOR THE BONDS — Bond Reserve Fund."

The City will covenant in the Indenture to maintain in the Bond Reserve Fund an amount equal to the Required Bond Reserve, subject, however, to the limitation that the City may not levy the Special Tax in Improvement Area No. 1 in any fiscal year at a rate in excess of the maximum amounts permitted under the Amended Rate and Method. In addition, pursuant to the Act, under no circumstances will the Special Tax levied in any Fiscal Year against property within Improvement Area No. 1 for which an occupancy permit for private residential use has been issued be increased as a consequence of delinquency or default by the owner of any other property within Improvement Area No. 1 by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. As a result, if a significant number of delinquencies occur, the City could be unable to replenish the Bond Reserve Fund to the Required

Bond Reserve due to the limitations on the maximum Special Tax. If such defaults were to continue in successive years, the Bond Reserve Fund could be depleted and a default on the Bonds could occur.

The City will covenant in the Indenture that, under certain conditions, it will institute foreclosure proceedings to sell any property with a delinquent Special Tax in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax —*Foreclosure Covenant*" for provisions which apply in the event of such foreclosure and which the City is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are instituted, there could be a delay in payments to owners of the Bonds (if the Bond Reserve Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the City of the proceeds of sale. The City may adjust the future Special Tax levied on Taxable Property in Improvement Area No. 1, subject to the limitation on the maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Bond Reserve Fund to an amount equal to the Required Bond Reserve and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against Taxable Property in Improvement Area No. 1 will be at all times sufficient to pay the amounts required to be paid by the Indenture, even if the Special Tax is levied at the maximum Special Tax rates. See "—Bankruptcy and Foreclosure" for a discussion of potential delays in foreclosure actions.

The Amended Rate and Method governing the levy of the Special Tax provides that no Special Tax shall be levied on up to 20.10 acres of Non-Residential Property, Open Space Property, Property Owner Association Property, and Public Property (as such terms are defined in the Amended Rate and Method). In addition, no Special Tax shall be levied on Welfare Exempt Property under the conditions set forth in the Amended Rate and Method. See Section E of APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." If for any reason property within Improvement Area No. 1 becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining Taxable Property within Improvement Area No. 1. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Act provides that, if any property within Improvement Area No. 1 not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within Improvement Area No. 1 was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest.

#### Impact of Economic Conditions on the Development in the District

Certain events and factors which negatively affect the regional, State and national economies could have an adverse effect on the pace at which the current or future developers in Improvement Area No. 1 can complete the remaining infrastructure and future homes, and demand by, and the ability of individuals to purchase homes within Improvement Area No. 1. Such events and factors could include rising inflation and interest rates, persistent supply chain issues, global market instability caused by geopolitical events. Any adverse impact of the foregoing and other economic factors on the projects in Improvement Area No. 1 and the real estate market in general cannot be predicted.

#### **Increasing Mortgage Interest Rates**

Increases in mortgage interest rates could have a negative impact on the estimated absorption rates of the planned for-sale residential units in Improvement Area No. 1 described herein. With respect to entry-level households (which likely includes the market for the projects in Improvement Area No. 1), increased mortgage interest rates may adversely impact the affordability of homes and may increase mortgage payment levels for owning a lower-priced home relative to renting a residence, thereby making purchasing less attractive. With respect to move-up households, higher mortgage interest rates may impact the desire of current homeowners to move from their present home due to the fact that their present home likely has a relatively low mortgage interest rate. In addition, in such instances, a new home would likely have a higher interest rate on a new mortgage loan as well as a higher purchase price and property taxes. Such considerations may decrease the desire for move-up households to purchase a new home. The foregoing factors could reduce demand for and/or the ability to achieve the sales prices of the planned for-sale homes within Improvement Area No. 1 as described herein.

#### **Teeter Plan Termination**

The County has implemented its Teeter Plan as an alternate procedure for the distribution of certain property tax and assessment levies on the secured roll. Pursuant to its Teeter Plan, the County has elected to provide local agencies and taxing areas with full tax and assessment levies instead of actual tax and assessment collections. In return, the County is entitled to retain all delinquent tax and assessment payments, penalties and interest.

The County's policy is that any new taxing entity or special assessment district that includes its levy on the County tax roll is qualified to be under the County's Teeter Plan. Fiscal Year 2025-26 will be the first year of the Special Tax levy and it is expected that Improvement Area No. 1 will be included in the County's Teeter Plan when the Special Tax is levied. Thus, if Improvement Area No. 1 is included, the County's Teeter Plan may protect the Holders of the Bonds from the risk of delinquencies in the payment of the Special Tax. However, the County is entitled, and under certain circumstances could be required, to terminate its Teeter Plan with respect to all or part of the local agencies and taxing areas covered thereby. A termination of the Teeter Plan with respect to Improvement Area No. 1 would eliminate such protection from delinquencies in the payment of the Special Tax. See "SOURCES OF PAYMENT FOR THE BONDS — Teeter Plan."

#### No Representation as to Merchant Builders

No representation is made as to the experience, abilities or financial resources of KB Home, Meritage or of any other purchaser or potential purchaser of property in Improvement Area No. 1 or the likelihood that such merchant builders, purchasers or potential purchasers will be successful in developing such purchased properties within Improvement Area No. 1 beyond the current stage of development. See "DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA NO. 1." The description of expected development by the Developer, KB Home and Meritage in this Official Statement is based on information provided to the City by such entities and the Appraiser. In making an investment decision, purchasers of the Bonds should not assume that any current or future property owners within Improvement Area No. 1 will develop such properties beyond the current stage of development.

#### **Natural Disasters**

The market value and habitability of the property within Improvement Area No. 1 can be adversely affected by a variety of factors that cause damage to public and private improvements. Those additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements) and climatic conditions (such as droughts, fire hazard, and floods). Such events may become more frequent or extreme as a result of climate change. Certain commentators have observed that the increased intensity of recent climatic and weather events which have occurred in various parts of the world are likely caused by climate change. There can be no assurance that current methods will be successful in protecting the property within Improvement Area No. 1 and other parts of the District from such events. See "IMPROVEMENT AREA NO. 1—Flood Hazard."

With respect to geologic conditions, building codes require that some of these factors be taken into account in the design of private improvements of the parcels, and the City has adopted the Uniform Building Code standards with regard to seismic standards. Design criteria are established upon the basis of a variety of considerations and may change, leaving previously designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of establishment between the present costs of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Consequently, neither the absence of, nor the establishment of, design criteria with respect to any particular condition means that the applicable governmental agency has evaluated the condition and has established design criteria in the situations in which the criteria are needed to preserve value, or has established the criteria at levels that will preserve value. To the contrary, the City expects that one or more of such conditions may occur and may result in damage to improvements of varying seriousness; that the damage may entail significant repair or replacement costs; and that repair or replacement may never occur because of the cost, because repair or replacement will not facilitate habitability or other use, or because other considerations preclude repair or replacement. Under any of these circumstances, the actual value of the parcels might depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. The property within Improvement Area No. 1 is not located in an Alquist Priolo Earthquake Study Zone and is not located within one-half mile of an active earthquake fault.

In December 2020 and January 2023, significant rainstorms caused flooding in certain parts of the County. The area within Delta Shores (including Improvement Area No. 1) did not experience flooding and was not impacted by the flooding which occurred in other parts of the County.

In recent years, wildfires have caused extensive damage throughout the State. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances entire neighborhoods have been destroyed. Several fires which occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. Additionally, property located adjacent to burn areas can be subject to mudslides and flooding, which can cause significant damage and destruction to property. Improvement Area No. 1 is not located in an area which the Department of Forestry and Fire Protection of the State of California has designated as a high fire hazard severity zone.

#### **Hazardous Substances**

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator

is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming the owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling such substance. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

The value of the Taxable Property within Improvement Area No. 1, as set forth in the various tables in this Official Statement, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. The Developer has represented to the City that it is not aware of any hazardous substance condition of the property within Improvement Area No. 1. The City has not independently determined whether any owner (or operator) of any of the parcels within Improvement Area No. 1 has such a current liability with respect to any such parcel; nor is the City aware of any owner (or operator) who has such a liability. However, it is possible that such liabilities do currently exist and that the City is not aware of them.

#### **Proximity to Wastewater Treatment Plant**

Improvement Area No. 1 is located approximately 1.5 miles from the property on which the Sacramento Area Sewer District's Regional Wastewater Treatment Plant (the "Treatment Plant") is located. The Treatment Plant provides secondary wastewater treatment and disposal of substantially all wastewater generated by sewer systems of the cities of Sacramento and Folsom and the Sacramento Area Sewer District. Given the proximity of the Treatment Plant, there is a heightened potential for the property in Improvement Area No. 1 to be impacted by unintended discharge, spillage or overflow events occurring at the Treatment Plant. Such events could result in nuisance (e.g. odors) and potentially property damage. Such events could have a negative impact on property value in Improvement Area No. 1.

# Payment of the Special Tax is not a Personal Obligation of the Property Owners

An owner of Taxable Property is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the Taxable Property. If the value of the parcel of Taxable Property is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the City has no recourse against the property owner.

# **Property Values**

The value of the Taxable Property within Improvement Area No. 1 is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of the Special Tax, the City's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Tax. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Tax. See "IMPROVEMENT AREA NO. 1 — Value-to-Lien Ratios."

The Appraisal Report does not reflect any possible negative impact which could occur by reason of future slow or no growth voter initiatives, an economic downturn, any potential limitations on development occurring due to time delays, an inability of any landowner to obtain any needed development approval or permit, the presence of hazardous substances or other adverse soil conditions within Improvement Area No. 1, the listing of endangered species or the determination that habitat for endangered or threatened species exists within Improvement Area No. 1, or other similar situations.

Prospective purchasers of the Bonds should not assume that the land within Improvement Area No. 1 could be sold for the amount stated in the Appraisal Report at a foreclosure sale as a result of delinquencies in the Special Tax. In arriving at the estimate of market value by ownership, the Appraiser assumes that any sale will be sold in a competitive market after a reasonable exposure time; the Appraiser also assumes that neither the buyer or seller is under duress, which is not always true in a foreclosure sale. See APPENDIX B — "APPRAISAL REPORT" for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser's assumptions to be untrue could result in a reduction of the value of the land within Improvement Area No. 1 below that estimated by the Appraiser.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the County Assessor, generally not to exceed an increase of more than 2% per fiscal year. No assurance can be given that a parcel could actually be sold for its assessed value.

No assurance can be given that any bid will be received for a parcel with delinquencies in the Special Tax offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquencies in the Special Tax. See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens."

#### **Disclosures to Future Purchasers**

The willingness or ability of an owner of a parcel to pay the Special Tax may be affected by whether the owner (1) was given due notice of the Special Tax authorization when the owner purchased the parcel; (2) was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate, and the risk of such a levy: and (3) has the ability at the time of such a levy to pay it as well as pay other expenses and obligations. The City has caused a notice of the Special Tax to be recorded in the Office of the Recorder for the County against each parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within Improvement Area No. 1 or lending of money thereon.

The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a special tax under the Act of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6(b) requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

#### **Special Tax Collections**

Under provisions of the Act, the Special Tax, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within Improvement Area No. 1 on

the regular *ad valorem* property tax bills sent to owners of such properties by the County Tax Collector. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens" for a discussion of the provisions which apply, and procedures which the City is obligated to follow under the Indenture, in the event of delinquencies in the payment of the Special Tax. See "— Bankruptcy and Foreclosure" for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the City's ability to foreclosure on the lien of the Special Tax in certain circumstances.

# **FDIC/Federal Government Interests in Properties**

*General.* The ability of the City to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC"), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

The supremacy clause of the United States Constitution reads as follows: "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding."

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to the Special Tax within Improvement Area No. 1 but does not pay taxes and assessments levied on the parcel (including the Special Tax), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquencies in the payment of the Special Tax, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Tax and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9<sup>th</sup> Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Tax within Improvement Area No. 1, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

**FDIC.** If any financial institution making any loan which is secured by real property within Improvement Area No. 1 is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid amounts of the Special Tax may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will

pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* property taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. The special taxes imposed under the Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from special taxes under the Act.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of the Special Tax on a parcel within Improvement Area No. 1 in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Tax to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Bond Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

# **Bankruptcy and Foreclosure**

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds. The payment of property owners' taxes and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS— Special Tax—*Foreclosure Covenant*." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Although a bankruptcy proceeding would not cause the Special Tax to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be "administrative expenses" of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Bankruptcy Reform Act of 1994 (the "Bankruptcy Reform Act") included a provision which excepts from the Bankruptcy Code's automatic stay provisions, "the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state if such tax comes due after the filing of the petition [by a debtor in bankruptcy court]." This amendment effectively makes the *Glasply* holding inoperative as it relates to *ad valorem* real property taxes. However, it is possible that the original rationale of the *Glasply* ruling could still result in the treatment of post-petition special taxes as "administrative expenses," rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

According to the court's ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current *ad valorem* property taxes.

The Act provides that the Special Tax is secured by a continuing lien which is subject to the same lien priority in the case of delinquency as *ad valorem* property taxes. No case law exists with respect to how a bankruptcy court would treat the lien for the Special Tax levied after the filing of a petition in bankruptcy court. *Glasply* is controlling precedent on bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Tax, the amount of the Special Tax received from parcels whose owners declare bankruptcy could be reduced.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

# **No Acceleration Provision**

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Indenture, the Trustee is given the right for the equal benefit and protection of all Holders of the Bonds similarly situated to pursue certain remedies described in APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Events of Default and Remedies."

# Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the City in violation of its covenants in the Indenture with respect to compliance with certain provisions of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the Bonds are not subject to early redemption as a result of such event and will remain outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

#### **Limited Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the City has committed to provide certain statutorily required financial and operating information, there can be no assurance that such information will be available to Holders on a timely basis. See "CONTINUING DISCLOSURE." Any failure to provide annual financial information, if required, does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the Bonds or because of adverse history or economic prospects

connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

# **Proposition 218**

An initiative measure commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIIC and Article XIIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The provisions of the Initiative as they may relate to community facilities district are subject to interpretation by the courts. The Initiative could potentially impact the Special Tax available to the City to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIIIC states that ". . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

"Section 3 of Article XIIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution."

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Tax if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the City Council to reduce the Special Tax in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of the Special Tax that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Tax in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of the Special Tax for Expenses.

The interpretation and application of Article XIII C and Article XIII D will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See "SPECIAL RISK FACTORS — Limitations on Remedies."

#### Litigation with Respect to Community Facilities Districts

**Shapiro**. The California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro* (2014) 228 Cal.App.4th 756 (the "San Diego Decision"). The case involved a Convention Center Facilities District (the "CCFD") established by the City of San Diego ("San Diego"). The CCFD is a financing district much like a community facilities district established under the

provisions of the Act. The CCFD is comprised of all of the real property in San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

The election authorizing the special tax was limited to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was modeled after Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California Constitution because Article XIIIA, Section 4 thereof and Article XIIIC, Section 2 thereof require that the electors in such an election be the registered voters within the district.

*Horizon*. The Sacramento County Superior Court issued a ruling in *Horizon Capital Investments*, *LLC v. City of Sacramento et al.* (Case No. 34-2017-80002661) which as described below, involved an election to approve the levy of a special tax within a community facilities district ("CFD") formed under the Act.

In 2017, the City initiated proceedings to form a CFD to finance certain costs to operate and maintain a streetcar line. As permitted by the Act, the proposed district included non-contiguous parcels of non-residential property. Because there were fewer than 12 registered voters residing within the territory of the proposed CFD, the City Council submitted the special tax proposed to be levied within the proposed CFD to the owners of land within the proposed CFD, as required by Section 53326(c) of the Act. The proposed special tax received the requisite two-thirds vote in the landowner election.

Petitioners Horizon Capital Investments, LLC et al. filed a writ of mandate and complaint for reverse validation and declaratory relief. Petitioners argued, and the superior court agreed in its final ruling, that under section 4(a) of article XIII A of the California Constitution (which provides that "Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district [sic], may impose special taxes on such district...") the phrase "qualified electors" means the registered voters of the entire City and not just the owners of the property within the boundaries of the proposed CFD. Citing the San Diego Decision, the ruling states that the phrase "qualified electors of the district" refers to the registered voters of the entity imposing the special tax, which in this case was the City. Because the vote within the proposed CFD was by landowners only and not by all registered voters in the City, the final ruling states that the special tax is invalid.

The superior court's final ruling is not binding upon other courts within the State and does not directly apply to the District, the Special Tax, or the Bonds. Although the City disagrees with the final ruling on a number of grounds, the City decided not to appeal.

*The Special Tax Election in Improvement Area No. 1.* With respect to the San Diego Decision, the facts of such case show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The elections held in Improvement Area No. 1 had less than 12 registered voters at the time of the election to authorize the Special Tax. In the San Diego Decision, the court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the court's holding in the San Diego Decision does not apply to the Special Tax election in Improvement Area No. 1. Moreover, Section 53341 of the Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters." Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. The petitioners in *Horizon* filed the writ of mandate within 30 days of the landowner election. Landowners in Improvement Area No. 1 approved the Special Tax to be levied in accordance with the Amended Rate and Method on February 1, 2022. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings, and

court decisions, the City believes that no successful challenge to the Special Tax being levied in accordance with the Amended Rate and Method may now be brought. In connection with the issuance of the Bonds, Bond Counsel expects to deliver its opinion in the proposed form attached hereto as Appendix D.

# **Ballot Initiatives**

Articles XIII A, XIII B, XIII C and XIII D were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or local districts to increase revenues or to increase appropriations or on the ability of the Developer, KB Home and Meritage to complete the remaining proposed development within Improvement Area No. 1.

# Limitations on Remedies

Remedies available to the owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. The Bonds are not subject to acceleration. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners.

# Potential Early Redemption of Bonds from Prepayments or Bond Proceeds

Property owners within Improvement Area No. 1, including the Developer, KB Home, Meritage and any future individual property owner, are permitted to prepay their Special Tax obligation at any time. Such prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping community facilities district. Such prepayments will result in a redemption of the Bonds on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of the prepayment. The resulting redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See the caption "THE BONDS—Redemption— *Extraordinary Redemption from Special Tax Prepayments.*"

# Cybersecurity

The City relies on computers and technology to conduct its operations. The City and its departments face cyber threats from time to time, including but not limited to hacking, viruses, malware, and other attacks on computers and other sensitive digital networks and systems. No assurances can be given that the City's security and operational control measures will guard against all cyber threats and attacks. The results of any attack on the City's computer and information-technology systems could adversely affect the City's operations and damage its digital networks and systems, and potential losses from such attacks, as well as the costs of defending against future attacks, could be substantial. The City is also reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation the County tax collector for the levy and collection of Special Tax and the Trustee. No assurance can be given that the City

and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

#### **CONTINUING DISCLOSURE**

#### **City Continuing Disclosure**

The City will execute a continuing disclosure certificate (the "Continuing Disclosure Certificate") for the benefit of the Holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to Improvement Area No. 1 and the District and to provide notices of the occurrence of certain enumerated events (the "Listed Events"). The City, as the initial dissemination agent under the Continuing Disclosure Certificate, will file the City Reports and notices of Listed Events with EMMA. The specific nature of the information to be included in the City Reports and the notices of Listed Events is set forth in APPENDIX G — "FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE CITY." The City will sign and deliver to the Underwriter the Continuing Disclosure Certificate to assist the Underwriter in complying with the Rule. The City will file the City Reports with EMMA no later than nine months after the end of the City's fiscal year, which is currently June 30. The first Annual Report that will be due on March 31, 2025 will consist of this Official Statement and the City's audited financial statements.

The City has previously entered into a number of continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations and has provided annual financial information and event notices in accordance with those undertakings. Certain continuing disclosure filings during the past five years were made after the required filing date, such as the City's annual reports for one of the past five fiscal years with respect to a certain prior issue, and certain required information supplementing the City's annual reports for certain prior issues (including the actuarial valuation reports for the Sacramento City Employees' Retirement System and the City's Public Employees' Retirement System plans for two prior issues). The City did not file notices of late filings in the past five years. On two occasions, the City filed annual reports with tables determined later not to be entirely accurate. The City subsequently filed corrected tables.

The City believes it has established processes to ensure that in the future it will make its continuing disclosure filings as required.

The City is required to file certain financial statements with the City Reports. This requirement has been included in the Continuing Disclosure Certificate solely to satisfy the requirements of the Rule. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the City other than as described in this Official Statement. See "SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS." The list of significant events the City has agreed to report includes items that have absolutely no application whatsoever to the Bonds. These items have been included in the list solely to satisfy the requirements of the Rule. Thus, any implication from the inclusion of these items in the list to the contrary notwithstanding, there are no credit enhancements applicable to the Bonds and there are no credit or liquidity providers with respect to the Bonds.

#### **Developers Continuing Disclosure**

To provide updated information with respect to the development within Improvement Area No. 1, the Developer, KB Home and Meritage will each execute a Continuing Disclosure Certificate (the "Developer Continuing Disclosure Certificates"), and will covenant to provide Developer Reports semi-annually in accordance with each Developer Continuing Disclosure Certificate, until satisfaction of certain conditions set forth in the Developer Continuing Disclosure Certificate. Each of the Developer Reports will contain updates regarding the respective entity's development within Improvement Area No. 1 as outlined in Section 4 of each of the Developer Continuing Disclosure Certificates attached as Appendix H. In addition to the Developer Reports, the Developer, KB Home and Meritage will agree to provide notices of certain events set forth in their respective Developer Continuing Disclosure Certificate.

#### TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semi-annually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

#### **LEGAL MATTERS**

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. A complete copy of the proposed form of

Bond Counsel opinion is attached hereto as Appendix D. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by the Office of the City Attorney.

Stradling Yocca Carlson & Rauth LLP, is serving as Disclosure Counsel to the City.

#### **ABSENCE OF LITIGATION**

In connection with the issuance of the Bonds, the Office of the City Attorney will deliver an opinion to the effect that, to its actual knowledge as of the date of delivery of the Bonds, the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry or investigation before or by any court, public board or body (a) that contests in any way the completeness or accuracy of this Official Statement; (b) that seeks to contest the validity of the Special Tax or to restrain or enjoin the collection of the Special Tax; (c) in which an unfavorable decision, ruling or finding is likely to have a material adverse effect on the City's ability to complete the transactions contemplated by the Bonds, the Indenture or this Official Statement; or (d) in which an unfavorable decision, ruling or finding is likely to have a material adverse effect on the validity or enforceability of the Bonds or the Indenture.

#### **MUNICIPAL ADVISOR**

Fieldman, Rolapp & Associates, Inc. (the "Municipal Advisor") has acted as Municipal Advisor to the City in conjunction with the issuance of the Bonds. The Municipal Advisor has assisted in matters related to the planning, structuring, execution, and delivery of the Bonds. The Municipal Advisor will receive compensation non-contingent upon the sale and delivery of the Bonds. The Municipal Advisor has not audited, authenticated, or otherwise independently verified the information set forth in this Official Statement, or any other related information available, with respect to accuracy and completeness of disclosure of such information. Because of this limited participation, the Municipal Advisor makes no guaranty, warranty, or other representation with respect to the accuracy or completeness of this Official Statement, or any other matter related to this Official Statement.

## NO RATING

The City has not made and does not contemplate applying to any rating agency for the assignment of a rating to the Bonds.

#### UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated. The Underwriter has agreed to purchase the Bonds at a price of \$15,062,795.75, being \$14,480,000.00 aggregate principal amount thereof, plus an original issue premium of \$799,995.75 and less Underwriter's discount of \$217,200.00. The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering price may be changed from time to time by the Underwriter.

#### FINANCIAL INTERESTS

The fees being paid to the Underwriter, Bond Counsel, Disclosure Counsel, the Trustee and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds. The fees being paid to the Appraiser, Municipal Advisor, and to the Special Tax Consultant are not contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel and Disclosure Counsel represent the Underwriter on matters unrelated to the Bonds.

#### **PENDING LEGISLATION**

The City is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the City to pay the principal of and interest on the Bonds when due.

#### **ADDITIONAL INFORMATION**

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as presentations of fact, and actual results may differ substantially from those set forth therein. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract with the Holders of the Bonds.

The summaries of certain provisions of the Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. Copies are available for review by making requests to the City.

The appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement.

The distribution of this Official Statement has been authorized by the City.

CITY OF SACRAMENTO

By:

/s/ John Colville City Treasurer

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### **APPENDIX A**

#### AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The following sets forth the Amended and Restated Rate and Method of Apportionment for the levy and collection of Special Taxes of Improvement Area No. 1 of City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento. An Annual Special Tax shall be levied on and collected in Improvement Area No. 1 each Fiscal Year, in an amount determined through the application of the Amended and Restated Rate and Method of Apportionment described below. All of the real property in Improvement Area No. 1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A Special Tax as hereinafter defined shall be levied on each Assessor's Parcel of Taxable Property within Improvement Area No. 1 of the Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California and collected each Fiscal Year commencing no earlier than Fiscal Year 2021-2022 in an amount determined through the application of the procedures described below. All of the real property within Improvement Area No. 1, unless exempted by law or the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

#### A. <u>DEFINITIONS</u>

The terms hereinafter set forth have the following meaning:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on County records, such as on an Assessor's Parcel Map and/or in the Assessor's Data, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final subdivision map, parcel map, condominium plan, record of survey, or other recorded document creating or describing the parcel or calculated using available spatial data and GIS, all as determined by the CFD Administrator. The square footage of an Assessor's Parcel is equal to the Acreage of such parcel multiplied by 43,560.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

"Accessory Dwelling Unit" means a secondary residential unit of limited size, as defined in California Government Code Section 65852.2 and/or meeting the criteria outlined in Sacramento City Code Section 17.228.105, as may be amended from time-to-time.

"Administrative Expenses" means the actual or reasonably estimated costs directly related to the administration of Improvement Area No. 1 including, but not limited to, the following: the costs of computing the Special Tax and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Tax (whether by the County, the City, or otherwise); the costs of remitting the Special Tax to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, Improvement Area No. 1, or any designee thereof of complying with arbitrage rebate requirements or responding to questions from the IRS pertaining to any Bonds or any audit of any Bonds by the IRS; the costs to the City, Improvement Area No. 1, or any designee thereof of providing continuing disclosure regarding the Bonds pursuant to applicable state or federal securities law; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Tax; the costs of the City, Improvement Area No. 1, or any designee thereof related to any appeal of the levy or application of the Special Tax; and the costs associated with the release of funds from an escrow account, if any. Administrative Expenses shall also include amounts estimated or advanced by the City, or Improvement Area No. 1 for any other administrative

purposes, including, but not limited to, attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of any delinquent installment of the Special Tax.

"Airspace Parcel" means a property with an assigned Assessor's Parcel number that constitutes vertical space on an underlying land Parcel.

"Assessor's Data" means the property characteristic data compiled and maintained by the County Assessor for each Assessor's Parcel, including, but not limited to, Assessor's Parcel Number, Use Code, and Units.

"Assessor's Parcel" or "Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the County Assessor designating parcels by an Assessor's Parcel number.

"Assigned Special Tax" means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C.1.a., or the Special Tax for each Land Use Class of Final Subdivision Property, as determined in accordance with Section C.1.b.

"Authorized Facilities" means the public facilities authorized to be financed, in whole or in part, by Bonds or Special Tax revenue dedicated to Pay-As-You-Go Expenditures for Improvement Area No. 1.

"Backup Special Tax" means the Backup Special Tax amount set forth in Section C.1.c.

"**Bonds**" means any bonds or other debt (as defined in the Act), whether in one or more series, issued or incurred for Improvement Area No. 1 under the Act to fund the Authorized Facilities.

"**Bond Year**" means a one-year period beginning on September 2nd in each year and ending on September 1st in the following year, unless defined differently in the applicable Indenture.

"**Boundary Map**" means that map recorded with the County Recorder's office on August 23, 2019, in Book 129 at Page 9 as Document Number 201908230413.

"**CFD Administrator**" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Tax.

"CFD" means Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California.

"City" means the City of Sacramento.

"**Council**" means the City Council of the City, acting as legislative body with respect to the CFD as contemplated by the Act.

"County" means the County of Sacramento.

"County Assessor" means the County of Sacramento, Office of the Assessor.

"**Developed Property**" means all Assessor's Parcels of Taxable Property for which a building permit has been issued prior to June 1st preceding the Fiscal Year in which the Special Tax is being levied.

"**Exempt Property**" means all Assessor's Parcels that are exempt from the Special Tax pursuant to Section E.

"**Expected Revenue**" means the expected Special Tax revenue from Developed Property within Improvement Area No. 1, as shown on the attached Exhibit 1.

"Expected Units" means the expected number of Units on Developed Property within Improvement Area No. 1, as shown on the attached Exhibit 1.

**"Final Subdivision"** means a subdivision of property created by recordation of a final subdivision map, parcel map or lot line adjustment, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code Section 1352, that creates individual lots for which residential building permits may be issued without further subdivision of such property.

**"Final Subdivision Property"** means, in any Fiscal Year, all property for which a Final Subdivision was recorded prior to June 1st of the preceding Fiscal Year and which has not yet become Developed Property.

"Fiscal Year" means the period starting July 1 and ending on the following June 30th•

"GIS", or geographic information system, means a system designed to capture, store, manipulate, analyze, manage, and present spatial or geographic data.

"**High-Density Residential Property**" means, in any Fiscal Year, all Assessor's Parcels of Developed Property with a density of 15 or greater Units per Acre. The assignment of the High-Density Residential Property Land Use Class to an Assessor's Parcel shall be based upon reference to Exhibit 2 to this RMA showing the Villages within Improvement Area No. 1 designated as "HDR" or similar.

"**Improvement Area**" means any of the three improvement areas shown on the Boundary Map of the CFD.

"Improvement Area No. 1" means Improvement Area No. 1 of the Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California.

"**Indenture**" means the indenture, fiscal agent agreement, trust agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Land Use Class" means any of the classes listed in Table 1 and Table 2.

"Low-Density Residential Property" means, in any Fiscal Year, all Assessor's Parcels of Developed Property with a density of 7 or fewer Units per Acre. The assignment of the Low-Density Residential Property Land Use Class to an Assessor's Parcel shall be based upon reference to Exhibit 2 to this RMA showing the Villages within Improvement Area No. 1 designated as "LDR" or similar.

"**Maximum Special Tax**" means the maximum annual Special Tax, determined in accordance with the provisions of Section C, which may be levied in any Fiscal Year on any Assessor's Parcel of Taxable Property.

"Medium-Density Residential Property" means, in any Fiscal Year, all Assessor's Parcels of Developed Property with a density of 8-14 Units per Acre. The assignment of the Medium-Density

Residential Property Land Use Class to an Assessor's Parcel shall be based upon reference to Exhibit 2 to this RMA showing the Villages within Improvement Area No. 1 designated as "MDR" or similar.

"Minimum Taxable Acreage" means 80.59 Acres for Improvement Area No. 1.

"**Mixed-Use Residential Property**" means, in any Fiscal Year, all Assessor's Parcels of Developed Property containing structures that have a mixture of residential and non-residential uses. The non-residential portions of the Parcel are not subject to the Special Tax. The assignment of the Mixed-Use Residential Property to an Assessor's Parcel shall be based upon reference to Exhibit 2 to this RMA showing the Villages within Improvement Area No. 1 designated as "MU" or similar.

"**Non-Residential Property**" means, in any Fiscal Year, all Assessor's Parcels of Developed Property not classified as Low-Density Residential Property, Medium-Density Residential Property, High-Density Residential Property, or Mixed-Use Residential Property.

"Open Space Property" means property within the boundaries of Improvement Area No. 1 which (a) has been designated with specific boundaries and Acreage on a Final Subdivision map as open space, a park, detention basin, or wetland restoration, (b) is classified by the County Assessor as open space, a park, detention basin, or wetland restoration, (c) has been irrevocably offered for dedication as open space, a park, detention basin, or wetland restoration to the federal government, the State of California, the County, the City, or any other public agency or nonprofit holding a conservation easement, or (d) is encumbered by an easement or other restriction required by the City limiting the use of such property to open space, a park, detention basin, or wetland restoration.

"**Outstanding Bonds**" mean all Bonds, which remain outstanding as defined in the Indenture pursuant to which such Bonds were issued.

**"Pay-As-You-Go Expenditure**" means Special Tax revenue which is used or set aside for Authorized Facilities, including for Authorized Facilities to be constructed or acquired by the CFD. Pay-As-You-Go Expenditures may be included in the Special Tax Requirement until all Authorized Facilities have been constructed or acquired.

"**Property Owner Association Property**" means any property within the boundaries of Improvement Area No. 1 which is (a) owned by a property owner association or (b) designated with specific boundaries and Acreage on a Final Subdivision map as property owner association property. As used in this definition, a property owner association includes any master or sub-association.

"**Proportionately**" means for Developed Property that the ratio of the Special Tax levy to the Assigned Special Tax or the Backup Special Tax is equal for all Assessor's Parcels of Developed Property within Improvement Area No. 1. For Final Subdivision Property, Taxable Contingent Property, Tentative Map Property, or Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Annual Special Tax per Acre is equal for all Assessor's Parcels of Final Subdivision Property, Taxable Contingent Property, or Undeveloped Property, Taxable Contingent Property, Tentative Map Property, or Undeveloped Property, Taxable Contingent Property, Tentative Map Property, or Undeveloped Property within Improvement Area No. 1.

"**Public Property**" means any property within the boundaries of Improvement Area No. 1 which (a) is owned by a public agency, (b) has been irrevocably offered for dedication to a public agency, or (c) is designated with specific boundaries and Acreage on a Final Subdivision map as property which will be owned by a public agency. For purposes of this definition, a public agency includes the federal government, the State, the County, the City or any other public agency, including school districts and public utilities. "**RMA**" means this Amended and Restated Rate and Method of Apportionment of Special Tax, which may be amended from time-to-time.

"**Special Tax**" means the annual special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount of Special Tax revenue required in any Fiscal Year for Improvement Area No. 1 to: (i) pay Administrative Expenses; (ii) pay annual debt service on all Outstanding Bonds due in the Bond Year beginning in such Fiscal Year; (iii) pay other periodic costs on Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on Outstanding Bonds; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds in accordance with the Indenture, to the extent not included in a computation of the Special Tax Requirement for a previous Fiscal Year; (v) to the extent permitted by the Act, pay for reasonably anticipated delinquent installments of the Special Tax based on the delinquency rate for the Special Tax levied in the previous Fiscal Year; and (vi) account for Pay-As-You-Go Expenditures for the Authorized Facilities; less (vii) a credit for funds available to reduce the annual Special Tax levy as determined by the CFD Administrator pursuant to the Indenture.

"State" means the State of California.

"**Taxable Contingent Property**" means any Assessor's Parcel of Non-Residential Property, Open Space Property, Property Owner Association Property, Public Property, or other property that would otherwise be classified as Exempt Property pursuant to the provisions of Section E, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property located within Improvement Area No. 1 below the Minimum Taxable Acreage for Improvement Area No. 1.

**"Taxable Property**" means all of the Assessor's Parcels within the boundaries of Improvement Area No. 1 that are not exempt from the Special Tax pursuant to law or Section E below.

"**Tentative Map**" means a map that is made for the purpose of showing the design of a proposed subdivision, including the individual lots that are expected within the subdivision, as well as the conditions pertaining thereto. A Tentative Map is not based on a detailed survey of the property within the map and is not recorded with the County recorder's office to create legal lots.

"Tentative Map Property" means, in any Fiscal Year, all Parcels which are included within a Tentative Map that was approved prior to June 1 of the prior Fiscal Year.

"**Trustee**" means the financial institution appointed pursuant to an Indenture to act as the trustee, fiscal agent, or paying agent or a combination thereof to administer a series of Bonds for and on behalf of Improvement Area No. 1 and the City under such Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Final Subdivision Property, Taxable Contingent Property, or Tentative Map Property.

"Unit" means an individual residential living space. The number of Units assigned to each Assessor's Parcel may be determined by (i) referencing Assessor's Data, (ii) site surveys and physical unit counts, and/or (iii) reviewing City building permit data. An Accessory Dwelling Unit shall not be considered a Unit for the purposes of the Special Tax.

"Use Code" means the six-digit use code assigned by the County Assessor to each Assessor's Parcel.

"Village" means an area, as shown on Exhibit 2 to the RMA, proposed for residential development for Low-Density Residential Property, Medium-Density Residential Property, High-Density Residential Property, or Mixed-Use Residential Property.

"Welfare Exempt Property" means any Parcel within the boundaries of Improvement Area No. 1 that is exempt from the Special Tax pursuant to Section 53340 (c) of the Act because the Parcel has received a welfare exemption under subdivision (g) of Section 214 of the Revenue and Taxation Code. During any time that Bonds are outstanding, property that was not classified as Welfare Exempt Property prior to the issuance of Bonds and was subject to the Special Tax prior to receiving the welfare exemption may no longer be categorized as Welfare Exempt Property regardless of whether the Assessor's Parcel has been granted a welfare exemption under subdivision (g) of Section 214 of the Revenue and Taxation Code by the County.

## B. <u>ASSIGNMENT TO LAND USE CATEGORIES</u>

Each Fiscal Year, all Assessor's Parcels of Taxable Property within Improvement Area No. 1 shall be (a) classified as Developed Property, Final Subdivision Property, Taxable Contingent Property, Tentative Map Property, or Undeveloped Property and (b) shall be subject to the levy of the annual Special Tax determined pursuant to Section C below.

## C. <u>MAXIMUM SPECIAL TAX RATE</u>

## 1. Developed Property and Final Subdivision Property

The Maximum Special Tax for each Assessor's Parcel of Developed Property and Final Subdivision Property shall be the greater of (1) the Assigned Special Tax described in Section C.1.a and C.1.b or (2) the Backup Special Tax computed pursuant to Section C.1.c.

#### a. <u>Assigned Special Tax for Developed Property</u>

The Assigned Special Tax for each Assessor's Parcel of Developed Property is shown in Table 1.

Land Use Class	Description	Assigned Special Tax
1	Low-Density Residential Property	\$2,168 per Unit
2	Medium-Density Residential Property	\$1,745 per Unit
3	High-Density Residential Property	\$250 per Unit
4	Mixed-Use Residential Property	\$250 per Unit
5	Non-Residential Property	\$0

# TABLE 1Assigned Special Tax for Developed Property<br/>(Fiscal Year 2021-2022)

## b. <u>Assigned Special Tax for Final Subdivision Property</u>

The Assigned Special Tax for each Assessor's Parcel of Final Subdivision Property is shown in Table 2.

Land Use Class	Description	Assigned Special Tax
1	Low-Density Residential Property	\$2,168 per Parcel
2	Medium-Density Residential Property	\$1,745 per Parcel
3	High-Density Residential Property	\$250 per Unit <sup>1</sup>
4	Mixed-Use Residential Property	\$250 per Unit <sup>1</sup>
5	Non-Residential Property	\$0

# TABLE 2Assigned Special Tax for Final Subdivision Property(Fiscal Year 2021-2022)

Per Unit expected on each Parcel of Final Subdivision Property.

## c. <u>Backup Special Tax (Fiscal Year 2021-2022)</u>

The Backup Special Tax per Village for each Assessor's Parcel of Developed Property and Final Subdivision Property, is calculated as follows:

Backup Special Tax Expected Revenue / Units on Developed Property and/or Units expected on Final Subdivision Property

For each Village, by reference to Exhibit 1, should the number of Units be less than the Expected Units when all Assessor's Parcels are classified as Developed Property, the Backup Special Tax per Unit shall be adjusted so that the Backup Special Tax per Unit is sufficient to generate the Expected Revenue in any Fiscal Year. The CFD Administrator shall update Exhibit 1 with the revised Units and Expected Revenue to be derived from each Village.

Notwithstanding the foregoing, once an Assessor's Parcel is used for private residential purposes (as determined by the Act), the Backup Special Tax for the Assessor's Parcel cannot be increased because of future reductions in the number of Units on other Assessor's Parcels. The increases to the Backup Special Tax pursuant to Section C.1.e below would still apply to such Assessor's Parcel.

## d. <u>Changes to Land Use Class</u>

Prior to a bond sale, if a Land Use Class change is proposed or identified that will result in a change in the Expected Revenues, no action will be needed pursuant to this Section. Each Fiscal Year, the CFD Administrator shall update Exhibit 1 to show the revised Units and Expected Revenues if a Land Use Class change has been approved.

After a Bond sale, if a Land Use Class change is proposed or identified, the following must be applied:

If the revenues calculated are higher than those reflected in Exhibit 1 or less than those calculated in Exhibit 1, but the reduction in Expected Revenues does not reduce debt service coverage below the required 110% debt service coverage, no further action is needed, and the CFD Administrator shall update Exhibit 1 to show the revised Expected Revenues.

If the revenues calculated are less than those reflected in Exhibit 1, and the CFD Administrator determines that the reduction in Expected Revenues would reduce debt service coverage below the required 110% debt service coverage the Special Tax levied on the Parcel subject to a Land Use Class change will need to be paid and one of the following shall occur: (i) The landowner requesting the Land Use Class change may make a prepayment in an amount that will ensure that the reduced Expected Revenues are sufficient to meet the required 110% debt service coverage or (ii) If a prepayment is not selected, the Assigned Special Tax on the Parcel or Parcels subject to the Land Use Class change shall be increased proportionately until the Expected Revenues are sufficient to maintain the required 110% debt service coverage. Notwithstanding the foregoing, once an Assessor's Parcel is used for private residential purposes (as determined pursuant to the Act), the Maximum Special Tax for the Assessor's Parcel cannot be increased because of future Land Use Class changes for other Assessor's Parcels.

## e. <u>Increase in the Assigned Special Tax and Backup Special Tax</u>

On each July 1, commencing on July 1, 2022, the Assigned Special Tax and the Backup Special Tax for Developed Property and Final Subdivision Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

## 2. Taxable Contingent Property, Tentative Map Property, and Undeveloped Property

#### a. <u>Maximum Special Tax</u>

The Maximum Special Tax for each Assessor's Parcel of Taxable Contingent Property, Tentative Map Property, and Undeveloped Property shall be \$9,705 per Acre In Fiscal Year 2021-2022.

## b. <u>Increase in the Maximum Special Tax</u>

On each July 1, commencing on July 1, 2022, the Maximum Special Tax for Taxable Contingent Property, Tentative Map Property, and Undeveloped Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

#### D. <u>METHOD OF APPORTIONMENT OF THE SPECIAL TAX</u>

Commencing no earlier than Fiscal Year 2021-2022 and for each following Fiscal Year, the CFD Administrator shall determine the Special Tax Requirement, and shall levy the Special Tax until the amount of the Special Tax equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

<u>First</u>: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at a rate up to 100% of the greater of the applicable Assigned Special Tax or the applicable Backup Special Tax to satisfy the Special Tax Requirement.

<u>Second</u>: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on all Final Subdivision Property at a

rate up to 100% of the greater of the applicable Assigned Special Tax or the applicable Backup Special Tax for Final Subdivision Property.

<u>Third</u>: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on all Tentative Map Property at a rate up to 100% of the Maximum Special Tax for Tentative Map Property.

<u>Fourth</u>: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax shall be levied Proportionately on all Undeveloped Property at a rate up to 100% of the Maximum Special Tax for Undeveloped Property

<u>Fifth</u>: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on all Taxable Contingent Property at a rate up to 100% of the Maximum Special Tax for Taxable Contingent Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Developed Property used for private residential purposes (as determined pursuant to the Act) in any Fiscal Year be increased as a consequence of the delinquency or default in the payment of the Special Tax by the owner or owners of any other Taxable Property by more than ten percent above the amount that would have been levied against such Assessor's Parcel in such Fiscal Year had there been no delinquencies or defaults.

## E. <u>EXEMPTIONS</u>

- 1. No Special Tax shall be levied on up to 20.10 Acres of Non-Residential Property, Open Space Property, Property Owner Association Property, and Public Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Non- Residential Property, Open Space Property, Property Owner Association Property, or Public Property.
- 2. For the following property types in excess of the 20.10 Acres exempted above, Non-Residential Property, Open Space Property, Property Owner Association Property, or Public Property that is not exempt from the Special Tax under this section, or pursuant to the Act, shall be classified as Taxable Contingent Property. Taxable Contingent Property shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the fifth step in Section D above, at up to 100% of the applicable Maximum Special Tax for Taxable Contingent Property.
- 3. No Special Tax shall be levied on Welfare Exempt Property. If a Parcel is no longer eligible to be classified as Welfare Exempt Property that would make such Assessor's Parcel eligible to continue to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property. Any property that is granted a welfare exemption when any Bonds are outstanding and was subject to the Special Tax prior to receiving the welfare exemption shall not be considered Welfare Exempt Property.
- 4. The Special Tax for any Developed Property, which would change classification to Public Property upon its transfer or dedication to a public agency, shall continue to be subject to the levy of the Special Tax as Developed Property.
- 5. If the use of an Assessor's Parcel changes so that such Assessor's Parcel is no longer eligible to be classified as one of the uses set forth in Section E.1. above that would make such Assessor's Parcel eligible to continue to be classified as Exempt Property, such Assessor's

Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

6. If an Assessor's Parcel designated as Low-Density Residential Property, Medium-Density Residential Property, High-Density Residential Property, or Mixed-Use Residential Property changes to Non-Residential Property, the Special Tax shall continue to be levied on such Non- Residential Property as if the Assessor's Parcel was still classified as Low-Density Residential Property, Medium-Density Residential Property, High-Density Residential Property, or Mixed-Use Residential Property.

## F. <u>SPECIAL TAX APPEALS</u>

Any property owner may file a written appeal of the Special Tax with the CFD Administrator claiming that the amount or application of the Special Tax is not correct. The appeal must be filed not later than one calendar year after having paid the Special Tax that is disputed, and the appellant must be current in all payments of the Special Tax. In addition, during the term of the appeal process, any Special Tax levied must be paid on or before the payment date established when the levy was made.

The appeal must specify the reasons why the appellant claims the amount of the Special Tax is not correct. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination.

If the property owner disagrees with the CFD Administrator's decision relative to the appeal, the owner may then file a written appeal with the Council whose subsequent decision shall be final and binding on all interested parties. If the decision of the CFD Administrator or subsequent decision by the Council requires the Special Tax to be modified or changed in favor of the property owner, no cash refund shall be made for the prior years' Special Tax, but an adjustment shall be made to credit future Special Tax levies.

## G. <u>INTERPRETATIONS</u>

The City may, by resolution or ordinance, interpret, clarify and/or revise this RMA to correct any inconsistency, vagueness, or ambiguity as it relates to the Special Tax, method of apportionment, classification of Parcels, or any definition used herein, as long as such correction does not materially affect the levy and collection of the Special Tax. In addition, the interpretation and application of any section of this document shall be at the City's discretion.

## H. <u>MANNER OF COLLECTION</u>

The annual Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, that the CFD Administrator may, at the sole discretion of the City, directly bill the Special Tax, may collect the Special Tax at a different time or in a different manner as necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Assessor's Parcels of Taxable Property that are delinquent in the payment of the Special Tax.

## I. <u>PREPAYMENT OF SPECIAL TAX OBLIGATION</u>

The following definitions apply to this Section I:

"**CFD Public Facilities**" means those public facilities authorized to be financed by Improvement Area No.1.

"**CFD Public Facilities Costs**" means either \$10,772,449 in costs for completed facilities/land dedications in 2021 dollars; plus \$2,404,252 in costs for pending facilities/land dedications in 2021 dollars, which shall increase by the Construction Cost Index on July 1, 2022, and on each July 1 thereafter, or such lower number as shall be determined either by (a) the CFD Administrator as sufficient to finance the CFD Public Facilities, or (b) the Council concurrently with a covenant that it will not issue any more Bonds to be secured by Special Taxes levied under this RMA.

"Construction Cost Index" means the annual percentage change in the Engineering News-Record Construction Cost Index for the City of San Francisco, measured as of June in the previous Fiscal Year. In the event this index ceases to be published, the Construction Cost Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of San Francisco.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct the CFD Public Facilities.

**"Future Facilities Costs"** means the CFD Public Facilities Costs minus the portion of the CFD Public Facilities Costs previously funded from (a) proceeds of all previously issued Bonds, (b) interest earnings on the Construction Fund actually earned prior to the date of prepayment and (c) proceeds of the Special Tax dedicated to Pay-As-You-Go Expenditures. In no case, shall the Future Facilities Costs be less than zero.

"**Outstanding Bonds**" means all previously issued Bonds which will remain outstanding after the first principal payment date following the then current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Special Tax obligations.

## 1. **Prepayment in Full**

The Special Tax obligation of an Assessor's Parcel of Developed Property, Final Subdivision Property, Taxable Contingent Property, Tentative Map Property, or Undeveloped Property may be prepaid and permanently satisfied as described herein; provided that there are no delinquent installments of the Special Tax with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 45 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel. Prepayment must be made not less than 75 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture. The CFD Administrator may charge a fee for providing this service.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

**Bond Redemption Amount** 

		-
	plus	Future Facilities Amount
	plus	Redemption Premium
	plus	Defeasance Amount
	plus	Administrative Fees and Expenses
	less	Reserve Fund Credit
	less	Capitalized Interest Credit
Total:	equals	Prepayment Amount
Total:	less	Capitalized Interest Credit

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

## Step Number:

- 1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
- 2. For Assessor's Parcels of Developed Property other than Non-Residential Property, compute the Assigned Special Tax and Backup Special Tax. For Assessor's Parcels of Final Subdivision Property, Tentative Map Property, and Undeveloped Property to be prepaid, compute the Assigned Special Tax and Backup Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the number of Expected Units to be developed on that Assessor's Parcel.
- 3. a. Divide the Assigned Special Tax computed pursuant to Step 2 by the total estimated Assigned Special Tax for Improvement Area No. 1 based on the Developed Property Special Tax which could be charged in the current Fiscal Year on all Expected Units through buildout of Improvement Area No. 1, excluding any Assessor's Parcels which have prepaid the Special Tax obligation in full pursuant to Section I.1.

b. Divide the Backup Special Tax computed pursuant to Step 2 by the total estimated Backup Special Tax for Improvement Area No. 1 based on the Developed Property Special Tax which could be charged in the current Fiscal Year on all Expected Units through buildout of Improvement Area No. 1, excluding any Assessor's Parcels which have prepaid the Special Tax obligation in full pursuant to Section I.1.

- 4. Multiply the larger quotient computed pursuant to Step 3.a or 3.b by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "*Bond Redemption Amount*").
- 5. Compute the current Future Facilities Costs.
- 6. Multiply the larger quotient computed pursuant to Step 3.a or 3.b by the total Future Facilities Costs to compute the amount of the Future Facilities Amount to be retired and prepaid (the *"Future Facilities Amount"*).
- 7. Multiply the Bond Redemption Amount computed pursuant to Step 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
- 8. Compute the amount needed to pay interest on the Bond Redemption Amount on the earliest redemption date for the Outstanding Bonds.
- 9. Compute the amount the Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
- 10. Subtract the amount computed pursuant to Step 9 from the amount computed pursuant to Step 8 (the "*Defeasance Amount*").
- 11. Verify the administrative fees and expenses, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming the

Outstanding Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").

- 12. A reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
- 13. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to Steps 3.a or 3.b by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "*Capitalized Interest Credit*").
- 14. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 4, 6, 7, 10 and 11, less the amount computed pursuant to Steps 12 and 13 (the "*Prepayment Amount*").
- 15. From the Prepayment Amount, the amounts computed pursuant to Steps 4, 7, 10, and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds and make debt service payments. The amount computed pursuant to Step 6 shall be deposited into the Construction Fund. The amount computed pursuant to Step 11 shall be retained by the City for the payment of Administrative Fees and Expenses.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment amount that is not \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

Any current-year Special Tax that has been placed on the County tax roll will remain on the tax roll.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of the Maximum Special Taxes that may be levied on Taxable Property both prior to and after the proposed prepayment is at least 1.1 times the annual debt service on all Outstanding Bonds in each succeeding Bond Year.

## 2. Prepayment in Part

The Special Tax obligation of an Assessor's Parcel of Developed Property, Final Subdivision Property, Tentative Map Property, or Undeveloped Property for which a building permit has been issued may be partially prepaid in increments of 25%, 50%, or 75% of the Prepayment Amount calculated according to Section I.1, minus Administrative Fees and Expenses calculated according to Section I.1.

A partial prepayment can only occur once per Assessor's Parcel. The amount of the prepayment shall be calculated as in Section I.1; except that a partial prepayment shall be calculated according to the following formula:

## $PP=((PE - A) \times F) + A$

These terms have the following meaning:

- **PP** = the Partial Prepayment Amount
- **PE** = the Prepayment Amount calculated according to Section I.1
- A = the Administrative Fees and Expenses calculated according to Section I.1
- **F** = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax obligation.

The owner of an Assessor's Parcel who desires to partially prepay the Special Tax obligation shall notify the CFD Administrator of (I) such owner's intent to partially prepay the Special Tax obligation,

(ii) the amount of partial prepayment expressed in increments of 25%, 50%, or 75% of the Prepayment Amount calculated according to Section I.1, minus Administrative Fees and Expenses calculated according to Section I.1, and (iii) the company or agency that will be acting as the escrow agent, if applicable. Partial prepayment must be made not less than 75 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such partial prepayment may be given to the Trustee pursuant to the Indenture. The CFD Administrator may charge a fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the CFD Administrator shall (i) distribute the funds remitted to it according to Step 15 of Section I.1, and (ii) indicate in the records of Improvement Area No. 1 that there has been a partial prepayment of the Special Tax obligation and that a portion of the Special Tax obligation equal to the outstanding percentage (1.00 - F) of the remaining Special Tax obligation shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Maximum Special Taxes that may be levied on Taxable Property both prior to and after the proposed partial prepayment is at least 1.1 times the annual debt service on all Outstanding Bonds in each succeeding Bond year.

## J. <u>TERM OF SPECIAL TAX</u>

The Special Tax shall be levied commencing in Fiscal Year 2021-2022 to the extent necessary to fully satisfy the Special Tax Requirement and shall not be levied after the 2065-2066 Fiscal Year.

## EXHIBIT 1

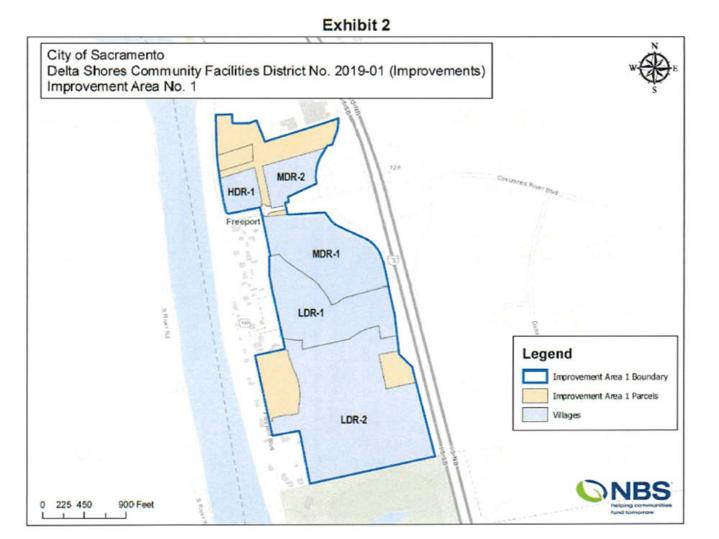
<b>EXPECTED UNITS/REVENUE PER</b>	VILLAGE FOR DEVELOPED PROPERTY
(FISCAL	. YEAR 2021-22)

Land Use Class	Village <sup>1</sup>	Expected Units <sup>2</sup>	Expected Revenue <sup>3</sup>
1	LDR-1	81	\$175,608
1	LDR-2	157	340,376
2	MDR-1	110	191,950
2	MDR-2	34	59,330
3	HDR-1	59	14,750

1 As shown on Exhibit 2 to this RMA.

2 3 There is a total of 441 Expected Units within Improvement Area No. 1.

The total Expected Revenue within Improvement Area No. 1 is \$782,014, stated in Fiscal Year 2021-2022 dollars. On each July 1, commencing on July 1, 2022, the Expected Revenue shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year





**EXHIBIT 2** 

# A-16

## **APPENDIX B**

## APPRAISAL REPORT

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## AN APPRAISAL REPORT OF

Delta Shores CFD No. 2019-1 (Improvement Area 1) SWQ of Interstate 5 and Cosumnes River Boulevard Sacramento, California 95832



Bay Area/Corporate Office 140 Town & Country Drive, Suite F Danville, CA 94526 p: 925 855-4950 / f: 925 855-4951 Sacramento/Central Valley Office

111 Woodmere Road, Suite 140 Folsom, CA 95630 p: 916 357-5860 / f: 916 357-5868

Real Estate Appraisal and Consulting www.smithassociatesinc.com



November 12, 2024

Mr. Bill Sinclair Real Property Agent City of Sacramento, Department of Public Works 915 "I" Street, 2<sup>nd</sup> Floor Sacramento, CA 95814

RE: Delta Shores CFD No. 2019-1 (Improvement Area 1) SWQ of Interstate 5 and Cosumnes River Boulevard Sacramento, CA 95832

Dear Mr. Sinclair:

This appraisal report for Delta Shores CFD No. 2019-1, Improvement Area 1 (the "CFD") is written in conformance with the requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission (2004). The CFD has been established to create a land-secured funding mechanism for authorized facilities, which may include fees paid for those facilities.

The subject property is generally located along the southwest quadrant of Interstate 5 and Cosumnes River Boulevard in the City of Sacramento. This project area encompasses a total land area of 107.22 acres generally allocated among 77.46 acres for 348 lots, south of Cosumnes River Boulevard, as well as a development site of 8.851 AC, respectively, north of Cosumnes River Boulevard. The current zoning for the development site north of Cosumnes River Boulevard includes both HDR and MDR. According to City Planners, these projects can be combined as long as total units are between 95 and 167 units, or total density between 10.7 and 18.9 du/ac. These two parcels include only zoning entitlements as of the effective date of valuation. The remaining land area represents acreages for non-revenue generating land uses including Parks, Detention Basin, and Open Space.

The parcels currently identified by the Sacramento County Assessor's Office within the Boundary Map of Delta Shores CFD No. 2019-1, Improvement Area 1 include the following.

> Bay Area/Corporate Office 140 Town & Country Drive, Suite F 111 Woodmere Road, Suite 140 Danville, CA 94526 Phone 925 855-4950 Fax 925 855-4951

Sacramento/Central Valley Office Folsom, CA 95630 Phone 916 357-5860 Fax 916 357-5868

Mr. Bill Sinclair City of Sacramento Page Two

DROUGOT				# 1 OTC		DENSITY
PROJECT	ORIENTATION	OWNERSHIP	LOT SIZE(SF)	# LOTS	AC	(UNITS/AC)
		SOUTH O	F CRB			
MDR-1	South of CRB	KB Home	2,975 SF	110	17.87	6.2
LDR-1	South of CRB	KB Home	5,000 SF	81	17.38	4.7
LDR-2 (Por.)	South of CRB	Meritage Homes	6,500 SF	77	42.21	1.8
LDR-2 (Por.)	South of CRB	M&H Realty	6,500 SF	80	In	c. Above
NORTH OF CRB						
HDR	North of CRB	M&H Realty	N/A	N/A	3.378	15-27
MDR	North of CRB	M&H Realty	N/A	N/A	5.473	8-14

Site development is completed to this project as of the effective date of valuation. In addition, home development has commenced including the completion of 5 model homes (Portion of MDR-1 and LDR-1). Individual project descriptions are noted as follows.

**MDR-1:** This project represents 110 lots and is owned by KB Home. It is identified as Riva at Delta Shores with three model homes completed as of the effective date of valuation, as well as 107 lots. The nearly finished lots represent a typical size at 3,230 SF as this project is identified for alley-loaded homes. This project is offering three base floor plans ranging in size from 1,795 to 2,236 square feet with base pricing from \$605,000 to \$648,000. Completed model homes are noted as follows.

LOT #	APN	DESIGN	<b>BEDS/BATHS</b>	GLA
323	053-0220-103	Two-Story	4 Beds / 3 Baths	1,795 SF
324	053-0220-104	Two-Story	4 Beds / 2.5 Baths	2,102 SF
325	053-0220-105	Two-Story	5 Beds / 3 Baths	2,236 SF

Vertical construction has commenced for this project as of the effective date of valuation. This includes \$314,324 in building permits paid as of the effective date of valuation, as well as the completed model homes.

**LDR-1:** This project represents 81 lots and is owned by KB Home. It is identified as Edgewater at Delta Shores with two model homes completed as of the effective date of valuation, as well as 79 lots. The nearly finished lots for this project offer a typical size at 5,700 SF. This project is offering four base floor plans ranging in size from 1,685 to 2,693 square feet with base pricing from \$665,990 to \$755,990. This project includes 2 completed model homes summarized on the table below. There are no model homes for the other 2 base floor plans.

LOT #	APN	DESIGN	BEDS/BATHS	GLA
226	053-0230-065	Two-Story	5 Beds / 3 Baths	2,693 SF
227	053-0230-066	One Story	3 Beds / 2 Baths	1,685 SF

Vertical construction has commenced for this project as of the effective date of valuation. This includes \$494,639 in building permits paid as of the effective date of valuation, as well as the completed model homes.

## Mr. Bill Sinclair City of Sacramento Page Three

**LDR-2:** This project represents 157 lots and includes two ownerships. There are 77 lots owned by Meritage Homes. This represents the first takedown of lots as there is a purchase agreement for the remaining 80 lots in this project, which were still owned by M&H Realty as of the effective date of valuation. The remaining two takedowns are scheduled for November 7, 2024 (27 Finished Lots) and April 7, 2025 (53 Finished Lots). The nearly finished lots in this project offer a typical size at 6,825 square feet. There were no model homes, or vertical improvements underway as of the effective date of valuation. This project includes larger lots capable of achieving a premium in the current market climate. Furthermore, Lots 38..56 are oriented along the southern portion of the project with rear yard frontage to the existing Bartley Cavanaugh Golf Course offering golf course views and shade from mature trees along the edge of the golf course property.

**HDR & MDR:** These two components are owned by M&H Realty. They include two development sites including a 3.378 Net AC HDR site with densities from 15 to 27 units per acre, as well as a 5.473 Net AC MDR site with densities from 8-14 units per acre. These properties reflect vacant land with only zoning level entitlements. However, according to City Planners, both properties would be required to produce a minimum number of units, or 95 units up to a maximum of 167 units. Development within the total density allowance would constitute a legally, permissible land use if the two properties were combined.

The purpose of this report is to provide an opinion of market value based on the hypothetical condition that as of the effective date of valuation, the Bonds had just been sold and the properties were encumbered by CFD Bonds supported by Special Taxes as described herein. The market value estimate accounts for the impact of the lien of the Special Tax securing the Bonds.

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

## Mr. Bill Sinclair City of Sacramento Page Four

Based on the analysis described in the attached report, in connection with the Assumptions and Limiting Conditions, and the Hypothetical Conditions, as of September 25, 2024, the effective date of valuation, my opinion of value is as follows.

VALUE	AGGREGATE MARKET VALUE
Hypothetical Market Value (KB HOME)	
-MDR-1 – 107 Residential Lots	\$20,670,000
-Lot 323 – 1,795 SF Home** (Model Home)	\$455,000
-Lot 324 – 2,102 SF Home** (Model Home)	\$505,000
-Lot 325 – 2,236 SF Home** (Model Home)	\$520,000
BULK VALUE (MDR-1)	\$22,150,000
Hypothetical Market Value (KB HOME)	
-LDR-1 – 79 Residential Lots	\$19,530,000
-Lot 226 – 2,693 SF Home** (Model Home)	\$620,000
-Lot 227 – 1,685 SF Home** (Model Home)	\$486,000
BULK VALUE (LDR-1)	\$20,636,000
Hypothetical Market Value (MERITAGE HOMES)	\$19,700,000
-Portion of LDR-2 – 77 Lots	
Hypothetical Market Value (M&H REALTY)	\$19,615,000
-Portion of LDR-2 – 80 Lots	
BULK VALUE (LDR-2)	\$39,315,000
Hypothetical Market Value (M&H REALTY)	
North of CRB	
-8.851 AC MDR/HDR Site	\$6,550,000
AGGREGATE, OR CUMULATIVE VALUE	\$88,651,000
OF APPRAISED PROPERTIES	

\*\* Reflects the value for the finished lot and improvements (based on costs) at the time of permit issuance.

The value noted above is presented in conjunction with the **Hypothetical Condition** that as of the effective date of valuation, the Bonds had just been sold and the properties were encumbered by CFD Bonds supported by Special Taxes as described herein. The market value estimates account for the impact of the lien of the Special Tax securing the Bonds.

Please feel free to call if there are any questions regarding this assignment.

Respectfully submitted,

SMITH & ASSOCIATES, INC.

John E. Carrothers, MAI State Certified General Real Estate Appraiser California AG014187, Exp. 04/11/2025





View East on N. Side of Cosumnes River Blvd. View West on N. side of Consumes River Blvd.



Overall View of Project Area North of Cosumnes River Boulevard



View East along CRB

View West along CRB



Overall View South of Project (S. of CRB)



View of MDR-1

View of MDR-1



View of MDR-1 Lots



View of MDR-1

View of MDR-1



View of LDR-1 Lots



View of LDR-1

View of LDR-1



**Typical Street Scene** 



View of LDR-2

View of LDR-2



LDR-2 Lots adjacent to Bartley Cavanaugh Golf Course



Views of Golf Course Lots (LDR-2)

Views of Golf Course Lots (LDR-2)



Views of Golf Course Lots (LDR-2)

### SUBJECT PHOTOGRAPHS



Riva Model Home – Lot 325 (2,236 SF)



Riva Model Home – Lot 324 (2,102 SF)



Riva Model Home – Lot 323 (1,795 SF)



Edgewater Model Home – Lot 227 (1,685 SF)



Edgewater Model Home – Lot 226 (2,693 SF)

## SUBJECT PHOTOGRAPHS



Aerial View North of Subject Property (South of CRB)



Aerial View South of Subject Property (South of CRB)

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#### ADDENDA

Preliminary Title Report Summary of Infrastructure Costs Market Absorption Study (Prepared by John Burns) Permits Issued as of Effective Date of Valuation 2024 ULOP Report

## SUMMARY OF SALIENT FACTS

Property Type:	Delta Shores CFD No. 2019-1 (Improvement Area 1)
Property Address/Location:	The subject property is generally located along the SWQ of Interstate 5 and Cosumnes River Boulevard. It is in the City of Sacramento and Zip Code 95832.
APN/Legal Description:	The parcels currently identified by the Sacramento County Assessor's Office as numerous parcels. The following table shows revenue generating parcels for the subject property. Non- revenue generating parcels are identified in the site description

of this report.

PROJECT AREA	# LOTS	APNs	LEGAL	
MDR-1	110	053-0220-019128	Lots 239348, Delta Shores West	
KB Home			R.M. Book 452, Page 2, December 19, 2023	
LDR-1	81	053-0220-001018	Lots 158238, Delta Shores West	
KB Home		053-0230-015077	R.M. Book 452, Page 2, December 19, 2023	
LDR-2	77	053-0250-001004,	Lots 14, 47100, 115122, 137147, Delta Shores West	
Meritage Homes		053-0250-047092,	R.M. Book 452, Page 2, December 19, 2023	
		053-0240-001008,		
		053-0240-045051		
		053-0230-001004	)4	
LDR-2	80	053-0250-005046,	Lots 546, 101114, 123136, 148157, Delta Shores West	
M&H Realty		053-0240-009022,	R.M. Book 452, Page 2, December 19, 2023	
		053-0240-031044,		
		053-0230-005014		
HDR & MDR SITE	3.378 AC	119-0010-026, 060	Refer to Legal Description	
M&H Realty	5.473 AC	(Portion)		

Site Description:

This project area encompasses a total land area of 107.22 acres generally allocated among 77.46 acres for 348 lots, south of Cosumnes River Boulevard, as well as development sites of 3.378 AC (HDR) and 5.473 AC (MDR), respectively, north of Cosumnes River Boulevard. These two parcels include only underlying zoning as of the effective date of valuation. The remaining land area represents acreages for non-revenue generating land uses including Parks, Detention Basin, and Open Space.

The parcels currently identified by the Sacramento County Assessor's Office within the Boundary Map of Delta Shores CFD No. 2019-1, Improvement Area 1 include the following.

#### SUMMARY OF SALIENT FACTS (Continued)

PROJECT	ORIENTATION	OWNERSHIP	MINIMUM LOT SIZE(SF)	# LOTS	AC	DENSITY (UNITS/AC)
		SOUTH O	F CRB			
MDR-1	South of CRB	KB Home	2,975 SF	110	17.87	6.2
LDR-1	South of CRB	KB Home	5,000 SF	81	17.38	4.7
LDR-2 (Por.)	South of CRB	Meritage Homes	6,500 SF	77	42.21	1.8
LDR-2 (Por.)	South of CRB	M&H Realty	6,500 SF	80	In	c. Above
NORTH OF CRB						
HDR	North of CRB	M&H Realty	N/A	N/A	3.378	15-27
MDR	North of CRB	M&H Realty	N/A	N/A	5.473	8-14

Site development is nearly completed for this project as of the effective date of valuation. In addition, home development has commenced including the completion of 5 model homes (Portion of MDR-1 and LDR-1). Individual project descriptions are noted as follows.

**MDR-1:** This project represents 110 lots and is owned by KB Home. It is identified as Riva at Delta Shores with three model homes completed as of the effective date of valuation, as well as 107 lots. The nearly finished lots represent a typical size at 3,230 SF as this project is identified for alley-loaded homes. This project is offering three base floor plans ranging in size from 1,795 to 2,236 square feet with base pricing from \$605,000 to \$648,000. Completed model homes are noted as follows.

LOT #	APN	DESIGN	BEDS/BATHS	GLA
323	053-0220-103	Two-Story	4 Beds / 3 Baths	1,795 SF
324	053-0220-104	Two-Story	4 Beds / 2.5 Baths	2,102 SF
325	053-0220-105	Two-Story	5 Beds / 3 Baths	2,236 SF

This includes \$314,324 in building permits paid as of the effective date of valuation, as well as the completed model homes.

**LDR-1:** This project represents 81 lots and is owned by KB Home. It is identified as Edgewater at Delta Shores with two model homes completed as of the effective date of valuation, as well as 79 lots. The nearly finished lots for this project offer a typical size at 5,700 SF. This project is offering four base floor plans ranging in size from 1,685 to 2,693 square feet with base pricing from \$665,990 to \$755,990. This project includes 2 completed model homes summarized on the table below. There are no model homes for the other 2 base floor plans.

LOT #	APN	DESIGN	<b>BEDS/BATHS</b>	GLA
226	053-0230-065	Two-Story	5 Beds / 3 Baths	2,693 SF
227	053-0230-066	One Story	3 Beds / 2 Baths	1,685 SF

#### **SUMMARY OF SALIENT FACTS (Continued)**

Vertical construction has commenced for this project as of the effective date of valuation. This includes \$494,639 in building permits paid as of the effective date of valuation, as well as the completed model homes.

LDR-2: This project represents 157 lots and includes two ownerships. There are 77 lots owned by Meritage Homes. This represents the first takedown of lots as there is a purchase agreement for the remaining 80 lots in this project, which were still owned by M&H Realty as of the effective date of valuation. The remaining two takedowns are scheduled for November 7, 2024 (27 Finished Lots) and April 7, 2025 (53 Finished Lots). The finished lots in this project offer a typical size at 6,825 square feet. There were no model homes, or vertical improvements underway of the effective date of valuation. This project includes larger lots capable of achieving a premium in the current market climate. Furthermore, Lots 38..56 are oriented along the southern portion of the project with rear yard frontage to the existing Bartley Cavanaugh Golf Course offering golf course views and shade from mature trees along the edge of the golf course property.

**HDR & MDR:** These two components are owned by M&H Realty. They include two development sites including a 3.378 Net AC HDR site with densities from 15 to 27 units per acre, as well as a 5.473 Net AC MDR site with densities from 8-14 units per acre. These properties reflect vacant land with only zoning level entitlements. However, according to City Planners, both properties would be required to produce a minimum number of units, or 95 units up to a maximum of 167 units. Development within the total density allowance would constitute a legally, permissible land use if the two properties were combined.

According to the Federal Emergency Management Agency Flood Insurance Rate Maps (FIRM), Community-Panel Number 060266-0285F & 0305F, with an effective date of August 12, 2021, the subject property is identified in Zone X. It is identified as areas of 0.2% annual chance flood; areas of 1% annual chance flood with average depths of less than 1 foot or with drainage areas less than 1 square mile, and areas protected by levees from 1% annual chance flood. The 1% annual chance flood (100-year flood), also known as the base flood, is the flood that has a 1% chance of being equaled or exceeded in any given year. Flood insurance is not required.

Flood Zone:

#### **SUMMARY OF SALIENT FACTS (Continued)**

Unusual Seismic Hazards:	Special Publication 42 (Interim Revision 2007), Fault Rupture Hazard Zones in California, prepared by the California Department of Conservation, California Geological Survey, describes active faults and fault zones pursuant to the Alquist- Priolo Earthquake Fault Zoning Act. According to Special Publication 42, the subject property is not within or near an Alquist-Priolo special study zone.
Fire Hazard Risk:	The subject does not appear to be located within a Medium, High, or Very High Fire Hazard Severity Zone.
Highest and Best Use:	The legally permissible uses of the subject are limited to the land uses as currently approved. The Highest and Best use is for near- term single-family residential development.
Effective Date(s) of Valuation:	September 25, 2024

#### VALUE CONCLUSION:

VALUE	AGGREGATE MARKET VALUE
Hypothetical Market Value (KB HOME)	
-MDR-1 – 107 Residential Lots	\$20,670,000
-Lot 323 – 1,795 SF Home** (Model Home)	\$455,000
-Lot 324 – 2,102 SF Home** (Model Home)	\$505,000
-Lot 325 – 2,236 SF Home** (Model Home)	\$520,000
BULK VALUE (MDR-1)	\$22,150,000
Hypothetical Market Value (KB HOME)	
-LDR-1 – 79 Residential Lots	\$19,530,000
-Lot 226 – 2,693 SF Home** (Model Home)	\$620,000
-Lot 227 – 1,685 SF Home** (Model Home)	\$486,000
BULK VALUE (LDR-1)	\$20,636,000
Hypothetical Market Value (MERITAGE HOMES)	\$19,700,000
-Portion of LDR-2 – 77 Lots	
Hypothetical Market Value (M&H REALTY)	\$19,615,000
-Portion of LDR-2 – 80 Lots	
BULK VALUE (LDR-2)	\$39,315,000
Hypothetical Market Value (M&H REALTY)	
North of CRB	
-8.851 AC MDR/HDR Site	\$6,550,000
AGGREGATE, OR CUMULATIVE VALUE OF APPRAISED PROPERTIES	\$88,651,000

\*\* Reflects the value for the finished lot and improvements (based on costs) at the time of permit issuance.

The value noted above is presented in conjunction with the **Hypothetical Condition** that as of the effective date of valuation, the Bonds had just been sold and the properties were encumbered by CFD Bonds supported by Special Taxes as described herein. The market value estimates account for the impact of the lien of the Special Tax securing the Bonds.

## **EXTRAORDINARY ASSUMPTIONS**

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, could alter the appraiser's opinions or conclusions if found to be false. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends, or about the integrity of data used in an analysis. Extraordinary Assumptions specific to this assignment include the following:

- According to the City of Sacramento, the master developer will receive reimbursement from Delta Shores CFD No. 2019-1 (Improvement Area 1) in the amount not to exceed \$11,862,073. According to the City of Sacramento, bonding capacity is limited to a 3:1 value-to-lien on the aggregate of the value of IA-1.
- 2. This appraisal assumes completion of the remaining flood protection projects, as stated in the ULOP report (included in the addenda of this report), within the timelines stipulated within the ULOP report and that no suspension of development approvals will be necessary. Alternatively, if deadlines are not met, the City will seek and be granted legislative extensions by the Central Valley Flood Protection Board and development will continue for the subject project.

## HYPOTHETICAL CONDITIONS

A condition, as directly related to a specific assignment, is contrary to what is known by the appraiser to exist on the effective date of the assignment results but used for the purpose of the analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions or trends; or about the integrity of data used in an analysis. Hypothetical Conditions specific to this assignment include the following:

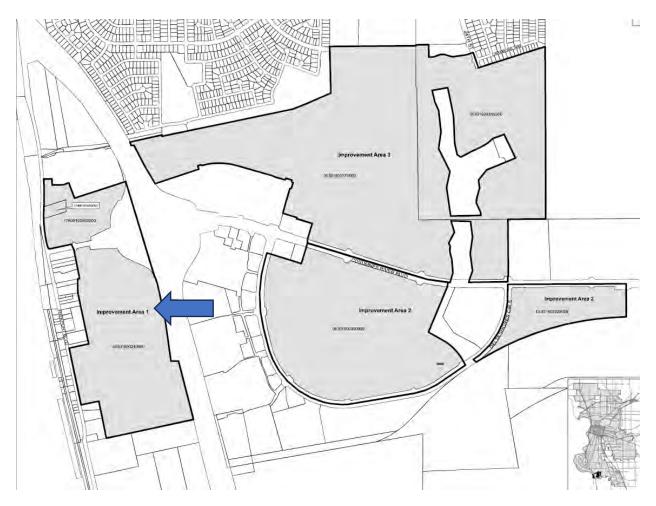
 The opinion of market value as of the effective date of valuation is based on the hypothetical condition that Bonds for Delta Shores CFD No. 2019-1 (Improvement Area 1) had just been sold and the properties were encumbered by CFD Bonds supported by Special Taxes as descried herein. The opinion of market value accounts for the impact of the lien of the Special Tax securing the bond.

It is clearly noted that the use of Extraordinary Assumptions and Hypothetical Conditions might affect the assignment results.

## PART 1 – INTRODUCTION

## **IDENTIFICATION OF THE SUBJECT PROPERTY**

The subject properties reflect the parcels identified within Delta Shores CFD No. 2019-1 (Improvement Area 1). It is generally located along the SWQ of Interstate 5 and Cosumnes River Boulevard. It is in the City of Sacramento and Zip Code 95832. An illustrative map of these properties is as follows.



The parcels currently identified by the Sacramento County Assessor's Office for this project include several parcels. The following table shows revenue generating parcels for the subject property. Non-revenue generating parcels are identified in the site description of this report.

PROJECT AREA	# LOTS	APNs	LEGAL
MDR-1	110	053-0220-019128	Lots 239348, Delta Shores West
KB Home			R.M. Book 452, Page 2, December 19, 2023
LDR-1	81	053-0220-001018	Lots 158238, Delta Shores West
KB Home		053-0230-015077	R.M. Book 452, Page 2, December 19, 2023
LDR-2	77	053-0250-001004,	Lots 14, 47100, 115122, 137147, Delta Shores West
Meritage Homes		053-0250-047092,	R.M. Book 452, Page 2, December 19, 2023
		053-0240-001008,	
		053-0240-045051	
		053-0230-001004	
LDR-2	80	053-0250-005046,	Lots 546, 101114, 123136, 148157, Delta Shores West
M&H Realty		053-0240-009022,	R.M. Book 452, Page 2, December 19, 2023
		053-0240-031044,	
		053-0230-005014	
HDR & MDR SITE	3.378 AC	119-0010-026, 060	Refer to Legal Description
M&H Realty	5.473 AC	(Portion)	

The legal description was identified in the Preliminary Title Report prepared by First American Title Company, dated February 9, 2024. This description is lengthy, and a copy of this report is included in the addenda of this report. It is noted that the total land areas identified for the MDR and HDR Sites, north of Cosumnes River Boulevard were derived from the Master Parcel Map for Delta Shores Phase 3, recorded July 31, 2024 (Document # 20240731/0501).

Delta Shores is a 782 acre master-planned community, located in the southwestern section of Sacramento, California. The community is entitled up to 1.3 million square feet of regional retail uses, 5,222 residential units, approximately 144 acres of open space, and mixed-use town center of approximately 20 acres. The initial Master Subdivision subdivided the development into sixty-four master parcels. The commercial component of the project (referencing the entire larger Delta Shores project) includes a village commercial center, and a neighborhood-serving mixed-use town center. Amenities such as open space, recreation, pedestrian/bicycle paths, and a community center have been incorporated into the land use plan.

Since 2009 the project has received various entitlements. These include approval of the Delta Shores PUD, Certification of the Delta Shores Environmental Impact Report, approval of the Delta Shores Development Agreement, various cost sharing agreements, several mitigation measures, and various tentative and final maps. In 2019 Economic & Planning Systems, Inc. (EPS) prepared and updated their Finance Plan to address infrastructure and facility funding strategy for Delta Shores and to implement funding and reimbursement mechanisms. The Finance Plan includes use of existing and new fee programs, implementation of a land-secured financing district, and uses of other funding mechanisms. The appraisal of the subject is to assist in the land-secured financing of the finance plan.

The area north of the project site and east of I-5, known as the Meadowview neighborhood, has been developed with single family residential units over the last 60 years. Bordering the project site on the northeast is the federally-owned Sacramento Job Corps facility, a portion of which (102 acres) was acquired by the City of Sacramento for potential future uses either a full site sports complex, sports complex mixed with affordable housing, homeless services, and 100% affordable residential housing. These land uses are anticipated to go to council in Fall 2024 for decisions on the types of land uses. Neighborhood input in ongoing. At minimum, the site would take at least six years to develop after the Council provides direction. No funding sources have been identified for this project.

To the south of the Job Corps facility, east of the project site, is vacant privately-owned land zoned for residential uses. In November 2021 Taylor Builders announced a proposal for 1,159 residential units on this 140.7-acre site known as Stone Beetland. They acquired this site in February 2024 for \$11,250,000.

In addition, Taylor Builders will purchase the remaining land area for Improvement Area-3. This land area represents approximately 186 +/- AC and is identified for the development of approximately 1,825 +/- units comprised of 450 LDR units, 820 MDR units, 124 HDR units (market rate) and 423 HDR units with affordable requirements. The purchase price for this transaction is confidential and the appraiser has reviewed this document. With this acquisition, Taylor Builders will become the master developer for the remainder of Delta Shores.

These two transactions are pivotal for the completion of Delta Shores. However, each of these transactions reflect vacant land holdings for future development. While they reflect future supply elements for this immediate area, the reality is that development is far behind the subject project with 348 nearly completed, finished lots and ongoing development of homes. Any future competition to the subject property, would be toward the end of the home sales process with minimal impact to the overall demand for the subject projects.

The southern portion of the project site is just north of the city-owned Bartley Cavanaugh Golf Course. The Town of Freeport, which is within an unincorporated area of Sacramento County, borders the western boundary of the project site.

Improvement Area 1 is one of three improvement areas within the Delta Shores CFD and is located west of Interstate 5. It is configured east of Freeport Boulevard, generally north and south of Cosumnes River Boulevard. Site development is completed for all 348 lots located south of Cosumnes River Boulevard, whereas the two parcels north of Cosumnes River Boulevard are vacant land with zoning entitlements only. An aerial depiction is identified as follows.

**AERIAL MAP** 



## SCOPE OF WORK

This appraisal report is prepared in conjunction with the 2024 Uniform Standards of Professional Appraisal Practice as well as the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (2004). Elements inherent with this process include the following:

- 1. Review of all documents provided to determine the purpose, intended use, and intended user of the appraisal report. Identify the appraisal problem and appropriate approaches to value necessary to provide credible results.
- 2. Complete a physical inspection of each of the properties from an exterior basis. This occurred on June 19, 2024, July 15, 2024, and September 25, 2024. The later date is identified as the effective date of valuation.
- 3. Research of the neighborhood, city and county factors was based on neighborhood analysis, information from local government sources, and data sources utilized by Smith & Associates, Inc. Through the research of this element along with meetings with city officials, the properties can be accurately described, and a market analysis conducted for each property type.
- 4. In developing the approaches to value, market data was used and verified. Data sources included inhouse data files, brokers and agents, property owners, and other knowledgeable market participants. Further data is generated from the City of Sacramento as to the debt for all existing properties in the analysis.
- 5. Review and analyze all pertinent data to determine the subject's highest and best use. Steps 1-4 noted above were considered with particular emphasis placed on current market conditions and trends.
- 6. Assemble and analyze the data outlined above and opinions of value formulated. The sales comparison approach and the extraction method will be utilized to develop the individual value for finished lots for each product type. The sales comparison approach was utilized to develop an opinion of value for the two acreage components. Once all of the values were identified, the overall value in its entirety is presented and identified as the Aggregate Value for this project.
- 7. Review the report for content and compliance with 2024 USPAP, California Debt and Investment Advisory Commission (2004) and client requirements.
- 8. Preparation of an appraisal report with information presented to the client that is adequate to allow for an understanding of the appraisal process and the opinion of value. The depth of discussion contained in this report is specific to the needs of the client and for the intended use.

## PROPERTY RIGHTS APPRAISED

The property rights appraised reflect the Fee Simple Interest. A definition of the individual property rights appraised is included in the Glossary contained in the Addenda of this appraisal report.

## PURPOSE, INTENDED USE AND INTENDED USER OF THE APPRAISAL

The purpose of this report is to provide an opinion of market value based on the hypothetical condition that as of the effective date of valuation, the Bonds had just been sold and the properties were encumbered by CFD Bonds supported by Special Taxes as described herein. The market value estimate accounts for the impact of the lien of the Special Tax securing the Bonds.

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

Two definitions cited in the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (2004) are illustrated below as they are pertinent in the analysis of this property.

**Retail Value** is defined as the price an end user, namely a homeowner or business owner, would pay for a home or completed buildings under the conditions requisite to a fair sale.

**Bulk Sale Value** is the most probable price, in a competitive market, for the sale of all parcels with a tract or development project, to a single purchaser or to multiple buyers, discounted to present value. The bulk sale value reflects the necessary time to sell the land (the absorption period), the cost of developing the land, and the developer's profit from the project.

### DEFINITION OF MARKET VALUE

The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States.

The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgably, 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:

- a. Buyer and seller are typically motivated;
- b. Both parties are well informed or well advised, and acting in what they consider their best interests;
- c. A reasonable time is allowed for exposure in the open market;
- d. Payment is made in terms of cash in U.S. dollars or financial arrangements comparable thereto; and
- e. The price reflects the normal consideration by the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

"12 CFR, Part 34, Subpart C-Appraisals, 34.42(h)"

## **OWNERSHIP AND HISTORY OF THE PROPERTY**

Title to the subject property is vested to several ownerships.

MDR-1 and LDR-1 are currently owned by KB Home Sacramento, Inc., a California Corporation. These components reflect 110 and 81 lots, respectively. This project was originally placed under contract on January 19, 2022 from M&H Realty Partners, VI, LP. This agreement stipulated acquisition of the entire project (348 Anticipated Lots) for a total purchase price of \$33,000,000, or \$94,828 per lot. Under the terms of this agreement, the buyer (KB Home) would be responsible for all site development costs to a finished lot condition.

This agreement between the two parties was modified on April 21, 2022, and ultimately closed escrow on April 29, 2022. The total purchase price based on review of the First Amendment to this contract was \$12,484,436. It is noted that this buyer acquired the entire parcel, subject to a holdback agreement for the sellers retained land identified as LDR-2 or 157 lots. Essentially it included the transfer of MDR-1 and LDR-1, or 191 paper lots. The purchase price equates to \$65,364 per lot excluding the 157 lots (LDR-2) ultimately to be retained by M&H Realty Partners VI, LP. Essentially, according to this contract and discussion with the developer noted that KB Home opted to purchase only MDR-1 and LDR-1 for a total of 191 lots rather than all 348 anticipated lots noted for the entire project.

KB Home deeded back to M&H Realty Partners VI, LP the 157 lots (LDR-2) on April 12, 2024 (Doc # 2024-0412/0295). There was no consideration for this transaction. Since the time of this acquisition of this property on April 29, 2022, the physical nature of this project has changed as the site was developed from vacant land to 191 lots (including 5 model homes and vertical homes under construction).

LDR-2 currently has two ownerships tied to a purchase and sales agreement. According to the PSA dated March 22, 2024, M&H Realty Partners VI, LP, entered into an agreement to sell the 157 finished lots to Meritage Homes, of California Inc. This contract identified 3 takedowns of the finished lots in increments of 77 lots, 27 lots, and 53 lots. This PSA identified a contract price of \$260,000 per finished lot scheduled as follows.

77 Lots - April 19, 2024 - \$20,020,000 27 Lots - October 15, 2024 or 197 days following the 77 lot closing - \$7,020,000 53 Lots – March 13, 2025 or 149 days following the 27 lot closing - \$13,780,000

Collectively, the contract price for 157 finished lots is \$40,820,000.

The 1<sup>st</sup> Amendment to this contract was dated April 8, 2024. This agreement extended the contingency period to the original agreement with no changes in the terms or the price.

The 2<sup>nd</sup> Amendment to this contract was dated April 11, 2024. This agreement extended the contingency period to the original agreement with no changes in the terms or the price. The contingency period was extended to April 16, 2024.

The 3<sup>rd</sup> Amendment to this contract was dated April 16, 2024. This agreement extended the contingency period to the original agreement. The contingency period was extended to April 19 2024. In addition, the closing periods were extended and were noted as follows.

77 Lots - April 24, 2024 - \$20,020,000 27 Lots – November 7, 2024 or 197 days following the 77 lot closing - \$7,020,000 53 Lots – April 7, 2025 or 149 days following the 27 lot closing - \$13,780,000

No other changes were noted.

The 4<sup>th</sup> Amendment to this contract was dated June 18, 2024. This agreement extended the closing date for the 77 finished lots to July 8, 2024.

The 5<sup>th</sup> Amendment to this contract was dated July 5, 2024. This agreement created a holdback agreement for the remaining site improvements. This was identified at \$952,190 for the Cal Trans/Freeport Boulevard offsite work, as well as \$505,275.85 for the Meadowview Turn Pocket.

The 77 lots closed escrow on July 9, 2024. The costs for the remaining site improvement were held back in the escrow account. The scheduled closings for the 27 lots and 53 lots remained unchanged from the  $3^{rd}$  amendment.

As such, the overall ownership for LDR-2 includes 77 lots owned by Meritage Homes and 80 Lots owned by M&H Realty Partners VI, LP. The following table shows the current ownership.

PROJECT AREA	# LOTS	APNs	LEGAL
LDR-2	77	053-0250-001004,	Lots 14, 47100, 115122, 137147, Delta Shores West
Meritage Homes		053-0250-047092,	R.M. Book 452, Page 2, December 19, 2023
		053-0240-001008,	
		053-0240-045051	
		053-0230-001004	
LDR-2	80	053-0250-005046,	Lots 546, 101114, 123136, 148157, Delta Shores West
M&H Realty		053-0240-009022,	R.M. Book 452, Page 2, December 19, 2023
		053-0240-031044,	
		053-0230-005014	

This most recent transaction is compared to the conclusions of value identified later in this report.

APNs 119-0010-060, 026 are currently under the ownership of M&H Realty Partners VI, L.P., a California limited partnership. This represents the land area for the HDR and MDR components located north of Cosumnes River Boulevard. According to the landowner, ultimately there are plans to merge these two parcels and rezone the HDR site to MDR. According to Marcus Adams, with the City of Sacramento, this constitutes an allowable land use as long as each project is developed to the minimum density. As such, development under the current zoning can allow between 95 and 167 units. Upon review of Sacramento County public records, there have been no transfers of ownership of these parcels in the past three years. It was identified that the developer of this project was in the process of selling these two parcels. However, no asking prices or documentation with respect to the asking price was provided for these two properties.

## **PART 2 – LOCATION AND PROPERTY DESCRIPTIONS**

### **REGIONAL DESCRIPTION**

The Sacramento region is comprised of four counties, which include Sacramento, El Dorado, Placer and Yolo Counties. The region encompasses approximately 5,361 square miles from the Sacramento River Delta to the Sierra Nevada Mountain Range. At the center of this region is the City and County of Sacramento that includes approximately 1,105 square miles near the middle of the 400-mile long central valley. The region is the north-central part of California, approximately 382 miles north of Los Angeles, 273 miles south of the Oregon border, and 85 miles northeast of San Francisco.

#### Geography, Climate, & Seismic Conditions

The topography of the region ranges from relatively flat land along the valley floor to steep mountain terrain. Elevations range from 15 feet below sea level near the Sacramento/San Joaquin River Delta to 10,000 feet above sea level at the summit of the Sierra Nevada Mountains. The American River and the Sacramento River are the two major waterways in the region. The American River flows from the east and travels west along the southern portion of the Sacramento Metropolitan Statistical Area (MSA) and joins the Sacramento River just north of Old Sacramento. The Sacramento River flows from the north and heads south along the west side of the area and marks the western boundary of the region.

The climate of Sacramento is warm and dry in the summer with an average daytime temperature of 91°F, and a cool 58°F at night. During winter months, temperatures range from 36°F to 61°F. Due to the Sierra Nevada Mountains, the region has adequate water supply during summer months and is shielded from snowstorms in the winter. During the rainy season, November through April, an accumulation of 17 to 18 inches is the norm. Besides the relatively mild climate, the area is known for its stable seismic conditions. According to information published by the California Department of Mines and Geology, in accordance with the Alquist-Priolo Special Studies Zone Act of 1972, there are no areas within the Sacramento region identified as a special fault-hazard zone. Unlike the Bay Area and Los Angeles, Sacramento and adjoining cities rank among the lowest in the state for the probability of a major earthquake. This factor has attributed to job growth and expansion into the area.

#### Transportation

The region's strategic location in Northern California makes it easy to access other Western cities. The metropolitan area includes four major freeways, which converge in Sacramento, including two of the nation's most vital interstate routes. Interstate 5 runs from Canada to Mexico, and Interstate 80 stretches from the Atlantic Ocean in New York City to the Pacific Ocean in San Francisco. They link up in Sacramento with State Highway 99, which parallels Interstate 5 throughout the length of California, and US Highway 50, which connects the capital with Lake Tahoe, and extends to the east coast.

By rail, intercity commuter rail service is throughout the region, with the hub of freight operations located in Roseville. In 1998, Union Pacific made its western headquarters in Roseville. The Roseville headquarters serves the western United States. Rail service is available near the subject location, however, there are no spurs identified within the immediate vicinity for heavier distribution users.

Sacramento International Airport is served by several commercial airlines. The 30-year-old airport is located just off Interstate 5, about a 15 minute drive northwest of downtown. The total number of passengers has drastically increased since the arrival of Southwest Airlines in 1991 and its discounted fares. Passenger travel peaked in 2007 with 10.7 million passengers but declined to 8.9 million passengers in 2009. A large construction occurred at Sacramento International Airport with the modernization of Terminal B. This project broke ground in June 2008 and was completed in 2011. Sacramento County officials reduced the budget to \$1.08 billion from \$1.3 billion by eliminating plans for a parking garage and hotel. The project includes an automatic train system and a new central terminal building and concourse that will be more than 670,000 square feet, or three times the size of the current Terminal B.

Furthermore, a new \$1.3 billion expansion project recently commenced which will include construction of a \$140 million pedestrian walkway that will connect Terminal B to Concourse B. Additional projects include expansion to both Terminal A and Concourse B, which will add gates and amenities, a new Terminal B parking garage; and a consolidated ground transportation center that will centralize taxi, rideshare, and off-site shuttle providers into a single area that is walkable from both terminals.

Sacramento is linked to the Pacific Ocean by a 42-mile deep-water ship channel into San Francisco Bay. The inland Port of West Sacramento is located 79 nautical miles northeast of San Francisco, and is centered in one of the richest agricultural and industrial regions in the world.

#### Population

The Sacramento region experienced growth over the past twelve years from 2,149,126 in 2010 to the current 2024 estimate (State of California Department of Finance) of 2,402,031. The following table represents the total population increase in the Sacramento region based on census figures, as well as estimates compiled by the State of California Department of Finance.

COUNTY	2010 (CENSUS)	2020 (CENSUS)	2023 POPULATION (ESTIMATES)	2024 POPULATION (ESTIMATES)	% CHANGE 2023-2024
Yolo	200,848	216,403	220,454	221,666	0.5%
El Dorado	181,058	191,185	188,067	188,583	0.3%
Placer	348,432	404,739	410,085	412,844	0.7%
Sacramento	1,418,788	1,585,055	1,576,639	1,578,938	0.1%
Total Region	2,149,126	2,397,382	2,395,245	2,402,031	0.2%
State of California	37,253,956	39,538,223	39,061,058	39,128,162	0.2%

## Source: State of California Department of Finance

There is continued population growth in the region, albeit at slower rates than identified in the earlier part of the decade. The region has increased by approximately 252,905 residents since the 2010 census or total population growth of 11.8% over this time frame. This is slightly higher than the entire State of California showing a total growth rate of 5.1% over the same period. In addition, population growth was slight for the region over the past year represented by the 0.2% increase noted above the levels identified in the 2024 projections. It is worth noting that total population increased by 67,104 residents in California according to these most recent projections.

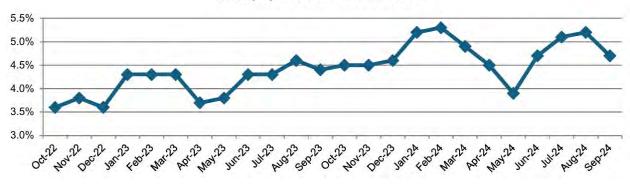
#### Local Economy/Job Formation

The unemployment rate in the Sacramento-Roseville-Arden-Arcade MSA was 4.7 percent in September 2024, down from a revised 4.4 percent in August 2024, and above the year-ago estimate of 4.4 percent. This compares with an unadjusted unemployment rate of 5.3 percent for California and 3.9 percent for the nation during the same period. The unemployment rate was 4.3 percent in El Dorado County, 4.2 percent in Placer County, 4.9 percent in Sacramento County, and 4.9 percent in Yolo County. The total labor force for the region is currently identified at 1,142,700 workers, with 1,088,900 currently employed. The following table illustrates historic employment for the entire region since 2000. It is noted that these numbers vary slightly compared to the previous numbers as they are not seasonally adjusted.

YEAR	LABOR FORCE	EMPLOYMENT	UNEMPLOYMENT	RATE
2024 YTD	1,142,700	1,088,900	53,700	4.7%
2023	1,132,100	1,080,000	52,100	4.6%
2022	1,124,500	1,082,500	42,000	3.7%
2021	1,102,400	1,055,000	47,400	4.3%
2020	1,096,900	1,010,500	86,400	7.9%
2019	1,104,600	1,069,600	35,000	3.2%
2018	1,111,000	1,071,600	39,300	3.5%
2017	1,088,700	1,037,900	50,800	4.7%
2016	1,073,600	1,017,300	56,300	5.2%
2015	1,060,200	998,100	62,100	5.9%
2014	1,050,800	976,100	74,700	7.1%
2013	1,049,100	958,200	90,900	8.7%
2012	1,049,500	941,300	108,200	10.3%
2011	1,045,200	921,300	123,600	11.8%
2010	1,049,800	920,100	129,700	12.4%
2009	1,051,200	937,100	114,200	10.9%
2008	1,045,300	971,000	74,200	7.1%
2007	1,036,200	981,000	55,200	5.3%
2006	1,022,800	974,900	47,900	4.7%
2005	1,012,000	962,600	49,400	4.9%
2004	998,300	943,700	54,700	5.5%
2003	983,700	927,200	56,400	5.7%
2002	965,000	911,900	53,100	5.5%
2001	935,300	893,400	41,900	4.5%
2000	910,000	871,000	39,000	4.3%

Source: State of California Employment Development Department. Information through September 2024.

Historic changes in the unemployment rate are depicted on the following chart.



#### **Unemployment Rate Historical Trend**

The information above identifies changes in the employment market in the Sacramento region, especially noted over the past year. As of September 2024, the total civilian employment was identified at 1,088,900 jobs. Between March 2020 and April 2020, total job losses were approximately 153,000 jobs. Since this time, jobs were re-absorbed back into the workforce.

## Housing

The Sacramento housing market is stabilizing after periods of an inflationary environment and rising interest rates in the past two years. With interest rates remaining flat in the past 9-12 months, home prices started to increase. With recent reductions in interest rates, pricing will likely increase. The table below shows the median home pricing for the four-county region according to the California Association of Realtors, including comparisons from the past two years.

AREA	<b>MEDIAN PRICE</b>	MEDIAN PRICE	<b>MEDIAN PRICE</b>		
ALL HOMES	AUG 2022	AUG 2023	AUG 2024	% <mark>∆ 22-24</mark>	<mark>%∆ 23-24</mark>
Yolo	\$631,000	\$622,500	\$620,960	-1.6%	-0.2%
El Dorado	\$627,000	\$657,000	\$650,000	3.7%	-1.1%
Placer	\$649,000	\$669,000	\$675,000	4.0%	0.9%
Sacramento	\$535,000	\$535,000	\$559,000	4.5%	4.5%
CALIFORNIA	\$834,740	\$859,670	\$888,740	6.5%	3.4%

Home prices in the Sacramento Region have mostly improved since August 2022. Changes over the past 12 months reflect changes in pricing from (1.1%) to 4.5%. This information is showing increasing pricing at higher overall interest rates than compared to 2022 and into 2023.

Monthly changes in pricing over the past year for these counties, as well as California on an overall basis as derived from the California Association of Realtors are noted below. Home prices are shown in terms of median price.

MON-YR.	СА	EL DORADO	PLACER	SACRAMENTO	YOLO
July-23	\$832,340	\$650,000	\$660,000	\$547,000	\$625,000
August-23	\$859,800	\$657,000	\$669,000	\$535,000	\$622,500
September-23	\$843,340	\$685,000	\$665,000	\$545,000	\$608,640
October-23	\$840,360	\$660,000	\$685,000	\$550,000	\$629 <i>,</i> 900
November-23	\$822,200	\$650,000	\$659,000	\$522,290	\$620,000
December-23	\$819,740	\$660,000	\$633,020	\$535,000	\$630,000
January-24	\$788,940	\$650,000	\$620,000	\$515,000	\$600,360
February-24	\$806,490	\$647,500	\$650,000	\$530,000	\$918,940
March-24	\$854,490	\$677,000	\$659,000	\$530,000	\$635 <i>,</i> 830
April-24	\$904,910	\$757,000	\$671,740	\$548,580	\$615,000
May-24	\$908,040	\$699,000	\$675,000	\$555,000	\$653 <i>,</i> 980
June-24	\$900,720	\$709,000	\$685,000	\$560,000	\$649,500
July-24	\$886,560	\$695,000	\$670,000	\$560,000	\$610,000
August-24	\$888,740	\$650,000	\$675,000	\$559,000	\$620,960

Pricing characteristics are noted above since August 2023 Overall pricing dropped in the latter half of 2023, but indicators for 2024 show increasing pricing.

18,155 6,805 3,381 1,799 <b>30,140</b> <b>2020</b> \$410,000 \$520,000 \$525,000 \$475,000	19,344 7,006 3,329 2,076 <b>31,755</b> <b>2021</b> \$480,304 \$625,000 \$621,000 \$550,000	15,142 5,615 2,502 1,589 <b>24,848</b> <b>2022</b> \$520,000 \$669,447 \$650,000	11,317 4,618 1,893 1,298 <b>19,126</b> <b>2023</b> \$510,000 \$642,375 \$630,000	8,729 3,661 1,446 1,039 <b>14,875</b> <b>2024</b> \$530,000 \$650,000 \$659,000	2,143 1,032 670 278 <b>4,123</b> <b>ACTIVE</b> \$575,000 \$721,450 \$732,500
3,381 1,799 <b>30,140</b> <b>2020</b> \$410,000 \$520,000 \$525,000	3,329 2,076 <b>31,755</b> <b>2021</b> \$480,304 \$625,000 \$621,000	2,502 1,589 <b>24,848</b> <b>2022</b> \$520,000 \$669,447 \$650,000	1,893 1,298 <b>19,126</b> <b>2023</b> \$510,000 \$642,375 \$630,000	1,446 1,039 <b>14,875</b> <b>2024</b> \$530,000 \$650,000 \$659,000	670 278 <b>4,123</b> <b>ACTIVE</b> \$575,000 \$721,450
1,799 30,140 2020 \$410,000 \$520,000 \$525,000	2,076 31,755 2021 \$480,304 \$625,000 \$621,000	1,589 24,848 2022 \$520,000 \$669,447 \$650,000	1,298 19,126 2023 \$510,000 \$642,375 \$630,000	1,039 14,875 2024 \$530,000 \$650,000 \$659,000	278 4,123 ACTIVE \$575,000 \$721,450
<b>30,140</b> <b>2020</b> \$410,000 \$520,000 \$525,000	<b>31,755</b> <b>2021</b> \$480,304 \$625,000 \$621,000	<b>24,848</b> <b>2022</b> \$520,000 \$669,447 \$650,000	<b>19,126</b> <b>2023</b> \$510,000 \$642,375 \$630,000	<b>14,875</b> <b>2024</b> \$530,000 \$650,000 \$659,000	<b>4,123</b> <b>ACTIVE</b> \$575,000 \$721,450
<b>2020</b> \$410,000 \$520,000 \$525,000	<b>2021</b> \$480,304 \$625,000 \$621,000	<b>2022</b> \$520,000 \$669,447 \$650,000	<b>2023</b> \$510,000 \$642,375 \$630,000	<b>2024</b> \$530,000 \$650,000 \$659,000	ACTIVE \$575,000 \$721,450
\$410,000 \$520,000 \$525,000	\$480,304 \$625,000 \$621,000	\$520,000 \$669,447 \$650,000	\$510,000 \$642,375 \$630,000	\$530,000 \$650,000 \$659,000	\$575,000 \$721,450
\$520,000 \$525,000	\$625,000 \$621,000	\$669,447 \$650,000	\$642,375 \$630,000	\$650,000 \$659,000	\$721,450
\$525,000	\$621,000	\$650,000	\$630,000	\$659,000	
					\$732,500
\$475,000	\$550.000	6000 000			
	<i>4000)000</i>	\$600,000	\$599 <i>,</i> 000	\$614,173	\$649,500
2020	2021	2022	2023	2024	ACTIVE
1,561	1,539	1,532	1,557	1,575	1,683
2,021	2,020	2,010	2,040	1,996	2,244
2,088	2,096	2,034	2,050	2,022	2,200
1,685	1,607	1,633	1,726	1,710	1,902
2020	2021	2022	2023	2024	ACTIVE
\$262.65	\$312.09	\$334.67	\$327.55	\$333.60	\$332.25
\$257.30	\$309.41	\$342.72	\$314.89	\$342.98	\$342.66
	6206.20	\$324 71	\$307.32	\$326.70	\$333.99
\$251.44	ŞZ90.Z8	J24.71	•		
	1,685 2020 \$262.65 \$257.30	1,6851,60720202021\$262.65\$312.09\$257.30\$309.41	1,6851,6071,633202020212022\$262.65\$312.09\$334.67\$257.30\$309.41\$342.72	1,6851,6071,6331,7262020202120222023\$262.65\$312.09\$334.67\$327.55\$257.30\$309.41\$342.72\$314.89	1,6851,6071,6331,7261,71020202021202220232024\$262.65\$312.09\$334.67\$327.55\$333.60\$257.30\$309.41\$342.72\$314.89\$342.98

Current levels of inventory are stable. The following table shows the total number of homes sold in each county according to Metrolist since 2018. Home prices are shown in terms of median price.

Source: Metrolist, \*Active & 2024 information processed as of September 25, 2024

According to this information, pricing is trending upward. The following table shows changes for each individual county, as well as total inventory of homes.

COUNTY	2023 PRICING	2024 PRICING	% CHANGE	ACTIVE INVENTORY	SALES RATE/ TOTAL INVENTORY
Sacramento	\$510,000	\$530,000	3.9%	2,143	998/Mo. – 2.1 Months
Placer	\$642,375	\$650,000	1.2%	1,032	418/Mo. – 2.5 Months
El Dorado	\$630,000	\$659,000	4.6%	670	156/Mo. – 4.1 Months
Yolo	\$596,050	\$614,173	1.6%	278	119/Mo. – 2.3 Months
Totals				4.123	1.700/Mo. – 2.4 Months

Source: Metrolist, \*Active information processed as of September 25, 2024

The median home price is trending upward in most counties. Sacramento County is 3.9% above the annualized average for 2023. Inventory levels in the resale market are stable with 4,123 homes on the market as of September 25, 2024, representing approximately 2.4 months of inventory.

The average price of a new home ranges from \$513,560 (Yuba County) to \$930,555 (El Dorado County) in the Sacramento region. According to the Gregory Group (New Housing Trends), 2<sup>nd</sup> Quarter 2024, the historic average pricing for the Sacramento region is identified on the following table. It is clearly noted that this level of pricing is based on gross pricing, prior to incentives.

COUNTY	2Q 2022	2Q 2023	2Q 2024	<mark>%∆ 22-24</mark>	<mark>%∆ 23-24</mark>
El Dorado County	\$925,316	\$986,100	\$930,555	0.6%	-5.6%
Placer County	\$731,952	\$755,823	\$805,069	10.0%	6.5%
Sacramento County	\$734,765	\$690,152	\$686,964	-6.5%	-0.5%
Sutter County	\$462,262	\$579,565	\$606,209	31.1%	4.6%
Yolo County	\$671,035	\$649,916	\$675,377	0.6%	3.9%
Yuba County	\$516,926	\$488,575	\$513,560	-0.7%	5.1%
REGIONWIDE	\$725,889	\$710,85 <b>3</b>	\$724,717	-0.2%	2.0%

Pricing changes from 2022 to 2024 (2<sup>nd</sup> Quarter), as well as changes over the past year are identified on the table above. This information shows that pricing has decreased in the entire region by 0.2% since the 2<sup>nd</sup> Quarter of 2022. Year-over-year regionwide changes increased by 2.0%. This shows pricing is nearing levels experienced in 2<sup>nd</sup> quarter 2022, when interest rates were lower. Information from Sutter County is influenced by the lack of residential projects.

There were between 7,790 and 8,099 sales identified in the region from 2020 to 2021. The new home market escalated during Covid-19 and low interest rates. These levels dropped in 2022 to 5,568 sales due to rising inflation and increases in interest rates. Home buyers adjusted to these interest rates and 2023 produced 7,019 total sales. Sales for 2024 are identified at 4,363 sales based on total sales through the first half of 2024. These elements are identified as follows.

COUNTY	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
El Dorado County	183	351	559	637	328	259	417	358	228	271	161
Placer County	1,048	1,503	1,643	1,866	1,676	1,592	2,300	2,958	2,170	2,571	1,336
Sacramento County	1,258	1,793	2,327	2,540	2,674	3,220	3 <i>,</i> 885	3,859	2,557	3,351	2,219
Sutter County	8	13	27	92	109	92	452	102	53	33	36
Yolo County	169	199	409	464	278	505	312	432	196	434	342
Yuba County	73	127	122	54	169	328	424	390	364	359	269
REGIONWIDE	2,739	3,986	5,087	5,653	5,234	5,996	7,790	8,099	5,568	7,019	4,363

Source: The Gregory Group, 2<sup>nd</sup> Quarter 2024

The subject property is located in the Sacramento County market area. New home sales dropped 33.7% in 2022 as compared to levels identified in 2021. Total sales in 2023 were 31.1% above levels in 2022 and in 2024, 2,219 new homes were sold in Sacramento County. This is approximately 66.2% of the total sales noted in 2023, however, 2024 information is based on the first two quarters. By way of comparison, 1,690 new homes were sold in the first half of 2023, and year-to-date sales are 31.3% higher in 2024.

### Leisure Activities

For leisure activities, Sacramento's best asset is its location. The city makes a good base camp to sample the sights of Northern California. San Francisco, Lake Tahoe, Yosemite National Park, the Napa Valley, Monterey Bay, and historic towns of the gold rush era are all within a few hours by car. In Sacramento itself there are the Kings of the National Basketball Association, professional opera and ballet companies, a symphony orchestra and the West's oldest public art museum. Recently, it was announced that the Oakland A's will play the 2025 season in Sutter Health Park in West Sacramento. Mild weather makes most outdoor sports available year-round, including tennis, golf, boating and bicycling. With picturesque Gold Rush-era towns dotting the foothills east of Sacramento, and with the majestic Sierra Nevada beckoning skiers, backpackers, boaters, and anglers, it is easy to understand the Sacramento appeal to tourists. About 20 percent of Sacramento's visitors came to town while vacationing, 17 percent were

visiting friends and relatives, and 20 percent were passing through. The construction and subsequent opening of the Golden One Center in Downtown Sacramento in 2016 has had a positive impact on tourism in the region.

### Conclusion

The Sacramento region enjoys a favorable location, central within California and the West Coast. All forms of transportation are well developed and easily accessible. The work force is relatively stable, educational facilities are abundant, and the generally favorable government attitude allows the area to be attractive to both individuals and corporations. Currently, economic conditions are still influenced by the inflationary economy.

Inflation was at a 40-year high in 2022, and rising interest rates are the main vehicle used to combat rising inflation in all sectors. This impacted the housing market with slower levels of sales and pricing starting to reverse course after two years of high levels of appreciation. While new home sales are showing higher levels of pricing, the rising interest rates will compress affordability ratios and pricing will have to adjust to levels to stimulate sales. Recently, rates were lowered in September 2024.

According to the most recent meeting September 18, 2024 by the Federal Reserve, recent indicators suggest that economic activity has continued to expand at a solid pace. Job gains have slowed, and the unemployment rate has moved up but remains low. Inflation has made further progress toward the Committee's 2 percent long-term objective but remains somewhat elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee has gained greater confidence that inflation is moving sustainably toward 2 percent, and judges that the risks to achieving its employment and inflation goals are roughly in balance. The economic outlook is uncertain, and the Committee is attentive to the risks to both sides of its dual mandate.

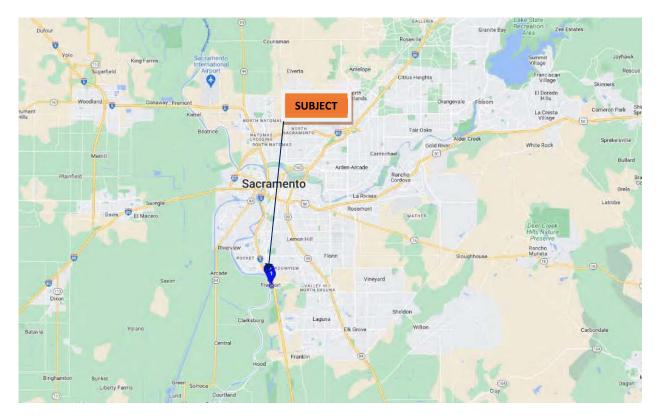
In light of the progress on inflation and the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/2 percentage point to 4-3/4 to 5 percent. In considering additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent long-term objective.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

As relates to housing, higher interest rates increase the cost of housing by making the mortgage payment greater than at lower interest rates. The Federal Reserve has determined that it needs to act to stem the rise of inflation and has increased interest rates identified as follows.

	<b>FEDERAL FUNDS</b>
DATE	<b>EFFECTIVE RATE</b>
January 1, 2022	0.08%
April 1, 2022	0.33%
July 1, 2022	1.68%
October 1, 2022	3.08%
January 1, 2023	4.33%
April 1, 2023	4.83%
July 1, 2023	5.12%
October 1, 2023	5.33%
January 1, 2024	5.33%
April 1, 2024	5.33%
July 1, 2024	5.33%

Interest rates have remained stable in the past twelve months. It is noted that the table depicted above is based on quarterly changes. As such, the most recent rate cut is not depicted in this table. In the recent September meeting, the Federal Funds Rate was lowered to reflect 4.75% to 5.00%. Currently, new homes are selling with builder incentives, in which the builder buys down the interest rate for the first few years, then the rate adjusts to market. Buyers are purchasing homes with these concessions in the anticipation of refinancing their mortgages when rates are lower. Still, recent reductions in the Federal Funds rate will likely flow to the housing market with lower interest rates and having positive impact on demand.

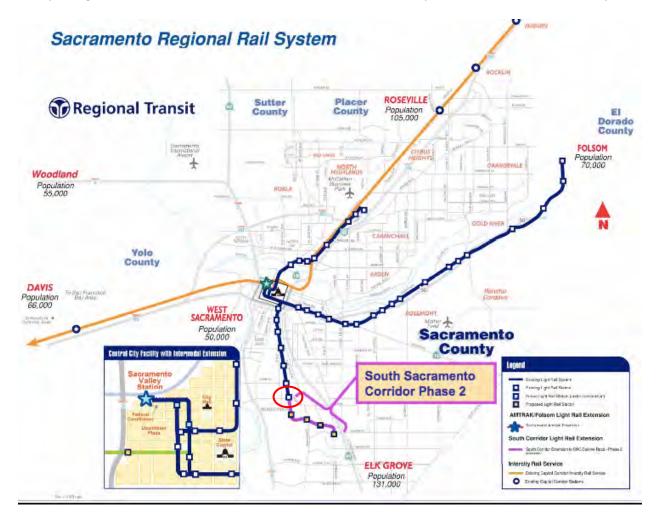


## **REGIONAL MAP**

### AREA DESCRIPTION

The subject property is located in the southern portion of the City of Sacramento. It is located along the western side of Interstate 5, east of Freeport Boulevard, and north and south of Cosumnes River Boulevard in the South Sacramento submarket. This location is southwest of the Pocket area neighborhood, south of the Meadowview neighborhood, and north of the Laguna neighborhood. Meadowview, located northeast of the subject is an older neighborhood of fair quality commercial and residential uses. These residential uses typically have below average property values. Laguna, one mile to the south, is a 20-year-old suburban area of Sacramento and features good quality homes and commercial properties. To the west is Freeport, an unincorporated town having older commercial and residential properties.

Primary highway access to the area is via Interstate 5. The main east-west corridors in the area are Meadowview/Mack Road, Cosumnes River Boulevard, and Laguna Boulevard. These roads connect to both Interstate 5 and State Highway 99. Franklin Boulevard, Center Parkway, and Highway 99 are the major north-south arteries. Already well served by Regional Transit (RT) bus service, the subject neighborhood recently became home to a light rail station. The new light-rail South Line is now transporting thousands to downtown and the northern and eastern portions of Sacramento County.



The next phase of expansion for this project extends into the adjacent community of Elk Grove.

The neighborhood can generally be described as a mature mixed-use area, which encompasses all types of land uses. It is situated approximately 10 miles south of downtown Sacramento and is easily accessible via Interstate 5 and Highway 99. Given the proximity to these major freeways, access to the neighborhood is considered good/excellent.

The South Sacramento community includes a wide variety of housing types, including single and multiple family developments, independent and assisted senior housing developments. Home ownership in this neighborhood is approximately 50 percent and the quality and condition of the homes is fair to average relative to other areas of Sacramento. Multi-family uses in the neighborhood account for about 5-10 percent of the land uses. Most are 50 or more units in size. The median age of the apartment complexes is 30 years. The apartment projects include both market rate units and those with subsidized rents. The overall multi-family occupancy of the neighborhood is roughly 97%.

The immediate subject neighborhood has not experienced any large scale residential development for many years; however, this trend is changing over the coming years as the residential portions of Delta Shores are built-out with homes. As previously noted, Delta Shores is a mixed-use master planned community containing 782 acres. The project has entitlements for up to 1.3 million feet of regional retail uses, 5,222 residential units, two new elementary schools, as well as parks, extensive open space, and wetlands. Recently Taylor builders will become the master developer for Delta Shores. The remaining land area, Improvement Area 3, represents approximately 186 +/- AC for the development of approximately 1,825 +/-units comprised of 450 LDR units, 820 MDR units, 124 HDR units (market rate) and 423 HDR units with affordable requirements. The purchase price for this transaction is confidential and the appraiser has reviewed this document.

Additionally, a planned ±141 acre development known as Stone Beetland is located just east of Delta Shores. The developer, Taylor Builders, recently announced that they are planning about 1,159 residential units. The project is located on the north side of Cosumnes River Boulevard east of 24th Street (future road) and immediately west of the Morrison Creek light rail station. The project is envisioned to include transit oriented villages as part of the overall development. They acquired this site in February 2024 for \$11,250,000.

These two transactions are pivotal for the completion of Delta Shores. However, each of these transactions reflect vacant land holdings for future development. While they reflect future supply elements for this immediate area, the reality is that development is far behind the subject project with 348 lots and ongoing development of homes. Any future competition to the subject property, would be toward the end of the home sales process with minimal impact to the overall demand for the subject projects.

Most of the existing retail/commercial properties are located at the major arterials of the neighborhood such a I-5 and Cosumnes River Boulevard, Laguna Boulevard, Florin Road, Fruitridge Road, Mack Road, Calvine Road, Freeport Boulevard and Franklin Boulevard. These uses primarily cater to the surrounding residents. In addition, the community is served by two hospitals, several medical facilities, and the Cosumnes River Community College.

Large commercial shopping developments include Delta Shores, with Florin Towne Centre and the Southgate Shopping Center located in the northern portion of the area. Delta Shores is a regional shopping center located at I-5 and Cosumnes River Boulevard. The center contains over 900,000 SF of retail and is anchored by Walmart Supercenter, RC Willey, At Home Floor & Décor, Regal Theater, Hobby Lobby, Dick's Sporting Goods, Ross, Old Navy, and Ulta Beauty and includes many other smaller national retailers.

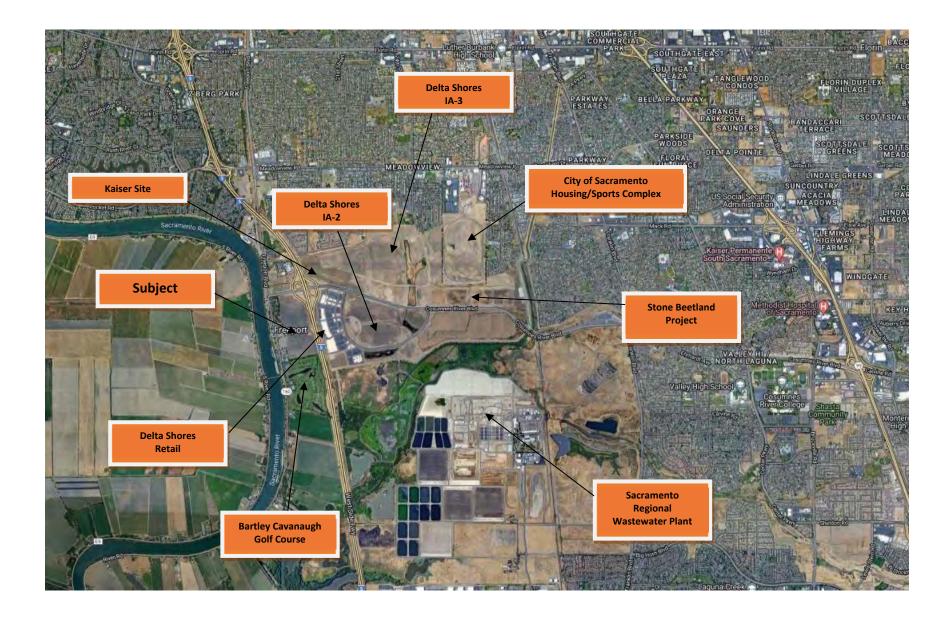


It was identified in Costar Properties that this center sold on July 15, 2022 for \$122,500,000. It was reported to include just under 400,000 square feet and a transaction unit price near \$315 per square foot. In that the subject property is across the freeway from this center, the overall location is well served with respect to retail uses.

Land uses to the south of this project include the Bartley Cavanaugh Golf Course. This is a public golf course named after a former city manager in the City of Sacramento and is the newest facility of the city's golf courses opened in 1995.

It is noted that Kaiser acquired a 29-acre site and the northeast quadrant of Interstate 5 and Cosumnes River Boulevard (within Delta Shores). This could add a job base to the region and could ultimately be walkable to residents. However, there are no development plans filed for these parcels as of the effective date of valuation.

Relevant land uses within this neighborhood are delineated on the following page.



As noted by the previous exhibit, there are additional land uses near the subject property. They are identified as follows.

**Delta Shores Residential** – This references land uses identified as Improvement Area No. 2 of the Delta Shores Community Facilities District. Land uses are mostly a mix of medium density residential and high density residential uses. Residential projects have commenced in this project and most likely competition for this project comes from other areas of the community. Improvement Area 2 is currently undergoing site development with 4 individual villages and a minimum lot size range from 1,612 to 4,250 square feet. A summary of these villages is as follows.

PROJECT	LOT SIZE	# Of LOTS	UNITS	UNSOLD	UNOFFERED
	(SF)		SOLD	INVENTORY	INVENTORY
Coronado	4,250 SF	87	45	10	32
Avalon	1,612 SF	102	0	0	102
Balboa	1,750 SF	96	0	0	96
Catalina	3,116 SF	136	34	8	94
TOTALS		421	79	18	324

Initial development within this project area is identified at 421 lots. All of these villages are designated as MDR project with lots ranging in size from 1,612 to 4,250 square feet.

In addition, this project includes six (6) parcels identified for the development of high density uses with overall density ranges from approximately 22 to 27 units per acre. Overall, there are 1,152 units identified for this use.

IA-3 is just north of this area, and represents approximately 186 +/- AC for the development of approximately 1,825 +/-units comprised of 450 LDR units, 820 MDR units, 124 HDR units (market rate) and 423 HDR units with affordable requirements. It was vacant as of the effective date of valuation.

**Sacramento Regional Wastewater Treatment Plant** – A notable large-scale land use within the immediate area is the Sacramento Regional Wastewater Treatment Plant (SRWTP), situated southeast of Delta Shores along the eastern side of Interstate 5. It includes approximately 2,150 acres of buffer land (open space) surrounding this facility to minimize odor impacts on surrounding residential areas. It is approximately 1.5 miles southeast of the subject property shown as follows.



The SRWTP has been successful with odor control and has had few "odor events" over the past five years. Information relating to odor events at the facility is summarized as follows.

# Wastewater Treatment Plant Odor Events

#### Definition

A <u>wastewater</u> treatment plant odor event occurs when odors released from the wastewater treatment plant site are easily recognized by the average person and reported to Regional San staff.

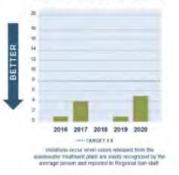
#### Target

No more than 8 wastewater treatment plant odor events per year.

#### Purpose

This service level reflects the effectiveness of our odor control equipment and practices at the wastewater treatment plant.

#### WASTEWATER TREATMENT PLANT ODOR EVENTS



#### **Critical Impacts**

A wastewater treatment plant odor event can be caused by the failure or over exceeding the capacity of odor control equipment; process upsets; overloading the solids storage basins; inadequate injection of solids under the soil at the dedicated land disposal facilities; scheduled maintenance of process equipment (prolonged diversion of wastewater to emergency storage basins); failing to adequately clean emergency storage basins; and uncovering wastewater tanks, vaults or manholes for prolonged periods. These events can also be caused by the <u>Biosolids</u> Recycling Facility and are highly influenced by weather conditions.

As this facility is surrounded by buffer lands and the operators successful track record with minimizing odor impacts on the surrounding areas, the proximity of this facility is not expected to have a measurable impact on the subject project, especially with the overall location along the western side of Interstate 5.

### City of Sacramento Site

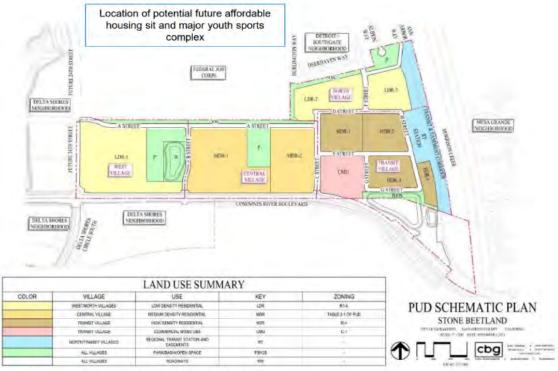
On January 21, 2022, the City of Sacramento announced the acquisition of an undeveloped 102-acre property in south Sacramento. This site is ultimately noted for affordable housing, a youth sports park, or other civic amenities. Potential future uses include either a full site sports complex, sports complex mixed with affordable housing, homeless services, or affordable residential housing. These land uses are anticipated to go to council in Fall 2024 for decisions on the types of land uses. Neighborhood input in ongoing. At minimum, the site would take at least six years to develop after the Council provides direction. No funding sources have been identified for this project.

The following exhibit references the proximity of this facility to the subject property.



### Stone Beetland Project

A conceptual project identified as the Stone Beetland project could provide future competition for the subject property. This project shows development plans for approximately 1,159 units on 140.7 AC. The project is located on the north side of Cosumnes River Boulevard east of 24th Street (future road) and immediately west of the Morrison Creek light rail station. The project is envisioned to include transit oriented villages as part of the overall development. Taylor Builders acquired this site in February 2024 for \$11,250,000.



Source: City of Sacramento Community Development Department

It is possible that this project could overlap with the subject property. However, no site development activity was identified as of the effective date of valuation as the subject property is ahead of this project in terms of lot delivery.

#### Conclusion

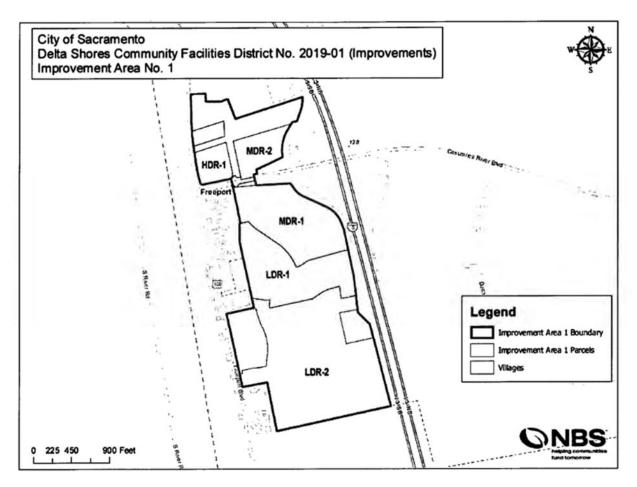
The subject property represents a larger development site in South Sacramento, located north and south of Cosumnes River Boulevard, west of Interstate 5. The additional larger land uses in this neighborhood were described in this section and the overall location along the western side of Interstate 5 is advantageous. While there are some atypical land uses in this neighborhood, Sacramento Wastewater Treatment Plant & City of Sacramento Facility / Sports Park, they are distant from the subject especially with Interstate 5 as a buffer. It is well located in terms of the proximity to downtown Sacramento and retail uses are across the freeway in the Delta Shores retail center. Overall, the immediate area is carefully planned to facilitate long term growth. The subject is a desired development site for South Sacramento, as well as the overall region as a whole. The overall rating of this region is growing with a favorable outlook into the foreseeable future.

Site development is nearly completed for this project and home development has commenced.

## SITE DESCRIPTION

### Location

The subject properties reflect the parcels identified within Delta Shores CFD No. 2019-1, Improvement Area 1. It is located along the western side of Interstate 5, east of Freeport Boulevard, and along the northern and southern side of Cosumnes River Boulevard. The overall boundary map is identified as follows.







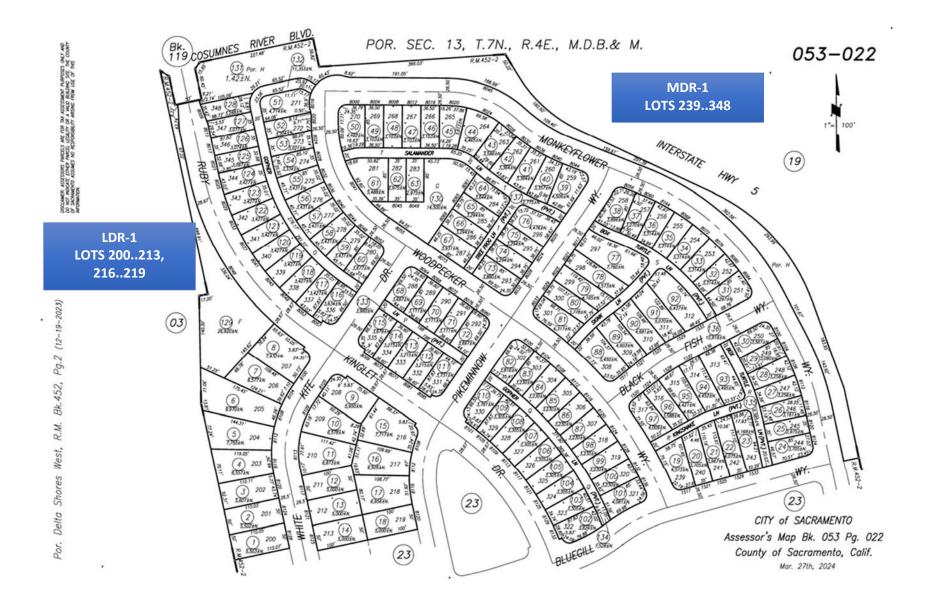
### APN/Legal Description

The subject properties are identified by the Sacramento County Assessor as numerous parcels. Final maps are recorded for the finished lot components south of Cosumnes River Boulevard and construction has commenced on vertical improvements. The following table shows revenue generating parcels for the subject property.

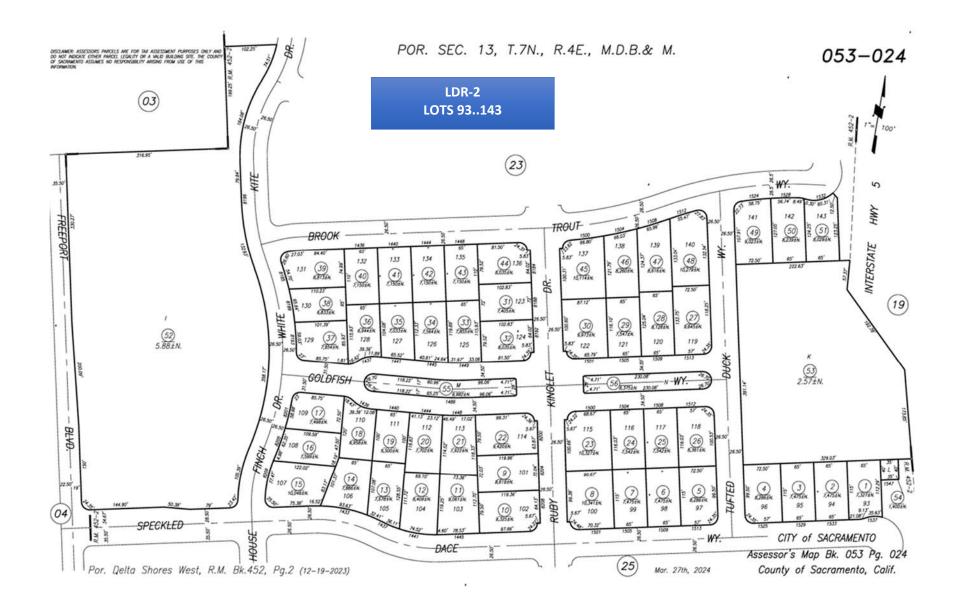
PROJECT AREA	# LOTS	APNs	LEGAL
MDR-1	110	053-0220-019128	Lots 239348, Delta Shores West
KB Home			R.M. Book 452, Page 2, December 19, 2023
LDR-1	81	053-0220-001018	Lots 158238, Delta Shores West
KB Home		053-0230-015077	R.M. Book 452, Page 2, December 19, 2023
LDR-2	77	053-0250-001004,	Lots 14, 47100, 115122, 137147, Delta Shores West
Meritage Homes		053-0250-047092,	R.M. Book 452, Page 2, December 19, 2023
		053-0240-001008,	
		053-0240-045051	
		053-0230-001004	
LDR-2	80	053-0250-005046,	Lots 546, 101114, 123136, 148157, Delta Shores West
M&H Realty		053-0240-009022,	R.M. Book 452, Page 2, December 19, 2023
		053-0240-031044,	
		053-0230-005014	
HDR & MDR SITE	3.378 AC	119-0010-026, 060	Refer to Legal Description
M&H Realty	5.473 AC	(Portion)	

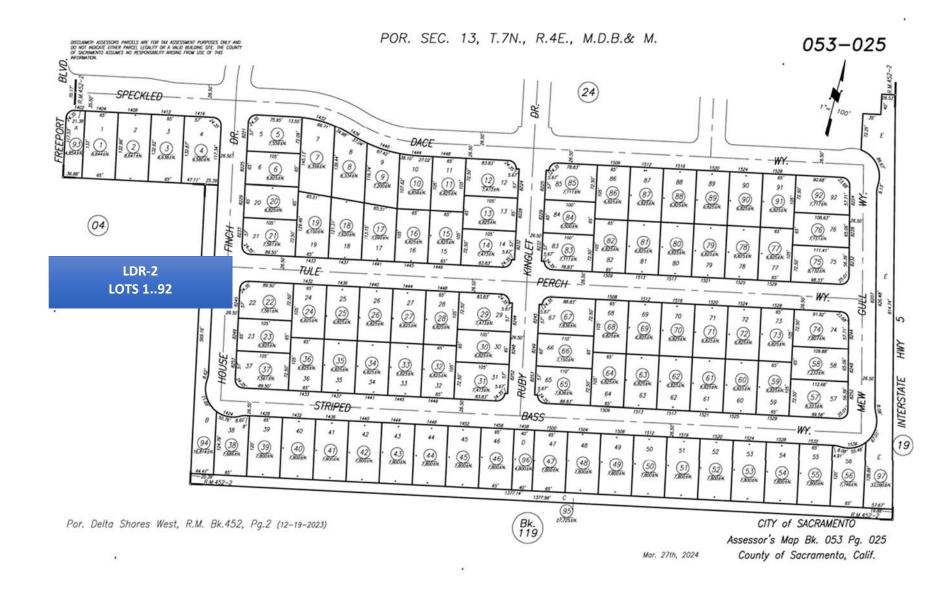
The overall descriptions are based on those identified in the preliminary title report prepared by First American Title Company dated February 9, 2024. It is noted that the total land areas identified for the MDR and HDR Sites, north of Cosumnes River Boulevard were derived from the Master Parcel Map for Delta Shores Phase 3, recorded July 31, 2024 (Document #20240731/0501). A copy of this report is included in the addenda of this report.

The current assessor's parcel maps are noted as follows.







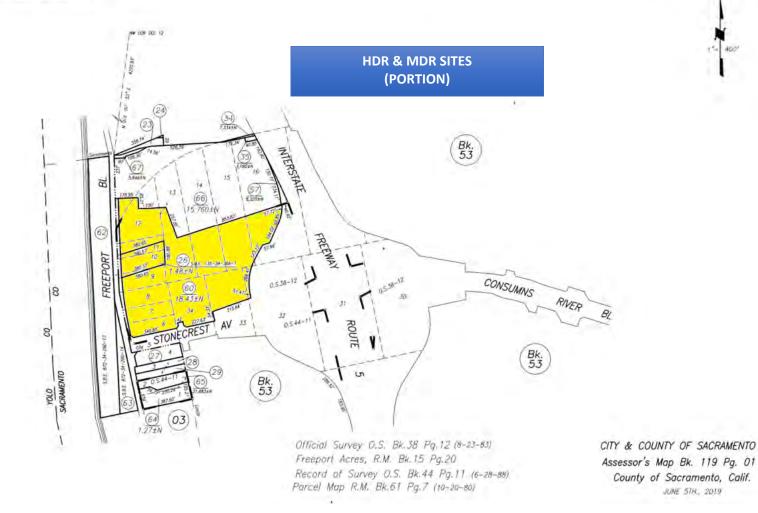


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This description includes all of the parcels within the boundaries of the Delta Shores CFD No. 2019-1, Improvement Area 1, as depicted on the prior pages. In addition, there are non-revenue parcels included in the district. While the preliminary title report only identified the residential lots in the legal description, they are summarized as follows.

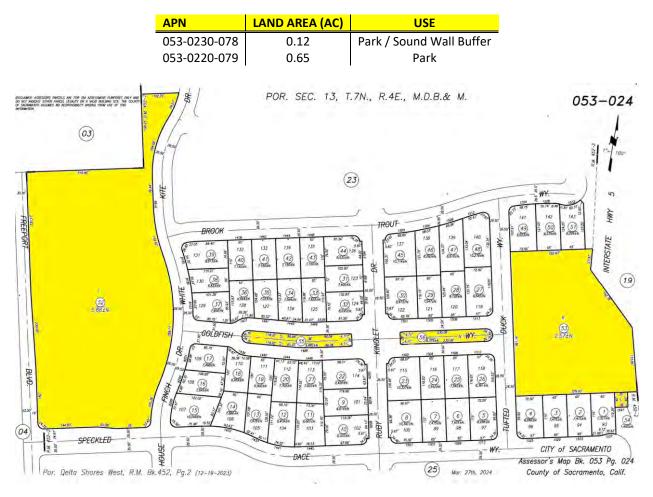


APN	LAND AREA (AC)	USE
053-0220-129	0.62	Park
053-0220-130	0.33	Park
053-0220-131	1.42	Park / Sound Wall Buffer/Separated Bike Trail
053-0220-132	0.26	Private Alley
052-0220-133	0.09	Private Alley
052-0220-134	0.17	Private Alley
052-0220-135	0.22	Private Alley
052-0220-136	0.25	Private Alley
052-0220-134	0.29	Private Alley



Mar. 27th, 2024

Por. Della Shores West, R.M. Bk.452, Pg.2 (12-19-2023)



Smith & Associates, Inc. Page 40

APN	LAND AREA (AC)	USE
053-0240-052	5.88	Park
053-0240-053	2.57	Detention Basin
053-0240-054	0.03	Utility Box
053-0240-055	0.23	Landscape Median
053-0240-056	0.19	Landscape Median



APN	LAND AREA (AC)	USE
053-0250-096	5.88	Landscape
053-0250-094	2.57	Buffer to Adjacent Parcels
053-0250-095	0.03	Golf Course Buffer/Storm Drain
053-0250-096	0.23	Park
053-0250-097	0.19	Park / Sound Wall Buffer

# Lot Size (AC)

The total acreage for the properties included in this analysis equates to 107.22 acres. This includes 77.46 acres identified for the 348 lots, as well as development sites of 3.378 AC (HDR) and 5.473 AC (LDR), respectively, north of Cosumnes River Boulevard. These two parcels include only zoning entitlements as of the effective date of valuation. The remaining land area represents acreages for non-revenue generating land uses including Parks, Detention Basin, and Open Space.

# **Proposed Development**

The land uses for this project are allocated based on lot sizing delineated for each individual project. This project represents 348 residential lots allocated among the parcels described in prior sections.

**MDR-1** – This project includes 110 lots on 17.87 AC demonstrating an overall density of 6.2 units per acre. Lot sizes range from 2,975 to 7,760 square feet, with a typical size identified at 3,230 square feet, which is lower than the average lot size at 3,683 square feet. The following table reflects the individual lot sizes for this project.

LOT #	APN	LOT SIZE (SF)	<b>STATUS</b>	LOT #	APN	LOT SIZE (SF)	<b>STATUS</b>	LOT #	APN	LOT SIZE (SF)	STATUS
239	053-0220-019	4,573	F-Lot	276	053-0220-056	3,431	F-Lot	313	053-0220-093	5,495	F-Lot
240	053-0220-020	3,705	F-Lot	277	053-0220-057	3,431	F-Lot	314	053-0220-094	4,452	F-Lot
241	053-0220-021	3,967	F-Lot	278	053-0220-058	3,431	F-Lot	315	053-0220-095	4,421	F-Lot
242	053-0220-022	4,075	F-Lot	279	053-0220-059	3,431	F-Lot	316	053-0220-096	3,588	F-Lot
243	053-0220-023	4,168	F-Lot	280	053-0220-060	3,677	F-Lot	317	053-0220-097	4,009	F-Lot
244	053-0220-024	3,705	F-Lot	281	053-0220-061	5,488	F-Lot	318	053-0220-098	3,230	F-Lot
245	053-0220-025	2,975	F-Lot	282	053-0220-062	2,975	F-Lot	319	053-0220-099	3,230	F-Lot
246	053-0220-026	3,161	F-Lot	283	053-0220-063	2,975	F-Lot	320	053-0220-100	3,230	F-Lot
247	053-0220-027	3,258	F-Lot	284	053-0220-064	3,644	F-Lot	321	053-0220-101	4,081	F-Lot
248	053-0220-028	3,258	F-Lot	285	053-0220-065	3,294	F-Lot	322	053-0220-102	3,826	Parking Lot
249	053-0220-029	3,090	F-Lot	286	053-0220-066	3,294	F-Lot	323	053-0220-103	3,305	1,795 SF M
250	053-0220-030	3,561	F-Lot	287	053-0220-067	3,931	F-Lot	324	053-0220-104	3,305	2,102 SF M
251	053-0220-031	4,297	F-Lot	288	053-0220-068	3,697	F-Lot	325	053-0220-105	3,305	2,236 SF M
252	053-0220-032	3,314	F-Lot	289	053-0220-069	3,111	F-Lot	326	053-0220-106	3,305	F-Lot
253	053-0220-033	3,314	F-Lot	290	053-0220-070	3,111	F-Lot	327	053-0220-107	3,305	F-Lot
254	053-0220-034	3,314	F-Lot	291	053-0220-071	3,111	F-Lot	328	053-0220-108	3,305	F-Lot
255	053-0220-035	3,314	F-Lot	292	053-0220-072	3,697	F-Lot	329	053-0220-109	3,305	F-Lot
256	053-0220-036	3,314	F-Lot	293	053-0220-073	3,880	F-Lot	330	053-0220-110	3,781	F-Lot
257	053-0220-037	3,270	F-Lot	294	053-0220-074	3,294	F-Lot	331	053-0220-111	3,731	F-Lot
258	053-0220-038	3,896	F-Lot	295	053-0220-075	3,294	F-Lot	332	053-0220-112	3,215	F-Lot
259	053-0220-039	4,506	F-Lot	296	053-0220-076	4,476	F-Lot	333	053-0220-113	3,215	F-Lot
260	053-0220-040	3,357	F-Lot	297	053-0220-077	7,760	F-Lot	334	053-0220-114	3,215	F-Lot
261	053-0220-041	3,364	F-Lot	298	053-0220-078	4,573	F-Lot	335	053-0220-115	3,679	F-Lot
262	053-0220-042	3,364	F-Lot	299	053-0220-079	4,165	F-Lot	336	053-0220-116	3,634	F-Lot
263	053-0220-043	3,586	F-Lot	300	053-0220-080	3,778	F-Lot	337	053-0220-117	3,427	F-Lot
264	053-0220-044	4,465	F-Lot	301	053-0220-081	4,317	F-Lot	338	053-0220-118	3,427	F-Lot
265	053-0220-045	3,812	F-Lot	302	053-0220-082	3,816	F-Lot	339	053-0220-119	3,427	F-Lot
266	053-0220-046	3,103	F-Lot	303	053-0220-083	3,230	F-Lot	340	053-0220-120	3,427	F-Lot
267	053-0220-047	3,103	F-Lot	304	053-0220-084	3,230	F-Lot	341	053-0220-121	3,427	F-Lot
268	053-0220-048	3,103	F-Lot	305	053-0220-085	3,230	F-Lot	342	053-0220-122	3,427	F-Lot
269	053-0220-049	3,103	F-Lot	306	053-0220-086	3,230	F-Lot	343	053-0220-123	3,427	F-Lot
270	053-0220-050	4,402	F-Lot	307	053-0220-087	3,230	F-Lot	344	053-0220-124	3,427	F-Lot
271	053-0220-051	4,714	F-Lot	308	053-0220-088	5,450	F-Lot	345	053-0220-125	3,097	F-Lot
272	053-0220-052	3,204	F-Lot	309	053-0220-089	4,603	F-Lot	346	053-0220-126	3,074	F-Lot
273	053-0220-053	3,021	F-Lot	310	053-0220-090	4,681	F-Lot	347	053-0220-127	3,077	F-Lot
274	053-0220-054	3,334	F-Lot	311	053-0220-091	5,070	F-Lot	348	053-0220-128	3,288	F-Lot
275	053-0220-055	3,431	F-Lot	312	053-0220-092	6,437	F-Lot				

These lots have been developed to a finished lot condition. Lots 323..325 have been developed with model homes.

**LDR-1** – This project includes 81 lots on 17.38 AC demonstrating an overall density of 4.7 units per acre. Lot sizes range from 5,000 to 9,970 square feet, with a typical size identified at 5,700 square feet, which is lower than the average lot size at 5,869 square feet. The following table reflects the individual lot sizes for this project.

LOT #	APN	LOT SIZE (SF)	STATUS	LOT #	APN	LOT SIZE (SF)	STATUS	LOT #	APN	LOT SIZE (SF)	STATUS
158	053-0230-015	5,775	F-Lot	185	053-0230-042	5,426	F-Lot	212	053-0220-013	5,000	F-Lot
159	053-0230-016	5,775	F-Lot	186	053-0230-043	7,043	F-Lot	213	053-0220-014	5,000	F-Lot
160	053-0230-017	5,775	F-Lot	187	053-0230-044	6,544	F-Lot	214	053-0230-057	5,000	F-Lot
161	053-0230-018	5,775	F-Lot	188	053-0230-045	5,700	F-Lot	215	053-0230-058	5,698	F-Lot
162	053-0230-019	5,775	F-Lot	189	053-0230-046	5,700	F-Lot	216	053-0220-015	7,717	F-Lot
163	053-0230-020	5,775	F-Lot	190	053-0230-047	5,700	F-Lot	217	053-0220-016	6,505	F-Lot
164	053-0230-021	6,809	F-Lot	191	053-0230-048	5,700	F-Lot	218	053-0220-017	6,956	F-Lot
165	053-0230-022	5,959	F-Lot	192	053-0230-049	5,700	F-Lot	219	053-0220-018	5,000	F-Lot
166	053-0230-023	5,408	F-Lot	193	053-0230-050	7,633	F-Lot	220	053-0230-059	5,000	F-Lot
167	053-0230-024	5,716	F-Lot	194	053-0230-051	5,354	F-Lot	221	053-0230-060	5,698	F-Lot
168	053-0230-025	5,872	F-Lot	195	053-0230-052	5,508	F-Lot	222	053-0230-061	6,595	F-Lot
169	053-0230-026	5,596	F-Lot	196	053-0230-053	5,508	F-Lot	223	053-0230-062	5,700	F-Lot
170	053-0230-027	5,238	F-Lot	197	053-0230-054	5,506	F-Lot	224	053-0230-063	5,700	F-Lot
171	053-0230-028	5,201	F-Lot	198	053-0230-055	5,505	F-Lot	225	053-0230-064	5,700	F-Lot
172	053-0230-029	5,426	F-Lot	199	053-0230-056	5,504	F-Lot	226	053-0230-065	5,700	2,683 SF M
173	053-0230-030	6,080	F-Lot	200	053-0220-001	5,503	F-Lot	227	053-0230-066	5,775	1,685 SF M
174	053-0230-031	5,000	F-Lot	201	053-0220-002	5,502	F-Lot	228	053-0230-067	7,044	F-Lot
175	053-0230-032	5,000	F-Lot	202	053-0220-003	5,601	F-Lot	229	053-0230-068	7,092	F-Lot
176	053-0230-033	6,620	F-Lot	203	053-0220-004	6,557	F-Lot	230	053-0230-069	5,509	F-Lot
177	053-0230-034	5,811	F-Lot	204	053-0220-005	7,755	F-Lot	231	053-0230-070	5,602	F-Lot
178	053-0230-035	5,246	F-Lot	205	053-0220-006	9,970	F-Lot	232	053-0230-071	5,291	F-Lot
179	053-0230-036	5,375	F-Lot	206	053-0220-007	6,577	F-Lot	233	053-0230-072	5,375	F-Lot
180	053-0230-037	5,375	F-Lot	207	053-0220-008	7,432	F-Lot	234	053-0230-073	5,375	F-Lot
181	053-0230-038	5,375	F-Lot	208	053-0220-009	5,950	F-Lot	235	053-0230-074	5,375	F-Lot
182	053-0230-039	5,423	F-Lot	209	053-0220-010	6,578	F-Lot	236	053-0230-075	5,375	F-Lot
183	053-0230-040	5,660	F-Lot	210	053-0220-011	6,873	F-Lot	237	053-0230-076	5,059	F-Lot
184	053-0230-041	5,417	F-Lot	211	053-0220-012	5,000	F-Lot	238	053-0230-077	5,937	F-Lot

These lots have been developed to a finished lot condition. Lots 226..227 have been developed with model homes.

**LDR-2** – This project includes 157 lots on 42.21 AC demonstrating an overall density of 3.7 units per acre. Lot sizes range from 6,500 to 10,831 square feet, with a typical size identified at 6,825 square feet, which is lower than the average lot size at 7,694 square feet. The following table reflects the individual lot sizes for this project.

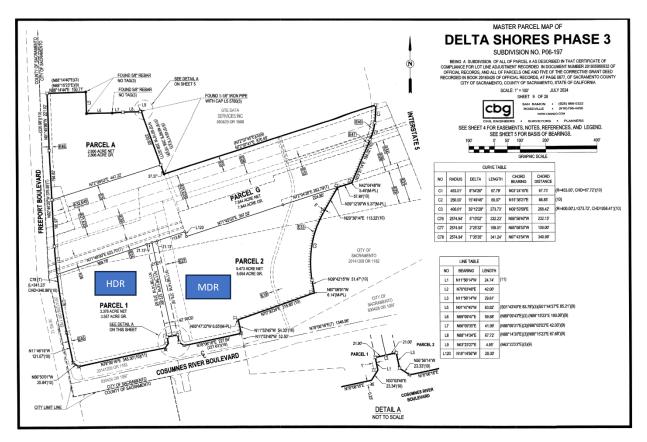
LOT #	APN	LOT SIZE (SF)	STATUS	LOT #	APN	LOT SIZE (SF)	STATUS	LOT #	APN	LOT SIZE (SF)	STATUS
1	053-0250-001	8,644	F-Lot	54	053-0250-054	7,800	F-Lot	107	053-0240-015	10,046	F-Lot
2	053-0250-002	8,641	F-Lot	55	053-0250-055	7,800	F-Lot	108	053-0240-016	7,599	F-Lot
3	053-0250-003	8,638	F-Lot	56	053-0250-056	7,746	F-Lot	109	053-0240-017	7,498	F-Lot
4	053-0250-004	9,580	F-Lot	57	053-0250-057	8,223	F-Lot	110	053-0240-018	6,958	F-Lot
5	053-0250-005	7,559	F-Lot	58	053-0250-058	7,233	F-Lot	111	053-0240-019	6,500	F-Lot
6	053-0250-006	6,825	F-Lot	59	053-0250-059	6,825	F-Lot	112	053-0240-020	7,702	F-Lot
7	053-0250-007	9,359	F-Lot	60	053-0250-060	6,825	F-Lot	113	053-0240-021	7,922	F-Lot
8	053-0250-008	8,334	F-Lot	61	053-0250-061	6,825	F-Lot	114	053-0240-022	9,420	F-Lot
9	053-0250-009	7,200	F-Lot	62	053-0250-062	6,825	F-Lot	115	053-0240-023	10,327	F-Lot
10	053-0250-010	6,858	F-Lot	63	053-0250-063	6,825	F-Lot	116	053-0240-024	7,542	F-Lot
11	053-0250-011	6,825	F-Lot	64	053-0250-064	6,825	F-Lot	117	053-0240-025	7,542	F-Lot
12	053-0250-012	7,473	F-Lot	65	053-0250-065	7,836	F-Lot	118	053-0240-026	8,361	F-Lot
13	053-0250-013	6,825	F-Lot	66	053-0250-066	7,150	F-Lot	119	053-0240-027	9,645	F-Lot
14	053-0250-014	7,473	F-Lot	67	053-0250-067	7,836	F-Lot	120	053-0240-028	8,128	F-Lot
15	053-0250-015	6,825	F-Lot	68	053-0250-068	6,825	F-Lot	121	053-0240-029	7,547	F-Lot
16	053-0250-016	6,825	F-Lot	69	053-0250-069	6,825	F-Lot	122	053-0240-030	9,973	F-Lot
17	053-0250-017	7,090	F-Lot	70	053-0250-070	6,825	F-Lot	123	053-0240-031	7,405	F-Lot
18	053-0250-018	7,620	F-Lot	71	053-0250-071	6,825	F-Lot	124	053-0240-032	8,035	F-Lot
19	053-0250-019	8,150	F-Lot	72	053-0250-072	6,825	F-Lot	125	053-0240-033	7,855	F-Lot
20	053-0250-020	6,825	F-Lot	73	053-0250-073	6,825	F-Lot	126	053-0240-034	7,564	F-Lot
21	053-0250-021	7,561	F-Lot	74	053-0250-074	7,807	F-Lot	127	053-0240-035	7,033	F-Lot
22	053-0250-022	7,561	F-Lot	75	053-0250-075	8,132	F-Lot	128	053-0240-036	6,944	F-Lot
23	053-0250-023	6,825	F-Lot	76	053-0250-076	7,151	F-Lot	129	053-0240-037	7,954	F-Lot
24	053-0250-024	6,825	F-Lot	77	053-0250-077	6,825	F-Lot	130	053-0240-038	6,833	F-Lot
25	053-0250-025	6,825	F-Lot	78	053-0250-078	6,825	F-Lot	131	053-0240-039	8,813	F-Lot
26	053-0250-026	6,825	F-Lot	79	053-0250-079	6,825	F-Lot	132	053-0240-040	7,150	F-Lot
27	053-0250-027	6,825	F-Lot	80	053-0250-080	6,825	F-Lot	133	053-0240-041	7,150	F-Lot
28	053-0250-028	6,825	F-Lot	81	053-0250-081	6,825	F-Lot	134	053-0240-042	7,150	F-Lot
29	053-0250-029	7,473	F-Lot	82	053-0250-082	6,825	F-Lot	135	053-0240-043	7,150	F-Lot
30	053-0250-030	6,825	F-Lot	83	053-0250-083	7,111	F-Lot	136	053-0240-044	8,035	F-Lot
31	053-0250-031	7,473	F-Lot	84	053-0250-084	6,500	F-Lot	137	053-0240-045	10,114	F-Lot
32	053-0250-032	6,825	F-Lot	85	053-0250-085	7,111	F-Lot	138	053-0240-046	8,260	F-Lot
33	053-0250-033	6,825	F-Lot	86	053-0250-086	6,825	F-Lot	139	053-0240-047	8,616	F-Lot
34	053-0250-034	6,825	F-Lot	87	053-0250-087	6,825	F-Lot	140	053-0240-048	10,279	F-Lot
35	053-0250-035	6,825	F-Lot	88	053-0250-088	6,825	F-Lot	141	053-0240-049	9,023	F-Lot
36	053-0250-036	6,825	F-Lot	89	053-0250-089	6,825	F-Lot	142	053-0240-050	8,239	F-Lot
37	053-0250-037	7,561	F-Lot	90	053-0250-090	6,825	F-Lot	143	053-0240-051	8,029	F-Lot
38	053-0250-038	7,686	F-Lot	91	053-0250-091	6,825	F-Lot	144	053-0230-001	7,827	F-Lot
39	053-0250-039	7,800	F-Lot	92	053-0250-092	7,717	F-Lot	145	053-0230-002	7,862	F-Lot
40	053-0250-040	7,800	F-Lot	93	053-0240-001	7,327	F-Lot	146	053-0230-003	7,919	F-Lot
41	053-0250-041	7,800	F-Lot	94	053-0240-002	7,475	F-Lot	147	053-0230-004	7,728	F-Lot
42	053-0250-042	7,800	F-Lot	95	053-0240-003	7,475	F-Lot	148	053-0230-005	7,610	F-Lot
43	053-0250-043	7,800	F-Lot	96	053-0240-004	8,286	F-Lot	149	053-0230-006	8,811	F-Lot
44	053-0250-044	7,800	F-Lot	97	053-0240-005	8,286	F-Lot	150	053-0230-007	9,162	F-Lot
45	053-0250-045	7,800	F-Lot	98	053-0240-006	7,475	F-Lot	151	053-0230-008	8,085	F-Lot
46	053-0250-046	7,800	F-Lot	99	053-0240-007	7,475	F-Lot	152	053-0230-009	8,085	F-Lot
47	053-0250-047	7,800	F-Lot	100	053-0240-008	10,341	F-Lot	153	053-0230-010	8,085	F-Lot
48	053-0250-048	7,800	F-Lot	101	053-0240-009	8,619	F-Lot	154	053-0230-011	8,085	F-Lot
49	053-0250-049	7,800	F-Lot	102	053-0240-010	9,325	F-Lot	155	053-0230-012	9,302	F-Lot
50	053-0250-050	7,800	F-Lot	103	053-0240-011	9,061	F-Lot	156	053-0230-013	8,316	F-Lot
51	053-0250-051	7,800	F-Lot	104	053-0240-012	8,409	F-Lot	157	053-0230-014	10,831	F-Lot
52	053-0250-052	7,800	F-Lot	105	053-0240-013	7,678	F-Lot				
53	053-0250-053	7,800	F-Lot	106	053-0240-014	7,886	F-Lot				
1 - 4 - 1 -	~			·							

Lots in Green are owned by Meritage Homes

These lots have been mostly developed and reflect nearly finished lots. No vertical improvements were completed to this property as of the effective date of valuation.

**HDR** – This site includes a total area of 3.378 AC located along the northern side of Cosumnes River Boulevard. It represents a corner location at the northeast corner of Cosumnes River Boulevard and Freeport Boulevard. Currently, this site includes zoning approvals only with an overall density range from 15-27 units per acre. It reflects vacant land with no site improvements as of the effective date of valuation. The orientation of this parcel is noted below.

**MDR** – This site includes a total area of 5.473 AC located along the northern side of Cosumnes River Boulevard. It represents an interior location. Currently, this site includes zoning approvals only with an overall density range from 8-14 units per acre. It reflects vacant land with no site improvements as of the effective date of valuation. The orientation of this parcel is noted below.



According to Marcus Adams with the City of Sacramento Planning Department, both projects can be combined into one development site as long as the minimum density is achieved. This would create a project with a density range from 95-167 units.

## **Utilities and Municipal Providers/Site Development Costs**

Site development was underway as of the effective date of valuation. This project is served by public utilities including the following providers.

Park District:	City of Sacramento
Fire Protection:	City of Sacramento
School District:	Sacramento City Unified School District
Sewer:	City of Sacramento
Storm Drain:	City of Sacramento
Water:	City of Sacramento
Electricity:	SMUD
Gas:	PG&E

The subject property will be served by the Sacramento City Unified School District. Currently, the subject's schools are rated below average per GreatSchools.org and below the Elk Grove new home communities. This table is noted below.

Ratings by GreatSchools.org Scale:							
Community Name	District	School	Rating				
Elementary Schools							
Subject	Sac City Unified	John H. Still	4				
Edgewater at Delta Shores	Sac City Unified	John H. Still	4				
Catalina at Delta Shores	Sac City Unified	John H. Still	4				
Coronado at Delta Shores	Sac City Unified	John H. Still	4				
Persimmons at Sheldon Farms	Elk Grove Unified	Irene B. West	6				
Tamarind at Sheldon Farms	Elk Grove Unified	Irene B. West	6				
Carnelian at Sheldon Farms	Elk Grove Unified	Irene B. West	6				
Long Meadow	Elk Grove Unified	Roy Herberger	6				
Elementary Schools Average			5				
Middle Schools							
Subject	Sac City Unified	John H. Still	4				
Edgewater at Delta Shores	Sac City Unified	John H. Still	4				
Catalina at Delta Shores	Sac City Unified	John H. Still	4				
Coronado at Delta Shores	Sac City Unified	John H. Still	4				
Persimmons at Sheldon Farms	Elk Grove Unified	Harriet G. Eddy	5				
Tamarind at Sheldon Farms	Elk Grove Unified	Harriet G. Eddy	5				
Camelian at Sheldon Farms	Elk Grove Unified	Harriet G. Eddy	5				
Long Meadow	Elk Grove Unified	Edward Harris Jr.	5				
Long Meddow	Elix Grove Grinied	Edward Harris of.	- U				
Middle Schools Average			4				
High Schools	0	Letter Deckert					
Subject	Sac City Unified	Luther Burbank	3				
Edgewater at Delta Shores	Sac City Unified	Luther Burbank	3				
Catalina at Delta Shores	Sac City Unified	Luther Burbank	3				
Coronado at Delta Shores	Sac City Unified	Luther Burbank	3				
Persimmons at Sheldon Farms	Elk Grove Unified	Laguna Creek	7				
Tamarind at Sheldon Farms	Elk Grove Unified	Laguna Creek	7				
Carnelian at Sheldon Farms	Elk Grove Unified	Laguna Creek	7				
Long Meadow	Elk Grove Unified	Monterey Trail	7				
High Schools Average			3				

According to the Absorption Analysis report prepared by John Burns Real Estate Consulting (July 23, 2024), "Discussions with active new home builders in Delta Shores indicate a combination of school strategies. Families from nearby (e.g., Pocket) keep their kids in those schools, while some opt for charter or private schools. Some families with connections to nearby Elk Grove are able to register their children in schools there. These strategies have significantly mitigated the relatively low ratings of the public schools that service the Subject".

Site improvements are nearly completed as of the effective date of valuation. According to the purchase and sale agreement for this project, finished lots are defined as follows.

The term "Finished Lot" or reference to "Finished Lot condition" shall mean that all civil and soils engineering work has been performed and paid for, all applicable fees have been paid, all improvements both onsite and offsite have been constructed, all work has been done and all other obligations have been fulfilled, whether on the Property, or outside the boundaries of the Property, as required:

- (i) by all applicable government or quasi-governmental agencies ("Agencies"), including the conditions as established by the Agencies for their approval of the tentative and final subdivision tract map(s) covering the Property; and
- (ii) In order to obtain a building permit for a single-family residence upon the payment of the ordinary building permit fee, so that each Owner is able to commence construction of its contemplated single family residences on any lot within the Property, and upon the completion of construction of a residence is able to obtain a permanent certificate of occupancy for the single family residence constructed on the lot.

Without limiting the foregoing, a "Finished Lot" shall mean all:

- (A) Grading completed in accordance with approved grading plans, including the complete installation of any retaining walls (with backfill and drainage) necessary to create the building pad, with the pad certified by a civil engineer licensed in good standing in the State with respect to elevation, with an elevation tolerance to one-tenth (.1) foot accuracy vertically and one-half (.5) foot accuracy horizontally of the grade set forth in the rough grading plans approved by the City or County, as applicable, at the tops and toes of slopes, and by a soils engineer licensed and in good standing in the State with respect to compaction, each reasonably acceptable to KB and by any required Agency, and suitable for the construction of each Owner's product, including the cost of Civil Consultant (engineer) fees for completing the design of the IPs/FM/Landscape plans through approval, civil land development staking and soil engineer observation and testing;
- (B) Water services installed and stubbed to the lot behind the curb, with water meter boxes set to grade, lids (traffic-rated boxes and lids shall be installed if water meter boxes are to be encased in concrete driveway aprons), meter setters, curb stops, and undersidewalk water sleeves; as well as all sewer services installed and stubbed to the lot oneand-a-half (1.5) foot behind the property line with 'S' markings on curb to indicate the location of sewer laterals;
- (C) Electricity, telephone, and cable television conduits installed and stubbed to the lot line behind the curb/sidewalk and capable of being energized/ connected for immediate service upon completion of the residence on the lot (all PG&E house service

reimbursements shall be returned to the party who initially paid the costs attributable to such reimbursable items). Gas service will not be installed to the lots;

- (D) Storm drain, water system, sewer system, curb, gutter, sidewalk, joint trench and street pavement for public access and frontage improvements constructed and installed for the entire tract in which the lot is located;
- (E) Street signs and striping installed, curbs painted red as shown in the signage and striping plans, street monuments installed and certified by the surveyor licensed and in good standing in the State, and streetlights installed, numbered, and energized, and utility billings paid in full, for the entire tract in which the lot is located;
- (F) Property corners surveyed and marked, all community and street monumentation installed, all retaining walls installed around utility boxes and/or along property line(s) as may be required by the plans approved by the City and/or utility companies, all perimeter walls, gates and/or fencing installed (excluding Lot fences), all site perimeter, street frontage or median landscaping and irrigation systems required by the improvement plans and City specifications installed (except landscaping and irrigation contained entirely within the Lots) and all common areas and other amenities completed and accepted by the applicable Agency and/or homeowners' association;
- (G) Fees, exactions, and assessments paid (other than ordinary building permit fees, architectural plan check fees and fire fees) and all bonds premiums paid;
- (H) Park area, open space and other public amenities required by the conditions of approval to the tentative and final maps or applicable Agencies that are necessary for construction and occupancy of residential units completed or satisfied and accepted by the applicable Agency and/or homeowners' association;
- (I) If applicable, all wetlands, endangered species and protected habitat mitigation required in connection with the residential development of the Property consistent with the Tentative Map shall have been completed and all environmental and biological permits and approvals, and other approvals and permits required by the City, County or other governmental authorities or otherwise required for the development of the Property, including without limitation, to the extent applicable, Department of Fish & Game 2081 Permit, Department of Fish and Game Section 1602 Streambed Alteration Agreement, Regional Water Quality Control Board Section 401 Water Quality Certification, and/or US Army Corps of Engineers Nationwide Section 404 Permit, shall have been obtained in form and content satisfactory to KB in its sole and absolute discretion, and all conditions of the Environmental Permits precedent to recording the Final Maps, including without limitation habitat or biological mitigation requirements, have been satisfied;
- (J) Storm water management permits obtained and paid and erosion control measures in place and maintained in good condition;
- (K) Remediation of any hazardous materials in connection with development of Finished Lots, including removal of any contaminated soil; and
- (L) Gas is shown on the JT plans but will not be installed. The Properties will be an all-electric community.

The developer of this project provided the overall costs for site development of this project. The following table summarizes these costs based on review of actual costs for this project as submitted by Goodfellow Brothers California LLC, dated April 2024. This reflects the most recent costs provided by the developer.

ITEM	TOTAL COSTS
Total Costs (Original Costs)	\$36,625,600.90
Change Orders	\$967,835.18
Total Project Costs	\$37,593,436.08
Less Costs Completed	(\$35,286,401.66)
TOTAL REMAINING COSTS	\$2,307,034.42

According to these schedules, 93% of the total site development costs are completed as of the effective date of valuation. Remaining costs are noted at \$2,307,034.42 and allocated among the following components.

ITEM	TOTAL COSTS	ITEM	TOTAL COSTS
Demolition		Landscape	
Clear & Grub	\$1,460.00	6" Decomposed Granite	\$0.00
Pavement Sawcut and Removal	\$33,215.00	Stabilization	\$28,520.00
Erosion Control		CMU Seat Wall with Stone Veneer	\$0.00
Erosion Control	\$32,240.00	Sign Wall	\$546.00
Offsite Street Sweeping	\$2,145.00	Picnic Table (ADA)	\$0.00
Water		Picnic Table	\$0.00
12" Waterline Pipe	\$438,608.99	Bench	\$0.00
12" Gate Valve	\$8,600.00	Trash Receptacle	\$8,100.00
Fire Hydrants	\$77,500.00	Booster Pump (Private)	\$13,020.00
2" Temp. Blow Off Valve	\$7,000.00	Booster Pump (Public)	\$7,340.00
Connect to Existing	\$9,600.00	Tree 24" Box	\$5,721.60
Storm Drain		Tree, 15-Gallon	\$591.00
6" Subdrain to Youngdahl	\$225,000.00	Tree, 5-Gallon	\$11,927.30
Concrete		Tree, 2-Gallon	\$1,481.44
Sidewalk	\$18,268.20	Tree, 1-Gallon	\$19,428.64
Vertical Curb & Gutter	\$8,090.00	Sod	\$32,230.00
Attached Sidewalk over 12" AB	\$11,900.00	Bark Mulch at Planter Areas	\$75,285.00
Handicapped Ramps	\$7,000.00	Clear and Mulch	\$17,810.00
Paving		Soil Preparation	\$18,997.00
4" AC	\$8,718.75	Plant Maintenance	\$10,362.00
Monument Well	\$0.00	Wall Fence	
Traffic Control	\$16,500.00	6' Masonry Soundwall	\$408,888.48
4" AB	\$35,990.00	6' High Pilaster	\$22,997.52
13" AB	\$33,245.00	6' Open View Metal Fence	\$52,687.50
Monument Well	\$2,000.00		
Pavement Replacement (Water Well)	\$66,430.00	TOTAL COSTS	\$2,307,034.42
Freeport Blvd. & Meadowview Road	\$505,300.00		
Striping			
Stripe and Sign	\$9,870.00		
Sidewalk Barricade	\$1,820.00		
Stripe and Sign (Freeport)	\$10,600.00		

The allocation of these costs includes offsite improvements, as well as remaining in-tract improvements for the LDR-2 lots. Offsite improvements needed for this project include the following.

**Cal-Trans / Freeport Boulevard** – These costs are identified at \$952,190 and are identified for completion by December 2024. The costs for these improvements are being held in escrow which were part of the transfer of 77 lots to Meritage Homes in April 2024. They equate to \$2,736.18 per lot based on the 348 lots south of CRB.

**Meadowview Turn Pocket** – These costs are identified at \$505,275 and are identified for completion by December 2024. The costs for these improvements are being held in escrow which were part of the transfer of 77 lots to Meritage Homes in April 2024. They equate to \$1,451.94 per lot based on the 348 lots south of CRB.

The total costs identified for offsite improvements are noted at \$1,457,465 or \$4,188.12 per lot based on the 348 lots south of CRB.

The remaining costs are noted as \$ \$849,569.42 and are applicable to intract improvements retained by M&H Realty.

ITEM	TOTAL COSTS
Total Remaining Costs	\$2,307,034.42
Less Offsite Costs	(\$1,457,465)
TOTAL REMAINING COSTS	\$849,569.42

These costs equate to \$10,619.62 per lot based on the 80 lots retained by M&H Realty.

The table below shows these costs as allocated by individual ownerships of this report.

OWNERSHIP	MDR-1	LDR-1	LDR-2	LDR-2	
	KB HOME	KB HOME	MERITAGE	M&H REALTY	
	110 LOTS*	81 LOTS**	77 LOTS	80 LOTS	TOTALS
Offsite Costs (\$4,188.12/Lot)	\$460,693.20	\$339,237.72	\$322,485.24	\$335,049.60	\$1,457,465.76
Intract Costs	\$0	\$0	\$0	\$849,569.42	\$849,569.42
TOTAL REMAINING COSTS	\$460,693.20	\$339,237.72	\$322,485.24	\$1,184,619.02	\$2,307,035.18
ROUNDED	\$460,693	\$339,238	\$322,485	\$1,184,619	\$2,307,035

\*Total offsite costs identified at \$460,923 applied to the 107 lots, excluding model homes. \*\*Total offsite costs identified at \$339,238 applied to the 79 lots, excluding model homes.

### PERMITS AND FEES

The building and impact fees were obtained from the Updated Finance Plan, Table 7-1. They are summarized as follows.

CATEGORY	LDR	MDR	HDR
Unit Size (SF)	2,500	1,800	1,000
Total Fees - Table 7-1 Finance Plan	\$63,892	\$52,214	\$34,634
Less: Credit for Sewer/Water	(\$2,340)	(\$2,340)	(\$1,378)
NET FEES	\$61,55 <b>2</b>	\$49,874	\$33,256

In addition, permits have been pulled for portions of MDR-1 and LDR-1 currently owned by KB Home. These permits were verified through the City of Sacramento and represent costs incurred for permits and fees as of the effective date of valuation. They reflect permits paid for the specific lots (excluding the completed model homes) and include the following.

	# OF	PERMITS PAID AS OF EFFECTIVE
PROJECT	PERMITS	DATE OF VALUATION
MDR-1 (KB Home)	21	\$1,017,069
LDR-1 (KB Home)	17	\$908,461

# Soil Conditions

There was no soils report provided for review in preparation of this assignment. The subject property is located in an area formerly utilized for farming and grazing land. The opinions of value presented for the subject property assume that the soils are capable of supporting the existing improvements and proposed improvements for the subject property. Please refer to the assumptions and limiting conditions for further documentation.

# Nuisances and Hazards

The subject underwent an extensive environmental assessment as part of the CEQA process. In 2009 the City of Sacramento certified the environmental impact report for Delta Shores. As part of the certification and city resolution, there was an adopted a Mitigation Monitoring Plan (MMP). The EIR, resolution and MMP identified all feasible mitigation that would reduce the impacts of physical changes in the environment caused by the project, and identified the timing of implementation of the mitigation.

In 2021 the developer applied for a grading permit with the City of Sacramento. The Department of Utilities and the Department of Community Development concluded that "rough grading" of the project site could proceed under the various conditions to be imposed. No grading will be permitted, however, unless and until implementation of all mitigation required prior to grading. Implementation of some mitigation is through action (for example, preserving other land for foraging habitat), while in other cases it is through conditions that ensure surveys and reporting (for example, for burrowing owls).

A Delta Shores Mitigation Monitoring Plan Summary dated May 10, 2021 was provided for review. This document indicated a number of completed and on-going mitigations measures being undertaken. A review of this document indicated that there are no significant mitigation issues (from a cost or timing perspective) outstanding.

For purposes of this appraisal, it is assumed that there are no surface or sub-surface contaminants impacting the subject property. It is noted that the appraiser is not a recognized expert in this field. Please refer to the assumptions and limiting conditions for further documentation.

# Easements, Encroachments & Adverse Conditions

A preliminary title report prepared by First American Title Company dated February 9, 2024, was provided for review in preparation of this assignment. This document revealed 63 exceptions to title, none of which have an adverse impact on the subject property. The following table summarizes these exceptions.

EXCEPTION	ITEM	COMMENTS
1-3	General Taxes	General Disclosure for Property Taxes
4	N/A	Intentionally Deleted
5	Taxes and Assessments	Taxes for SAFA Consolidated Cap Asmt. #2
6	Special Tax Lien	Notice of Special Tax Lien for
		Community Facilities District No. 2014-4.
		No Impact.
7	Special Tax Lien	Notice of Special Tax Lien for
		Community Facilities District No. 2019-1.
		This document was Amended February 18, 2022.
8	Lien of Supplemental Taxes	General Disclosure
9	Unpaid Utilities	General Disclosure
10	Rights of Public	Stonecrest Avenue & Freeport Blvd.
11	Easement for Water Drainage	Older exception from 1915.
	And incidental Purposes	No impact.
12	Easement for Transmission and	Assigned to PG&E and new
	Distribution of Electricity to	Agreement created and recorded
	Great Western Power in 1920	In 1993. No Impact.
13-18	Easement for Transmission and	No Impact.
	Distribution of Electricity and	
	Telephone to Great Western Power in 1922	
19	Easement for Transmission and	No Impact.
	Distribution of Electricity to	
	PG&E in 1946	
20	Easement for Maintenance to SMUD in 1956	No Impact.
21	Sewer & Drainage Easement to	No Impact.
	City of Sacramento in 1962	
22	Drainage Easement to	No Impact.
	State of California in 1970	
23	Relinquishment of Abutters Rights	No Impact.
	for ingress and egress to or from	
24	highway	Delingwich ed in 1002
24	Easements for Frontage Road to State of California in 1974	Relinquished in 1983
25		No Impact location not determined
25	Easement for Irrigation Pipe Recoded in 1974	No Impact, location not determined.
26	Relinquishment of Abutters Rights	Nolmaat
20		No Impact.
	for ingress and egress to or from Interstate 5	
	interstate J	

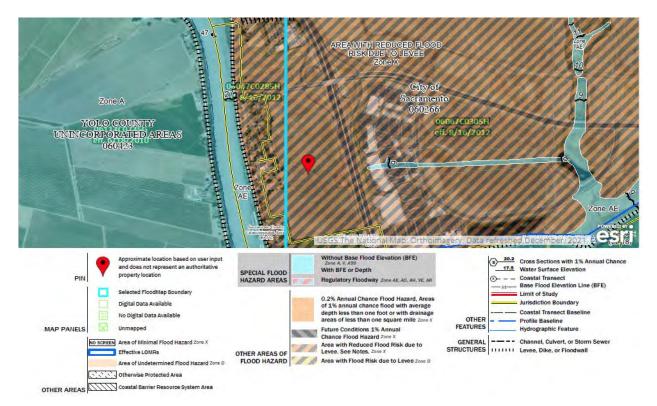
EXCEPTION	ITEM	COMMENTS
26-29	Relinquishment of Abutters Rights	No Impact. Modified in 1983
	for ingress and egress to or from	
	highway Recorded 1978	
30	Exception or reservation of	No Impact.
	Minerals or mineral rights	
	In 1984	
31	Contract for Exchange of Real Property	No Impact.
	In 1986	
32	Grant Deed for Transmission Facilities	No Impact.
	In 1990	
33	Easement for Pipeline and incidental	Easement Quit Claimed in 2018.
24	Purposes to SMUD in 1995	No Impact.
34	Release Agreement in 2005 Memorandum of Purchase	No Impact.
35	Agreement in 2005	Modified in 2007. No Impact.
36	Record of Survey recorded	Modified in 2007. No Impact.
50	In 2005	Woulled in 2007. No impact.
37	Memorandum of Assignment and	No Impact.
	Agreement of Purchase in 2006	
38	Easement for Sewer and Incidental	Quit Claimed in 2009. No Impact.
	Purposes to Sacramento Regional	
	County Sanitation District	
39	Development Agreement Recorded	Last Modified in 2020.
	In 2009	
40, 41	Grant of Right of Way and TCE	No Impact.
	Easement in 2009	
42	Easement for Overhead and	No Impact.
	Electrical facilities to SMUD	
	In 2012	
43	Public Improvement Agreement	No Impact.
	Between owner and City In 2016	
44	Drainage Easement Agreement	No Impact.
	Between owner and City	No impact.
	In 2013	
45	Electrical and Communication	No Impact.
	Facilities to SMUD in 2014	•
46	Relinquishment of Abutter's	No Impact
	Rights of Ingress and Egress from	
	Road recorded in 2014	
47	Easement for Public Utilities to	No Impact.
	SMUD in 2014	
48	Waiver of any claims, damages, by	No Impact.
	Reason of the location, construction,	
	landscaping, or maintenance of a	
	contiguous freeway or highway	
	recorded in 2014.	

EXCEPTION	ITEM	COMMENTS
49	Sewer and Pipeline easement	No Impact.
	To City recorded in2014	
50	Waiver of any claims, damages, by	No Impact.
	Reason of the location, construction,	
	landscaping, or maintenance of a	
	contiguous freeway or highway	
	recorded in 2014.	
51	Temporary easement for public use,	No Impact.
	Construction, reconstruction,	
	Installation, repair, inspection,	
	Expansion, and maintenance of	
	Public rights-of-way, highways,	
	Roadways, services, utilities,	
	Landscape improvements to	
	City recorded in 2014.	
52	Memorandum of Agreement	No impact.
	Recorded in 2015	
53-55	General Disclosures	No Impact.
56	Memorandum of Agreement	No Impact.
	With KB Home	
	Recorded April 29, 2022	
57-58	SMUD Utility Lien	Notice of Utility Lien for
	Recorded 2022	Community Facilities District No. 2019-1.
	Amount Due \$14,947.65	This Lien was Released February 7, 2023
59	Easement for Public Utilities to	No Impact.
	SMUD in 2023	
60	Final Map Delta Shores	No Impact.
	West Subdivision No. P06-197	
	Recorded December 19, 2023	
61	Covenants, Conditions, Restrictions easement	No Impact.
	Recorded December 19, 2023	
62	Master Dispute Resolution Declaration	No. Impact.
	For Delta Shores West	
	Recorded December 19, 2023	
63	Subdivision Improvement Agreement	No Impact.
	Public Improvement No. P06-197	P
	Recorded December 26, 2023	

Upon review of this document and the various exceptions, the project is subject to typical utility easements. The project includes a recorded development agreement as of the effective date of valuation. There were no adverse easements, encroachments, or adverse conditions in connection with the subject property.

# Flood Zone

According to the Federal Emergency Management Agency Flood Insurance Rate Maps (FIRM), Community-Panel Number 060266-0285F & 0305F, with an effective date of August 12, 2021, the subject property is identified in Zone X. It is identified as areas of 0.2% annual chance flood; areas of 1% annual chance flood with average depths of less than 1 foot or with drainage areas less than 1 square mile, and areas protected by levees from 1% annual chance flood. The 1% annual chance flood (100-year flood), also known as the base flood, is the flood that has a 1% chance of being equaled or exceeded in any given year. Flood insurance is not required. A copy of this map is identified as follows.



In addition, on June 21, 2016, the Sacramento City Council passed a resolution accepting the Sacramento Area Flood Control Agency's (SAFCA) Urban Level of Flood Protection (ULOP) Plan, prepared pursuant to Senate Bill 5 (SB 5) and related legislation. The ULOP Plan identifies flood improvement projects, cost estimates, anticipated funding sources, and a schedule to complete them by 2025, which would result in 200-year flood protection for the city.

The purpose of the ULOP annual report it to provide an additional piece of the substantial evidence necessary to support the "adequate progress finding" in the approval of new development within a flood hazard zone. When considering development within a flood hazard zone, the City has relied on the 2016 ULOP Plan and the subsequent 2017 through 2023 ULOP annual reports as substantial pieces of evidence that SAFCA has made annual progress on the construction of a 200-year flood protection system.

The 2024 annual report was subsequently approved, but after the effective date of valuation. In order for the City of continue to rely on making the "adequate progress finding", the California Government Code 65007(a)(5) further requires the city of annually report to the Central Valley Flood Protection Board on its efforts in working towards completion of the 200-year flood protection system. Accordingly, SAFCA staff and consultants prepared the 2024 ULOP: Adequate Progress Annual Report for the City to fulfill Government code requirements which document the following.

- The total project scope, schedule, and cost of the floor protection system have been developed to meet 200-year flood protection.
- That 90% of the required revenues scheduled to be received by that year have been appropriated and is being expended;
- Critical features of the Floor Protection System are under construction and progressing based upon the actual expenditures of the construction budget; and
- The City has not been responsible for a significant delay in the completion of the system.

As of the date of this report, all projects are current. As the December 31, 2025 deadline for ULOP attainment draws near, it is evident that new delays to the remaining construction activities could constrain attainment for affected portions. It appears that construction is on track to be complete or substantially complete by end of Dec. 31, 2025 (the deadline) with the exception of 3 projects. These include the following.

- Reaches F&G Sankey Rd to NEMDC Pumping Station. Construction underway by 2025.
- Magpie Creek. Construction will begin after 2025
- Up to 1.7 Foot Levee and Floodwall Raise, Seepage berm and Pump Station Improvements. Complete with 5 years.

Further, some projects have not received full funding yet. Since they will not be 100% complete, and full funding is laid out as an assumption in the ULOP, the City may have to ask for an extension from CVFPB. There is a chance City Council would not seek an extension given the potential financial liability from flood damage. Should such a delay arise, the affected jurisdiction or jurisdictions would need to choose whether to temporarily suspend development approvals as required by ULOP legislation, or to seek a legislative extension that may entail the assumption of some liability for future flood damage to any developments approved without ULOP.

As such, the appraisal report is prepared in conjunction with the following extraordinary assumptions.

This appraisal assumes completion of the remaining flood protection projects, as stated in the ULOP report (included in the addenda of this report), within the timelines stipulated within the ULOP report and that no suspension of development approvals will be necessary. Alternatively, if deadlines are not met, the City will seek and be granted legislative extensions by the Central Valley Flood Protection Board and development will continue for the subject project.

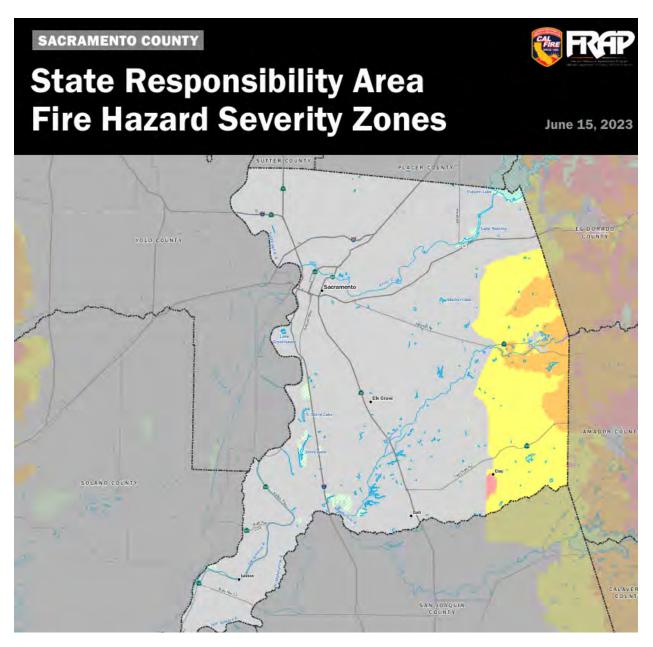
As of the effective date of valuation, this element is not slowing development in the immediate or extended market area of the subject property.

# Seismic Hazard

The subject is not located within the Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone) as defined by Special Publication 42 of the California Department of Conservation, Division of Mines and Geology. The subject is not within a special study area.

# Fire Hazard

The subject is not located within a Medium, High, or Very High Fire Hazard Severity Zone. High severity zones within Sacramento County are identified in the following map.



# Zoning/Entitlements

The subject property is currently vested for development of the proposed uses identified in this report. It is part of fully entitled and approved project. The major entitlements achieved include: 1) approval of Delta Shores PUD, 2) certification of Environmental Impact Report, 3) an approved Development Agreement, 4) adoption of the Delta Shores Financing Plan, 5) approval of the Mixed-Income Housing strategy, 6) approval of Large Lot Tentative Map as well as other miscellaneous approvals.

The subject project is conforming with all applicable environmental mitigation. The final maps for the 348 residential lots was recorded December 19, 2023. These lots are mostly finished lots with remaining offsite and intract improvements required and identified in the Site Description of this report.

The land uses identified north of Cosumnes River Boulevard are approved for their specific use, but tentative maps have not been prepared for these land holdings.

Zoning for this project is generally identified in the following classifications, R-1 (PUD), R-1A (PUD), R-3 (PUD) and A-OS (PUD) as they pertain to the subject properties.



**R-1:** The purpose of the R-1 zone is to accommodate low-density residential uses composed of single-unit detached residences and duplex dwellings on corner lots. This zone may also include recreational, religious, and educational facilities as the basic elements of a balanced neighborhood. These areas should be clearly defined and without encroachment by uses not performing a neighborhood function. Applicable setbacks and requirements for this district is noted as follows.

ITEM	TOTAL
Height	35 Feet
Coverage	40% of Site Area (Max)
Lot Size (SF)	5,200 SF (Min)
Width	52 Feet (Min)
Depth	100-160 Feet

Based on review of the zoning map as well as the overall project map, the R-1 zoning is only applicable for the LDR component for the subject property.

**R-1A:** The purpose of the R-1A zone is to permit single-unit or duplex dwellings, whether attached or detached, at a higher density than is permitted in the R-1 zone. Dwellings that have no interior side yards, such as townhouses and rowhouses, are allowed. Applicable setbacks and requirements for this district is noted as follows.

ITEM	TOTAL
Height	35 Feet
Coverage	50% of Site Area (Max)
Lot Size (SF)	2,900 SF (Min)
Width	25 Feet (Min)
Depth	80-160 Feet

Based on review of the zoning map as well as the overall project map, the R-1A is applicable for the MDR Component for the subject property. The MDR-1 component is below the minimum lot size threshold but approved consistent with the PUD identification of this project. The MDR Component north of Cosumnes River Boulevard is identified for this use with density ranges from 8 to 14 units per acre.

**R-3:** The purpose of the R-3 zone is to accommodate traditional types of apartments. This zone is located outside the central city, serving as a buffer along major streets and near shopping centers.

ITEM	TOTAL
Height	35 Feet
Coverage	50% of Site Area (Max)
Density	30 Units/AC (Max)

The HDR Component north of Cosumnes River Boulevard is identified for this use with density ranges from 15 to 27 units per acre.

**A-OS:** The purpose of the A-OS zone is to ensure the long-term preservation of agricultural and open space land. This zone is intended to prevent the premature development of land to urban uses.

The General Plan identifies the residential components for Traditional Neighborhood Low Density Residential (3-8 du/ac), Traditional Neighborhood Medium Density (8-36 du/ac), and Traditional Neighborhood High Density (18-36 du/ac). Similar to the overall zoning, the General Plan also identifies additional land uses are beyond the boundaries of IA-1, and/or are exempt from the facilities.

The proposed development of this project is consistent with the overall zoning and General Plan. This project includes an affordable housing component identified as the Mixed-Income Housing Strategy. In May 2020, the City of Sacramento approved the project's Mixed Income Housing Strategy. Under this plan a land dedication of 15.89 acres located in improvement Area No. 3 has been set aside to satisfy the affordable housing requirement. Because of this dedication, builders in the project will be exempt from paying the housing fee of \$2.95 per square foot. This fee exemption has been reflected in the overall building and impact fees.

The developer of the project recorded the Master Parcel Map for Delta Shores Phase 3 on July 31, 2024 (Document # 20240731/0501). The recordation of this map created 3.378 AC and 5.473 AC sites north of Cosumnes River Boulevard for development of HDR and MDR land uses. Furthermore, according to Marcus Adams with the City of Sacramento Planning Department, these projects can be combined into one development project as long as the minimum density of 95 units is achieved. Overall, this land use can support 95-167 units for future development which reflect a conforming land use. Development of the proposed land uses described in this report reflect a legal, permissible use under the current zoning, and general plan.

## **Taxes and Assessments**

The 2024/2025 assessed values for the subject parcels are identified as follows. The first table is for APNs 119-0110-060, 026, which reflect the sites north of CRB. As described in this report, the land areas are a portion of these two parcels.

APN	119-0110-060	119-0010-026
Assessed Value (Land)	\$3,145,649	\$100
Assessed Value (Improvements)	<u>\$0</u>	<u>\$0</u>
Total Assessed Value	\$3,145,649	\$100
BASE PROPERTY TAXES (1.1517%)	\$36,113.27	\$1.15
Direct Levies		
(0168) Sacramento Area Flood Control	\$684.54	\$66.50
(0198) SAFCA Consolidated Capital Assessment #2	\$476.36	\$33.56
(0659) Sacramento Additional Library Service Tax	\$75.80	\$0
(0612) Sacramento Core Library Service Tax	\$29.50	\$0
(0742) Maintenance Area #9	\$2,336.56	\$93.82
TOTAL DIRECT LEVIES	\$3,602.76	\$193.88
TOTAL TAXES	\$39,716.03	\$195.03

The next table reflects the assessed values for the 348 lots south of CRB. Taxes for LDR-2 are all the same as supplemental bills for the Meritage purchase were not available for review.

ITEM	MDR – 1	LDR – 1	LDR – 2
Assessed Value (Land)	\$133,844	\$177,382	\$135,404
Number of Lots	<u>110</u>	<u>81</u>	<u>157</u>
Total Assessed Value	\$14,722,840	\$14,367,942	\$21,258,428

The subject properties fall within Tax rate area 03-056. Base tax rates for this Tax Rate Area (2024-2025) as provided from the Sacramento County Tax Collectors office are allocated as follows.

ITEM	TOTALS
Ad Valorem Taxes	1.0%
Sacto Unified GOB	0.1317%
Los Rios College GO Bond	0.02%
TOTAL TAX RATE	1.1517%

The base tax rate is 1.1517%. As noted the subject property is located in an area with numerous direct levies. These include the following:

--(0168) Sacramento Area Flood Control - This special benefit assessment finances the Sacramento Area Flood Control Agency's regional flood control planning efforts to address the serious flood risk facing this community. Funds are used to conduct studies in coordination with the Federal and State government leading to constructing flood control projects to reduce the flood risk. Assessments are levied on properties within the Agency's jurisdictional boundaries that benefit from improved flood protection on the American and Sacramento Rivers, and their tributaries. Assessments are based on relative land value, area of parcel, and relative benefit derived from flood control. Assessments are based on relative land value, area of parcel, and relative benefit derived from flood control.

--(0198) SAFCA Consolidated Capital Assessment #2 - The Sacramento Area Flood Control Agency (SAFCA) formed this district in 2016 as authorized by the SAFCA Act, Water Code Appendix Section 130-1 et seq. and following a Proposition 218 protest procedure election and is subject to accelerated judicial foreclosure. This Special Capital Assessment finances repayment of bonds issued to construct a series of levee and other flood control improvements in the original Consolidated Capital Assessment District as well as a series of projects necessary to provide 100-year flood protection for developed areas in Sacramento's major floodplains as quickly as possible. In addition, annual assessments fund the local share of flood risk reduction projects on the lower American River and Sacramento River and their tributaries. Assessments are based on property-related benefits related to depth of flooding, and damage to structures and land. Assessments are based on property-related benefits related to depth of flooding, and damage to structures and land.

--(0659) Sacramento Additional Library Service Tax - Revenue generated by this assessment provides for increased City Library services which will keep libraries open more hours, restore book and library material budgets and update technology in neighborhood, community, and regional libraries.

--(0612) Sacramento Core Library Service Tax - This is a parcel tax for library services in the City of Sacramento. A parcel tax for library services is imposed upon every parcel of real property in the City to assist in funding the core library services provided by the City. Core library services include, without limitation, open hours at City libraries, library staff, acquisition of library materials and access to technology.

--(0742) Maintenance Area 9 - This assessment finances state maintenance of levees on the east side of the Sacramento River.

--(0710) SMD 2014-4 – Delta Shores #1 - This District was formed under the Mello-Roos Community Facilities Act of 1982. This District provides funding for the maintenance of street landscaping, parks, open space, and other public improvements within the Delta Shores Development

As identified in the Finance Plan, anticipated Direct Levies for the various land use components are illustrated as follows.

ТҮРЕ	LOW DENSITY	MEDIUM DENSITY	HIGH DENSITY
Citywide Landscape & Lighting	\$84.00	\$84.00	\$84.00
Sacramento Core Library	\$13.00	\$13.00	\$13.00
Sacramento Library Services	\$34.00	\$34.00	\$34.00
SAFCA Cap. Asmt.	\$137.00	\$103.00	\$76.00
SAFCA O&M Asmet	\$52.00	\$52.00	\$40.00
0742/Maintenance Area 9	\$466.00	\$366.00	\$221.00
0710/SMD 2014-4, Delta Shores #1	\$19.00	\$19.00	\$19.00
TOTALS	\$805.00	\$671.00	\$487.00

Direct levies for the various components lots range from \$487.00 to \$805.00, per annum.

# **Overlapping Debt**

In addition, the outstanding debt was provided for all of the properties in this analysis as compiled from California Municipal Statistics, Inc. This was provided for all of the properties including General Obligation Bonds which are part of the Base Tax Rate noted above. These elements, excluding the General Obligation Bonds, which are paid as part of the base tax rate are identified as follows.

### CITY OF SACRAMENTO COMMUNITY FACILITIES DISTRICT NO. 2019-1 I.A. 1 DELTA SHORES

2024-25 Assessed Valuation: \$53,485,097 (Land and Improvements)

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: Los Rios Community College District General Obligation Bonds Sacramento Unified School District General Obligation Bonds Sacramento Area Flood Control District Consolidated Capital Assessment District No. 2 Bonds City of Sacramento Natomas Meadows CFD No. 2019-01 I.A. 1 Delta Shores TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	<u>% Applicable</u> 0.019% 0.105 0.004 <b>100.</b>	<u>Debt 10/1/24</u> \$ 66,533 631,360 12,669 <u>0</u> \$710,562	(1)
OVERLAPPING GENERAL FUND DEBT: Sacramento County General Fund Obligations Sacramento County Pension Obligation Bonds Sacramento County Board of Education Certificates of Participation Sacramento Unified School District General Fund Obligations City of Sacramento General Fund Obligations TOTAL GROSS OVERLAPPING GENERAL FUND DEBT Less: Sacramento County supported obligations City of Sacramento supported obligations TOTAL NET OVERLAPPING GENERAL FUND DEBT	0.023% 0.023 0.023 0.105 0.071	\$ 21,732 70,775 377 51,373 <u>360,676</u> \$504,933 2,536 253,162 \$249,235	
GROSS COMBINED TOTAL DEBT NET COMBINED TOTAL DEBT		\$1,215,495 \$959,797	(2)

(1) Excludes Mello-Roos Act Bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2024-25 Assessed Valuation:	
Direct Debt	%
Total Direct and Overlapping Tax and Assessment Debt	1.33%
Gross Combined Total Debt	
Net Combined Total Debt	1.79%

The total outstanding debt on these properties is identified at \$710,562. This total debt is nominal relative to the overall value for the property. The subject property is proposed for an additional district. It was identified that the 191 lots owned by KB Home are proposed for additional special assessments as part of the California Statewide Communities Development Authority Community Facilities District No. 2024-17 (Delta Shore West). It is clearly noted that the debt for this district was not issued as of the effective date of valuation.

The MDR-1 lots (110 Lots) are designated as Tax Zone 2 with payments identified as follows.

Land Use Class	Description	Residential Floor Area (square feet)	Assigned Special Tax
1	Residential Property	2,150 or greater	\$1,590 per Dwelling Unit
2	Residential Property	1,950 to less than 2,150	\$1,515 per Dwelling Unit
3	Residential Property	Less than 1,950	\$1,345 per Dwelling Unit
4	Non-Residential Property	NA	\$17,540 per Acre

The LDR-1 lots (81 Lots) are designated as Tax Zone 1 with payments identified as follows.

Land Use Class Description		Residential Floor Area (square feet)	Assigned Special Ta	
1	Residential Property	2,550 or greater	\$1,740 per Dwelling Unit	
2	Residential Property	2,300 to less than 2,550	\$1,565 per Dwelling Unit	
3	Residential Property	2,050 to less than 2,300	\$1,515 per Dwelling Unit	
4	Residential Property	Less than 2,050	\$1,220 per Dwelling Unit	
5	Non-Residential Property	NA	\$17,540 per Acre	

There are no future special assessments identified for the LDR-2 lots, or the MDR/HDR sites north of Cosumnes River Boulevard. This district is anticipated for the subject lots (MDR-1 & LDR-1), however, no debt was issued as of the effective date of valuation.

# Delta Shores Community Facilities District No. 2019-1, Improvement Area No. 1

The total eligible facilities for this project are identified at \$60,568,649. This includes all eligible facilities for the Delta Shores CFD and are not specific to IA-1. These facilities are summarized as follows.

Identified by Incremental Portions	Estima	ted Cost*	Status of Completion
Backbone Improvements			
Roadway	** * ** ***		
I-5/Cosumnes River Blvd. Enhancements	\$1,140,698		
Delta Shores Circle South 1A	8,085,270		NOC 7/5/17
Delta Shores Circle North 1B	2,121,296		2019/20
	\$11,347,264		
Sewer	** *** ***		
Delta Shores Circle South 1A	\$1,408,416		NOC 7/5/17
Delta Shores Circle North 1B	683,899		2019/20
Interconnections 1C	742,997		Complete
Regional Sewer Lift Station	3,646,500		
Regional Sewer Force Main	1,465,750		
· · · · ·	\$7,947,562	-	
itorm Drainage	63 636 FAF		6l
Drainage – 2 Regional Basins & 3 WQ Ponds Drainage Conveyance	\$3,576,515		Complete
Delta Shores Circle South 1A	1,156,779		Complete NOC 7/5/17
Delta Shores Circle South 1A	2,123,473		
Interconnections 1C	558,008 1,069,658		2019/20 Complete
Drainage Trunk Line 1D	1,156,126		2019/20
	\$9,640,559		2019/20
Water	33,040,333		
Transmission Main (Franklin to Freeport)	\$5,648,197		
Delta Shores Circle South 1A	1,093,187		NOC 7/5/17
Delta Shores Circle North 1B	447,880		2019/20
-	\$7,189,264		
Subtotal Backbone Improvements		\$36,124,649	_
Fire Station and Equipment		\$12,224,000	2
nd Dedications			
Open Space (29.4 acres)			
6.83 acres	\$1,366,000		Complete, IOD, 1st Final Map
22.57 acres	4,514,000		
	\$5,880,000		
Detention (31.7 acres) 17.02 acres	\$2 404 000		Complete, Functional, IOD, 1st Final Mag
	\$3,404,000		
9.30 acres	1,860,000		Complete, Functiona
2.83 acres	566,000		Complete, Nonfunctiona
2.55 acres	510,000 \$6,340,000		
	00,0 10,000		
· · · · · ·		A44 444 444	
Subtotal Land		\$12,220,000	

Assigned special taxes for IA-1 include the following.

Land Use Class	Description	Assigned Special Tax
1	Low-Density Residential Property	\$2,168 per Unit
2	Medium-Density Residential Property	\$1,745 per Unit
3	High-Density Residential Property	\$250 per Unit
4	Mixed-Use Residential Property	\$250 per Unit
5	Non-Residential Property	\$0

These charges are subject to a 2% annual increase in payments. In addition, they are based on FY 2021-2022. Payments for the 2024-2025 tax year are identified as follows.

Low Density Residential - \$2,300.70 Medium Density Residential - \$1,851.81 High Density Residential - \$265.30

These payments are current for the subject property and reflect 2% increase from those identified for FY 2021-2022. In addition, this project includes an HOA with identified dues at \$190 per month, per unit.

# **IMPROVEMENT DESCRIPTION**

This project includes 5 completed model homes located in the project under the KB Home ownership. A description of these homes is as follows.

**MDR-1:** This project is comprised of 110 lots (alley-loaded) with a typical lot size of 3,230 square feet. It is marketed as Riva at Delta Shores with three model homes completed as of the effective date of valuation. These homes include options and upgrades beyond the standard, or base floor plans for this project. This project is offering three base floor plans ranging in size from 1,795 to 2,236 square feet with base pricing from \$605,000 to \$648,000. Completed model homes are noted as follows.

LOT #	APN	DESIGN	<b>BEDS/BATHS</b>	GLA
323	053-0220-103	Two-Story	4 Beds / 3 Baths	1,795 SF
324	053-0220-104	Two-Story	4 Beds / 2.5 Baths	2,102 SF
325	053-0220-105	Two-Story	5 Beds / 3 Baths	2,236 SF

The developer of this project is currently offering a \$5,000 concession. Standard features include the following, followed by individual plan renderings, and interior photographs.

### **Distinctive Exterior Details**

- Foundations designed specifically for your homesite
- Engineered roof trusses for strength
- Water-conserving front yard landscaping
- 8-ft. front door
- Concrete roof tiles

### Interior Craftsmanship

- Textured walls and ceilings
- 2-panel interior doors
- Structured wiring hub at primary bedroom closet
- 9-ft. first- and 8-ft. second-floor ceilings
- Satin nickel interior door hardware with antimicrobial technology; privacy locks at primary bedroom and baths

### **Fine Finishes**

- Spacious walk-in closet at primary bedroom
- Luxury vinyl plank flooring in multiple color choices at wet areas
- 3.25-in. baseboards
- Open stair rail at first floor
- Low-VOC interior paint in Alabaster
- CRITM Green Label Plus® certified polyester textured carpeting with cushion in multiple color choices at non-wet areas

### Kitchen

- USB receptacle to conveniently and efficiently charge your devices
- Refrigerator ice maker pre-plumbing
- Stainless steel appliances with 2-yr. warranty, including a freestanding smooth-top slide-in range, under-cabinet microwave/hood combination and ENERGY STAR<sup>®</sup> certified built-in multicycle dishwasher
- Recessed-panel maple cabinets, including 36-in. uppers with concealed hinges
- Solid-surface quartz countertops with 4-in. backsplash
- Spot-resistant stainless steel faucet with pullout spray
- Spacious island (per plan)
- Stainless steel double-basin undermount sink

#### Bathrooms

- 35x60 in. fiberglass shower surround with glass door at primary bath
- Dual-sink vanity with Venetian solid-surface countertops at primary bath
- Round porcelain toilet
- Chrome fixtures
- Single-sink vanity with Venetian solid-surface countertops at bath 2
- Fiberglass tub/shower combination at bath 2
- Recessed-panel maple cabinets with concealed hinges
- Bar lights in choice of three colors

### **Energy-Saving Features**

- Our homes are designed to be ENERGY STAR<sup>®</sup> certified, delivering significant savings on utility bills when compared to used homes and supporting healthier indoor environments.
- Our Energy Savings Comparison demonstrates the lower monthly cost of homeownership possible with each KB home.
- Thermal Enclosure System: air sealing, quality insulation and high-performance windows to enhance comfort, reduce maintenance costs and help lower monthly utility bills
- Water Management System to help protect roofs, walls and foundations from water damage
- Replaceable premium air filter with MERV 13 rating
- Dual-zone heating and air conditioning (per plan)
- HVAC system with refrigerant designed and installed to
- deliver more comfort, better moisture control, improved indoor air quality and quieter operation
- LED ceiling lights at nook, bedrooms and loft/den (if applicable)
- Solar energy system (choice of lease or purchase)
- 50- or 65-gal. water heater (per plan)
- WaterSense® labeled faucets, showerheads and toilets designed to reduce water use
- Smart thermostat
- Low-E windows with grids on front of home and window screens throughout (per plan)
- Energy recovery ventilation (ERV) circulation system to improve indoor air quality and reduce energy consumption

### **10-Year Limited Warranty**

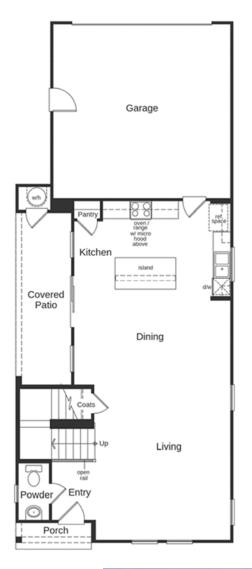
 Our dedicated customer service team is ready to help with any questions or home repair issues.

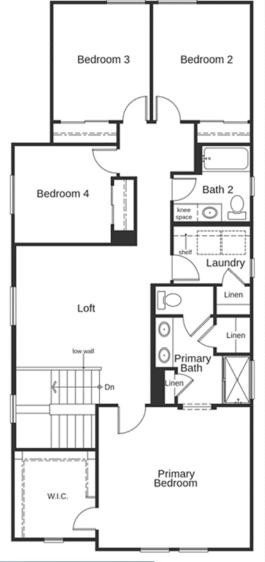
# PLAN 1795 (4 BED, 3 BATH, 1795 SF)





# PLAN 2102 (4 BED, 2.5 BATH, 2102 SF)











# MODEL HOME PHOTOGRAPHS (RIVA AT DELTA SHORES)



Plan 1795

Plan 1795



Plan 1795

Plan 1795



# MODEL HOME PHOTOGRAPHS (RIVA AT DELTA SHORES)



Plan 2102

Plan 2102



Plan 2236

Plan 2236



Plan 2236

Rear View – Plan 1795

## MODEL HOME PHOTOGRAPHS (RIVA AT DELTA SHORES)



Rear View - Plan 2102

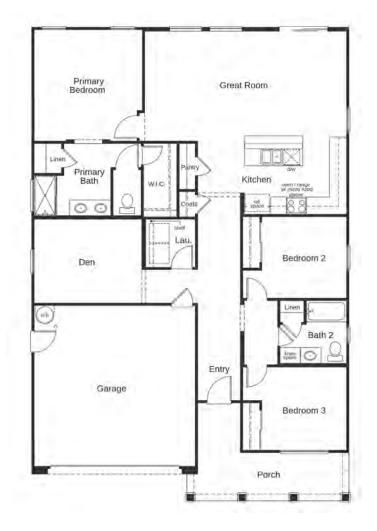
Rear View – Plan 2236

**LDR-1:** This project is comprised of 81 lots with a typical lot size of 5,700 square feet. It is identified as Edgewater at Delta Shores with two model homes completed as of the effective date of valuation. These homes include options and upgrades beyond the standard, or base floor plans for this project. This project is offering four base floor plans ranging in size from 1,685 to 2,693 square feet with base pricing from \$665,990 to \$755,990. This project includes 2 completed model homes summarized on the table below. There are no model homes for the other 2 base floor plans.

LOT #	APN	DESIGN	<b>BEDS/BATHS</b>	GLA	
226	053-0230-065	Two-Story	5 Beds / 3 Baths	2,693 SF	
227	053-0230-066	One Story	3 Beds / 2 Baths	1,685 SF	

The developer of this project is currently offering a \$5,000 concession. Standard features are similar to Riva at Delta Shores. The following pages show individual floor plans for the two model homes, as well as interior photographs.

## PLAN 1685 (3 BED, 2 BATH, 1685 SF)





## PLAN 2693 (5 BED, 3 BATH, 2693 SF)





# MODEL HOME PHOTOGRAPHS (EDGEWATER AT DELTA SHORES)



Plan 1695



Plan 1695



Plan 1695

Plan 2693



#### Conclusion

This project includes 5 completed model homes. Values for the model homes, as identified later in this report, are based on the finished lot value as well as the added value of the improvements based on valuation at the time of permit. These totals were derived from the City of Sacramento and are summarized as follows.

#### **RIVA AT DELTA SHORES**

ITEM		LOT 324 2,102 SF	
Valuation (Per Building Permit)	\$267,712	\$316,113	\$329,842

#### EDGEWATER AT DELTA SHORES

ITEM	LOT 226	LOT 227
	2,693 SF	1,652 SF
Valuation (Per Building Permit)	\$381,428	\$246,000

The next section of this report illustrates supply and demand characteristics for this property.

## PART 3 – MARKET ANALYSIS AND HIGHEST AND BEST USE

## MARKET ANALYSIS – FOR SALE RESIDENTIAL

A market analysis is presented in conjunction with assignment. The depth of discussion is specific to the needs of the client and for the intended use. This element is provided for the regional and local housing market based on information provided from Claritas, California Association of Realtors, Metrolist, and The Gregory Group.

#### California Housing Market

According to the California Association of Realtors (C.A.R.), California home sales hit a seven-month low in August, as buyers held out despite interest rates that dipped to the lowest level since spring. Closed escrow sales of existing, single-family detached homes in California totaled a seasonally adjusted annualized rate of 262,050 in August, according to information collected by C.A.R. The statewide annualized sales figure represents what would be the total number of homes sold during 2024 if sales maintained the August pace throughout the year. It is adjusted to account for seasonal factors that typically influence home sales.

August's sales pace fell 6.3 percent from the 279,810 homes sold in July and were up 2.8 percent from a year ago, when a revised 254,820 homes were sold on an annualized basis. The sales pace has remained below the 300,000-threshold for 23 consecutive months, while year-to-date home sales edged up 0.5 percent from the first eight months of 2023.

"Home price growth in California continued to moderate in August as the market neared the end of the traditional home buying season," said C.A.R. President Melanie Barker. "With the Federal Reserve signaling it will lower interest rates soon, mortgage rates are expected to ease well below their recent peaks. As such, housing affordability will improve in the fall, and buyers will benefit from lower costs of borrowing in the coming months."

August's statewide median price was essentially flat, inching up 0.2 percent from \$886,560 in July to \$888,740 in August. California's median home price was 3.4 percent higher than the revised \$859,670 recorded in August 2023. The year-over-year gain was the 14th straight month of annual price increases, albeit the smallest since September 2023. Home prices could soften further in the coming months but should continue to register year-over-year growth for the rest of the year.

Sales in higher-priced market segments continued to influence the mix of sales, but the impact on the state-wide median price growth has been reduced in recent months. While the sales pace for the \$1 million-and-higher price segment decelerated in August to 3.6 percent, sales in the sub-\$500,000 market had a lackluster performance as well, dropping 9.0 percent below the year-ago level. Moderation in the median price growth could be observed in the coming months if the share of homes priced at or above \$1 million continues to shrink in the fall.

"Despite a slightly better lending environment in recent weeks, closed home sales pulled back in August as buyers evaluated whether to wait for the Federal Reserve to cut rates before entering the market," said C.A.R. Senior Vice President and Chief Economist Jordan Levine. "Pending sales, along with mortgage application trends, however, suggest that housing demand has been slowly improving in the past few weeks. If mortgage rates remain at their current low or dip further in the coming weeks, home sales should rise steadily as we move toward the end of the year." Other key points from C.A.R.'s August 2024 resale housing report include:

- At the regional level, home sales in all major regions except for two were higher than their year-ago levels in August. Three out of the five regions in the state registered increases from a year ago, with the San Francisco Bay Area (4.8 percent) increasing the most. It was followed by the Central Coast (3.0 percent) and the Central Valley (0.8 percent) regions. The two regions in the state that fell behind last year's sales level were the Far North (-5.0 percent) and Southern California (-2.3 percent).
- Twenty-six of the 53 counties tracked by C.A.R. recorded sales increased from a year ago, with 10 of them jumping more than 10 percent year-over-year. Yuba (37.1 percent) posted the largest yearly sales gain, followed by Mendocino (25.6 percent) and Glenn (25.0 percent). Twenty-seven counties experienced sales decreases from last year, with 18 of them falling more than 10 percent year-over-year. Eight counties had sales drops of more than 20 percent, and three counties experienced sales declines of more than 30 percent. Trinity (-50.0 percent) recorded the biggest annual sales decline in August, followed by Mariposa (-45.0 percent) and Plumas (-34.8 percent).
- At the regional level, all major regions except for one experienced an increase in their median price from a year ago in August. The Central Coast posted the biggest price jump on a year-over-year basis, increasing 8.9 percent from last August. Far North (7.7 percent) was a close second, followed by Southern California (4.0 percent), and the Central Valley (3.1 percent). The San Francisco Bay Area (-1.6 percent) was the only region that recorded a price decline in August compared to a year ago, as six of the nine counties in that region experienced a price drop last month.
- Home prices continued to grow on a year-over-year basis throughout the state, with median sales price in 36 counties registering price increase from a year ago in August. Trinity (36.6 percent) posted the biggest increase in price last month, followed by Plumas (32.9 percent) and Imperial (22.0 percent). Sixteen counties recorded annual median price declines, with Santa Barbara dropping the most at 18.0 percent, followed by Mariposa (-14.6 percent), and Amador (-12.0 percent).
- The statewide unsold inventory index (UII), which measures the number of months needed to sell the supply of homes on the market at the current sales rate, increased both month-over-month and year-over-year. The index was 3.2 months in August, up from 2.9 months in July and up from 2.4 months in August 2023. Active listings at the state level rose more than 39 percent from the year-ago level. It was the seventh straight month of annual gains in for-sale properties.
- At the county level, the availability of homes for sale increased from the same month of last year in all but four counties in August. Alameda (124.4 percent) posted the biggest year-over-year jump, followed by Contra-Costa (96.9 percent) and Stanislaus (63.9 percent). The only counties that recorded a decline from last year were Glenn (-27.9 percent), Kings (-25.5 percent), Trinity (-7.7 percent) and San Francisco (-6.1 percent).
- New active listings at the state level improved from a year ago for the eighth consecutive month, with seven of them recording double-digit increases. Despite a decelerating growth rate in August, the increase in new listings at the tail end of the buying season is

an encouraging sign that supply conditions in California will continue to improve in the coming months. Thirty-eight of the 52 counties tracked by C.A.R. recorded an increase in new active listings from a year ago. Calaveras recorded the largest year-over-year increase at 91.8 percent, followed by Kern (48.8 percent) and Del Norte (42.1percent). Thirteen counties marked declines in new active listings from a year ago, with Lassen (-37.5 percent) dropping the most, followed by Siskiyou (-33.8 percent) and Amador (-25.5 percent).

- The median number of days it took to sell a California single-family home was 22 days in August, up from a revised 17.5 days in August 2023.
- C.A.R.'s statewide sales-price-to-list-price ratio was 100.0 percent in August 2024 and 100.0 percent in August 2023.
- The statewide median price per square foot for an existing single-family home was \$427, up from \$416 in August a year ago.
- The 30-year, fixed-mortgage interest rate averaged 6.50 percent in August, down from 7.07 percent in August 2023, according to C.A.R.'s calculations based on Freddie Mac's weekly mortgage survey data.

Affordability is an issue for most of California. According to C.A.R., higher prices combined with elevated mortgage rates that pushed borrowing costs to all-time highs pulled California's housing affordability down to the lowest levels in nearly 17 years during the second quarter of 2024. Fourteen percent of the state's homebuyers could afford to purchase a median-priced, existing single-family home in California in second-quarter 2024, down from 17 percent in the first quarter of 2024 and down from 16 percent in the second quarter of 2023, according to C.A.R.'s Traditional Housing Affordability Index (HAI).

The second-quarter 2024 figure is less than a third of the affordability index peak of 56 percent in the second quarter of 2012. Despite elevated mortgage rates in the second quarter, recent signs of weakness in macroeconomic reports have pushed rates down in the past few weeks. As the likelihood of the Fed cutting rates at the September meeting increases, housing affordability in California is expected to improve in the next quarter.

C.A.R.'s HAI measures the percentage of all households that can afford to purchase a median-priced, single-family home in California. C.A.R. also reports affordability indices for regions and select counties within the state. The index is considered the most fundamental measure of housing well-being for home buyers in the state.

A minimum annual income of \$236,800 was needed to qualify for the purchase of a \$906,600 statewide median-priced, existing single-family home in the second quarter of 2024. The monthly payment, including taxes and insurance (PITI) on a 30-year, fixed-rate loan, would be \$5,920, assuming a 20 percent down payment and an effective composite interest rate of 7.10 percent. The effective composite interest rate was 6.68 percent in first-quarter 2024 and 6.61 percent in second-quarter 2024.

In the second quarter of 2024, the minimum annual income required exceeded \$200,000 for the sixth time in seven quarters, setting a new record high. The monthly PITI for a typical single-family home in California also hit a record high, rising by double digits from both the previous quarter and the same quarter last year.

On a year-over-year basis, statewide home prices jumped 9.0 percent from second-quarter 2023, as competition and low inventory applied upward pressure on home prices. As the market moves past the spring home-buying season and transitions to the off season, home prices will likely decline as market competition cools and housing inventory continues to improve. A consistent drop in mortgage rates expected in the coming months will lower borrowing costs and improve affordability for the rest of the year.

The share of California households that could afford a typical condo/townhome in second-quarter 2024 fell to 22 percent, down from 24 percent recorded in the previous quarter and down from the 25 percent recorded in the second quarter of 2023. An annual income of \$180,000 was required to make the monthly payment of \$4,500 on the \$690,000 median-priced condo/townhome in the second quarter of 2024.

Compared with California, about one-third of the nation's households could afford to purchase a \$422,100 median-priced home, which required a minimum annual income of \$110,000 to make monthly payments of \$2,750. Nationwide affordability was down from 36 percent a year ago.

In the second quarter of 2024, the nationwide minimum required annual income was half that of California's for the fifth consecutive quarter.

Key points from the second-quarter 2024 Housing Affordability report include:

- When compared to Q124, housing affordability in Q224 declined in 40 counties and remained unchanged in six. Seven counties showed quarter-to-quarter improvement in affordability mainly due to price declines in those counties. When compared to a year ago, six counties registered an improvement in affordability, while 39 counties throughout the state posted a decline on a year-over-year basis, and eight remained unchanged.
- Lassen (52 percent) remained the most affordable county in California, followed by Glenn (35 percent), Del Norte (34 percent), and Tehama (34 percent). Of all counties in California, Lassen continued to have the lowest minimum qualifying income (\$65,200) to purchase a median-priced home in in second-quarter 2024.
- Mono (5 percent), Monterey (8 percent), and Santa Barbara (9 percent) were the least affordable counties in California, with each of the counties requiring a minimum income of at least \$267,600 to purchase a median-priced home in the respective counties. San Mateo continued to require the highest minimum qualifying income (\$574,800) to buy a median-priced home in the second quarter of 2024 and, together with Santa Clara (\$524,000), were the only two counties in California with a minimum qualifying income more than \$500,000. Marin and San Francisco came in third and fourth, requiring a minimum income of \$469,200 and \$444,000, respectively.
- Housing affordability declined the most on a year-over-year basis in Plumas, falling nine points from the previous year. Siskiyou recorded the second largest drop in affordability, moving seven percentage points below the same quarter of last year. Merced and Sutter had the third worst drop in affordability, decreasing six percentage points each from a year ago. Despite higher household income, higher home prices and elevated mortgage rates continue to keep housing affordability near its all-time lows across most counties.



# Housing Affordability in CA by County

As noted, affordability is an issue in California with the home buyers' ability to pay. In order to isolate this element, the first step is to identify the required annual household income based on typical mortgage parameters. Home pricing identified for this project as provided from John Burns Real Estate and Consulting (Updated July 23, 2024) ranges from \$624,282 to \$771,647, per product type. This is based on the average net base price for each project. The first step is to identify the required annual household income based on typical mortgage parameters. Specifically, this includes a loan-to-value ratio at 80% (down payment of 20%), mortgage interest rate of 6.5%, 30-year amortization, and a 32% ratio for the house costs as a percent of monthly income (inclusive of principal, interest, taxes, and insurance). Property taxes are based on the base tax rate of 1.1517%, direct levies from \$671 to \$805 per annum or \$55.92 to \$67.08 per month, and CFD charges from \$1,851.81 to \$2,300.70 per annum (based on MDR and LDR), or \$154.32 to \$191.73 per month. HOA dues are noted at \$190 per month. These calculations are shown in the Taxes and Special Assessments section of the Site Description of this report.

Based on these parameters, the following table shows the estimated annual household income required to afford homes for each specific project.

PROJECT	MDR-1	LDR-1	LDR-2
MIN LOT SIZE	3,230 SF	5,700 SF	6,825 SF
Average Home Size (SF)	2,044 SF	2,241 SF	2,719 SF
Average Price*	\$624,282	\$711,113	\$771,647
Loan % of Price (LTV)	80%	80%	80%
Loan Amount	\$499,426	\$568 <i>,</i> 890	\$617 <i>,</i> 318
Interest Rate	6.50%	6.50%	6.50%
Monthly Mortgage Payment**	\$3,139.70	\$3 <i>,</i> 576.40	\$3,880.85
Base Taxes (1.1517%) - Monthly	\$599.15	\$682.49	\$740.59
Direct Levies - Monthly	\$55.92	\$67.08	\$67.08
CFD Charges - Monthly	\$154.32	\$191.73	\$191.73
НОА	\$190.00	\$190.00	\$190.00
Insurance***	\$125.00	\$125.00	\$125.00
TOTAL PITI	\$4,264.09	\$4,832.70	\$5,195.25
PITI as % of Income	35%	35%	35%
Monthly Income	\$12,183.13	\$13,807.72	\$14,843.57
Annual Income	\$146,198	\$165,693	\$178,123
Rounded	\$146 <mark>,200</mark>	\$165,700	\$178,200

\*Average price derived from Absorption Analysis

\*\*Based on 30-Year Amtz. At 6.5%

\*\*\*Based on annual premium of \$1,500

According to these calculations, annual income between \$146,200 and \$178,200 is required to have the ability to afford homes in the subject neighborhood. Income data as developed from Claritas shows various profiles for a typical buyer. The subject property is located in a developing area and income cohorts for all of Sacramento County were selected. This is representative of typical buyers for the subject property. The following map depicts this area.



Income brackets, as well as the percentage of households with the ability to afford homes between \$624,282 to \$771,647 as delineated in the Absorption Analysis as prepared by John Burns Real Estate Company (Updated July 23, 2024)is shown below. Income is presented in terms of 2024 estimates, as well as 2029 projections.

\$624,282 HOME	20	24 ESTIMATES		2029 PROJECTIONS			
AT \$146,200 INCOME	PERCENT	PERCENT	HOUSEHOLDS	PERCENT	PERCENT	HOUSEHOLDS	
HOUSEHOLD INCOME	OF HOUSEHOLDS	ABLE TO PAY	ABLE TO PAY	OF HOUSEHOLDS	ABLE TO PAY	ABLE TO PAY	
<\$15,000	7.8%	0%	0.0%	6.9%	0%	0.0%	
\$15,000 - \$24,999	5.9%	0%	0.0%	5.4%	0%	0.0%	
\$25,000 - \$34,999	5.9%	0%	0.0%	5.4%	0%	0.0%	
\$35,000 - \$49,999	9.2%	0%	0.0%	8.1%	0%	0.0%	
\$50,000 - \$74,999	15.3%	0%	0.0%	13.9%	0%	0.0%	
\$75,000 - \$99,999	12.8%	0%	0.0%	12.2%	0%	0.0%	
\$100,000 - \$124,999	11.1%	0%	0.0%	10.7%	0%	0.0%	
\$125,000 - \$149,999	8.7%	100%	8.7%	9.0%	100%	9.0%	
\$150,000 - \$199,999	10.0%	100%	10.0%	11.2%	100%	11.2%	
\$200,000 - \$249,999	5.3%	100%	5.3%	6.6%	100%	6.6%	
\$250,000 - \$499,999	5.4%	100%	5.4%	6.9%	100%	6.9%	
>\$500,000	2.7%	100%	2.7%	3.7%	100%	3.7%	
TOTALS	<b>100.0%</b>		<b>32.1%</b>	100.0%		37.4%	
Median Household Income		\$86,1 <mark>23</mark>			\$95,702		
Average Household Income		\$115,818			\$129,448		

\$711,113 HOME	20	24 ESTIMATES		2029 PROJECTIONS			
AT \$165,700 INCOME	PERCENT	PERCENT	HOUSEHOLDS	PERCENT	PERCENT	HOUSEHOLDS	
HOUSEHOLD INCOME	OF HOUSEHOLDS	ABLE TO PAY	ABLE TO PAY	OF HOUSEHOLDS	ABLE TO PAY	ABLE TO PAY	
<\$15,000	7.8%	0%	0.0%	6.9%	0%	0.0%	
\$15,000 - \$24,999	5.9%	0%	0.0%	5.4%	0%	0.0%	
\$25,000 - \$34,999	5.9%	0%	0.0%	5.4%	0%	0.0%	
\$35,000 - \$49,999	9.2%	0%	0.0%	8.1%	0%	0.0%	
\$50,000 - \$74,999	15.3%	0%	0.0%	13.9%	0%	0.0%	
\$75,000 - \$99,999	12.8%	0%	0.0%	12.2%	0%	0.0%	
\$100,000 - \$124,999	11.1%	0%	0.0%	10.7%	0%	0.0%	
\$125,000 - \$149,999	8.7%	0%	0.0%	9.0%	0%	0.0%	
\$150,000 - \$199,999	10.0%	100%	10.0%	11.2%	100%	11.2%	
\$200,000 - \$249,999	5.3%	100%	5.3%	6.6%	100%	6.6%	
\$250,000 - \$499,999	5.4%	100%	5.4%	6.9%	100%	6.9%	
>\$500,000	2.7%	100%	2.7%	3.7%	100%	3.7%	
TOTALS	100.0%		23.4%	100.0%		28.4%	
Median Household Income		\$86,1 <mark>23</mark>			\$95,702		
Average Household Income		\$115,818			\$129,448		

\$771,647 HOME	20	24 ESTIMATES		202	9 PROJECTION	S
AT \$178,200 INCOME	PERCENT	PERCENT	HOUSEHOLDS	PERCENT PERCENT		HOUSEHOLDS
HOUSEHOLD INCOME	OF HOUSEHOLDS	ABLE TO PAY	ABLE TO PAY	OF HOUSEHOLDS	ABLE TO PAY	ABLE TO PAY
<\$15,000	7.8%	0%	0.0%	6.9%	0%	0.0%
\$15,000 - \$24,999	5.9%	0%	0.0%	5.4%	0%	0.0%
\$25,000 - \$34,999	5.9%	0%	0.0%	5.4%	0%	0.0%
\$35,000 - \$49,999	9.2%	0%	0.0%	8.1%	0%	0.0%
\$50,000 - \$74,999	15.3%	0%	0.0%	13.9%	0%	0.0%
\$75,000 - \$99,999	12.8%	0%	0.0%	12.2%	0%	0.0%
\$100,000 - \$124,999	11.1%	0%	0.0%	10.7%	0%	0.0%
\$125,000 - \$149,999	8.7%	0%	0.0%	9.0%	0%	0.0%
\$150,000 - \$199,999	10.0%	50%	5.0%	11.2%	50%	5.6%
\$200,000 - \$249,999	5.3%	100%	5.3%	6.6%	100%	6.6%
\$250,000 - \$499,999	5.4%	100%	5.4%	6.9%	100%	6.9%
>\$500,000	2.7%	100%	2.7%	3.7%	100%	3.7%
TOTALS	100.0%		<b>18.4%</b>	100.0%		22.8%
Median Household Income		\$86,1 <mark>23</mark>			\$95,702	
Average Household Income		\$115,818			\$129,448	

According to income schedules noted above, the affordability ratio is between 18.4% and 32.1% for the individual projects based on 2024 estimates, and increasing to 22.8% to 37.4% based on 2029 projections. The recent increase in interest rates in the past few years has lowered affordability ratios.

Currently, economic conditions are stable after being influenced by the inflationary environment. Inflation was at a 40-year high in 2022, and rising interest rates are the main vehicle used to combat rising inflation in all sectors. This impacted the housing market with slower levels of sales and pricing starting to reverse course after two years of high levels of appreciation. While new home sales are showing higher levels of pricing, the rising interest rates will compress affordability ratios and pricing will have to adjust to levels to stimulate sales. Recently, rates were lowered in September 2024.

According to the most recent meeting September 18, 2024 by the Federal Reserve, recent indicators suggest that economic activity has continued to expand at a solid pace. Job gains have slowed, and the unemployment rate has moved up but remains low. Inflation has made further progress toward the Committee's 2 percent objective but remains somewhat elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee has gained greater confidence that inflation is moving sustainably toward 2 percent, and judges that the risks to achieving its employment and inflation goals are roughly in balance. The economic outlook is uncertain, and the Committee is attentive to the risks to both sides of its dual mandate.

In light of the progress on inflation and the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/2 percentage point to 4-3/4 to 5 percent. In considering additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of

the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

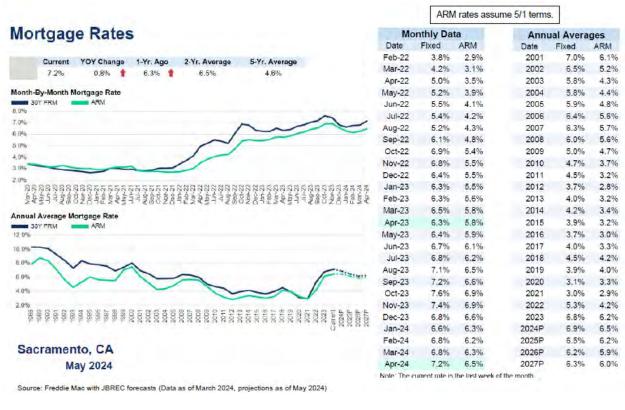
As relates to housing, higher interest rates increase the cost of housing by making the mortgage payment greater than at lower interest rates. The Federal Reserve has determined that it needs to act to stem the rise of inflation and has increased interest rates identified as follows.

	FEDERAL FUNDS
DATE	<b>EFFECTIVE RATE</b>
January 1, 2022	0.08%
April 1, 2022	0.33%
July 1, 2022	1.68%
October 1, 2022	3.08%
January 1, 2023	4.33%
April 1, 2023	4.83%
July 1, 2023	5.12%
October 1, 2023	5.33%
January 1, 2024	5.33%
April 1, 2024	5.33%
July 1, 2024	5.33%

Interest rates have remained stable in the past twelve months. . It is noted that the table depicted above is based on quarterly changes. As such, the most recent rate cut is not depicted in this table. In the recent September meeting, the Federal Funds Rate was lowered to reflect 4.75% to 5.00%. Currently, new homes are selling with builder incentives, in which the builder buys down the interest rate for the first few years, then the rate adjusts to market. Buyers are purchasing homes with these concessions in the anticipation of refinancing their mortgages when rates are lower. Still, recent reductions in the Federal Funds rate will likely flow to the housing market with lower interest rates and having positive impact on demand.

Overall affordability calculations were based on a pessimistic viewpoint with rates at current levels. There is potential for lower interest rates in the foreseeable future (6 to 12 months), which would escalate affordability ratios. As rates stabilize, the affordability rate is expected to rise as income levels are projected to increase in the next 5 years.

As noted in the Absorption Analysis prepared by John Burns Real Estate Company (Updated July 23, 2024), mortgage rates are projected to range from 5.9% to 6.9% upon delivery of the homes. The table is summarized as follows.



Affordability calculations were based on a pessimistic viewpoint with rates at elevated levels. There is potential for lower interest rates in the foreseeable future (6 to 12 months), which would escalate affordability ratios. As rates stabilize, the affordability rate is expected to rise as income levels are projected to increase in the next 5 years.

Looking forward, C.A.R. released their 2025 California Housing Market Forecast on September 25, 2024. California home sales and price are projected to increase as buyers and sellers return to the market, enticed by lower interest rates and better housing supply conditions.

- Existing, single-family home sales are forecast to total 304,400 units in 2025, an increase of 10.5 percent from 2024's projected pace of 275,400.
- California's median home price is forecast to climb 4.6 percent to \$909,400 in 2025, following a projected 6.8 percent increase to \$869,500 in 2024 from 2023's \$814,000.
- Housing affordability is expected to remain stable at 16 percent next year after slipping to a projected 16 percent in 2024 from 17 percent in 2023.

A more favorable interest rate environment that will loosen up the "lock-in" effect and improve housing inventory will encourage buyers and sellers to return to the market to boost both home sales and prices next year, according to a housing and economic forecast released by C.A.R.

The baseline scenario of C.A.R.'s "2025 California Housing Market Forecast" sees an increase in existing single-family home sales of 10.5 percent next year to reach 304,400 units, up from the projected 2024 sales figure of 275,400. The projected 2024 figure is 6.8 percent higher compared with the pace of 257,900 homes sold in 2023.

The California median home price is forecast to rise 4.6 percent to \$909,400 in 2025, following a projected 6.8 percent increase to \$869,500 in 2024 from \$814,000 in 2023. A persistent housing shortage and a competitive housing market will continue to put upward pressure on home prices next year.

"An increase in homes for sale, along with lower borrowing costs, is expected to entice more buyers and sellers to enter the market in 2025," said C.A.R. President Melanie Barker. "Demand will grow as we start the year with the lowest interest rates in more than two years, particularly for first-time buyers. Meanwhile, would-be home sellers, held back by the "lock-in effect," will have more flexibility to pursue a home that better suits their needs as mortgage rates continue to decline."

C.A.R.'s 2025 forecast predicts the U.S. gross domestic product to slip to 1.1% in 2025, after a projected increase of 1.9% in 2024. With California's 2025 nonfarm job growth rate at 1.1%, down from a projected 1.5% in 2024, the state's unemployment rate will inch up to 5.6% in 2025 from 2024's projected rate of 5.4%.

Inflation will moderate further over the next 12 months, with the CPI registering an annual average of 2.0% in 2025, down from 2.9% in 2024. As such, the average 30-year, fixed mortgage interest rate will decline from 6.6% in 2024 to 5.9% in 2025. While next year's projected average for the 30-year fixed mortgage interest rate will be higher than the levels observed in the few years prior to the pandemic, it will still be lower than the long-run average of nearly 8% in the past 50 years.

Housing supply conditions will continue to improve next year, but a moderate increase rather than a surge in active listings should be expected in 2025. In the next 18 months, interest rates will decline, the lock-in effect will loosen up further, and more properties will be released onto the market. Homeowners who have delayed moving and investors who have been waiting for a market bounce-back will put their properties up on the market as they see the rising trend in home prices as an opportunity to sell. While supply in 2025 will remain below the norm by historical standards, active listings will increase slightly above 10% as market conditions and lending environment continue to improve.

"Although inventory is expected to loosen as rates ease, demand will also increase with lower mortgage rates and limited housing supply, which will push home prices higher next year," said C.A.R. Senior Vice President and Chief Economist Jordan Levine. "Price growth is expected to be slower, but the housing shortage will keep the market competitive outside of big economic shocks, so prices will still rise. Assuming a healthy economy in 2025 that slows but does not shrink, home prices should rise modestly across California, with the state's median price climbing 4.6 percent to reach \$909,400 in 2025."

#### Demographic Profile

The overall demographic profile for the subject plays an important role in demand generators. These elements are summarized below and include analysis of the subject neighborhood, City of Sacramento, Sacramento County, as well as the entire MSA.

	1-MILE	3-MILE	5-MILE	CITY OF	SACRAMENTO	SACRAMENTO
DESCRIPTION	TOTALS	TOTALS	TOTALS	SACRAMENTO	COUNTY	MSA
Population						
2020 Census	6,198	82,796	261,058	524,943	1,585,055	2,397,382
2024 Estimates	6,116	82,343	260,276	529,086	1,595,205	2,439,765
2029 Estimates	6,144	83,156	263,638	542,447	1,631,949	2,521,702
2024 Median Age	35.5	37.7	37.5	36.8	38.2	39.2
Households						
2020 Census	1,725	27,726	87,650	192,531	564,445	868,460
2024 Estimates	1,703	27,557	87,274	194,349	567,230	882,134
2029 Estimates	1,711	27,808	88,299	199,459	579,582	911,788
2024 Households by Income (%)						
Income <\$15,000	12.51%	8.71%	8.74%	9.40%	7.77%	7.41%
Income <\$15,000 - \$24,999	3.76%	5.64%	6.55%	6.84%	5.93%	5.59%
Income <\$25,000 - \$34,999	5.52%	6.42%	6.83%	6.13%	5.88%	5.71%
Income <\$35,000 - \$49,999	6.81%	9.23%	9.82%	9.26%	9.15%	8.61%
Income <\$50,000 - \$74,999	9.87%	16.04%	16.68%	15.55%	15.32%	14.50%
Income <\$75,000 - \$99,999	16.97%	14.06%	13.40%	12.94%	12.78%	12.47%
Income <\$100,000 - \$124,999	13.10%	11.19%	10.87%	10.84%	11.06%	10.86%
Income <\$125,000 - \$149,999	6.87%	7.51%	8.09%	8.34%	8.71%	8.67%
Income <\$150,000 - \$199,999	12.45%	8.84%	8.65%	8.95%	10.00%	10.33%
Income <\$200,000 - \$249,999	4.82%	4.69%	4.19%	4.52%	5.33%	5.59%
Income <\$250,000 - \$499,999	5.23%	5.13%	4.18%	4.80%	5.35%	6.35%
Income \$500,000+	2.06%	2.52%	2.00%	2.42%	2.72%	3.91%
2024 Average Household Income	\$113,669	\$110,808	\$103,841	\$108,551	\$115,818	\$125,655
2024 Median Household Income	\$91,984	\$81,636	\$77,317	\$80,050	\$86,123	\$98,986

As noted, the current population within a 5-mile radius is identified at over 200,000 residents. Population has contracted since the 2020 census however this trend is projected to grow over the next five years. The overall location of the subject property will likely draw from Sacramento County as a whole. Given the orientation near Interstate 5, as well as the abundance of retail uses across this freeway, a positive setting is identified for residential uses.

#### **Regional Housing Trends**

The Sacramento housing market is stabilizing after periods of an inflationary environment and rising interest rates in the past two years. With interest rates remaining flat in the past 9-12 months, home prices started to increase. With recent reductions in interest rates, pricing will likely increase. The table below shows the median home pricing for the four-county region according to the California Association of Realtors, including comparisons from the past two years.

AREA	MEDIAN PRICE	MEDIAN PRICE	MEDIAN PRICE		
ALL HOMES	AUG 2022	AUG 2023	AUG 2024	% <mark>∆ 22-24</mark>	<mark>%∆ 23-24</mark>
Yolo	\$631,000	\$622,500	\$620,960	-1.6%	-0.2%
El Dorado	\$627,000	\$657,000	\$650,000	3.7%	-1.1%
Placer	\$649,000	\$669,000	\$675,000	4.0%	0.9%
Sacramento	\$535,000	\$535,000	\$559,000	4.5%	4.5%
CALIFORNIA	\$834,740	\$859,670	\$888,740	6.5%	3.4%

Home prices in the Sacramento Region have mostly improved since August 2022. Changes over the past 12 months reflect changes in pricing from (1.1%) to 4.5%. This information is showing increasing pricing at higher overall interest rates than compared to 2022 and into 2023.

Monthly changes in pricing over the past year for these counties, as well as California on an overall basis as derived from the California Association of Realtors are noted below. Home prices are shown in terms of median price.

MON-YR.	СА	EL DORADO	PLACER	SACRAMENTO	YOLO
July-23	\$832,340	\$650,000	\$660,000	\$547,000	\$625,000
August-23	\$859,800	\$657,000	\$669,000	\$535,000	\$622,500
September-23	\$843,340	\$685,000	\$665,000	\$545,000	\$608,640
October-23	\$840,360	\$660,000	\$685,000	\$550,000	\$629,900
November-23	\$822,200	\$650,000	\$659,000	\$522,290	\$620,000
December-23	\$819,740	\$660,000	\$633,020	\$535,000	\$630,000
January-24	\$788,940	\$650,000	\$620,000	\$515,000	\$600,360
February-24	\$806,490	\$647,500	\$650,000	\$530,000	\$918,940
March-24	\$854,490	\$677,000	\$659,000	\$530,000	\$635,830
April-24	\$904,910	\$757,000	\$671,740	\$548,580	\$615,000
May-24	\$908,040	\$699,000	\$675,000	\$555,000	\$653,980
June-24	\$900,720	\$709,000	\$685,000	\$560,000	\$649,500
July-24	\$886,560	\$695,000	\$670,000	\$560,000	\$610,000
August-24	\$888,740	\$650,000	\$675,000	\$559,000	\$620,960

Pricing characteristics are noted above since August 2023 Overall pricing dropped in the latter half of 2023, but indicators for 2024 show increasing pricing.

Current levels of inventory are stable. The following table shows the total number of homes sold in each county according to Metrolist since 2018. Home prices are shown in terms of median price.

COUNTY	2018	2019	2020	2021	2022	2023	2024	ACTIVE*
Sacramento	19,112	18,410	18,155	19,344	15,142	11,317	8,729	2,143
Placer	6,174	6,213	6,805	7,006	5,615	4,618	3,661	1,032
El Dorado	2,815	2,616	3,381	3,329	2,502	1,893	1,446	670
Yolo	1,757	1,783	1,799	2,076	1,589	1,298	1,039	278
Totals	29,858	29,022	30,140	31,755	24,848	19,126	14,875	4,123
COUNTY	2018	2019	2020	2021	2022	2023	2024	ACTIVE
Sacramento	\$354,500	\$366,975	\$410,000	\$480,304	\$520,000	\$510,000	\$530,000	\$575,000
Placer	\$470,000	\$489,500	\$520,000	\$625,000	\$669,447	\$642,375	\$650,000	\$721,450
El Dorado	\$497,500	\$495,000	\$525,000	\$621,000	\$650,000	\$630,000	\$659,000	\$732,500
Yolo	\$429,000	\$449,000	\$475,000	\$550,000	\$600,000	\$599,000	\$614,173	\$649,500
MEDIAN SF	2018	2019	2020	2021	2022	2023	2024	ACTIVE
Sacramento	1,523	1,542	1,561	1,539	1,532	1,557	1,575	1,683
Placer	2,000	2,004	2,021	2,020	2,010	2,040	1,996	2,244
El Dorado	2,048	2,085	2,088	2,096	2,034	2,050	2,022	2,200
Yolo	1,590	1,640	1,685	1,607	1,633	1,726	1,710	1,902
MEDIAN \$/SF	2018	2019	2020	2021	2022	2023	2024	ACTIVE
Sacramento	\$232.76	\$237.99	\$262.65	\$312.09	\$334.67	\$327.55	\$333.60	\$332.25
Placer	\$235.00	\$244.26	\$257.30	\$309.41	\$342.72	\$314.89	\$342.98	\$342.66
El Dorado	\$242.92	\$237.41	\$251.44	\$296.28	\$324.71	\$307.32	\$326.70	\$333.99

Source: Metrolist, \*Active & 2024 information processed as of September 25, 2024

According to this information, pricing is trending upward. The following table shows changes for each individual county, as well as total inventory of homes.

				ACTIVE	SALES RATE/
COUNTY	2023 PRICING	2024 PRICING	% CHANGE	INVENTORY	TOTAL INVENTORY
Sacramento	\$510,000	\$530,000	3.9%	2,143	998/Mo. – 2.1 Months
Placer	\$642,375	\$650,000	1.2%	1,032	418/Mo. – 2.5 Months
El Dorado	\$630,000	\$659,000	4.6%	670	156/Mo. – 4.1 Months
Yolo	\$596,050	\$614,173	1.6%	278	119/Mo. – 2.3 Months
Totals				4,123	1,700/Mo. – 2.4 Months

Source: Metrolist, \*Active information processed as of September 25, 2024

The median home price is trending upward in most counties. Sacramento County is 3.9% above the annualized average for 2023. Inventory levels in the resale market are stable with 4,123 homes on the market as of September 25, 2024, representing approximately 2.4 months of inventory.

## **New Home Characteristics**

The average price of a new home ranges from \$513,560 (Yuba County) to \$930,555 (El Dorado County) in the Sacramento region. According to the Gregory Group (New Housing Trends), 2<sup>nd</sup> Quarter 2024, the historic average pricing for the Sacramento region is identified on the following table. It is clearly noted that this level of pricing is based on gross pricing, prior to incentives.

COUNTY	2Q 2022	2Q 2023	2Q 2024	<mark>%∆ 22-24</mark>	<mark>%∆ 23-24</mark>
El Dorado County	\$925,316	\$986,100	\$930,555	0.6%	-5.6%
Placer County	\$731,952	\$755,823	\$805,069	10.0%	6.5%
Sacramento County	\$734,765	\$690,152	\$686,964 -6.5%		-0.5%
Sutter County	\$462,262	\$579,565	\$606,209	31.1%	4.6%
Yolo County	\$671,035	\$649,916	\$675,377	0.6%	3.9%
Yuba County	\$516,926	\$488,575	\$513,560	-0.7%	5.1%
REGIONWIDE	\$725 <i>,</i> 889	\$710,853	\$724,717	-0.2%	2.0%

Pricing changes from 2022 to 2024 (2<sup>nd</sup> Quarter), as well as changes over the past year are identified on the table above. This information shows that pricing has decreased in the entire region by 0.2% since the 2<sup>nd</sup> Quarter of 2022. Year-over-year regionwide changes increased by 2.0%. This shows pricing is nearing levels experienced in 2<sup>nd</sup> quarter 2022, when interest rates were lower.

There were between 7,790 and 8,099 sales identified in the region from 2020 to 2021. The new home market escalated during COVID-19 and low interest rates. These levels dropped in 2022 with rising inflation and increases in interest rates to 5,568 sales. Home buyers adjusted to these interest rates and 2023 produced 7,019 total sales. Sales for 2024 are identified at 4,363 sales based on total sales through the first half of 2024. These elements are identified as follows.

COUNTY	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
El Dorado County	183	351	559	637	328	259	417	358	228	271	161
Placer County	1,048	1,503	1,643	1,866	1,676	1,592	2,300	2,958	2,170	2,571	1,336
Sacramento County	1,258	1,793	2,327	2,540	2,674	3,220	3,885	3 <i>,</i> 859	2,557	3,351	2,219
Sutter County	8	13	27	92	109	92	452	102	53	33	36
Yolo County	169	199	409	464	278	505	312	432	196	434	342
Yuba County	73	127	122	54	169	328	424	390	364	359	269
REGIONWIDE	2,739	3,986	5,087	5,653	5,234	5,996	7,790	8,099	5,568	7,019	4,363

Source: The Gregory Group, 2<sup>nd</sup> Quarter 2024

The subject property is located in the Sacramento County market area. New home sales dropped 33.7% in 2022 as compared to levels identified in 2021. Total sales in 2023 were 31.1% above levels in 2022 and in 2024, 2,219 new homes were sold in Sacramento County. This is approximately 66.2% of the total sales noted in 2023, however, 2024 information is based on the first two quarters. By way of comparison, 1,690 new homes were sold in the first half of 2023, and year-to-date sales are 31.3% higher in 2024.

The subject property is located in the Laguna sub-market as identified from the Gregory Group. Historic data for this sub-market as delineated on the following table. It is based on information from 2017 to the current period.

QuarterProjectsLot Size (SF)Home Size (SF)Net PriceSFSoldInventoryInventoryQuarterly12-Month1Q 201775,4642,669\$454,395571.12277181133.4/Mo.3.1/Mo.3Q 201765,4132,668\$464,499\$174.10605663.1/Mo.3.4/Mo.3Q 201765,5552,715\$502,748\$185.1750261193.1/Mo.3.6/Mo.1Q 201865,5632,742\$509,278\$185.7355301962.8/Mo.3.4/Mo.2Q 201894,7082,338\$463,108\$198.0896443383.3/Mo.5.6/Mo.3Q 2018124,8902,331\$464,237\$200.191021105553.7/Mo.3.8/Mo.1Q 2019163,9422,319\$464,237\$200.191921105553.7/Mo.3.8/Mo.2Q 2019174,7102,352\$471,875\$200.6324864404.0/Mo.3.7/Mo.2Q 2019154,7382,374\$483,917\$203.43114813462.3/Mo.3.4/Mo.1Q 2020185,1642,406\$515,157\$214.11147814353.8/Mo.3.1/Mo.2Q 2020125,1462,406\$515,157\$214.11147814353.8/Mo.3.1/Mo.1Q 2020135,103		Number of	Average	Average	Average	Price Per	Quarterly	Unsold	Unoffered	Abs. Rate	Abs. Rate
2Q 2017         6         5,413         2,668         \$464,499         \$174.10         60         5         66         3.1/Mo.         3.4/Mo.           Q 2017         6         5,417         2,697         \$475,418         \$176,28         38         12         183         2.0/Mo.         4.2/Mo.           Q 2017         5         5,555         2,715         \$502,748         \$185,73         55         30         196         2.8/Mo.         3.4/Mo.           Q 2018         9         4,708         2,338         \$463,108         \$198,08         96         44         338         3.3/Mo.         5.6/Mo.           3Q 2018         12         4,890         2,336         \$440,493         \$199,79         76         113         555         1.6/Mo.         3.2/Mo.           1Q 2019         16         3,942         2,319         \$464,237         \$200.19         192         110         555         3.7/Mo.         3.8/Mo.           Q 2019         17         4,710         2,352         \$471,875         \$200.63         224         86         440         4.0/Mo.         3.7/Mo.           Q 2019         17         4,710         2,352         \$471,875         \$201.20 </th <th>Quarter</th> <th>Projects</th> <th>Lot Size (SF)</th> <th>Home Size (SF)</th> <th>Net Price</th> <th>SF</th> <th>Sold</th> <th>Inventory</th> <th>Inventory</th> <th>Quarterly</th> <th>12-Month</th>	Quarter	Projects	Lot Size (SF)	Home Size (SF)	Net Price	SF	Sold	Inventory	Inventory	Quarterly	12-Month
3Q 2017       6       5,417       2,697       \$475,418       \$176,28       38       12       183       2,0/Mo.       4,2/Mo.         4Q 2017       5       5,555       2,715       \$502,748       \$185,17       50       26       119       3.1/Mo.       3.6/Mo.         1Q 2018       6       5,563       2,742       \$509,278       \$185,73       55       30       196       2.8/Mo.       3.4/Mo.         3Q 2018       9       4,708       2,333       \$4463,108       \$198,08       96       44       338       33/Mo.       5.6/Mo.         4Q 2018       15       4,078       2,360       \$471,493       \$199.79       76       113       559       1.6/Mo.       3.2/Mo.         1Q 2019       16       3,942       2,319       \$464,237       \$200.63       224       86       440       4.0/Mo.       3.7/Mo.       3.8/Mo.         3Q 2019       17       4,713       2,352       \$471,875       \$200.63       224       86       440       4.0/Mo.       3.7/Mo.       3.6/Mo.         3Q 2019       15       4,738       2,374       \$483,517       \$203.84       114       81       346       2.3/Mo.       3.6/Mo. <td>1Q 2017</td> <td>7</td> <td>5,464</td> <td>2,649</td> <td>\$453,570</td> <td>\$171.22</td> <td>77</td> <td>18</td> <td>113</td> <td>3.4/Mo.</td> <td>3.1/Mo.</td>	1Q 2017	7	5,464	2,649	\$453,570	\$171.22	77	18	113	3.4/Mo.	3.1/Mo.
4Q 2017         5         5,555         2,715         \$502,748         \$185.17         50         26         119         3.1/Mo.         3.6/Mo.           1Q 2018         6         5,563         2,742         \$509,278         \$185.73         55         30         196         2.8/Mo.         3.4/Mo.           2Q 2018         9         4,708         2,338         \$463,108         \$198.08         96         44         338         3.3/Mo.         5.6/Mo.           3Q 2018         12         4,890         2,330         \$440,569         \$201.67         160         102         384         4.1/Mo.         4.6/Mo.           4Q 2019         16         3,942         2,319         \$464,237         \$200.19         192         110         555         3.7/Mo.         3.8/Mo.           3Q 2019         17         4,710         2,352         \$471,875         \$200.63         224         86         440         4.0/Mo.         3.7/Mo.           3Q 2019         15         4,738         2,374         \$443,517         \$201.20         109         967         1.8/Mo.         3.4/Mo.           1Q 2020         18         5,229         2,480         \$504,509         \$203.43	2Q 2017	6	5,413	2,668	\$464,499	\$174.10	60	5	66	3.1/Mo.	3.4/Mo.
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	3Q 2017	6	5,417	2,697	\$475,418	\$176.28	38	12	183	2.0/Mo.	4.2/Mo.
2Q 2018         9         4,708         2,338         \$463,108         \$198.08         96         44         338         3.3/Mo.         5.6/Mo.           3Q 2018         12         4,890         2,383         \$480,569         \$201.67         160         102         384         4.1/Mo.         4.6/Mo.           4Q 2018         15         4,078         2,360         \$471,493         \$199.79         76         113         559         1.6/Mo.         3.2/Mo.         3.8/Mo.           1Q 2019         16         3,942         2,319         \$464,237         \$200.19         192         110         555         3.7/Mo.         3.8/Mo.           2Q 2019         17         4,718         2,374         \$483,917         \$203.84         114         81         346         2.3/Mo.         3.6/Mo.           1Q 2020         18         5,229         2,480         \$504,509         \$206.97         90         98         545         2.0/Mo.         3.8/Mo.           2Q 2020         14         4,939         2,376         \$515,157         \$214.11         147         81         435         3.8/Mo.         3.0/Mo.           1Q 2021         13         5,103         2,343         <	4Q 2017	5	5,555	2,715	\$502,748	\$185.17	50	26	119	3.1/Mo.	3.6/Mo.
3Q 2018         12         4,890         2,383         \$480,569         \$201.67         160         102         384         4.1/Mo.         4.6/Mo.           4Q 2018         15         4,078         2,360         \$471,493         \$199.79         76         113         559         1.6/Mo.         3.2/Mo.           1Q 2019         16         3,942         2,319         \$464,237         \$200.63         224         86         440         4.0/Mo.         3.7/Mo.         3.8/Mo.           2Q 2019         17         4,710         2,352         \$471,875         \$200.63         224         86         440         4.0/Mo.         3.7/Mo.         3.8/Mo.           3Q 2019         17         4,713         2,374         \$483,917         \$203.84         114         81         346         2.3/Mo.         3.6/Mo.           4Q 2019         19         5,164         2,473         \$497,567         \$201.20         109         90         667         1.8/Mo.         3.4/Mo.         3.1/Mo.           3Q 2020         14         4,939         2,376         \$491,769         \$206.97         90         98         545         2.0/Mo.         3.8/Mo.         3.0/Mo.         3.8/Mo.         3.0/Mo	1Q 2018	6	5,563	2,742	\$509,278	\$185.73	55	30	196	2.8/Mo.	3.4/Mo.
4Q 2018154,0782,360\$471,493\$199.79761135591.6/Mo.3.2/Mo.1Q 2019163,9422,319\$464,237\$200.191921105553.7/Mo.3.8/Mo.2Q 2019174,7102,352\$471,875\$200.63224864404.0/Mo.3.7/Mo.3Q 2019154,7382,374\$483,917\$203.84114813462.3/Mo.3.6/Mo.1Q 2019195,1642,473\$497,567\$201.20109906671.8/Mo.3.4/Mo.1Q 2020185,2292,480\$504,509\$203.43143995882.4/Mo.3.1/Mo.2Q 2020144,9392,376\$491,769\$206.9790985452.0/Mo.2.8/Mo.3Q 2020125,1462,406\$515,157\$214.11147814353.8/Mo.3.0/Mo.4Q 2020135,1032,343\$568,230\$242.52122264452.9/Mo.3.3/Mo.1Q 2021124,9352,336\$617,504\$264.34102204222.6/Mo.3.6/Mo.3Q 202195,0572,323\$638,420\$274.8386104483.0/Mo.4.0/Mo.3Q 202195,0572,323\$638,420\$274.8386104483.0/Mo.3.7/Mo.3Q 202195,0572,323\$663,552 <td>2Q 2018</td> <td>9</td> <td>4,708</td> <td>2,338</td> <td>\$463,108</td> <td>\$198.08</td> <td>96</td> <td>44</td> <td>338</td> <td>3.3/Mo.</td> <td>5.6/Mo.</td>	2Q 2018	9	4,708	2,338	\$463,108	\$198.08	96	44	338	3.3/Mo.	5.6/Mo.
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	3Q 2018	12	4,890	2,383	\$480,569	\$201.67	160	102	384	4.1/Mo.	4.6/Mo.
2Q 2019       17       4,710       2,352       \$471,875       \$200.63       224       86       440       4.0/Mo.       3.7/Mo.         3Q 2019       15       4,738       2,374       \$483,917       \$203.84       114       81       346       2.3/Mo.       3.6/Mo.         4Q 2019       19       5,164       2,473       \$497,567       \$201.20       109       90       667       1.8/Mo.       3.4/Mo.         1Q 2020       18       5,229       2,480       \$504,509       \$206.97       90       98       545       2.0/Mo.       2.8/Mo.         3Q 2020       14       4,939       2,376       \$491,769       \$206.97       90       98       545       2.0/Mo.       2.8/Mo.         3Q 2020       12       5,146       2,406       \$515,157       \$214.11       147       81       435       3.8/Mo.       3.0/Mo.         4Q 2021       13       5,103       2,343       \$568,230       \$242.52       122       26       445       2.9/Mo.       3.3/Mo.         2Q 2021       12       4,935       2,336       \$617,504       \$264.34       102       20       422       2.6/Mo.       3.6/Mo.         3Q 2021 </td <td>4Q 2018</td> <td>15</td> <td>4,078</td> <td>2,360</td> <td>\$471,493</td> <td>\$199.79</td> <td>76</td> <td>113</td> <td>559</td> <td>1.6/Mo.</td> <td>3.2/Mo.</td>	4Q 2018	15	4,078	2,360	\$471,493	\$199.79	76	113	559	1.6/Mo.	3.2/Mo.
3Q 2019       15       4,738       2,374       \$483,917       \$203.84       114       81       346       2.3/Mo.       3.6/Mo.         4Q 2019       19       5,164       2,473       \$497,567       \$201.20       109       90       667       1.8/Mo.       3.4/Mo.         1Q 2020       18       5,229       2,480       \$504,509       \$203.43       143       99       588       2.4/Mo.       3.1/Mo.         2Q 2020       14       4,939       2,376       \$491,769       \$206.97       90       98       545       2.0/Mo.       2.8/Mo.         3Q 2020       12       5,146       2,406       \$515,157       \$214.11       147       81       435       3.8/Mo.       3.0/Mo.         4Q 2020       13       5,103       2,343       \$568,230       \$242.52       122       26       445       2.9/Mo.       3.3/Mo.         1Q 2021       13       5,057       2,323       \$638,420       \$274.83       86       10       448       3.0/Mo.       4.0/Mo.         3Q 2021       9       5,057       2,323       \$638,420       \$274.83       86       10       448       3.0/Mo.       3.7/Mo.         1Q 2022 <td>1Q 2019</td> <td>16</td> <td>3,942</td> <td>2,319</td> <td>\$464,237</td> <td>\$200.19</td> <td>192</td> <td>110</td> <td>555</td> <td>3.7/Mo.</td> <td>3.8/Mo.</td>	1Q 2019	16	3,942	2,319	\$464,237	\$200.19	192	110	555	3.7/Mo.	3.8/Mo.
4Q 2019195,1642,473\$497,567\$201.20109906671.8/Mo.3.4/Mo.1Q 2020185,2292,480\$504,509\$203.43143995882.4/Mo.3.1/Mo.2Q 2020144,9392,376\$491,769\$206.9790985452.0/Mo.2.8/Mo.3Q 2020125,1462,406\$515,157\$214.11147814353.8/Mo.3.0/Mo.4Q 2020135,1032,343\$532,711\$227.36179224344.2/Mo.3.6/Mo.1Q 2021135,1032,343\$568,230\$242.52122264452.9/Mo.3.3/Mo.2Q 2021124,9352,336\$617,504\$264.34102204222.6/Mo.3.6/Mo.3Q 202195,0572,323\$638,420\$274.8386104483.0/Mo.4.0/Mo.4Q 202185,4642,464\$692,927\$281.229063663.5/Mo.3.7/Mo.1Q 2022125,1472,423\$743,426\$306.8287524302.5/Mo.3.8/Mo.3Q 2022125,1472,423\$743,426\$306.8287524302.5/Mo.3.8/Mo.1Q 2022134,9102,365\$668,552\$282.6973761,0374.4/Mo.1.5/Mo.4Q 2022174,8092,351\$650,071<	2Q 2019	17	4,710	2,352	\$471,875	\$200.63	224	86	440	4.0/Mo.	3.7/Mo.
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	3Q 2019	15	4,738	2,374	\$483,917	\$203.84	114	81	346	2.3/Mo.	3.6/Mo.
2Q 2020144,9392,376\$491,769\$206.9790985452.0/Mo.2.8/Mo.3Q 2020125,1462,406\$515,157\$214.11147814353.8/Mo.3.0/Mo.4Q 2020135,1032,343\$532,711\$27.36179224344.2/Mo.3.6/Mo.1Q 2021135,1032,343\$568,230\$242.52122264452.9/Mo.3.3/Mo.2Q 2021124,9352,336\$617,504\$264.34102204222.6/Mo.3.6/Mo.3Q 202195,0572,323\$638,420\$274.8386104483.0/Mo.4.0/Mo.4Q 202185,4642,464\$692,927\$281.229063663.5/Mo.3.7/Mo.1Q 2022125,1472,423\$743,851\$291.63116122444.5/Mo.3.7/Mo.1Q 2022125,1472,423\$748,581\$291.63116122444.5/Mo.3.8/Mo.3Q 2022125,1472,423\$748,581\$291.63116122444.5/Mo.3.7/Mo.1Q 2022174,8092,351\$650,071\$276.51921091,0374.4/Mo.1.5/Mo.1Q 2023184,7642,408\$664,057\$275.77169911,0823.1/Mo.3.4/Mo.2Q 2023164,8412,429\$680,829 </td <td>4Q 2019</td> <td>19</td> <td>5,164</td> <td>2,473</td> <td>\$497,567</td> <td>\$201.20</td> <td>109</td> <td>90</td> <td>667</td> <td>1.8/Mo.</td> <td>3.4/Mo.</td>	4Q 2019	19	5,164	2,473	\$497,567	\$201.20	109	90	667	1.8/Mo.	3.4/Mo.
3Q 2020125,1462,406\$515,157\$214.11147814353.8/Mo.3.0/Mo.4Q 2020135,1032,343\$532,711\$227.36179224344.2/Mo.3.6/Mo.1Q 2021135,1032,343\$568,230\$242.52122264452.9/Mo.3.3/Mo.2Q 2021124,9352,336\$617,504\$264.34102204222.6/Mo.3.6/Mo.3Q 202195,0572,323\$638,420\$274.8386104483.0/Mo.4.0/Mo.4Q 202185,4642,464\$692,927\$281.229063663.5/Mo.3.7/Mo.1Q 202285,4642,464\$718,581\$291.63116122444.5/Mo.3.7/Mo.2Q 2022125,1472,423\$743,426\$306.8287524302.5/Mo.3.8/Mo.3Q 2022154,9102,365\$668,552\$282.6973761,0374.4/Mo.1.5/Mo.4Q 2022174,8092,351\$650,071\$275.77169911,0823.1/Mo.3.4/Mo.1Q 2023164,8412,429\$680,829\$280.29174819183.6/Mo.3.4/Mo.2Q 2023164,8412,429\$680,829\$280.29174819183.6/Mo.3.6/Mo.2Q 2023164,8412,429\$680,829 <td>1Q 2020</td> <td>18</td> <td>5,229</td> <td>2,480</td> <td>\$504,509</td> <td>\$203.43</td> <td>143</td> <td>99</td> <td>588</td> <td>2.4/Mo.</td> <td>3.1/Mo.</td>	1Q 2020	18	5,229	2,480	\$504,509	\$203.43	143	99	588	2.4/Mo.	3.1/Mo.
4Q 2020135,1032,343\$532,711\$227.36179224344.2/Mo.3.6/Mo.1Q 2021135,1032,343\$568,230\$242.52122264452.9/Mo.3.3/Mo.2Q 2021124,9352,336\$617,504\$264.34102204222.6/Mo.3.6/Mo.3Q 202195,0572,323\$638,420\$274.8386104483.0/Mo.4.0/Mo.4Q 202185,4642,464\$692,927\$281.229063663.5/Mo.3.7/Mo.1Q 202285,4642,464\$718,581\$291.63116122444.5/Mo.3.7/Mo.2Q 2022125,1472,423\$743,426\$306.8287524302.5/Mo.3.8/Mo.3Q 2022154,9102,365\$668,552\$282.6973761,0374.4/Mo.1.5/Mo.4Q 2022174,8092,351\$650,071\$276.51921091,0733.3/Mo.1.7/Mo.1Q 2023184,7642,408\$664,057\$27.77169911,0823.1/Mo.3.4/Mo.3Q 2023144,5762,413\$670,476\$277.86167944253.9/Mo.3.6/Mo.3Q 2023144,5222,313\$667,168\$288.441771099462.8/Mo.3.2/Mo.1Q 2024254,4962,320\$677,684<	2Q 2020	14	4,939	2,376	\$491,769	\$206.97	90	98	545	2.0/Mo.	2.8/Mo.
1Q 2021       13       5,103       2,343       \$568,230       \$242.52       122       26       445       2.9/Mo.       3.3/Mo.         2Q 2021       12       4,935       2,336       \$617,504       \$264.34       102       20       422       2.6/Mo.       3.6/Mo.         3Q 2021       9       5,057       2,323       \$638,420       \$274.83       86       10       448       3.0/Mo.       4.0/Mo.         4Q 2021       8       5,464       2,464       \$692,927       \$281.22       90       6       366       3.5/Mo.       3.7/Mo.         1Q 2022       8       5,464       2,464       \$718,581       \$291.63       116       12       244       4.5/Mo.       3.7/Mo.         2Q 2022       12       5,147       2,423       \$743,426       \$306.82       87       52       430       2.5/Mo.       3.8/Mo.         3Q 2022       15       4,910       2,365       \$668,552       \$282.69       73       76       1,037       4.4/Mo.       1.5/Mo.         4Q 2022       17       4,809       2,351       \$650,071       \$276.51       92       109       1,073       3.3/Mo.       1.7/Mo.         1Q 2023 <td>3Q 2020</td> <td>12</td> <td>5,146</td> <td>2,406</td> <td>\$515,157</td> <td>\$214.11</td> <td>147</td> <td>81</td> <td>435</td> <td>3.8/Mo.</td> <td>3.0/Mo.</td>	3Q 2020	12	5,146	2,406	\$515,157	\$214.11	147	81	435	3.8/Mo.	3.0/Mo.
2Q 2021124,9352,336\$617,504\$264.34102204222.6/Mo.3.6/Mo.3Q 202195,0572,323\$638,420\$274.8386104483.0/Mo.4.0/Mo.4Q 202185,4642,464\$692,927\$281.229063663.5/Mo.3.7/Mo.1Q 202285,4642,464\$718,581\$291.63116122444.5/Mo.3.7/Mo.2Q 2022125,1472,423\$743,426\$306.8287524302.5/Mo.3.8/Mo.3Q 2022154,9102,365\$668,552\$282.6973761,0374.4/Mo.1.5/Mo.4Q 2022174,8092,351\$650,071\$276.51921091,0733.3/Mo.1.7/Mo.1Q 2023184,7642,408\$664,057\$275.77169911,0823.1/Mo.3.4/Mo.2Q 2023164,8412,429\$680,829\$280.29174819183.6/Mo.3.4/Mo.3Q 2023144,5762,413\$670,476\$277.86167944253.9/Mo.3.6/Mo.4Q 2023214,5222,313\$667,168\$288.441771099462.8/Mo.3.2/Mo.1Q 2024254,4962,320\$677,684\$292.113051641,1344.1/Mo.4.7/Mo.	4Q 2020	13	5,103	2,343	\$532,711	\$227.36	179	22	434	4.2/Mo.	3.6/Mo.
3Q 2021       9       5,057       2,323       \$638,420       \$274.83       86       10       448       3.0/Mo.       4.0/Mo.         4Q 2021       8       5,464       2,464       \$692,927       \$281.22       90       6       366       3.5/Mo.       3.7/Mo.         1Q 2022       8       5,464       2,464       \$718,581       \$291.63       116       12       244       4.5/Mo.       3.7/Mo.         2Q 2022       12       5,147       2,423       \$743,426       \$306.82       87       52       430       2.5/Mo.       3.8/Mo.         3Q 2022       15       4,910       2,365       \$668,552       \$282.69       73       76       1,037       4.4/Mo.       1.5/Mo.         4Q 2022       17       4,809       2,351       \$650,071       \$276.51       92       109       1,073       3.3/Mo.       1.7/Mo.         1Q 2023       18       4,764       2,408       \$664,057       \$277.77       169       91       1,082       3.1/Mo.       3.4/Mo.         3Q 2023       16       4,841       2,429       \$680,829       \$280.29       174       81       918       3.6/Mo.       3.4/Mo.         3Q 2023 </td <td>1Q 2021</td> <td>13</td> <td>5,103</td> <td>2,343</td> <td>\$568,230</td> <td>\$242.52</td> <td>122</td> <td>26</td> <td>445</td> <td>2.9/Mo.</td> <td>3.3/Mo.</td>	1Q 2021	13	5,103	2,343	\$568,230	\$242.52	122	26	445	2.9/Mo.	3.3/Mo.
4Q 202185,4642,464\$692,927\$281.229063663.5/Mo.3.7/Mo.1Q 202285,4642,464\$718,581\$291.63116122444.5/Mo.3.7/Mo.2Q 2022125,1472,423\$743,426\$306.8287524302.5/Mo.3.8/Mo.3Q 2022154,9102,365\$668,552\$282.6973761,0374.4/Mo.1.5/Mo.4Q 2022174,8092,351\$650,071\$276.51921091,0733.3/Mo.1.7/Mo.1Q 2023184,7642,408\$664,057\$275.77169911,0823.1/Mo.3.4/Mo.2Q 2023164,8412,429\$680,829\$280.29174819183.6/Mo.3.4/Mo.3Q 2023144,5762,413\$670,476\$277.86167944253.9/Mo.3.6/Mo.4Q 2023214,5222,313\$667,168\$288.441771099462.8/Mo.3.2/Mo.1Q 2024254,4962,320\$677,684\$292.113051641,1344.1/Mo.4.7/Mo.	2Q 2021	12	4,935	2,336	\$617,504	\$264.34	102	20	422	2.6/Mo.	3.6/Mo.
1Q 2022       8       5,464       2,464       \$718,581       \$291.63       116       12       244       4.5/Mo.       3.7/Mo.         2Q 2022       12       5,147       2,423       \$743,426       \$306.82       87       52       430       2.5/Mo.       3.8/Mo.         3Q 2022       15       4,910       2,365       \$668,552       \$282.69       73       76       1,037       4.4/Mo.       1.5/Mo.         4Q 2022       17       4,809       2,351       \$650,071       \$276.51       92       109       1,073       3.3/Mo.       1.7/Mo.         1Q 2023       18       4,764       2,408       \$664,057       \$275.77       169       91       1,082       3.1/Mo.       3.4/Mo.         2Q 2023       16       4,841       2,429       \$680,829       \$280.29       174       81       918       3.6/Mo.       3.4/Mo.         3Q 2023       14       4,576       2,413       \$670,476       \$277.86       167       94       425       3.9/Mo.       3.6/Mo.         4Q 2023       21       4,522       2,313       \$667,168       \$288.44       177       109       946       2.8/Mo.       3.2/Mo.         1Q	3Q 2021	9	5,057	2,323	\$638,420	\$274.83	86	10	448	3.0/Mo.	4.0/Mo.
2Q 2022       12       5,147       2,423       \$743,426       \$306.82       87       52       430       2.5/Mo.       3.8/Mo.         3Q 2022       15       4,910       2,365       \$668,552       \$282.69       73       76       1,037       4.4/Mo.       1.5/Mo.         4Q 2022       17       4,809       2,351       \$650,071       \$276.51       92       109       1,073       3.3/Mo.       1.7/Mo.         1Q 2023       18       4,764       2,408       \$664,057       \$275.77       169       91       1,082       3.1/Mo.       3.4/Mo.         2Q 2023       16       4,841       2,429       \$680,829       \$280.29       174       81       918       3.6/Mo.       3.4/Mo.         3Q 2023       14       4,576       2,413       \$670,476       \$277.86       167       94       425       3.9/Mo.       3.6/Mo.         4Q 2023       21       4,522       2,313       \$667,168       \$288.44       177       109       946       2.8/Mo.       3.2/Mo.         1Q 2024       25       4,496       2,320       \$677,684       \$292.11       305       164       1,134       4.1/Mo.       4.7/Mo. <td>4Q 2021</td> <td>8</td> <td>5,464</td> <td>2,464</td> <td>\$692,927</td> <td>\$281.22</td> <td>90</td> <td>6</td> <td>366</td> <td>3.5/Mo.</td> <td>3.7/Mo.</td>	4Q 2021	8	5,464	2,464	\$692,927	\$281.22	90	6	366	3.5/Mo.	3.7/Mo.
3Q 2022         15         4,910         2,365         \$666,552         \$282.69         73         76         1,037         4.4/Mo.         1.5/Mo.           4Q 2022         17         4,809         2,351         \$650,071         \$276.51         92         109         1,073         3.3/Mo.         1.7/Mo.           1Q 2023         18         4,764         2,408         \$664,057         \$275.77         169         91         1,082         3.1/Mo.         3.4/Mo.           2Q 2023         16         4,841         2,429         \$680,829         \$280.29         174         81         918         3.6/Mo.         3.4/Mo.           3Q 2023         14         4,576         2,413         \$670,476         \$277.86         167         94         425         3.9/Mo.         3.6/Mo.           4Q 2023         21         4,522         2,313         \$667,168         \$288.44         177         109         946         2.8/Mo.         3.2/Mo.           1Q 2024         25         4,496         2,320         \$677,684         \$292.11         305         164         1,134         4.1/Mo.         4.7/Mo.	1Q 2022	8	5,464	2,464	\$718,581	\$291.63	116	12	244	4.5/Mo.	3.7/Mo.
4Q 2022174,8092,351\$650,071\$276.51921091,0733.3/Mo.1.7/Mo.1Q 2023184,7642,408\$664,057\$275.77169911,0823.1/Mo.3.4/Mo.2Q 2023164,8412,429\$680,829\$280.29174819183.6/Mo.3.4/Mo.3Q 2023144,5762,413\$670,476\$277.86167944253.9/Mo.3.6/Mo.4Q 2023214,5222,313\$667,168\$288.441771099462.8/Mo.3.2/Mo.1Q 2024254,4962,320\$677,684\$292.113051641,1344.1/Mo.4.7/Mo.	2Q 2022	12	5,147	2,423	\$743,426	\$306.82	87	52	430	2.5/Mo.	3.8/Mo.
1Q 2023184,7642,408\$664,057\$275.77169911,0823.1/Mo.3.4/Mo.2Q 2023164,8412,429\$680,829\$280.29174819183.6/Mo.3.4/Mo.3Q 2023144,5762,413\$670,476\$277.86167944253.9/Mo.3.6/Mo.4Q 2023214,5222,313\$667,168\$288.441771099462.8/Mo.3.2/Mo.1Q 2024254,4962,320\$677,684\$292.113051641,1344.1/Mo.4.7/Mo.	3Q 2022	15	4,910	2,365	\$668,552	\$282.69	73	76	1,037	4.4/Mo.	1.5/Mo.
2Q 2023       16       4,841       2,429       \$680,829       \$280.29       174       81       918       3.6/Mo.       3.4/Mo.         3Q 2023       14       4,576       2,413       \$670,476       \$277.86       167       94       425       3.9/Mo.       3.6/Mo.         4Q 2023       21       4,522       2,313       \$667,168       \$288.44       177       109       946       2.8/Mo.       3.2/Mo.         1Q 2024       25       4,496       2,320       \$677,684       \$292.11       305       164       1,134       4.1/Mo.       4.7/Mo.	4Q 2022	17	4,809	2,351	\$650,071	\$276.51	92	109	1,073	3.3/Mo.	1.7/Mo.
3Q 2023         14         4,576         2,413         \$670,476         \$277.86         167         94         425         3.9/Mo.         3.6/Mo.           4Q 2023         21         4,522         2,313         \$667,168         \$288.44         177         109         946         2.8/Mo.         3.2/Mo.           1Q 2024         25         4,496         2,320         \$677,684         \$292.11         305         164         1,134         4.1/Mo.         4.7/Mo.	1Q 2023	18	4,764	2,408	\$664,057	\$275.77	169	91	1,082	3.1/Mo.	3.4/Mo.
4Q 2023         21         4,522         2,313         \$667,168         \$288.44         177         109         946         2.8/Mo.         3.2/Mo.           1Q 2024         25         4,496         2,320         \$677,684         \$292.11         305         164         1,134         4.1/Mo.         4.7/Mo.	2Q 2023	16	4,841	2,429	\$680,829	\$280.29	174	81	918	3.6/Mo.	3.4/Mo.
1Q 2024 25 4,496 2,320 \$677,684 \$292.11 305 164 1,134 4.1/Mo. 4.7/Mo.	3Q 2023	14	4,576	2,413	\$670,476	\$277.86	167	94	425	3.9/Mo.	3.6/Mo.
	4Q 2023	21	4,522	2,313	\$667,168	\$288.44	177	109	946	2.8/Mo.	3.2/Mo.
2Q 2024 24 4,550 2,330 \$686,955 \$294.83 191 196 1,001 3.5/Mo. 2.4/Mo.	1Q 2024	25	4,496	2,320	\$677,684	\$292.11	305	164	1,134	4.1/Mo.	4.7/Mo.
	2Q 2024	24	4,550	2,330	\$686,955	\$294.83	191	196	1,001	3.5/Mo.	2.4/Mo.



Information delineated for the Laguna submarket is based on overall averages. While the subject property is identified in the City of Sacramento, it is located in the northern portion of the Laguna submarket. As of 2Q 2024, this submarket reflects an average net price of \$686,955. Total sales in this region, measured relative to Sacramento County, as well as the entire region are noted on the following table. This is based on information provided by the Gregory Group.

	Quarterly	Quarterly	Capture	Quarterly	Capture	
Quarter	Sold (Laguna)	Sold (Sacramento County)	%	Sold (Sacramento Region)	%	
1Q 2017	77	667	11.5%	1,541	5.0%	
2Q 2017	60	896	6.7%	1,966	3.1%	
3Q 2017	38	492	7.7%	1,053	3.6%	
4Q 2017	50	485	10.3%	1,103	4.5%	
TOTALS	225	2,540	<b>8.9%</b>	5,663	4.0%	
1Q 2018	55	697	7.9%	1,448	3.8%	
2Q 2018	96	693	13.9%	1,514	6.3%	
3Q 2018	160	764	20.9%	1,290	12.4%	
4Q 2018	76	520	14.6%	982	7.7%	
TOTALS	387	2,674	14.5%	5,234	7.4%	
1Q 2019	192	770	24.9%	1,457	13.2%	
2Q 2019	224	960	23.3%	1,698	13.2%	
3Q 2019	114	755	15.1%	1,428	8.0%	
4Q 2019	109	735	14.8%	1,413	7.7%	
TOTALS	639	3,220	19.8%	5,996	10.7%	
1Q 2020	143	944	15.1%	1,846	7.7%	
2Q 2020	90	634	14.2%	1,333	6.8%	
3Q 2020	147	1,068	13.8%	2,243	6.6%	
4Q 2020	179	1,239	14.4%	2,368	7.6%	
TOTALS	559	3,885	14.4%	7,790	7.2%	
1Q 2021	122	1,173	10.4%	2,676	4.6%	
2Q 2021	102	1,015	10.0%	2,143	4.8%	
3Q 2021	86	747	11.5%	1,473	5.8%	
4Q 2021	90	924	9.7%	1,807	5.0%	
TOTALS	400	3,859	10.4%	8,099	4.9%	
1Q 2022	116	1,164	10.0%	2,356	4.9%	
2Q 2022	87	744	11.7%	1,580	5.5%	
3Q 2022	73	296	24.7%	792	9.2%	
4Q 2022	92	353	26.1%	840	11.0%	
TOTALS	368	2,557	14.4%	5,568	6.6%	
1Q 2023	169	745	22.7%	1,782	9.5%	
2Q 2023	174	945	18.4%	1,910	9.1%	
3Q 2023	167	867	19.3%	1,929	8.7%	
4Q 2023	177	794	22.3%	1,398	12.7%	
TOTALS	687	3,351	20.5%	7,019	9.8%	
1Q 2024	305	1,220	25.0%	2,355	13.0%	
2Q 2024	191	999	19.1%	2,008	9.5%	

The Laguna sub-market has shown annualized sales between 225 to 687 sales per annum since 2017. Sales for 2022 show 368 total sales, whereas 2023 sales are at 687 sales. The average sales from 2017 to 2023 equates to 466 sales per annum. This region generally supports between 350 and 450 sales per annum.

Between 2017 and 2023, the total sales in the region reflect between 8.9% and 20.5% of all sales in Sacramento County, as well as 4.0% to 10.7% of all sales in the entire region. 2Q 2024 information shows 19.1% of all sales in Sacramento County and 9.5% of all sales regionwide for the Laguna sub-market.

This ratio is used to show potential demand in the short term. The Absorption Study provided by John Burns Real Estate as of July 23, 2024, projects annual demand for 8,600 units for the entire MSA, 4,475 units for Sacramento County, and 1,300 units for the City of Sacramento. This is predicated on permit issuances and summarized as follows.

	·	Averages SFR							
Area	1980-2023	2000-2023	Approx. Norm						
Sacramento MSA	8,888	8,317	8,600						
Sacramento County	4,766	4,177	4,475						
Sacramento City	1,283	1,309	1,300						

Accordingly, based on these calculations, and the overall capture rates identified at 12% for the Laguna Submarket (measured relative to total sales in Sacramento County) and 6% of sales in the entire MSA, an overall potential demand from 516 to 567 sales for the Laguna submarket are identified. These calculations are noted below.

	ANNUAL	LAGUNA	ESTIMATED
AREA	SALES	CAPTURE	LAGUNA SALES
Sacramento County	4,475	12%	537
MSA	8,600	6%	516

Overall, historic sales in Laguna shows a range from 225 to 687 sales per annum since 2017. Sales for 2022 show 368 total sales, whereas 2023 sales were 687. The average sales from 2017 to 2023 equates to 466 sales per annum, whereas year-to-date 2024 sales are noted at 496 sales (though 2Q 2024). This region generally supports 500 sales per annum. This is lower than forecasted by future projections identified above reflective of 516 to 537 sales per annum.

#### SUPPLY CONSTRAINTS

The subject property is located in an area with abundant residential projects proposed for future development. It is part of the Delta Shores development, a master planned community identified for the development of 5,222 residential units at buildout. The subject property with 411 lots (Including Potential Development of MDR site at average density of 11 du/ac) identified for immediate development, it is a smaller component of this project area. Residential projects have commenced in this project and most likely competition for this project comes from other areas of the community. Improvement Area 2 is currently undergoing site development with 4 individual villages and a minimum lot size range from 1,612 to 4,250 square feet. A summary of these villages is as follows.

PROJECT	LOT SIZE (SF)	# Of LOTS	UNITS SOLD	UNSOLD INVENTORY	UNOFFERED INVENTORY
Coronado	4,250 SF	87	45	10	32
Avalon	1,612 SF	102	0	0	102
Balboa	1,750 SF	96	0	0	96
Catalina	3,116 SF	136	34	8	94
TOTALS		421	79	18	324

Initial development within this project area is identified at 421 lots. All of these villages are designated as MDR project with lots ranging in size from 1,612 to 4,250 square feet. The overall orientation relative to the subject property is identified as follows.



Signature Homes has 4 projects identified in Delta Shores. Coronado and Catalina commenced selling homes in March 2023, whereas they recently acquired land holdings for development of the Balboa and Avalon projects. These future projects are attached projects designed for larger townhomes. Total inventory in these projects is noted at 342 units, which excludes the 79 units sold.

Including the 348 lots identified for the subject as part of Delta Shores West, as well as the 63 potential lots for the MDR parcel (based on average density of 11 units per acre), the total is identified at 411 residential lots. Combined with the residential lots located in Improvement Area 2 is identified at 753 lots in the immediate term. Subject represents 54.6 % of available inventory for Delta Shores.

As these projects are being developed with site improvements or to a finished lot condition as of the effective date of valuation, lots in existing supply portray supply elements for this project. As of 2Q 2024, the Laguna submarket noted the following elements.

<b># OF PROJECTS</b>	TOTAL LOTS	UNITS SOLD	UNSOLD INVENTORY	UNOFFERED INVENTORY
24 Projects	2,515	1,318	196	1,001

Long-term, there are numerous lots identified for future development in the region. The Absorption Study prepared by John Burns Real Estate Company, identifies 5,420 units in the City of Sacramento. These units are mostly comprised of multi-family development projects. In addition, future projects in Elk Grove total 2,737 residential units, which reflect for-sale housing projects. Lastly, Stone Beetland includes approximately 1,159 units at buildout, whereas Delta Shores IA-3 includes 1,825 units at buildout. However, with no development occurring on these properties, they are realistically long-term supply projects. They could start site development after the subject and come into play toward the back-half of the subject projects. Still, for purposes of this analysis, they are viewed as a long-term development projects not highly competitive with the subject property.

Total short-term supply is identified at 1,556 units. It is allocated as follows.

ITEM	TOTAL
Subject Property	411
Delta Shores – IA2 (Unoffered Inventory)	324
Existing Unoffered Inventory	1,001
TOTALS	1,736

The total short-term supply of lots is identified at 1,736 lots including allocations for the subject. The 411 lots identified for the subject reflects approximately 23.7% of total supply. With the potential demand identified at 500 sales per annum for the Laguna submarket, this represents approximately 3.5 years of supply of residential lots.

Overall, supply elements show long term potential growth for the Laguna sub-market. Supply elements appear in balance with demand generators as of the effective date of valuation. While there are numerous lots in the immediate horizon, the subject has advantageous position based on the overall proximity of services and downtown Sacramento. Conversely, school districting is inferior to other residential projects in the Laguna submarket, which are within the Elk Grove Unified School District.

#### EXISTING DEMAND

The competitive market area for the subject property is noted from current projects offering homes for sale in the Laguna sub-market. As noted earlier in this section, The Gregory Group identified 24 projects in this sub-market. Some of these projects have sold-out and the following table reflects the 22 most recent, active projects. These projects show the following characteristics as of 2Q 2024.

ITEM	TOTALS
# of Active Projects	22
Average Lot Size	4,551 SF
Average Asking Price (Published)	\$694,581
Average Incentives	(\$6,381)
Average Net Price	\$688,201
Average Unit Size (SF)	2,333 SF
Average \$/SF (Net Price)	\$302.27
Total Units Planned (Existing Projects)	2,340
Total Units Sold	1,143
Remaining Inventory	1,197
Total Absorption (Total Sales Rate/Mo./Project)	3.6/Mo.
Total Sold (2Q 24)	188 Units
Total Absorption (2Q 24 Sales Rate/Mo./Project)	2.6/Mo.

The following is a summary of these projects followed by photographs.

Community	Project Name	Developer	Open Date	LS/D	Sq. Ft. Min/Max	Base Price Min/Max	Pr/Sq. Ft Min/Max	Incentives	Planned	Offered	Sold	Total Inv	Total WSR	Qtr WSR	Qtr Sold
Laguna	Carnelian	D.R. Horton Homes	09/01/22	5,000	1,501 - 2,529	\$581,990 - \$660,990	\$261.36 - \$387.73	\$5,000.00	122	118	112	10	1.18	1.23	16
Laguna	Cornerstone Commons	Meritage Homes	05/01/22	5,250	1,628 - 2,948	\$614,990 - \$723,990	\$245.59 - \$377.76	\$5,000.00	83	83	83	0	0.73	0.31	4
Laguna	<u>Esplanade</u> Estates	Taylor Morrison Homes	11/15/23	6,175	2,521 - 2,979	\$786,990 - \$861,990	\$289.36 - \$312.17	\$5,000.00	85	23	10	75	0.31	0.31	4
Laguna	Esplanade Premuers	Taylor Morrison Homes	11/15/23	5,400	2,143 - 2,344	\$676,990 - \$706,990	\$301.62 - \$315.91	\$5,000.00	90	20	10	80	0.31	0.31	4
Laguna	Esplanade The Classics	Taylor Morrison Homes	11/15/23	4,050	1,644 - 1,960	\$581,990 - \$626,990	\$319.89 - \$354.01	\$5,000.00	116	48	18	98	0.56	0.31	4
Laguna	Fairfax	KB Home	02/01/24	3,825	1,550 - 2,713	\$615,990 - \$721,990	\$266.12 - \$397.41	\$5,000.00	125	49	35	90	1.67	0.62	8
Laguna	Grange	Taylor Morrison Homes	11/15/22	3,600	1,706 - 2,321	\$589,990 - \$679,990	\$292.97 - \$345.83	\$5,000.00	73	73	68	5	0.81	0.54	7
Laguna	Greens	Taylor Morrison Homes	04/15/24	5,500	1,889 - 3,291	\$659,990 - \$816,990	\$248.25 - \$349.39	\$5,000.00	85	21	10	75	0.91	0.77	10
Laguna	Hayworth	KB Home	02/01/24	5,250	2,002 - 3,061	\$685,990 - \$787,990	\$257.43 - \$342.65	\$5,000.00	90	44	38	52	1.81	0.85	11
Laguna	<u>Highland</u>	KB Home	12/15/23	2,975	1,429 - 1,824	\$573,990 - \$613,990	\$336.62 - \$401.67	\$5,000.00	116	54	47	69	1.68	0.62	8
Laguna	Homestead	Taylor Morrison Homes	11/15/22	4,500	2,127 - 2,728	\$676,990 - \$754,990	\$276.76 - \$318.28	\$5,000.00	121	80	72	49	0.86	0.38	5
Laguna	Laguna Ranch	Richmond American Homes	08/15/19	5,000	2,550 - 2,550	\$733,950 - \$733,950	\$287.82 - \$287.82	\$14,679.00	181	154	150	31	0.59	1.00	13
Laguna	Lexington	KB Home	12/15/23	2,800	1,628 - 2,214	\$566,315 - \$618,225	\$279.23 - \$347.86	\$5,000.00	131	32	26	105	0.93	0.77	10
Laguna	<u>Marigold</u>	Beazer Homes	02/01/24	5,000	2,450 - 3,101	\$749,990 - \$804,990	\$259.59 - \$306.12	\$15,000.00	35	10	5	30	0.24	0.31	4
Laguna	Orchard	Taylor Morrison Homes	11/15/22	5,500	2,477 - 3,446	\$742,900 - \$824,900	\$239.38 - \$299.92	\$5,000.00	76	68	57	19	0.68	0.62	8
Laguna	Persimmon	D.R. Horton Homes	09/01/22	3,200	1,567 - 1,932	\$522,990 - \$588,990	\$304.86 - \$333.75	\$5,000.00	148	130	126	22	1.33	1.15	15
Laguna	Prairie	Taylor Morrison Homes	11/15/22	6,500	3,132 - 4,014	\$879,990 - \$969,990	\$235.97 - \$280.97	\$5,000.00	69	69	63	6	0.75	0.31	4
Laguna	Primrose	Beazer Homes	02/01/24	5,000	2,038 - 3,101	\$694,990 - \$804,990	\$259.59 - \$341.02	\$15,000.00	157	37	11	146	0.52	0.46	6
Laguna	Tamarind	D.R. Horton Homes	09/01/22	3,690	1,678 - 2,318	\$550,990 - \$625,990	\$270.06 - \$328.36	\$5,000.00	121	118	114	7	1.20	1.23	16
Laguna	The Meadows	Woodside Homes	03/15/24	2,400	1,734 - 2,075	\$534,990 - \$570,990	\$275.18 - \$308.53	\$5,000.00	141	16	4	137	0.27	0.15	2
Laguna	The Oasis	Tim Lewis Communities	11/01/23	6,500	2,129 - 3,108	\$726,900 - \$822,900	\$264.77 - \$341.43	\$5,000.00	52	38	34	18	1.00	1.00	13
Laguna	Westbourne	KB Home	11/01/23	3,000	1,552 - 2,124	\$584,990 - \$645,990	\$304.14 - \$376.93	\$5,000.00	123	54	50	73	1.47	1.23	16
Community Community				4,550 / -	2,333 1,429/4,014	\$694,581 \$522,990/ \$969,990	\$305.57 \$235.97/ \$401.67	\$6,349.05	2,340	1,339	1,143	1,197	0.90	0.66	188

Photographs of these projects are noted on the following page.



Carnelian



**Cornerstone Crossings** 



Estates at Esplanade

Premiers at Esplanade



Smith & Associates, Inc. Page 100



Grange

Hayworth



Highland

Homestead





Marigold

Orchard



Persimmons

Prairie





The Meadows

Westbourne

#### **Conclusions – Absorption from Laguna Projects**

Projects from the Laguna submarket demonstrate absorption rates from 1.1 to 7.2 sales per month, with the overall average near 3.6 sales per month. Trends were slightly lower than noted in 2Q 2024 from 0.6 to 4.9 sales per month, with an overall average at 2.6 per month. Pricing from these projects ranges from \$522,990 to \$969,990 with the average price noted at \$694,581 or \$688,201 net of the \$6,381 in concessions.

#### Absorption indicators from Delta Shores Projects

In addition, as of the effective date of valuation, there were 4 existing projects in Delta Shores. This includes information from the subject project by KB Home identified as Riva and Edgewater at Delta Shores. These projects show the following characteristics as of 2Q 2024.

ITEM	TOTALS		
# of Active Projects	4		
Average Lot Size	3,800 SF		
Average Asking Price (Published)	\$686,802		
Average Incentives	(\$6,250)		
Average Net Price	\$680,552		
Average Unit Size (SF)	2,294 SF		
Average \$/SF (Net Price)	\$300.98		
Total Units Planned (Existing Projects)	352		
Total Units Sold	94		
Remaining Inventory	258		
Total Absorption (Total Sales Rate/Mo./Project)	4.0/Mo.		
Total Sold (2Q 24)	29 Units		
Total Absorption (2Q 24 Sales Rate/Mo./Project)	2.2/Mo.		



Catalina

Coronado



Edgewater

Riva

The following is a summary of these projects.

Community	Project Name	Developer	Open Date	LS/D	Sq. Ft. Min/Max	Base Price Min/Max	Pr/Sq. Ft Min/Max	Incentives	Planned	Offered	Sold	Total Inv	Total WSR	Qtr WSR	Qtr Sold
Sacramento	Catalina	Signature Homes	05/15/23	3,000	1,940 - 2,521	\$627,232 - \$685,062	\$271.74 - \$323.32	\$7,500.00	76	42	34	42	0.58	0.69	9
Sacramento	Coronado	Signature Homes	05/15/23	4,250	2,500 - 2,871	\$709,500 - \$745,024	\$259.50 - \$283.80	\$7,500.00	87	55	45	42	0.76	0.38	5
Sacramento	Edgewater	KB Home	05/01/24	5,500	1,685 - 2,693	\$665,990 - \$755,990	\$280.72 - \$395.25	\$5,000.00	80	24	13	67	1.63	1.00	13
Sacramento	Riva	KB Home	06/15/24	2,450	1,795 - 2,236	\$600,990 - \$654,510	\$292.71 - \$334.81	\$5,000.00	109	10	2	107	1.00	0.15	2
Community	Total/Avg			3,800 / -	2,294	\$686,802	\$303.73	\$6,250.00	352	131	94	258	0.99	0.56	29
Community	Min/Max				1,685/2,871	\$600,990/ \$755,990	\$259.50/ \$395.25								

### **Conclusions – Absorption from Delta Shores Projects**

Projects from the Delta Shores region demonstrate absorption rates from 2.3 to 6.5 sales per month, with the overall average near 4.0 sales per month. Trends were slightly lower than noted in 2Q 2024 from 0.6 to 4.0 sales per month, with an overall average at 2.2 per month. Pricing from these projects range from \$600,990 to \$755,990 with the average price noted at \$666,802 or \$680,502 net of the \$6,250 in concessions.

In addition, two additional projects are proposed for immediate development in Delta Shores by Signature Homes. Avalon with 102 lots is identified for the development of attached townhomes with duet and triplex designs. These homes are on lots typically 1,612 square feet with homes ranging in size from 1,622 to 1,991 square feet. Pricing was noted to start in the low \$500s. Balboa with 96 lots is identified for the development of attached townhomes with duet and triplex designs. These homes are on lots typically 1,626 to 2,259 square feet. It was identified that these homes include higher finishes than identified for Avalon with pricing starting in the mid \$500s. Both of these projects will likely commence home sales starting in late 2024 with models by mid-2025.

### Subject Positioning

The overall positioning of the subject property is based on current pricing. Proposed price points for the subject property are based on pricing established in the Absorption Analysis prepared by John Burns Real Estate (As of July 23, 2024). The following table shows an overall summary of this pricing based on individual projects. This is allocated based on base pricing, premiums, and upgrades.

		AVERAGE	AVERAGE		NET	PRICE PER	LOT		TOTAL	PRICE PER
ТҮРЕ	LOT SIZE (SF)	SIZE (SF)	<b>BASE PRICE</b>	INCENTIVES	<b>BASE PRICE</b>	SF (BASE)	PREMIUMS	UPGRADES	PRICE	SF (TOTAL)
MDR-1	3,230 SF	2,044	\$629,282	(\$5 <i>,</i> 000)	\$624,282	\$305.42	\$2,000	\$34,611	\$660,893	\$323.33
LDR-1	5,700 SF	2,241	\$716,113	(\$5 <i>,</i> 000)	\$711,113	\$317.32	\$3,000	\$41 <i>,</i> 177	\$755,290	\$337.03
LDR-2	6,825 SF	2,719	\$787 <i>,</i> 395	(\$15,748)	\$771,647	\$283.80	\$15,748	\$47,244	\$834,639	\$306.97

The concluded pricing from the Absorption Study shows base pricing from \$624,282 to \$771,647 per project. This is identified in terms of net pricing and considers concessions. It reflects an average price per square foot ranging from \$284 to \$305 per square foot.

### Interaction of Existing Supply and Demand

In deriving potential absorption for the subject, the following elements are considered:

- Regional absorption trends are favorable in showing average absorption from 3.6 to 4.0 sales per month, per projects as derived from the Laguna submarket, as well as existing projects in Delta Shores.
- Absorption rates are settled in conjunction with current interest rates, with reduced concessions noted as of Q2 2024. Recent reductions in the Federal Funds rate likely to produce lower interest rates looking forward.
- Pricing for the competing projects is consistent with price per square foot indicators at \$302.27 per square foot in Laguna and \$300.98 per square foot from Delta Shores.

Absorption trends noted from the competing projects are consistent with projections from the Absorption Study prepared by John Burns Real Estate, dated July 23, 2024, which identified sales rates from 3.5 to 4.0 sales per month, per project.

### Conclusions

The overall absorption noted from the competing projects based on the subject's positioning in the market demonstrate the following characteristics. The following conclusions were noted in the Absorption Study Prepared by John Burns Real Estate dated July 23, 2024.

YEAR	2024	2025	2026	2027	2028	TOTALS
MDR-1 (KB Home)	26	48	36	0	0	110
LDR-1 (KB Home)	28	48	5	0	0	81
LDR-2 (Meritage/M&H Realty)	5	42	42	42	26	157
TOTALS	59	138	83	42	26	348

This rate of absorption is predicated on home sales and includes only 6 months of 2024. The absorption rates for the subject projects as identified in the Absorption study are consistent to the appraisers projections and are used in this analysis. However, this is reallocated by the appraiser in 12 month increments with similar absorption of lots as of the effective date of valuation. It is identified as follows. With an effective date of valuation as of September 25, 2024, the first month is rounded to October. The overall schedule of absorption is calculated as follows.

YEAR	Oct-2024	Oct-2025	Oct-2026	Oct-2027	TOTALS
	to Sep-2025	To Sep-2026	To Sep-2027	To Sep-2028	
MDR-1 (KB Home) - 4.0/Mo.	48	48	14	0	110
LDR-1 (KB Home) – 4.0/Mo.	48	33	0	0	81
LDR-2 (Meritage/M&H Realty) – 3.5/Mo.	42	42	42	31	157
TOTALS	138	123	56	31	348

The overall salability of the subject lots in both the short and long term is favorable in the current market climate. The absorption for this project takes into consideration a pessimistic view with absorption of 138 lots in year 1, 123 lots in year 2, 56 Lots in year 3, and 31 lots in year 4. It is likely absorption for LDR-2 could escalate upon completion of LDR-1.

Strengths and Weaknesses of this project are identified as follows.

### Strengths

- Desired location relative to work centers including support retail services on opposite side of Interstate 5 and proximity to downtown Sacramento. It is positioned in the northern portion of the Laguna submarket, adjacent to Interstate 5, which is closest to downtown in terms of commute distance and ease of access. Project is positioned in close proximity to light rail for added convenience.
- Project designed with three product lines with lots ranging from 3,230 to 6,825 square feet. The segmentation will allow for all three projects offering homes at the same time as they are offered to different buyer profiles. With different ownerships, maximally productive uses are gained through sales of individual projects. While all of these projects are part of Delta Shores West, the most likely purchaser reflect home builders for each product line, rather than the project in its entirety.

- Orientation along the western side of the Interstate provides further buffer from Sacramento Wastewater Treatment Plant and the City of Sacramento Facility / Sports Park. It is noted that the city site is proposed as there are no funding sources identified for this facility as of the effective date of valuation.
- Limited competition in the immediate area other than other proposed projects in Delta Shores.
- Planned Kaiser health facility northeast of the site that would be walkable for residents. However, this is likely a long-term benefit as there are no plans for development identified for this parcel as of the effective date of valuation.

### Weaknesses

- Inferior school districting as compared to other projects in the Laguna submarket. However, with proposed developments of schools in Delta Shores, this element could subside over time.
- The Meadowview neighborhood located northeast of the subject has below average residential values. The substantial size and scope of Delta Shores in its entirety should allow it to differentiate itself from the nearby Meadowview area.

### MARKET ANALYSIS – MULTI-FAMILY

Costar is the source for the following data. The data reflects conditions of 2024 Q1 (to date), the most recent data available. The initial discussion provides information on the overall Sacramento Multi-Family market, followed by the subject's submarket. The subject is part of the South Sacramento submarket, which will be discussed later in this report.

Costar rates multi-family properties using a star rating, in which 1 and 2-star properties generally equate to the more traditional Class C rating; 3-star properties generally equate to Class B; and 4 and 5-star properties generally equate to Class A.

## SACRAMENTO (MSA) – MULTI-FAMILY MARKET

California has lost more than 750,000 people since the pandemic started, but that does not hold for Sacramento, which saw an increase in population during that time. Continued demand from outside the market, particularly from the Bay Area, combined with increased household formation levels, have pushed net absorption totals 3,100 units over the past year. Availability is concentrated in 4 & 5 Star units, leading to 2,500 units of net absorption in that segment.

Despite solid demand formation, net absorption has yet to match the pace of deliveries. The vacancy rate has been flat over the past year to 6.4%, below the national average of 7.8%. A total of 3,000 new units came to the market, while net absorption totaled 3,100 units, far ahead of the five-year pre-pandemic average of 725 units.

Despite the strong figure, demand is not uniformly positive. Sacramento's workforce housing recorded negative demand during that period as -56 units were vacated. Falling occupancy in this segment is linked to persistent rent growth over the past five years and increased competition from rent-controlled multifamily properties. More than 900 affordable units came to market in 2023, and another 250 have already been delivered in 2024.

Supply-side pressure has limited recent rent growth levels, increasing by only 1.7% over the past year. At the same time, concession rates and costs are increasing, reaching the highest point since 2020, and the delta between asking and effective rents is rising. Rents in Sacramento rest at \$1,830/month, more expensive than the national average of \$1,710/month. Submarkets without substantial construction, like Elk Grove and Roseville/Rocklin, lead the market in rent growth.

The elevated vacancy rate and weak rent growth have led to the fewest units under construction since 2020. Today, there are 3,200 units under construction, expanding the market by an additional 2.2%. This is down from the peak of 5,900 units under construction set in 2Q22, but still far above pre-pandemic norms. From 2015 to 2019, the market averaged only 1,900 units under construction. The rate of groundbreakings has been slowing as developers look to delay new projects until rent growth returns and the risk of oversupply abates, but it has not stopped entirely.

Construction starts in 2024 have already surpassed 400 units, but annual figures are unlikely to increase year-over-year.

The CoStar forecast calls for elevated vacancy for the balance of 2024 as construction deliveries are expected to offset the positive net absorption recorded. Sacramento is well positioned as the lowest-cost and largest city in California, as many residents are seeking to relocate away from the country's most expensive locations.

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Const Units
4 & 5 Star	29,366	10.1%	\$2,339	\$2,311	204	61	2,818
3 Star	63,898	5.7%	\$1,850	\$1,838	100	30	385
1 & 2 Star	50,971	5.2%	\$1,388	\$1,380	35	0	0
Market	144,235	6.4%	\$1,826	\$1,812	339	81	3,203
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.1%	5.7%	5.9%	8.1%	2004 Q2	3.6%	2021 Q2
Absorption Units	2,953	1,060	1.344	3.772	2005 Q3	(1,805)	2009 Q2
Delivered Units	3,058	1,317	1,070	4,012	2001 Q1	6	2012 Q1
Demolished Units	40	49	50	280	2013 Q2	0	2024 Q2
Asking Rent Growth (YOY)	1.7%	3.2%	3.6%	11.8%	2021 Q3	-4.4%	2009 Q4
Effective Rent Growth (YOY)	1.7%	3.2%	3.6%	11.9%	2021 Q3	-4.5%	2009 Q4
Sales Volume	\$410M	\$805.1M	N/A	\$1.9B	2022 Q3	\$190M	2009 Q4

#### KEY INDICATORS

### Vacancy Trends

Net absorption remains strong totaling more than 1,700 units in the first half of the year. Strong demand metrics were just enough to offset the 1,440 units delivered during that time, a trend that is not likely to continue for the rest of 2024.

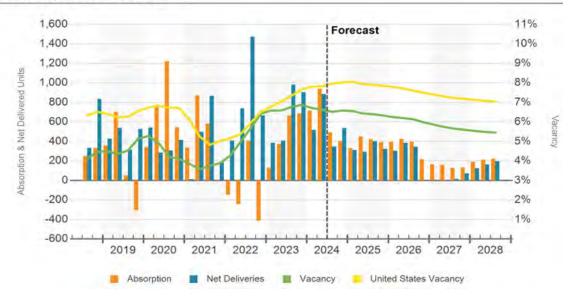
Recent demand trends have created a bifurcated market as Sacramento's high-end properties have posted some of the strongest demand in recent history. Over the past year, 4 & 5 Star properties have recorded net absorption of 2,000 units, as new construction delivered plentiful options for residents looking to relocate to the region. According to data collected by Apartments.com, 50% of renters seeking space in Sacramento live outside the market, with most of those in more expensive markets within California, like San Francisco, Oakland, and Los Angeles.

Simultaneously, the market's workforce housing is struggling to maintain its tenant base. Over the past year, Sacramento's 1 & 2 Star housing has posted net absorption of -56 units. Renters in this segment have growing affordability concerns and are looking to a variety of ways to reduce their rent liability. One of the most popular is moving out of market-rate properties and into regulated affordable housing. Deliveries of affordable units have increased yearly since 2020, peaking in 2023 when 900 units entered the market. More are expected in 2024, as another 12 projects are underway, bringing an additional 2,200 units to market over the next two years.

Even with strong total absorption figures, the vacancy rate rests at 6.4%, with little change since the start of 2024. This is primarily tied to construction completions totaling 3,000 units over the past 12 months. Net absorption has been robust during this period, reaching 3,100 units, resulting in upward pressure on market vacancy.

Generally speaking, demand totals are highest in the areas with new construction, which centers in and around the urban core. The submarkets of South Sacramento, Downtown, and West Sacramento are three of the four leading submarkets in demand and construction completions, all located in the heart of the Sacramento region. Conversely, more suburban areas like Davis, Elk Grove, and Folsom have some of the lowest vacancy rates in the market. Still, they are responsible for only 10% of completed construction over the past year.

The long-term outlook for the Sacramento multifamily market is promising. The region remains very cost effective by California standards, job growth persists, and housing remains undersupplied. Sacramento's position as an affordable location to live with a high quality of life, and growing employment opportunities gives it a unique value proposition to attract new residents for the near-term.



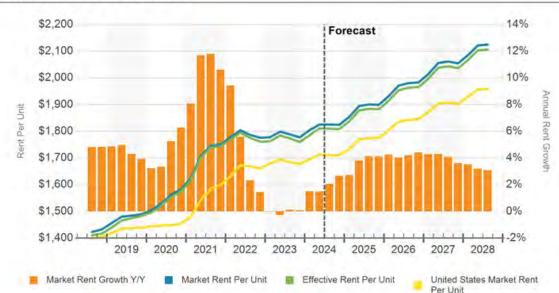
ABSORPTION, NET DELIVERIES & VACANCY

### **Rent Trends**

The influx of new supply continues to hamper Sacramento's rent growth. Rents have increased slightly year-over-year, up by 2.8%. Growth has accelerated through the first half of 2024 after remaining flat in 2023. Rent growth will likely accelerate in coming quarters as new inventory leases, returning to the historical average of 3% by the end of the year.

A higher market vacancy rate has caused property managers to prioritize maintaining occupancy levels, turning to increased concession levels in Sacramento. At the end of 24Q1, more than 35% of properties were offering concessions of some sort. Recent deliveries have the highest packages, reaching six weeks of free rent. Capitol Towers also offers six weeks of free rent up to \$6,200 for new residents. In 2021, when the vacancy rate fell to 3.6%, fewer than 3% of properties were advertising move-in specials.

Even with lower annual rent growth, some submarkets are consistently outperforming. Davis, for example, with its captive demand from the University of California campus, has consistently increased rents by 4% or more over the past 18 months. Additionally, Elk Grove has achieved rental increases of more than 4.5% in early 2024, augmented by the lack of development in the area. Conversely, areas with excess new supply have struggled to keep rents flat. Downtown Sacramento and West Sacramento have recorded virtually no rent change over the past year .Increases are expected to accelerate through the rest of 2024, with robust demand and slowing construction activity. The downward pressure on the vacancy will embolden landlords to increase rent growth throughout the year.



#### MARKET RENT PER UNIT & RENT GROWTH

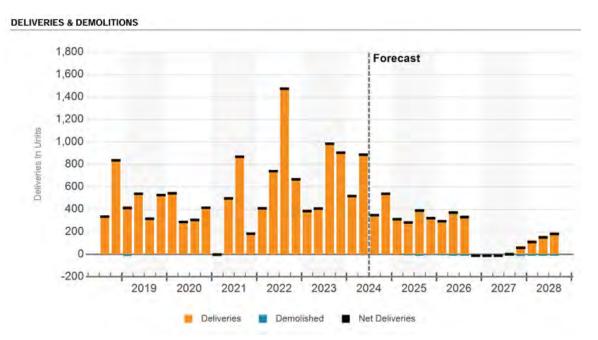
#### Construction

The risk of oversupply remains despite recent pullbacks in groundbreakings. The construction pipeline is robust with 3,200 units underway, expanding the market by an additional 2.2%. This is down from the peak of 5,900 units under construction set in 22Q2 but still far above pre-pandemic norms. From 2015 to 2019, the market averaged only 1,900 units under construction. Developers are wary of potential supply-side risk in the market and have pulled back on groundbreakings, which, in 2023, fell to the lowest level since the start of the pandemic. Lower rent growth, rising operating expenses, and poor exit pricing put

new projects under economic pressure. According to regional economic development experts, if the decline in starts persists, Sacramento could face a greater housing shortage, putting additional pressure on local and county governments to allow for the low-cost development of new housing supply.

Construction has been centered in and adjacent to Downtown Sacramento for the past five years. Downtown Sacramento, N Sacramento/Natomas/N Highlands, and West Sacramento submarkets account for 60% of total construction. Both of the largest projects by total units are located in Downtown Sacramento. The Hayley will bring 372 units to market upon completion near the end of the year—The A.J. is situated in The Railyards development. The 345-unit property is a part of the country's most significant urban infill development and is adjacent to the future site of Kaiser Permanente's new hospital. The project broke ground in late 2020. Completion was recently delayed by vandalism at the construction site. The property comprises studio, 1- and 2-bedroom units with an estimated completion date of 24Q3.

Given Sacramento's size, lack of housing, continued interest from out-of-market residents, and rising household formation levels, it is unlikely that construction activity will fall to the low levels seen between 2013 and 2016 when activity struggled to reach 1,000 units under development. The region's economic growth, particularly in the healthcare, biotech, and semiconductor fields, indicates a quicker recovery compared to the previous economic cycle; the likely result is more consistent housing development in the short to medium term.



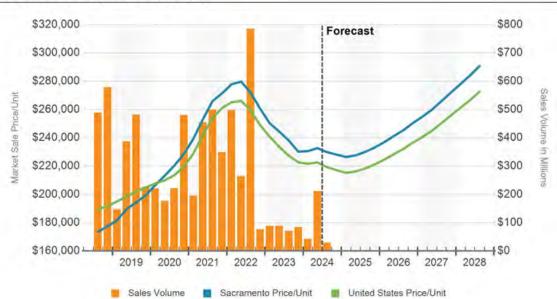
#### Sales Trends

A slowing national economy and increased interest rates have slowed investment activity across all commercial sectors. The multifamily market saw just 85 transactions closed over the past year for a total of \$417 million, down significantly from the pre-pandemic average from 2015-2019 average of \$1.3 million. Sales have remained slow to start 2024; quarter-to-date rests short of \$31 million, the lowest quarterly total since 11Q1.

Sacramento is dominated by private buyers, accounting for nearly 75% of acquisitions and dispositions over the past five years. Over the past year, Sacramento's limited private equity investment gave way to more private transactions, which rose to nearly 90% of total transactions. Slow rent growth, rising vacancy, and increased financing costs bring upward pressure on cap rates. Market participants indicate that owners want a 5.0-5.5% cap rate for their properties, but most buyers require 6% cap rates or higher to transact.

Large transactions have been rare since the start of 2023. That trend has carried over to 2024. Only two transactions have exceeded \$50 million through the first half of 2024. The largest was the \$77 million (\$292,000 per unit) for Artisan 8282 in Elk Grove. Transactions are rare in that submarket; no other properties have traded since 2021. The other deal was a single-family rental community in Roseville for \$65 million (\$427,000 per unit). The high price per unit is reflected by the large units available. It is one of the first single-family rental properties built in the Sacramento region and the first to sell.

Pricing is expected to fall throughout the year. Interest rates will remain high throughout 2024, and investors are not willing to purchase properties with negative leverage. Many investors are content to wait for pricing fall and are reluctant to risk owning during stagnant rent growth and high concessions unless pricing is alluring. Current cap rates remain very close to BBB bond rates, yielding no pricing premium for the risk of owning real estate.



SALES VOLUME & MARKET SALE PRICE PER UNIT

Overall vacancy and rental trends for the region are summarized on the following table.

		Vacancy			Mark	et Rent		Effectiv	e Reats
Vear	Units	Percent	Ppts Chg	Per Unit	Per SF	% Growth	Ppts Chg	Units	Per SI
2028	8,033	5.4%	(0.2)	\$2,120	\$2.51	3.2%	(0.4)	\$2,102	\$2.49
2027	8,246	5.6%	(0.4)	\$2,054	\$2.43	3.6%	(0.8)	\$2,036	\$2.41
2026	8.806	6.0%	(0,4)	\$1,983	\$2.35	4.4%	0.3	\$1,965	\$2.3
2025	9,263	6.3%	(0.3)	\$1,899	\$2.25	4.1%	1.5	\$1,883	\$2.23
2024	9,553	6.6%	(0,3)	\$1,824	\$2.16	2.7%	2.6	\$1,808	\$2.14
YTD	9,265	6,4%	(0.5)	\$1,826	\$2,15	1.7%	1.6	\$1,812	\$2.14
2023	9,816	6.9%	0.5	\$1,777	\$2.10	0.1%	(1.4)	\$1,760	\$2.08
2022	8,989	6.4%	2.5	\$1,776	\$2.09	1.4%	(9,2)	\$1,761	\$2.08
2021	5,309	3.9%	(0,2)	\$1,750	\$2.07	10.6%	4.3	\$1,744	\$2.00
2020	5,556	4.1%	(1.0)	\$1,583	\$1.87	6.3%	2.3	\$1,574	\$1.86
2019	6,887	5.1%	0.7	\$1,489	\$1.75	3.9%	(0.9)	\$1,483	\$1.75
2018	5,897	4.5%	0.2	\$1,433	\$1.69	4.8%	(1.5)	\$1,417	\$1.6
2017	5,531	4.2%	0,3	\$1,367	\$1.61	6.3%	(1.3)	\$1,351	\$1.59
2016	5,073	3.9%	(0,3)	\$1,285	\$1.51	7.6%	(0.9)	\$1,273	\$1.50
2015	5,400	4.2%	(0.7)	\$1,195	\$1.41	8.5%	4.6	\$1,183	\$1.39
2014	6,253	4.8%	(0.5)	\$1,101	\$1.30	3.9%	1.2	\$1,091	\$1.2
2013	6,895	5.3%	(1.3)	\$1,060	\$1.25	2.7%	1.0	\$1,052	\$1.2
2012	8,512	6.6%	0	\$1,032	\$1.21	1.7%	4	\$1,021	\$1.20

**OVERALL VACANCY & RENT** 

#### **Conclusions – Sacramento MSA**

The Sacramento apartment market has maintained consistently positive rental growth, low vacancy rates and healthy net absorption over the past decade and this trend is expected to continue. The average regional vacancy rate over the past decade is near 5% and the current vacancy rate is slightly above this trend. Rent growth has remained strong, averaging near 5% annually over the past decade. Recently rent growth has slowed but was still positive as of the effective date of valuation. Overall, market fundamental remain strong and pending/future additions to supply are not expected to outweigh demand. Future gains in rent growth are expected to moderate over the next few years and vacancy rates are projected to elevate between 7% and 8%. Overall, the outlook is positive of the regional apartment market.

#### South Sacramento Submarket

South Sacramento is one of the metro's largest submarkets by inventory and one of the more affordable. Recently, more high-end inventory has been delivered, leveraging its location close to the entertainment and employment centers in Downtown.

Over the past 12 months, net absorption totaled 410 units. Demand primarily comes from 3 Star and 4 & 5 Star properties, offsetting negative net absorption in the market's workforce housing. The submarket has a popular destination in 2021 and 2022 for investors to purchase properties to renovate units and push rents. The result has been a filtering effect as the market's workforce housing was repriced, and residents sought other options.

South Sacramento has never had much high-end inventory, but 380 units have completed construction over the past year. Construction has slowed significantly since peaking at 1,500 units during 21Q4. Today, there are only 100 units under construction, including one 70 unit project that broke ground during 24Q2. Without new units entering the market, the vacancy rates have been falling, down 80 basis points over the past year to 6.5%.

Despite falling vacancy, rents are stagnant, increasing by only 0.8%. Concessions, nearly ubiquitous a few months ago, play a lesser role in the market. A few new properties still in lease-up are offering incentives, but levels are down. The most aggressive properties on Apartments.com advertise six weeks of free rent, down from nearly three months at the end of 2023.

South Sacramento has undergone a significant transformation over the past five years, adding new inventory and drawing renters from outside the region. The submarket's value proposition remains, and the CoStar forecast anticipates sustained demand formation for the next 12 to 18 months.

Key indicators for this submarket are as follows.

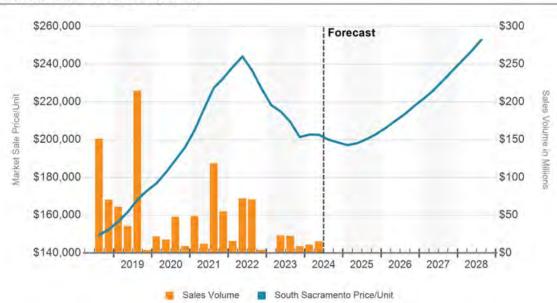
VEV INDICATORS

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Const Units
4 & 5 Star	2,471	14.6%	\$2,420	\$2,390	26	0	100
3 Star	9,556	5.3%	\$1,747	\$1,737	13	0	Ö
1 & 2 Star	7,679	5.5%	\$1,312	\$1,304	2	0	0
Submarket	19,706	6.5%	\$1,658	\$1,646	41	0	100
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.3%	5.5%	5.8%	7.9%	2009 Q3	2.5%	2021 Q2
Absorption Units	405	51	127	620	2023 Q2	(364)	2018 Q1
Delivered Units	377	105	71	1,311	2022 Q4	0	2018 Q4
Demolished Units	0	24	6	266	2013 Q2	0	2024 Q2
Asking Rent Growth (YOY)	0.8%	3.4%	3.5%	11.4%	2021 Q3	-4.7%	2009 Q4
Effective Rent Growth (YOY)	1.3%	3.3%	3.6%	11.8%	2021 Q3	-4.9%	2009 Q4
Sales Volume	\$54.7M	\$108M	N/A	\$382.2M	2019 Q3	\$9.6M	2009 Q2

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#### Vacancy Trends

Like most of the market, activity in South Sacramento slowed drastically in 2022. With a sharp decline in demand combined with a wave of new construction, the vacancy rate rose slightly over the past year, reaching 6.5%. However, South Sacramento is still able to compete on cost as rents are only \$1,658/month, one of the most affordable areas in the city.



SALES VOLUME & MARKET SALE PRICE PER UNIT

Overall vacancy and rental trends for the South Sacramento submarket are identified as follows.

	h	Vacancy			Mark	et Rent	1	Effectiv	e Rents
Year	Units	Percent	Ppts Chg	Per Unit	Per SF	% Growth	Ppts Chg	Units	Per Si
2028	1.083	5.5%	(0.2)	\$1,930	\$2.40	3.2%	(0.4)	\$1,915	\$2.39
2027	1,119	5.7%	(0.2)	\$1,870	\$2.33	3.6%	(0.8)	\$1,856	\$2.31
2026	1.158	5.9%	(0.2)	\$1,805	\$2.25	4.4%	0.3	\$1,791	\$2.23
2025	1,199	6.1%	(0.3)	\$1,729	\$2.15	4.1%	1.4	\$1,716	\$2.14
2024	1,253	6.4%	(0.9)	\$1,660	\$2.07	2.7%	3.0	\$1,648	\$2.05
YTD	1.284	6.5%	(8.0)	\$1.658	\$2.07	0.8%	1.1	\$1,646	\$2.05
2023	1,421	7.3%	0.5	\$1,616	\$2.01	-0.3%	(1.9)	\$1,601	\$1.99
2022	1.314	6.8%	3.7	\$1,621	\$2.02	1.6%	(8.6)	\$1.613	\$2.01
2021	560	3.1%	(0.1)	\$1,597	\$1.99	10.2%	4.2	\$1.592	\$1.98
2020	574	3.2%	(1.7)	\$1,449	\$1.80	6.0%	0.2	\$1,443	\$1.80
2019	886	4.9%	1.1	\$1.366	\$1.70	5,9%	0.8	\$1,359	\$1.69
2018	687	3.9%	(0.5)	\$1,291	\$1.61	5.1%	(1.2)	\$1,278	\$1.59
2017	780	4.4%	0.9	\$1,229	\$1.53	6,2%	(2.8)	\$1.211	\$1.51
2016	622	3.5%	(0.5)	\$1,157	\$1.44	9.0%	(0.6)	\$1,147	\$1.43
2015	713	4.0%	(1.0)	\$1,061	\$1.32	9.6%	5.5	\$1,050	\$1.30
2014	890	5.0%	(0.5)	\$968	\$1.20	4.2%	1.2	\$958	\$1.19
2013	974	5.4%	(1.7)	\$929	\$1.15	2.9%	1.7	\$922	\$1.14
2012	1.289	7.1%	0.1	\$903	\$1.12	1.3%	1.1	\$890	\$1.10

#### OVERALL VACANCY & RENT

### Conclusions

South Sacramento is one of the metro's largest submarkets by units and one of the more affordable. While the region has had low vacancy for a number of years, the high proportion of low-end inventory focused inbound renters from the Bay Area on suburban submarkets farther away from the urban core. However, a lack of housing inventory throughout the Sacramento metro has refocused residents on South Sacramento, and fundamentals are improving accordingly.

Consistent with regional trends, the South Sacramento apartment market has maintained consistently positive rental growth and low vacancy rates over the past decade and this trend is expected to continue. Lack of new development and increased demand have placed significant pressure on lease rates, which are up over the last year.

Overall, market fundamentals are solid and the limited pending and future additions to supply are not expected to outweigh demand. Future gains in rent growth are expected to remain well above average over the next few years, and then moderate to historic levels going forward. Overall, the outlook remains positive for the South Sacramento apartment market.

The multi-family component identified for the subject property is fairly small and includes a 3.378 AC site located at the northeast corner of Cosumnes River Boulevard and Freeport Boulevard. It is identified for high density uses with an overall density range identified from 15-27 units per acre. However, according to Marcus Adams, with the City of Sacramento Planning Department, this property can be merged with the adjacent MDR site (5.473 AC) and developed as 1 project. The total AC equates to 8.851 AC and the property can legally be developed to accommodate 95-167 units. Given the size of the HDR component, there are limitations on potential uses especially based on the design and accommodation of both parking requirements and amenities required for such a venture to be maximally productive.

Combining the HDR and MDR components, North of Cosumnes River Boulevard into one project with densities between 95-167 units is legally permissible and reflects maximally productive uses. At this level of densities between 10.7 and 18.9 units per acre, the land uses are maximized with for-sale housing.

## **HIGHEST AND BEST USE**

Highest and best use may be defined as that reasonable and probable use that will support the highest present value as of the effective date of the report. It is also defined as "the reasonable, 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." Elements integral in the highest and best use analysis include the following:

- a. Physical characteristics of the subject property;
- b. Location and the immediate environs;
- c. Current zoning and municipality planning goals;
- d. Neighborhood and area demographic trends;
- e. Market supply and demand; and
- f. Motivation of the most probable purchaser and/or user.

The highest and best use of a specific parcel of land is not determined through subjective analysis; rather highest and best use is shaped by the competitive forces within the market where the property is located. Therefore, the analysis and interpretation of highest and best use is an economic study of market forces focused on the subject property. The use that maximizes value represents the highest and best use. In accordance with the definition of highest and best use, it is appropriate to analyze the subject site as though vacant, followed by analysis of the existing improvements.

### Legally Permissible

The subject property is currently vested for development of the proposed uses identified in this report. It is part of a fully entitled and approved project. The major entitlements achieved include: 1) approval of Delta Shores PUD, 2) certification of Environmental Impact Report, 3) an approved Development Agreement, 4) adoption of the Delta Shores Financing Plan, 5) approval of the Mixed-Income Housing strategy, 6) final map approval as well as other miscellaneous approvals.

The subject project is conforming with all applicable environmental mitigation.

Currently, this project includes 348 nearly completed finished lots for land uses south of Cosumnes River Boulevard. The land uses identified north of Cosumnes River Boulevard are approved for their specific use, but tentative maps have not been prepared for these land holdings.

Zoning for this project is generally identified in the following classifications, R-1 (PUD), R-1A (PUD), R-3 (PUD) and A-OS (PUD) as they pertain to the subject properties. The General Plan identifies the residential components for Traditional Neighborhood Low Density Residential (3-8 du/ac), Traditional Neighborhood Medium Density (8-36 du/ac), and Traditional Neighborhood High Density (18-36 du/ac). Similar to the overall zoning, the General Plan also identifies additional land uses are beyond the boundaries of the district, and/or are exempt from the facilities.

The proposed development of this project is consistent with the overall zoning and General Plan. This project includes an affordable housing component identified as the Mixed-Income Housing Strategy. In May 2020, the City of Sacramento approved the project's Mixed Income Housing Strategy. Under this plan a land dedication of 15.89 acres located in improvement Area No. 3 has been set aside to satisfy the affordable housing requirement. Because of this dedication, builders in the project will be exempt from paying the housing fee of \$2.95 per square foot. This fee exemption has been reflected in the overall building and impact fees.

The developer of the project recorded the Master Parcel Map for Delta Shores Phase 3 on July 31, 2024 (Document # 20240731/0501). The recordation of this map created 3.378 AC and 5.473 AC sites north of Cosumnes River Boulevard for development of HDR and MDR land uses. Furthermore, according to Marcus Adams with the City of Sacramento Planning Department, these projects can be combined into one development project as long as the minimum density of 95 units is achieved. Overall, this land use can support 95-167 units for future development which reflect a conforming land use. Development of the proposed land uses described in this report reflect a legal, permissible use under the current zoning, and general plan.

Development of the proposed land uses described in this report reflect a legal, permissible use under the current zoning, and general plan.

### **Physically Possible**

This criterion considers the physical features of the site such as street frontage, depth, topography, access, soil conditions, utilities, etc. At this point in the analysis the physical characteristics are examined to see if they are suited for the legally permissible uses. Based on physical inspection of the subject properties, there are no known reasons why the properties would not support any use other than those consistent with legally permissible land uses.

### Financially Feasible/Maximally Productive

As noted in the prior section, the subject property is projected to have adequate demand in the current market environment. Financial feasibility depends upon supply and demand influences. With respect to financial feasibility of single-family residential development, in recent months merchant builders have acquired unimproved lots in the Sacramento region for near term construction, and there are multiple active projects in the subject's immediate area that demonstrate demand for new homes. Finished lots are transferring at prices that exceed the sum on unimproved lots and site development costs, which indicate completion of site development is financially feasible.

Based on recorded final maps, as well as the allocation of land uses, maximally productive uses for land uses south of Consumnes River Boulevard reflect detached residential developments including MDR-1, LDR-1, and LDR-2. The lot sizing for these components and product differentiation reflect production home builders as the most likely purchaser with respect to each individual project. This is consistent with the current ownership of this project. This includes LDR-2, with two individual owners as Meritage Homes is currently under an agreement to purchase the remaining 80 lots from M&H Realty.

### Highest and Best Use (As Vacant) – Conclusion

Based on review of these elements, the highest and best use for the subject property is for completion of the remaining site improvements for the development of production homes. Lots are nearly completed, and a production home builder would bear these costs to facilitate the development of production homes.

Typical buyers for the properties north of Cosumnes River Boulevard include developers or investors seeking entrepreneurship for the development of these properties. While these projects are proposed for a merger and zoning change to MDR, legally permissible uses dictate current uses of these properties as of the effective date of valuation. As noted throughout this report, these two parcels can be merged into a single development site of 8.851 AC as long as minimum densities are attained. This would create a density range from 10.7 to 18.9 units per acre, which can accommodate for-sale housing. This criterion

meets legally permissible and is the maximally productive land uses for this component. As such, the highest and best use for the two parcels north of Cosumnes River Boulevard is for development of a single project between 95-167 units to accommodate for-sale housing.

### Highest and Best Use (As Improved) – Conclusion

The highest and best use as improved reflects the uses identified in this report. All of the land uses are consistent with their highest and best use. The most probable buyer is production home builders for individual projects south of Cosumnes River Boulevard. An investor/developer seeking entrepreneurship for the land uses north of Cosumnes River Boulevard is the most likely buyer.

# **PART 4 – METHODOLOGY AND VALUATION**

## METHODOLOGY

The valuation process is the orderly program in which the data used to derive an opinion of value for the subject property as it is acquired, classified, analyzed, and presented. The first step in the process is to define the appraisal problem, i.e., identify the real estate, the effective date of the value estimate, the property rights being appraised, and the type of value sought. Once this has been accomplished, the appraiser collects and analyzes the factors that affect the market value of the subject property. These factors are addressed in the area and neighborhood analysis, the site and improvement analysis, the highest and best use analysis, and in the application of the three approaches to value. Appraisers generally use three approaches to value; the Cost Approach, the Sales Comparison Approach, and the Income Approach. The final step in the valuation process is the reconciliation or correlation of the value indications. In the reconciliation, the appraiser considers the relative applicability of each of the approaches used, examines the range of the value indications, and gives most weight to the approach or approaches that appear to produce the most reliable solution to the appraisal problem.

The first step in the appraisal of the subject property is to examine the different value scenarios required for this property under the purpose of this report. In order to derive an opinion of value for this property, all three approaches to value will be considered.

In the **Cost Approach**, the reproduction or replacement cost of the building and land improvements, as the date of the appraisal, is developed together with an estimate of the losses in value (depreciation) that have taken place due to wear and tear, design and plan, or neighborhood influences. The depreciated building cost estimate is added to the value of the land. The total represents the value indicated by the cost approach. This approach assumes that the site is developed to its highest and best use. It is also a good test of project feasibility in the case of proposed projects. This approach to value is based on a comparison that a prudent investor would pay no more for a property than the amount the investor can obtain a comparable site and construct a building of equal desirability and utility without undue delay. This approach is most applicable when a property is new or relatively new, and sufficient comparable land sales are available to support a reasonable conclusion of land value.

In the **Sales Comparison Approach**, the subject property is compared to similar properties that have been sold recently or for which listing prices or offering figures are known. Data for generally comparable properties are used and comparisons are made to demonstrate a probable price at which the subject property would sell if offered in the open market. This is a good indication of value assuming the market data considered is recent and reliable.

In the **Income Capitalization Approach**, value is based on the present value of the anticipated net income stream from the subject property. Two common techniques are typically utilized, direct capitalization and yield capitalization. In direct capitalization, the current or estimated rental income is projected with deductions for vacancy and collection loss and operating expenses. A conclusion about the prospective net operating income of the property is developed. In support of this net operating income estimate, operating statements for previous years may be reviewed, together with available operating cost estimates of similar properties. An applicable capitalization method and appropriate capitalization rates are developed for use in computations that lead to an indication of value by the Income Approach. In yield capitalization (or discounted cash flow analysis), the net income stream is projected over a typical investment holding period for the property type being appraised, with a reversion at the end of the

holding period. The income stream and reversion are then discounted to a present value utilizing a discount rate, typically derived from market analysis and investor surveys. In most cases, the Income Approach is considered to be the best method of estimating value for an income producing property.

After an indication of value is achieved in each of the approaches, the applicability and reliability of each approach is then evaluated and weighed by the appraiser. Through physical inspection of the property and the appraiser's analysis, judgment, and experience, a final opinion of value is then made for the subject property.

### Subject Property Valuation

The market value of the appraised properties, by ownership, subject to the existing liens will be estimated using the sales comparison approach to value. As noted throughout this report, this value is presented in conjunction with the **Hypothetical Condition** that all improved properties are available for development to their highest and best use. In addition, the extraction/land residual methodology will be utilized. Under this methodology, land value is developed by deducting the construction costs from the proposed revenues in arriving at an estimated value of the finished lots. Discounted cash flow analysis for the determination of lot value was not necessary given the number of lots in each village and relatively short absorption period. The concluded lot values identified by the Sales Comparison Approach and the Extraction Method were reconciled in order to provide the finished lot value for each village.

Once the individual values are derived or identified as the aggregate retail value or retail sales proceeds, a discounted cash flow model will be performed. Under the discounted cash flow analysis, the expected revenue, absorption period, expenses and discount rate associated with the sell-off of the developable parcels will be utilized. A DCF analysis is a procedure in which a discount rate is applied to a projected revenue stream generated from the sale of individual components of a project. In this method of valuation, the appraiser specifies the quantity, variability, timing and duration of the revenue streams and discounts each to its present value at a specified yield rate. For the subject property, the overall value is presented using the Extraction Method.

# SALES COMPARISON APPROACH REVENUE PROJECTIONS – FINISHED LOTS

The Sales Comparison Approach involves a comparison of the subject property with other properties which have been sold or have been offered for sale in the open, competitive market. These transactions serve the primary function of providing a unit comparison used to estimate an independent opinion of value by this approach. The reliability of the value estimate depends upon the degree of similarity between the property being appraised and the comparable sales. Adjustments are made to the comparable sales to reflect their differences from the subject.

The land sales used for comparative purposes are displayed on the following page. A location map of these properties is noted as follows.



		TOTAL SALES PRICE	BUYER	STATUS			LOADED
LE	ROPERTY ADDRESS	SALES PRICE/LOT	SELLER	# OF LOTS	ANNUAL LEVIES/	SITE COSTS/LOT	PRICE PER
L	DCATION	SALE DATE	DOCUMENT NO.	TYPICAL LOT SIZE (SF)	SPECIAL ASSESSMENTS	PERMITS/FEES	FINISHED LO
L	DR-2 (Por.) - Delta Shores West - <b>SUBJECT</b>	\$20,020,000	Meritage Homes	Finished Lots	\$2,301 per annum	\$0	
S	side of Cosumnes River Blvd., W. of I-5	\$260,000	M&H Realty LLC	77 Lots		\$61,552	
S	acramento, CA 95832	July 2, 2024	Closing Statement	6,825 SF			
C	omments: This transaction represents the purchase of	portion of LDR-2 within De	elta Shores West by Meritage Homes.	It reflects the take down of 77	finished lots as part of an ag	greement for 157 lots.	\$321,552
т	ne next take down of 27 lots is identified as of November	r 7, 2024, and the third an	d final take down of 52 lots is as of A	oril 7, 2025. This price is fixed	I throughout the contract at	\$260,000 per	
f	nished lot. The typical lot size is 6,825 square feet and	special assessments are i	dentified at \$2,301 per annum.		-	-	
Ν	DR-7, Delta Shores Phase 2	\$5,020,000	DS-7 LLC (Signature Homes)	Paper Lots	\$1,892 per annum	\$85,436	
S	side of Cosumnes River Blvd., N. of Delta Shores Cir.	\$52,292	M&H Realty LLC	96 Lots		\$60,258	
S	cramento, CA 95832	March 22, 2024	20240322/0022	1,750 SF			
r	includes special assessments identified at \$1,892 per a ported at \$60,258 per unit. Developer is proposing atta 500s						\$197,986
Ρ	arcel 8, Delta Shores Phase 2	\$4,500,000	DS-6 LLC (Signature Homes)	Paper Lots	\$1,892 per annum	\$85,436	
s	side of Cosumnes River Blvd., N. of Delta Shores Cir.	\$44,554	M&H Realty LLC	101 Lots		\$59,546	
	acramento, CA 95832	March 21, 2024	20240321/0825	1,612 SF		. ,	
<b>c</b> 6	<b>Dymments:</b> This transaction represents the purchase of 2'). It includes special assessments identified at \$1,892	101 lots within Delta Shor per annum and assumed	es by Signature Homes. The property i with the finished lots. Site developme	nt costs, including profit ident	ified at \$85,436 per lot, whe	ereas permits and	\$189,530
C 6 f	omments: This transaction represents the purchase of 2'). It includes special assessments identified at \$1,892 es reported at \$59,546 per unit. Developer is proposing id \$500s.	101 lots within Delta Shor per annum and assumed g attached construction (d	es by Signature Homes. The property i with the finished lots. Site developme uet and 3-plex) with homes ranging in	nt costs, including profit ident size from approximately 1,60	ified at \$85,436 per lot, whe 0 to 2,000 square feet with p	ereas permits and pricing starting in the	\$189,536
C f n B	omments: This transaction represents the purchase of 2'). It includes special assessments identified at \$1,892 es reported at \$59,546 per unit. Developer is proposing id \$500s. Toadstone Estates	101 lots within Delta Shor per annum and assumed g attached construction (d \$14,400,000	es by Signature Homes. The property i with the finished lots. Site developme uet and 3-plex) with homes ranging in Woodside 05N, LP	nt costs, including profit ident size from approximately 1,60 Finished Lots	ified at \$85,436 per lot, whe	ereas permits and pricing starting in the \$0	\$189,536
C f n E N	orments: This transaction represents the purchase of 2'). It includes special assessments identified at \$1,892 es reported at \$59,546 per unit. Developer is proposing id \$500s. To adstone Estates /S side of Dewey Oak Dr., S. of Highway 50	101 lots within Delta Shor per annum and assumed g attached construction (d \$14,400,000 <b>\$360,000</b>	es by Signature Homes. The property i with the finished lots. Site developme uet and 3-plex) with homes ranging in Woodside 05N, LP Elliott Homes, Inc.	nt costs, including profit ident size from approximately 1,60 Finished Lots 40 Lots	ified at \$85,436 per lot, whe 0 to 2,000 square feet with p	ereas permits and pricing starting in the	\$189,536
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	PROPERTY ADDRESS LOCATION	TOTAL SALES PRICE SALES PRICE/LOT SALE DATE	BUYER SELLER DOCUMENT NO.	STATUS # OF LOTS TYPICAL LOT SIZE (SF)	ANNUAL LEVIES/ SPECIAL ASSESSMENTS	SITE COSTS/LOT PERMITS/FEES	LOADED PRICE PER FINISHED LOT
6	Amoruso Ranch - Phase 1, Subphase A1 S. Side of Amoruso Ranch Road Roseville, CA 95747	\$28,980,000 <b>\$210,000</b> December 14, 2023	Richmond American Homes Brookfield Sacramento Holdings 2023-0067641	Finished Lots 138 Lots 6,000 SF	\$3,150 per annum	In Price \$93,000	\$303,000
	<b>Comments:</b> This transaction represents the purchase of feet. It includes special assessments identified at \$3,15		-		8 finished lots with a typica	al size at 6,000 square	
, <u> </u>	Amoruso Ranch - Phase 1, Subphase A1 S. Side of Amoruso Ranch Road Roseville, CA 95747 Comments: This transaction represents the purchase of on a weighted average as it includes 2 villages with lots finished lots. Permits and fees noted at \$93,000 per unit	at 3,200 square feet, and					\$269,034
	MDR-1, LDR-1 (Delta Shores West) S. side of Cosumnes River Blvd., W. of I-5 Sacramento, CA 95832 <b>Comments:</b> This transaction represents the purchase of						\$246,233
	square feet, respectively. The weighted average lot size i lots. Site development costs, including profit identified	· ·	·		num (blended) and assume	ed with the finished	
	MDR-8A - Delta Shores S. side of Cosumnes River Blvd. Sacramento, CA 95832	\$3,825,000 <b>\$50,329</b> June 30, 2022	Signature Homes M&H Realty LLC 20220630/1103	Paper Lots 76 Lots 3.116 SF	\$1,780 per annum	\$84,036 \$64,000	
-	<b>Comments:</b> This transaction represents the June 2022 of The property went into contract in September, 2021. It in identified at \$84,036 per lot, whereas permits and fees r	losing of MDR-8A within E	Delta Shores by Signature Homes. The protect of the second state of the second se				\$198,365
P	Delta Shores CFD No. 2019-1, 1A #1 Single-Family Residential Component Sacramento, CA		Benchmark Village (LDR-1)	Finished Lots 81 Lots 5,700 SF	\$2,301 per annum	Assumed Finished \$61,552	

### APPLICATION OF ADJUSTMENTS

Prior to adjustments, the comparable sales ranged from \$189,536 to \$470,000 per fully loaded finished lot. The comparable sales are analyzed on this basis, and once the opinion of value is noted the permits and fees for this project are deducted from the opinion of value in order to develop a final opinion of value for the subject property. Once the value is identified, the values for each individual area can be developed based on lot size. The analysis of the sales comparison approach is predicated on a "benchmark" village for the subject property. This has been identified as the 5,700-square foot lot type (LDR-1) with 81 lots. The following is a discussion of the adjustments made to the comparable sales.

#### Property Rights Conveyed

The comparable sales represent conveyance of the fee simple estate. No adjustments are necessary.

#### Financing

The comparable sales represent all cash transactions or their equivalent. No adjustments are necessary.

#### Condition of Sale

All of the properties presented for comparison are arm's length transactions. No adjustments are noted for the sales.

#### **Market Conditions**

If property values have appreciated or depreciated over time, the appropriate adjustment is required. The comparable sales range from April 2022 to current transactions. They reflect the most recent transactions, and most were transacted subsequent to the increase in interest rates starting in 2022. In order to isolate any adjustment for market conditions, trends in pricing are analyzed. This is examined using The Gregory Group for new home pricing changes. The table below summarizes home prices in the entire region, Sacramento County, as well as the Laguna Submarket since 2022. It is based on 2<sup>nd</sup> quarter comparisons for each year.

	SACR	AMENTO REC	GION (4-Cou	unty)		SACRAMENT	O COUNTY			LAGUNA SUI	B-MARKET	
	# OF	AVERAGE	AVERAGE		# OF	AVERAGE	AVERAGE		# OF	AVERAGE	AVERAGE	
YEAR	PROJECTS	PRICE (NET)	SIZE (SF)	\$/SF	PROJECTS	PRICE (NET)	SIZE (SF)	\$/SF	PROJECTS	PRICE (NET)	SIZE (SF)	\$/SF
2024	215	\$734,952	2,418	\$303.95	112	\$678,964	2,330	\$291.40	24	\$686,955	2,330	\$294.83
2021	206	\$717,759	2,437	\$294.53	103	\$681,261	2,378	\$286.48	16	\$680,829	2,429	\$280.29
2020	208	\$733,911	2,372	\$309.41	98	\$725,423	2,328	\$311.61	12	\$743,426	2,426	\$306.44
Total Cha	ange 2022-20	)24 (\$/SF)		-1.8%				-6.5%				-3.8%
Compou	Compounded Annual Change (2022-2024) -0.6%			-2.2%						-1.3%		
Total Change 2023-2024 (\$/SF) 3.2%				1.7%							<b>5.2%</b>	

According to information identified by The Gregory Group, home pricing in the entire region has declined 1.8% since 2022 (Based on 2Q comparisons). This is higher on average for Sacramento County at 6.5%, with the Laguna submarket reflecting an overall change at 3.8%. In the second quarter of 2022, interest rates were still at low levels with rising rates thereafter. Toward the end of 2023, there was some stability in rates and pricing began to climb. As of 2Q 2024, pricing is trending upward toward levels identified in 2Q 2022. This is identified in changes over the past year from 1.7% to 5.2%

Changes in pricing for these regions in the past year are identified as follows.

	SACR	AMENTO REC	GION (4-Cou	unty)		<b>SACRAMENT</b>			LAGUNA SUB-MARKET			
	# OF	AVERAGE	AVERAGE		# OF	AVERAGE	AVERAGE		# OF	AVERAGE	AVERAGE	
QTR.	PROJECTS	PRICE (NET)	SIZE (SF)	\$/SF	PROJECTS	PRICE (NET)	SIZE (SF)	\$/SF	PROJECTS	PRICE (NET)	SIZE (SF)	\$/SF
2Q 24	215	\$734,952	2,418	\$303.95	112	\$678,964	2,330	\$291.40	24	\$686,955	2,330	\$294.83
1Q 24	218	\$727,824	2,440	\$298.29	111	\$675,135	2,365	\$285.47	25	\$677,864	2,320	\$292.18
4Q 23	208	\$716,182	2,417	\$296.31	112	\$677,919	2,370	\$286.04	21	\$667,168	2,313	\$288.44
3Q 23	210	\$722,077	2,450	\$294.73	107	\$680,855	2,392	\$284.64	14	\$670,476	2,413	\$277.86
Total Cha	nge 3Q23-2	2Q24 (\$/SF)		<b>3.1%</b>				2.4%				<b>6.1%</b>
Total Cha	nge 1Q24-2	2Q24 (\$/SF)		1.9%				2.1%				0.9%

Information for the Sacramento region and Sacramento County shows level increases in pricing over the past year. Homes prices are trending in Laguna and are up 6.1% since Q3 2023 and 0.9% over the past quarter.

In addition, data compiled from the California Association of Realtors is identified. The following changes are identified in home pricing since July 2023.

MON-YR.	СА	EL DORADO	PLACER	SACRAMENTO	YOLO
July-23	\$832,340	\$650,000	\$660,000	\$547,000	\$625,000
August-23	\$859,800	\$657,000	\$669,000	\$535,000	\$622,500
September-23	\$843,340	\$685,000	\$665,000	\$545,000	\$608,640
October-23	\$840,360	\$660,000	\$685,000	\$550,000	\$629,900
November-23	\$822,200	\$650,000	\$659,000	\$522,290	\$620,000
December-23	\$819,740	\$660,000	\$633,020	\$535,000	\$630,000
January-24	\$788,940	\$650,000	\$620,000	\$515,000	\$600,360
February-24	\$806,490	\$647,500	\$650,000	\$530,000	\$918,940
March-24	\$854,490	\$677,000	\$659,000	\$530,000	\$635,830
April-24	\$904,910	\$757,000	\$671,740	\$548,580	\$615,000
May-24	\$908,040	\$699,000	\$675,000	\$555,000	\$653,980
June-24	\$900,720	\$709,000	\$685,000	\$560,000	\$649,500
July-24	\$886,560	\$695,000	\$670,000	\$560,000	\$610,000
August-24	\$888 <i>,</i> 740	\$650,000	\$675,000	\$559,000	\$620,960

Pricing characteristics are noted above since July 2023 Overall pricing has trended upward in 2024. Rising interest rates and inflation caught up to the housing market in the latter half of 2022 with some signs of recovery seen in 2023 and into 2024. With stability in interest rates, coupled with lack of inventory for resale homes, new home sales have captured buyers and builders have been able to raise pricing.

The subject property is located in Sacramento County. It shows pricing is up 2.2% since June 2023.

The comparable sales transacted from November 2023 to current reflect recent transactions and no adjustments are necessary. Sales 8 and 9 are from 2022 and upward adjustments are noted for these sales. With recent sales in the same area, paired sales analysis is most applicable. The following table shows the adjustments for all other physical characteristics with the exception of any adjustments for market conditions for sales 8 and 9. These adjustments are based on the fully loaded finished lot value and reflect comparisons of transactions in Delta Shores.

SALE REFERENCE	2023-2024 SALES	2022 SALES
Sale 1 (7-24)	\$310,302	
Sale 2 (3-24)	\$313,975	
Sale 3 (3-24)	\$309,676	
Sale 8 (4-22)		\$269,853
Sale 9 (6-22)		\$272,685
AVERAGES	\$311,318	\$271,269
VARIANCE	\$40,049	

The recent transactions in Delta Shores reflect higher pricing. The average variance when comparing the 2022 transactions to the recent 2024 transactions is \$40,049. Recognizing these changes, sales 8 and 9 are adjusted upward \$40,000 per lot.

### Location

The location adjustment is oriented towards the concept that structures located in areas perceived as more desirable due to a number of factors, including accessibility, frontage, and land prices, may achieve a higher price. The subject property is deemed to have a good location in the Laguna sub-market in the City of Sacramento. The comparable sales are located throughout the region based on the built-up nature of the immediate area and the overall general characteristics of the new home market. Still, location adjustments are required to these sales and the best overall comparison is from analysis of projects in the immediate area to those from the sub-markets for the comparable sales. However, sales 1-3, 8, 9 are all from Delta Shores and the immediate environs of the subject property. This aids in quantifying location adjustments to the comparable sales.

The comparable sales were derived from Roseville, Folsom, and the Delta Shores community. The transactions from Delta Shores are viewed as comparable to the subject's location. Information from The Gregory Group 2<sup>nd</sup> Quarter 2024 for these various sub-markets are illustrated as follows.

	AVERAGE NET		
SUBMARKET	PRICE	SIZE (SF)	PRICE/SF
Laguna Submarket	\$686,955	2,330 SF	\$294.83
Delta Shores Community	\$680,552	2,294 SF	\$296.67
Roseville	\$700,662	2,372 SF	\$295.39
Folsom	\$786,134	2,418 SF	\$325.12

Pricing differences noted above show fairly consistent pricing. Properties in Roseville and those in Delta Shores do not require any adjustment for location. The projects in Folsom offer higher pricing with an overall variance of 8.8%. In addition, these projects offer views of the Sacramento Valley, which command higher premiums. Overall, downward adjustments of 25% are identified to sales 4 and 5. Adjustments for this analysis are predicated on the land component only (Excluding Fees) and are calculated as follows.

ITEM	COMP 5/6
Land Price	\$360,000
Site Costs	\$
Market Conditions Adj.	\$0
Finished Lot Indicator	\$360,000
Location Adjustment	(25%)
TOTAL ADJUSTMENT	(\$90,000)

This adjustment is somewhat atypical. However, despite this adjustment these sales reflect the upper end of the range and are applied secondary emphasis.

### Number of Lots

The adjustments applied to the comparable sales are based on the inclusion of 81 lots for the "benchmark" village. The comparable sales include transactions from 40 to 192 lots. For this analysis, upward adjustments are applied to sales 6-8 for the higher number of lots. One way of examining this difference is based on the holding costs required for the subject with additional lots. This adjustment is predicated on the overall variance in the number of lots as compared to the subject at a rate of ¼% per month for holding costs. This adjustment is calculated as follows.

ITEM	COMP 6	COMP 7	COMP 8
Number of Lots	138	192	191
Subject Lots	81	81	81
Variance	57	111	110
Absorption	4/Mo.	8/Mo.	8/Mo.
# Additional Months to Sell	14.25 Mos.	13.9 Mos.	13.75 Mos.
Holding Costs	¼%/ Mo.	¼% / Mo.	¼% / Mo.
ADJUSTMENT	3.5%	3.5%	3.4%
ROUNDED	4.0%	4.0%	3.0%

Note: Comps 7 & 8 adjusted based on absorption of 8 sales per month as it included multiple product lines.

This adjustment is applied to the land component (excluding fees) only and is calculated as follows.

ITEM	COMP 6	COMP 7	COMP 8
Land Price (Finished Lot)	\$210,000	\$176,034	\$197,593
Market Conditions Adjustments	(\$0)	(\$0)	\$40,000
Finished Lot Indicator	\$210,000	\$176,034	\$237 <i>,</i> 593
Number of Lots Adjustment	4.0%	4.0%	3.0%
ADJUSTMENT	\$8,400	\$7,041	\$7,128
ROUNDED	\$8,400	\$7,000	\$7,100

## Typical Lot Size

The benchmark village includes a typical lot size at 5,700 square feet. The comparable sales range in size from 1,550 to 10,200 square feet. Adjustments for this analysis were based on \$10.00 per square foot for lots ranging in size from 3,500 square feet and above. Smaller lots are adjusted at a factor of \$30.00 per square foot.

### Annual CFDs

The subject property includes proposed CFDs at \$2,301 per annum (LDR). The comparable sales noted in this report include slightly various CFDs and adjustments are noted for these transactions. Effectively, the higher level of special assessments lowers purchasing power for potential buyers and projects lacking special assessments can offer higher pricing. This adjustment is predicated on the actual payment over a 7-year holding period at 6.0%. Adjustments are noted as follows.

ITEM	COMPS 2/3	COMPS 4/5	COMPS 6/7	COMP 8	COMP 9
Annual CFD's	\$1,892	\$3,215	\$3,150	\$1,963	\$1,780
Subject CFD's	\$2,301	\$2,301	\$2,301	\$2,301	\$2,301
Variance	\$409	\$924	\$849	\$338	\$521
PV Factor (1)	5.582	5.582	5.582	5.582	5.582
ADJUSTMENT	(\$2,283)	\$5,158	\$4,739	(\$1,887)	(\$2,908)
ROUNDED	(\$2,300)	\$5 <i>,</i> 200	\$4,700	(\$1,900)	(\$2,900)

(1) PV factor reflects the PV of \$1 for 7 years at 6.0%

Please refer to the following adjustment grid for a summary of the adjustments.

ELEMENTS OF COMPARISON	SUBJECT	1	2	3	4	5	6	7	8	9
Indicated Price per Lot (Loaded)		\$321,552	\$197,975	\$189,536	\$470,000	\$470,000	\$303,000	\$269,034	\$246,233	\$198,365
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
-Adjustment		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
-Adjusted Base		\$321,552	\$197,975	\$189,536	\$470,000	\$470,000	\$303,000	\$269,034	\$246,233	\$198,365
Financing Terms	Cash	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
-Adjustment		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
-Adjusted Base		\$321,552	\$197,975	\$189,536	\$470,000	\$470,000	\$303,000	\$269,034	\$246,233	\$198,365
Conditions of Sale	Arms-Length	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
-Adjustment		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
-Adjusted Base		\$321,552	\$197,975	\$189,536	\$470,000	\$470,000	\$303,000	\$269,034	\$246,233	\$198,365
Market Conditions	Sep-24	Jul-24	Mar-24	Ma r-24	Nov-23	Nov-23	Dec-23	Dec-23	Apr-22	Jun-22
-Adjustment		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$40,000	\$40,000
-Adjusted Base		\$321,552	\$197,975	\$189,536	\$470,000	\$470,000	\$303,000	\$269,034	\$286,233	\$238,365
Adjusted Price per Lot (Loaded)		\$321,552	\$197 <i>,</i> 975	\$189,536	\$470,000	\$470,000	\$303,000	\$269,034	\$286,233	\$238,365
Physical Characteristics										
Location	Good	Similar	Similar	Similar	Superior	Superior	Similar	Similar	Similar	Similar
-Adjustment		\$-	\$-	\$-	\$ (90,000)	\$ (90,000)	\$-	\$-	\$-	\$-
Number of Lots	81 Lots	77 Lots	96 Lots	101 Lots	40 Lots	41 Lots	138 Lots	192 Lots	191 Lots	77 Lots
-Adjustment	"Benchmark"	\$-	\$-	\$-	\$-	\$-	\$ 8,400	\$ 7,000	\$ 7,100	\$-
Typical Lot Size	5,700 SF	6,825 SF	1,750 SF	1,612 SF	10,200 SF	10,200 SF	6,000 SF	4,500 SF	3,833 SF	3,116 SG
-Adjustment		\$ (11,250)	\$ 118,500	\$ 122,640	\$ (45,000)	\$ (45,000)	\$-	\$ 12,000	\$ 18,670	\$ 77,520
Annual Special Taxes	\$2,301/Yr.	\$2,301/Yr.	\$1,892/Yr.	\$1,892/Yr.	\$3,215/Yr.	\$3,215/Yr.	\$3,150/Yr.	\$3,150/Yr.	\$1,963/Yr.	\$1,780/Yr.
-Adjustment		\$-	\$ (2,300)	\$ (2,300)	\$ 5,200	\$ 5,200	\$ 4,700	\$ 4,700	\$ (1,900)	\$ (2,900)
Net Adjustment		\$ (11,250)	\$ 116,200	\$ 120,340	\$ (129,800)	\$ (129,800)	\$ 13,100	\$ 23,700	\$ 23,870	\$ 74,620
Net Adjustment		\$ (11,250)	\$ 116,200	\$ 120,340	\$ (129,800)	\$ (129,800)	\$ 13,100	\$ 23,700	\$ 23,870	\$ 74,620

### **Conclusion – Sales Comparison Approach**

The nine transactions demonstrate an adjusted price per finished lot range from \$292,734 to \$340,200 per lot, including fees. The two transactions in Folsom (Sales 4 and 5) are secondary given the degree of adjustments to these sales. All of the sales are recent indicators of value based on their transaction date. They demonstrate a mean (Average) price per finished lot at \$316,297 with an overall median price per finished lot at \$312,985. Elements considered in deriving the overall "benchmark" value include the following:

- Overall location setting in a master planned community with numerous amenities. Sales
   1 and 8 utilized for this analysis offers similar traits as they represent the subject sales.
- Premier development site for the Laguna submarket. While school districting is below average, the overall access, western side of I-5, and proximity to services generally compensate for this element.
- > Larger lots are desired in the entire region.

Based on review of these elements, as well as the overall nature of the adjustments applied to the comparable sales, the "benchmark" lot value is identified at **\$310,000 per lot.** 

The next step is to isolate the various villages for the subject. Refinements for each specific project is applied for the lot size and adjustments are similar to that in the prior section. In addition, the permits and fees for each village are deducted from the overall totals in order to derive an opinion of value as finished lots. These calculations are noted on the following table.

	MINIMUM	BENCHMARK	ADJUSTMENT	LESS PERMITS	<b>FINISHED LOT</b>	
PRODUCT TYPE	LOT SIZE (SF)	VALUE	FOR LOT SIZE	AND FEES	VALUE	ROUNDED
MDR-1 - 110 Lots	3,230 SF	\$310,000	(\$74,100)	(\$49,874)	\$186,026	\$186,000
LDR-1 - 81 Lots	5,700 SF	\$310,000	\$0	(\$61,552)	\$248,448	\$250,000
LDR-2 - 77 Lots	6,825 SF	\$310,000	\$11,250	(\$61,552)	\$259,698	\$260,000

## **INCOME APPROACH**

The income approach involves discounting the retail value of the finished production units and discounts them at an appropriate rate over time. Elements considered in this model include all costs of development of these homes including construction costs, taxes over the holding period, sales, and marketing costs, overhead, as well as an allowance for entrepreneurship. These net revenues are discounted to a present value in order to develop an overall value for the finished lots. This value is presented in conjunction with the hypothetical condition that site improvements are completed to this project as of the effective date of valuation. Furthermore, this methodology is applied to the total number of lots in each project. It is used to develop an overall value identification for MDR-1 and LDR-1 based on the total project size at 110 and 81 lots, respectively. Once the value for the finished lots is identified and reconciled with the sales comparison approach it is adjusted to the physical condition as of the effective date of valuation the sales comparison approach it is adjusted to the physical condition as of the effective date of valuation the sales comparison approach it is adjusted to the physical condition as of the effective date of valuation with 107 lots and 79 lots, respectively. Both projects have completed model homes and values for these homes are noted following this section.

Valuation for the finished lots was identified utilizing two methods including extraction based on static methodology and discounted cash flow analysis.

#### **EXTRACTION METHOD**

The extraction method is also processed for this analysis. The subject project includes various lot sizes, and the extraction method is applicable for each product type. Under this methodology, land value is developed by deducting the construction costs and all costs for the construction of homes from the proposed revenues in arriving at an estimated value of the finished lots.

#### REVENUE

Revenue is generated from the sale of completed homes, lot premiums and model home recapture (if any). Project revenues are based on the typical product that meets the highest and best use criteria for the subject project relative to the market area. Proposed revenues for each product line were developed in the Absorption Study prepared by John Burns Real Estate, dated July 23, 2024. The appraiser also surveyed this market area and concurs with the findings in this report. The following table summarizes the price points for the individual product types identified for review.

		AVERAGE	AVERAGE		NET	PRICE PER	LOT		TOTAL	PRICE PER
TYPE	LOT SIZE (SF)	SIZE (SF)	<b>BASE PRICE</b>	INCENTIVES	<b>BASE PRICE</b>	SF (BASE)	PREMIUMS	UPGRADES	PRICE	SF (TOTAL)
MDR-1	3,230 SF	2,044	\$629,282	(\$5 <i>,</i> 000)	\$624,282	\$305.42	\$2,000	\$34,611	\$660,893	\$323.33
LDR-1	5,700 SF	2,241	\$716,113	(\$5 <i>,</i> 000)	\$711,113	\$317.32	\$3,000	\$41 <i>,</i> 177	\$755,290	\$337.03
LDR-2	6,825 SF	2,719	\$787 <i>,</i> 395	(\$15,748)	\$771,647	\$283.80	\$15,748	\$47,244	\$834,639	\$306.97

Given the number of units for each component, the results of the extraction method are based on static conditions.

The Absorption Study provided for review in preparation of this assignment identified lot premiums from \$2,000 to \$15,748 per product type. These are reasonable conclusions in the current market climate. The premiums for LDR-2 are justified given that 19 lots in this product type (Lots 38..56) are adjacent to the Bartley Cavanaugh golf course at the southern end of the project. Lot premiums are reasonable for MDR-1 (\$2,000 per lot) and LDR-1 (\$3,000 per lot) as the total premium is less than 1% of the base price.

#### Model Home Recapture

Based on the number of lots, it is projected that each product line would require model homes. This is based on three model homes allocated for each product line. Model upgrade expenses can vary widely depending upon the construction quality, targeted market, and anticipated length of time on the market. These upgrades, exterior and interior, including furniture, can range from \$25,000 per model to over \$250,000 per model. For purposes of calculations, model upgrades are identified at \$150,000 per model. This estimate includes \$80,000 per model for upgrades, \$10,000 per model for sales office construction/conversion costs, and \$60,000 for landscaping, including rear yards. Furniture is not included.

This element is allocated at 3 Models for MDR-1, 2 Models for LDR-1, and 3 models for LDR-2.

When the model homes are sold, the developer will recapture a portion of the expenses associated with the installation of premium upgrades in the model units. Model upgrades are based on all costs associated with model development – landscaping, upgrades, furniture, fixtures, and sales office set-up. Although not considered real estate, furniture is a real cost of tract development. To omit furniture would overstate land value. The model upgrades are a fixed expense, and the number of models provided is based on the typical project size and market conditions. Builders typically recapture around 30% to 50% of model expenses. The difference between model costs and recapture upgrades reflects furniture costs (not real estate), upgrade depreciation and obsolescence, and sales office conversion costs. For this analysis, model home recapture is identified at 40% of model costs for each product line.

### Expenses

The holding and selling costs typically associated with a development where home construction is completed are summarized as follows.

**Sales Commissions, Closing Costs and Warranty** expenses are typically non-financeable and paid at the time of closing. Sales commissions include both internal commissions and broker co-op. These are projected at 3% of gross revenue. Closing, title, and escrow fees are at 0.25% of gross revenue, whereas warranty expenses are 1.0% of gross revenue.

**Direct Construction Costs** pertain the labor and material to build the project. Direct construction generally costs range from \$80 to \$120 per square foot. Cost comparables from other projects in the region over the past two years are summarized as follows.

<b>DEVELOPER</b>		# OF	AVG.	AVG.	AVG. DIRECT
TYPE	DATE	UNITS	HOME SIZE (SF)	LOT SIZE (SF)	COSTS/SF
Regional	2024	50+	1,706	6,100	\$106.40
Regional	2024	75+	1,998	1,750	\$104.38
Regional	2024	75+	1,791	1,612	\$106.20
Regional	2024	80+	1,910	2,640	\$105.20
Regional	2024	50+	2,428	4,725	\$103.37
Regional	2024	50+	1,389	4,875	\$100.00
Regional	2024	40+	2,035	3,500	\$102.00
Regional	2024	80+	1,499	4,500	\$93.66
Regional	2024	100+	1,529	2,412	\$94.58
Regional	2024	100+	1,791	2,400	\$102.90
Regional	2024	50+	2,242	3,000	\$101.67
Regional	2023	60+	1,691	4,500	\$95.53
Regional	2023	80+	2,271	5,500	\$91.79
Regional	2023	60+	1,815	5,000	\$89.61
Regional	2023	50+	1,738	4,000	\$88.39
Regional	2023	100+	1,551	4,250	\$95.50
Regional	2023	200+	2,834	6,000	\$84.64
Regional	2023	70+	2,818	4,590	\$80.24
AVERAGES			1,946		\$97.00

These projects show direct construction costs from \$80.24 to \$106.40 per square foot. The overall costs for the subject are applied at \$90 to \$100 per square foot. Allocations of these costs are noted as follows.

		MIN	AVERAGE	DIRECT	TOTAL
ТҮРЕ	# OF LOTS	LOT SIZE (SF)	SIZE (SF)	COSTS/SF	COSTS
MDR-1	110	3,230 SF	2,044	\$100	\$204,400
LDR-1	81	5,700 SF	2,241	\$95	\$212 <i>,</i> 895
LDR-2	157	6,825 SF	2,719	\$90	\$244,710

**Changes in Expenses (Expense Increases or Decreases)** is not warranted given the absorption period projection for each hypothetical village.

**Building Permits and Fees** are based on actual projections provided for review. These costs are summarized as follows.

CATEGORY	LDR	MDR	HDR
Unit Size (SF)	2,500	1,800	1,000
Total Fees - Table 7-1 Finance Plan	\$63,892	\$52,214	\$34,634
Less: Credit for Housing Impact Fees	(\$2,340)	(\$2,340)	(\$1,378)
NET FEES	\$61,552	\$49,874	\$33,256

Permits and fees for the subject are projected between \$49,874 (MDR) and \$61,552 (LDR) per unit.

**General and Administrative** costs include all salaries for internal professionals (construction supervisors, support staff, etc.) and office overhead and supplies. This estimate is identified at 3% of gross proceeds.

Marketing Costs are projected at 1.25% of gross proceeds.

**Other Indirect Costs** are the costs and fees incurred in developing the project and during the construction cycle, which may include architectural and engineering, insurance/bonds, common costs, field overhead and project coordinator fees. These costs are projected at 5% of gross proceeds.

**Real Estate Taxes** are estimated based on the current tax rate at 1.1517% and applied to the estimated value via extraction. Based on the overall calculations on value identified for each product area, the allocation of taxes is calculated as follows.

PROJECT	MDR-1	LDR-1	LDR-2
LOT SIZE	3,230 SF	5,700 SF	6,825 SF
AVERAGE HOME SIZE	2,044 SF	2,241 SF	2,719 SF
Land Value Conclusion	\$189,200	\$233,700	\$252,400
Annual Base Taxes (1.1517%)	\$2,179.02	\$2,691.52	\$2,906.89
Per Month	\$181.58	\$224.29	\$242.24
Absorption Period - Months	22.5	20.25	22
Total Expenditure/Lot	\$4,085.66	\$4,541.94	\$5,329.30
# of Units	110	81	77
Overall Totals	\$449,422	\$367,898	\$410,356
50% basis due to Absorption	\$224,711	\$183,949	\$205,178
Per Unit	\$2,043	\$2,271	\$2,665

**Direct Levies** include the charges applied to the vacant lots during construction. These direct levies show annual payments from \$671.00 to \$805.00 per annum. Calculations are illustrated as follows.

PROJECT	MDR-1	LDR-1	LDR-2
LOT SIZE	3,230 SF	5,700 SF	6,825 SF
AVERAGE HOME SIZE	2,044 SF	2,241 SF	2,719 SF
Direct Levies Per Annum	\$671.00	\$805.00	\$805.00
Per Month	\$55.92	\$67.08	\$67.08
Absorption Period - Months	22.5	20.25	22
Total Expenditure/Lot	\$1,258.13	\$1,358.44	\$1,475.83
# of Units	110	81	77
Overall Totals	\$138,394	\$110,033	\$113,639
50% basis due to Absorption	\$69,197	\$55,017	\$56,820
Per Unit	\$629	\$679	\$738

### **Special Taxes**

The subject project is proposed for a special district (IA-1) as described in the Taxes and Special Assessments section of this report. They are identified from \$1,851.81 to \$2,300.70 per annum. This analysis includes 50% of the HOA fees paid by the developer and considers absorption of the project. The overall calculations are illustrated as follows.

PROJECT	MDR-1	LDR-1	LDR-2
LOT SIZE	3,230 SF	5,700 SF	6,825 SF
AVERAGE HOME SIZE	2,044 SF	2,241 SF	2,719 SF
Special District Per Annum	\$1,851.81	\$2,300.70	\$2,300.70
Per Month	\$154.32	\$191.73	\$191.73
Absorption Period - Months	22.5	20.25	22
Total Expenditure/Lot	\$3,472.14	\$3,882.43	\$4,217.95
# of Units	110	81	77
Overall Totals	\$381,936	\$314,477	\$324,782
50% basis due to Absorption	\$190,968	\$157,238	\$162,391
Per Unit	\$1,736	\$1,941	\$2,109

#### HOA Dues

HOA is projected to be \$190 per month, per unit. A prudent development would annex homes into a HOA in phases, after homes are built (typically on issuance of certificate of occupancy). As a result, the developer typically pays limited HOA fees. Primary exceptions include when homes fall out of contract after certificates of occupancy have been issued, or market conditions stall and the developer is left paying fees for a large group of homes. This analysis includes 50% of the HOA fees paid by the developer and considers absorption for the project. Overall calculations are illustrated as follows.

PROJECT	MDR-1	LDR-1	LDR-2
LOT SIZE	3,230 SF	5,700 SF	6,825 SF
AVERAGE HOME SIZE	2,044 SF	2,241 SF	2,719 SF
HOA Per Annum	\$2,280.00	\$2,280.00	\$2,280.00
Per Month	\$190.00	\$190.00	\$190.00
Absorption Period - Months	22.5	20.25	22
Total Expenditure/Lot	\$4,275.00	\$3,847.50	\$4 <i>,</i> 180.00
# of Units	110	81	77
Overall Totals	\$470,250	\$311,648	\$321,860
50% basis due to Absorption	\$235,125	\$155,824	\$160,930
Per Unit	\$2,138	\$1,924	\$2,090

#### **DEVELOPER'S INCENTIVE**

Developers surveyed in this market climate noted that projects are being looked at based on profit requirements. Urban projects typically require much higher profits, as capital outlays for construction are nearly double that of suburban projects. The expectations noted below reflect bottom line profit for the project.

PRO-FORMA		
Based on Market Acquisition	AREA	EXPECTATION
Regional Homebuilder	Sacramento MSA	19.0% total IRR based on finished lots
1,000+ Lots (2024 Pro-Forma)		
Paper Lots		
Regional Homebuilder	Sacramento MSA	13.1% profit from production homes priced
50+ Lots (2024 Pro-Forma)		From the low \$400s to mid \$500s
Paper Lots		
Regional Homebuilder	East Bay Area	12.75% profit from production homes priced
50+ Lots (2024 Pro-Forma)		Above \$1.0 million. BMR requirement with
Finished		15.0% of units.
Regional Homebuilder	East Bay Area	20.2% profit from production homes priced
100+Lots (2024 Pro-Forma) Finished		above \$800,000. Developer acquired project
Finished		in early 2021. BMR requirement with 8.0% of units.
Regional Homebuilder	Central Valley	15.6% profit from production homes priced
100+ Lots (2023 Pro-Forma)	Central valley	above \$650,000. Developer acquired project
Finished		in early 2020.
Regional Homebuilder	Central Valley	12.97% profit from production homes priced
100+ Lots (2023 Pro-Forma)		above \$600,000.
Finished		
Regional Homebuilder	Central Valley	13.5% profit from production homes priced
100+ Lots (2023 Pro-Forma)		Above \$1,000,000.
Finished		
Regional Homebuilder	Central Valley	17.7% profit from production homes priced
50+ Lots (2023 Pro-Forma)		Above \$600,000.
Finished		

The net profit noted implies net profit, net of debt financing only. Some builders do not use or report equity financing. In addition to product segment and expected sales rate, numerous other factors affect profit expectations, such as entitlements, location, lot condition, prior project history, as well as broader market conditions such as recessionary risks.

Developers incentive is applied at 10% of gross retail sales proceeds.

## Cost of Funds

Cost of funds is the overall cost, or blended cost of debt and equity, i.e., the time value of money. Debt financing is typically less costly and is offered by conventional lenders, while equity financing carries higher risk and higher costs. Equity financing is typically paid on a waterfall basis. Preferred returns typically range from 8% to 20% and come with minimum IRR expectations. Private equity requirements vary based on project size and type. Smaller projects may rely on private equity financing based on a preferred return only (reflecting a minor premium on rates expected from "safe" commercial investments such as low-risk self-storage facilities), while larger projects—such as master planned communities—may require a preferred return, as well as multiples of 2X or 3X, in addition to project performance requirements such as sales rate (3+/month) and unleveraged IRR requirements (25+%).

Assuming typical loan costs, a discount rate (cost of funds) of 6.50% for the subject. The annual rate is applied to the calculated net income after profit figure for each product type and applied to the overall holding period. These calculations are identified as follows.

PROJECT	MDR-1	LDR-1	LDR-2
LOT SIZE	3,230 SF	5,700 SF	6,825 SF
AVERAGE HOME SIZE	2,044 SF	2,241 SF	2,719 SF
Net Income/Lot After Profit	\$215,447	\$262,464	\$286,504
Absorption Period - Months	22.5	20.25	22
Rate (6.5% applied Monthly)	0.54%	0.54%	0.54%
Overall Totals	\$26,258	\$28,789	\$34,142

#### Interaction of Developer's Incentive/Cost of Funds

The interaction of Developer's Incentive and the Cost of Funds considers the overall profitability for each specific project. The total of these components measured against gross retail sales proceeds for each project shows this overall relationship. Based on the calculations identified in this section, subject gross sale proceeds are noted as follows.

PROJECT	MDR-1	LDR-1	LDR-2			
LOT SIZE	3,230 SF	3,230 SF 5,700 SF 6,82				
AVERAGE HOME SIZE	2,044 SF	2,241 SF	2,719 SF			
Developer's Incentive	\$62,792	\$71,559	\$78,854			
Cost of Funds	\$26,258	\$28,789	\$34,142			
TOTAL	\$89,049	\$100,348	\$112,996			
Gross Sales Proceeds	\$627,918	\$715,594	\$788,541			
% of GSP	14.2%	14.0%	14.3%			

The overall profit expectation for each village ranges from 14.0% to 14.3% of gross sales proceeds. This is supportive of the project feasibility and is attractive to home builders. In addition, these parameters were tested in Discount Cash Flow models based on the overall conclusions noted in the prior sections. The only variance is that revenues and costs were inflated over time at 2% per annum (0.5% per quarter), starting in period 5. These net revenues were factored at IRR's from 20% to 23%. Conclusions are noted below.

PRODUCT	CONCLUSION/LOT	IRR
MDR-1	\$191,909	21.0%
LDR-1	\$242,963	22.0%
LDR-2	\$258,312	22.0%

This rate was generally reasonable as a "Stress-Test" was identified for each village utilizing an IRR range from 20% to 23%. This rate includes profit for the developer.

According to the PwC Real Estate Investor Survey (2<sup>nd</sup> quarter 2024), free-and-clear discount rates including developer's profit ran from 14.00% to 30.00% and average 19.13% this quarter. This is slightly below the past two reporting periods (2Q 23 and 4Q 23) averaging 19.13%. Historic figures dating back to 2012 are noted on the following table.

#### DISCOUNT RATES (IRRs)<sup>a</sup> 2012 to 2024

2012 10 2024				
	DISCOUNT RATE			
Quarter	Range	Average		
2Q12	15.00% - 30.00%	20.42%		
4Q12	10.00% - 25.00%	19.17%		
2Q13	10.00% - 25.00%	18.90%		
4Q13	10.00% - 25.00%	18.31%		
2Q14	10.00% - 25.00%	18.15%		
4Q14	10.00% - 25.00%	16.75%		
2Q15	10.00% - 20.00%	15.90%		
4Q15	10.00% - 20.00%	15.50%		
2Q16	10.00% - 20.00%	15.50%		
4Q16	10.00% - 20.00%	16.00%		
2Q17	10.00% - 20.00%	16.00%		
4Q17	10.00% - 20.00%	15.40%		
2Q18	10.00% - 20.00%	15.40%		
4Q18	10.00% - 20.00%	15.80%		
2Q19	10.00% - 20.00%	15.50%		
4Q19	10.00% - 20.00%	15.90%		
2Q20	10.00% - 25.00%	15.20%		
4Q20	10.00% - 25.00%	15.60%		
2Q21	10.00% - 25.00%	16.70%		
4Q21	10.00% - 30.00%	16.80%		
2Q22	10.00% - 30.00%	17.20%		
4Q22	12.00% - 30.00%	18.70%		
2Q23	12.00% - 30.00%	19.20%		
4Q23	12.00% - 30.00%	19.20%		
2Q24	14.00% - 30.00%	19.13%		
	unleveraged, all-cash tr leveloper's profit	ansactions;		

For additional support, current rates were identified from RealtyRates for development models. These factors reflect applicable rates for California/Pacific Islands for First Quarter 2024 and are noted on the following table.

	Actual Rates			Pro-Forma Rates		
	Min	Max	Avg	Min	Max	Avg
Site-Built Residential	17.91%	39.06%	26.43%	17.20%	37.50%	25.38%
-100 Units	17.91%	33.67%	25.28%	17.20%	32.33%	24.27%
100-500 Units	18.36%	37.04%	26.59%	17.63%	35.56%	25.53*
500+Units	18.81%	38.72%	27.04%	18.06%	37.18%	25.96%
Mixed Use	19.26%	39.06%	26.83%	18.4 9%	37.50%	25.75%
Manufactured Housing	18.48%	42.68%	28.37%	17.74%	40.97%	27.24%
-100 Units	18.48%	37.11%	27.24%	17.74%	35.63%	26.15%
100-500 Units	18.94%	40.83%	28.69%	18.19%	39.19%	27.54%
500+Units	19.41%	42.68%	29.18%	18.63%	40.97%	28.01
Business Parks	18.43%	39.66%	26.98%	17.69%	38.07%	25.90%
-100 Acres	18.43%	34.48%	25.93%	17.69%	33.11%	24.89%
100-500 Acres	18.89%	37.93%	27.27%	18.13%	36.42%	26.18%
500+ Acres	19.35%	39.66%	27.73%	18.57%	38.07%	26.62%
Industrial Parks	18.53%	34.42%	24.66%	17.79%	33.05%	23.68%
-100 Acres	18.53%	29.93%	23.75%	17.79%	28.74%	22.80%
100-500 Acres	18.99%	32.93%	24.92%	18.23%	31.61%	23.92*
500+ Acres	19.46%	34.42%	25.32%	18.6 8%	33.05%	24.31

"1st Quarter 2024 Data

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The information from RealtyRates is applicable for Ground-up construction through completed improvements. For site built residential, the IRR ranges from 17.91% to 39.06% based on average rates noted throughout. These rates are likely overstated as the subject revenues are based on finished lots. As such, the IRR range from 20% to 23% is reasonable for comparison.

All other elements pertinent to the individual models remains the same. However, property taxes are based on the value conclusion and the individual line items for property taxes change when changing the IRR conclusion. These individual models are retained in the appraiser's work file.

**MDR-1:** The concluded value based on a 21% IRR is identified at \$192,000 per lot. These conclusions based on the range in IRR's note the following matrix.

IRR	20%	21%	22%	23%
OVERALL VALUE	\$21,480,000	\$21,110,000	\$20,760,000	\$20,400,000
PER LOT	\$195,273	\$191,909	\$188,727	\$185,455
TOTAL VARIANCE (20% to 23%)	5.0%			

**LDR-1:** The concluded value based on a 22% IRR is identified at \$242,963 per lot. These conclusions based on the range in IRR's note the following matrix.

IRR	20%	<mark>21%</mark>	22%	23%
OVERALL VALUE	\$20,250,000	\$19,960,000	\$19,680,000	\$19,400,000
PER LOT	\$250,000	\$246,420	\$242,963	\$239,506
TOTAL VARIANCE (20% to 23%)	4.2%			

**LDR-2:** The concluded value based on a 22% IRR is identified at \$258,312 per lot. These conclusions based on the range in IRR's note the following matrix.

IRR	<b>20%</b>	<mark>21%</mark>	22%	23%
OVERALL VALUE	\$20,510,000	\$20,190,000	\$19,890,000	\$19,580,000
PER LOT	\$266,364	\$262,208	\$258,312	\$254,286
TOTAL VARIANCE (20% to 23%)	4.5%			

The overall variance identified between 20% and 23% ranges from 4.2% to 5.0%. Given the IRR was concluded in the middle of this range, a 21% IRR is applied for the MDR components, whereas the IRR is 22% for the LDR components. Copies of the individual models used in this "Stress-Test" are included in the addenda of this report.

Copies of the extraction method, as well as the cash flow models (based on 22% IRR) are identified as follows.

PROJECT		MDR-1	LDR-1	LDR-2
Average Home Size		2,044	2,241	2,719
Number of Lots		110	81	157
Direct Construction Costs/SF		\$100	\$95	\$90
# of Models		3	2	3
Costs/Model	1/	\$150,000	\$150,000	\$150,000
REVENUE		1000	4.1.2	
Base Home Revenue		\$624,282	\$711,113	\$771,647
Lot Premium		\$2,000	\$3,000	\$15,748
Model Recapture (40%)		\$1,636	\$1,481	\$1,146
TOTAL REVENUE (Gross Sales Proceeds)		\$627,918	\$715,594	\$788,541
EXPENSES				
-Sales Commissions	3.00%	\$18,838	\$21,468	\$23,656
-Closing, Title, Escrow	0.25%	\$1,570	\$1,789	\$1,971
-Warranty	1.00%	\$6,279	\$7,156	\$7,885
-Direct Construction Costs	1.000	\$204,400	\$212,895	\$244,710
-Permits and Fees		\$49,874	\$61,552	\$61,552
-General and Administrative	3.00%	\$18,838	\$21,468	\$23,656
-Marketing	1.25%	\$7 <i>,</i> 849	\$8,945	\$9,857
-Other Indirects (Construction/Insurance/Contingency)	5.00%	\$31,396	\$35,780	\$39,427
-Model Costs		\$4,091	\$3,704	\$2,866
-Ad Valorem Taxes	1.1517%	\$2,043	\$2,271	\$2,665
-Direct Levies		\$629	\$679	\$738
-Special Taxes		\$1,736	\$1,941	\$2,109
-HOA		\$2,138	\$1,924	\$2,090
TOTAL EXPENSES		\$349,680	\$381,571	\$423,183
NET INCOME BEFORE PROFIT		\$278,238	\$334,024	\$365,358
-Implied Developer's Incentive	10.0%	\$62,792	\$71,559	\$78,854
NET INCOME AFTER PROFIT		\$215,447	\$262,464	\$286,504
-Implied Costs of Funds	6.5%	\$26,258	\$28,789	\$34,142
VALUE INDICATION (PER LOT)		\$189,189	\$233,675	\$252,362
ROUNDED		\$189,200	\$233,700	\$252,400

Calculations of the overall lot value based on each product type based on cash flow models are identified on the following tables.

Quarterly - MDR-1		PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	
ІТЕМ		1	2	3	4	5	6	7	8	9	10	11	TOTALS
SINGLE-FAMILY RESIDENTIAL													
Total Number Developed		110	110	98	86	74	62	50	38	26	14	2	
Total Number Constructed		15	12	12	12	12	12	12	12	11	0	0	110
Number of Units sold		0	12	12	12	12	12		12	12	12	2	110
Number of Units Unsold		110	98	86	74	62	50	38	26	14	2	0	
Average Selling Price (With Lot Premiums)		\$626,282	\$626,282	\$626,282	\$626,282	\$626,282	\$626,282	\$626,282	\$626,282	\$626,282	\$626,282	\$626,282	
Total Revenues - Base Plans		\$0	\$7,515,384	\$7,515,384	\$7,515,384	\$7,515,384	\$7,515,384	\$7,515,384	\$7,515,384	\$7,515,384	\$7,515,384	\$1,252,564	\$68,891,020
Model Home Recapture		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$180,000	\$180,000
TOTAL PROJECT REVENUES		\$0	\$7,515,384	\$7,515,384	\$7,515,384	\$7,515,384	\$7,515,384	\$7,515,384	\$7,515,384	\$7,515,384	\$7,515,384	\$1,432,564	\$69,071,020
Market Appreciation (Quarterly, Starts Period 5)	0.50%	\$0 \$0	\$0,515,584	\$7,515,584	\$0,515,584	\$37,577	\$75,342	\$113,295	\$151,439	\$189,773	\$228,299	\$50,898	\$846,622
TOTAL REVENUE	0.30%	\$0 <b>\$0</b>	\$7,515,384	\$7,515,384	\$7,515,384	\$7,552,961	\$7,590,726	\$7,628,679	\$7,666,823	\$105,173 \$7,705,157	\$7,743,683	\$1,483,462	\$69,917,642
		ŞU	\$7,515,564	\$7,515,564	\$7,515,564	\$7,552,901	\$7,590,720	<i><b>Ş</b>7,020,079</i>	\$7,000,823	\$7,705,157	<i><b>२</b>1,143,063</i>	<b>\$1,405,402</b>	<b>\$09,917,042</b>
FIXED EXPENSES	*	42 ACC 000	40.450.000	40.450.000	42 452 000	42 452 000	40.450.000	42 452 000	63 453 000	42 2 40 400	60	<b>t</b> 0	422 40 4 000
	\$ 204,400	\$3,066,000	\$2,452,800	\$2,452,800	\$2,452,800	\$2,452,800	\$2,452,800	\$2,452,800	\$2,452,800	\$2,248,400	\$0	\$0	\$22,484,000
Model Upgrades	\$ 49.874	\$450,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0 65 40 61 4	\$0 ¢0	\$0 ¢0	\$450,000
Tennis arees	\$ 49,874	\$748,110	\$598,488	\$598,488	\$598,488	\$598,488	\$598,488	\$598,488	\$598,488	\$548,614	\$0	\$0	\$5,486,140
Total Construction Costs	0.50%	\$4,264,110	\$3,051,288	\$3,051,288	\$3,051,288	\$3,051,288	\$3,051,288	\$3,051,288	\$3,051,288	\$2,797,014	\$0	\$0	\$28,420,140
Inflation (Home Construction)	0.50%	\$0	\$O	\$0	\$0	\$15,256	\$30,589	\$45,999	\$61,485	\$70,628	\$0	\$0	\$223,957
TOTAL CONSTRUCTION COSTS		\$4,264,110	\$3,051,288	\$3,051,288	\$3,051,288	\$3,066,544	\$3,081,877	\$3,097,287	\$3,112,773	\$2,867,642	\$0	\$0	\$28,644,097
VARIABLE EXPENSES													
Property Taxes (1.1517%)	\$552.55	\$60,781	\$54,150	\$47,519	\$40,889	\$34,943	\$28,180	\$21,417	\$14,654	\$8,048	\$1,150	\$0	\$311,730
Direct Levies (Per Quarter)	\$157.25	\$17,298	\$15,411	\$13,524	\$11,637	\$9,944	\$8,020	\$6,095	\$4,170	\$2,290	\$327	\$0	\$88,715
Special Taxes (Per Quarter)	\$434.00	\$47,740	\$42,532	\$37,324	\$32,116	\$27,446	\$22,134	\$16,822	\$11,510	\$6,321	\$903	\$0	\$244,848
HOA (Per Quarter)	\$570.00	\$62,700	\$62,700	\$55,860	\$49,020	\$42,180	\$35,340	\$28,500	\$21,660	\$14,820	\$7,980	\$1,140	\$381,900
Other Indirect Costs	5.00%	\$317,807	\$317,807	\$317,807	\$317,807	\$317,807	\$317,807	\$317,807	\$317,807	\$317,807	\$317,807	\$317,807	\$3,495,882
Marketing	1.25%	\$0	\$93,942	\$93,942	\$93,942	\$94,412	\$94,884	\$95,358	\$95,835	\$96,314	\$96,796	\$18,543	\$873,971
Closing Costs, Warranty	1.25%	\$0	\$93,942	\$93,942	\$93,942	\$94,412	\$94,884	\$95,358	\$95,835	\$96,314	\$96,796	\$18,543	\$873,971
Commissions	3.0%	\$0	\$225,462	\$225,462	\$225,462	\$226,589	\$227,722	\$228,860	\$230,005	\$231,155	\$232,310	\$44,504	\$2,097,529
Admin. and Overhead	3.0%	\$190,684	\$190,684	\$190,684	\$190,684	\$190,684	\$190,684	\$190,684	\$190,684	\$190,684	\$190,684	\$190,684	\$2,097,529
TOTAL VARIABLE EXPENSES		\$697,010	\$1,096,6 <mark>3</mark> 0	\$1,076,065	\$1,055,499	\$1,038,419	\$1,019,656	\$1,000,903	\$982,161	\$963,756	\$944,755	\$591,222	\$10,466,075
TOTAL FIXED AND VARIABLE EXPENSES		\$4.961.120	\$4.147.918	\$4,127,353	\$4.106.787	\$4.104.963	\$4,101,533	\$4.098.190	\$4.094.934	\$3,831,398	\$944.755	\$591,222	\$39.110.172
TOTAL FIXED AND VARIABLE EXPENSES		<b>34,901,120</b>	<i><b>34,147,910</b></i>	<b>34,127,333</b>	\$4,100,787	\$4,104,905	<b>34,101,333</b>	\$4,098,190	<b>\$4,094,954</b>	<b>\$3,031,390</b>	<b>, 3944, 755</b>	<b>\$</b> 591,222	\$59,110,172
NET SALES REVENUE (BEFORE PROFIT)		<mark>(\$4,961,120)</mark>	\$ <mark>3,367,466</mark>	\$ <mark>3,388,031</mark>	\$3,408,597	\$3,447,998	<mark>\$3,489,193</mark>	\$3,530,490	\$3,571,889	\$3,873,759	\$6,798,928	\$892,240	\$30,807,470
Discount Rate	21%	0.95012	0.90273	0.85770	0.81491	0.77426	0.73564	0.69895	0.66408	0.63096	0.59949	0.56958	
Net Cash Flow		(\$4,713,653)	\$3,039,898	\$2,905,903	\$2,777,712	\$2,669,663	\$2,566,802	\$2,467,631	\$2,372,035	\$2,444,183	\$4,075,861	\$508,204	
NET PRESENT VALUE		\$21,114,239											
ROUNDED		\$21,110,000											
PER LOT		\$191,909											
IRR CALCULATIONS	VALUE	PERIOD 1	PERIOD 2	PERIOD 3	PERIOD 4	PERIOD 5	PERIOD 6	PERIOD 7	PERIOD 8	PERIOD 9	PERIOD 10	PERIOD 11	
	(\$21,114,239)	(\$4,961,120)	\$3,367,466	\$3,388,031	\$3,408,597	\$3,447,998	\$3,489,193	\$3,530,490	\$3,571,889	\$3,873,759	\$6,798,928	\$892,240	
IRR (quarterly)	5.25%	(, ,,0)	, ,	,,	,	, ,	, ,	,,	,	,,	,	,- · ·	
Annualized	21.0%												
	21.0/6												

	\$0 5 \$3,193,425 \$300,000 2 \$923,280 \$4,416,705 1% \$0 \$4,416,705 5 \$56,664 5 \$16,301 8 \$46,590 10 \$46,170 1% \$364,706 1% \$0	81 12 12	69 12 57 \$714,113 \$8,569,356 \$8,569,356 \$0 <b>\$8,569,356</b>	4 57 12 45 \$714,113 \$8,569,356 \$0 \$8,569,356 \$0 \$8,569,356 \$0 \$2,554,740 \$0 \$738,624 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364	45 12 33 \$714,113 \$8,569,356 \$42,847 \$8,612,203 \$2,554,740 \$0 \$738,624 \$3,293,364 \$16,467 <b>\$3,309,831</b> \$23,547 \$6,774 \$19,361 \$18,810	33 12 21 \$714,113 \$8,569,356 \$0 \$8,569,356 \$85,908 \$8,655,264 \$2,554,740 \$0 \$738,624 \$3,293,364 \$3,3016 \$3,326,380 \$14,984 \$4,311 \$12,320 \$11,970	21 6 12 9 \$714,113 \$8,569,356 \$129,184 \$8,698,540 \$1,277,370 \$0 \$369,312 \$1,646,682 \$24,824 \$1,647,506 \$6,422 \$1,847 \$5,280 \$5,130	9 0 9	8 8 8 557,843,153 527,963,153 5389,864 558,353,017 \$17,244,495 \$300,000 \$4,985,712 \$22,530,207 \$74,307 \$22,604,514 \$221,240 \$63,647 \$181,906 \$179,550
Total Number Developed         Total Number Constructed         Number of Units sold         Average Selling Price (Including Lot Preliums)         Total Revenues - Base Plans         Model Home Recapture         TOTAL PROJECT REVENUES         Market Appreciation (Quarterly, Starts in Period 5)         0.9 <b>TOTAL REVENUE FIXED EXPENSES</b> Construction Costs       \$ 212,6         Model Upgrades         Permits & Fees       \$ 61,5         Total Construction Costs       Inflation (Home Construction)         Inflation (Home Construction)       0.9         TOTAL CONSTRUCTION COSTS       VARIABLE EXPENSES         Property Taxes (1.1517%)       \$699         Direct Levies (Per Quarter)       \$570         Other Indirect Costs       5.0         Marketing       1.2         Closing Costs, Warranty       1.2         Commissions       3         Admin. and Overhead       3         TOTAL VARIABLE EXPENSES       TOTAL VARIABLE EXPENSES	15 ( 81 \$714,113 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	12 12 69 \$714,113 \$8,569,356 \$0 \$8,569,356 \$0 \$2,554,740 \$0 \$738,624 \$3,293,364 \$0 \$3,293,364 \$39,330 \$364,706 \$107,117	12 57 \$714,113 \$8,569,356 \$0 \$8,569,356 \$0 \$8,569,356 \$0 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364 \$32,785 \$32,490 \$364,706	12 45 \$714,113 \$8,569,356 \$0 \$8,569,356 \$0 \$8,569,356 \$0 \$2,554,740 \$0 \$738,624 \$3,293,364 \$3,293,364 \$0 \$3,293,364 \$0 \$3,293,364	12 33 \$714,113 \$8,569,356 \$42,847 \$8,612,203 \$2,554,740 \$3,293,364 \$3,293,364 \$16,467 \$3,309,831 \$23,547 \$3,309,831	12 21 \$714,113 \$8,569,356 \$8,569,356 \$85,908 <b>\$8,655,264</b> \$2,554,740 \$0 \$738,624 \$3,293,364 \$33,016 <b>\$3,326,380</b> \$14,984 \$4,311 \$12,320 \$11,970	6 12 9 \$714,113 \$8,569,356 \$129,184 \$8,698,540 \$1,277,370 \$0 \$369,312 \$1,646,682 \$24,824 \$1,671,506 \$4,422 \$1,847 \$5,280 \$5,130	0 9 0 \$714,113 \$6,427,017 \$131,926 <b>\$6,547,017</b> \$131,926 <b>\$6,678,943</b> \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	8 \$57,843,153 \$120,000 \$57,963,153 \$389,864 \$58,353,017 \$17,244,495 \$300,000 \$4,985,712 \$22,530,207 \$74,307 \$22,604,514 \$221,240 \$63,647 \$181,906 \$179,550
Total Number Constructed         Number of Units sold         Average Selling Price (Including Lot Preliums)         Total Revenues - Base Plans         Model Home Recapture         TOTAL PROJECT REVENUES         Market Appreciation (Quarterly, Starts in Period 5)         0.5         TOTAL REVENUE         FIXED EXPENSES         Construction Costs       \$ 212,6         Model Upgrades         Permits & Fees       \$ 61,5         Total Construction Costs       \$         Inflation (Home Construction)       0.5         TOTAL CONSTRUCTION COSTS       VARIABLE EXPENSES         Property Taxes (1.1517%)       \$699         Direct Levies (Per Quarter)       \$570         Other Indirect Costs       5.0         Marketing       1.2         Closing Costs, Warranty       1.2         Commissions       3         Admin. and Overhead       3         TOTAL VARIABLE EXPENSES       TOTAL VARIABLE EXPENSES	15 ( 81 \$714,113 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	12 12 69 \$714,113 \$8,569,356 \$0 \$8,569,356 \$0 \$2,554,740 \$0 \$738,624 \$3,293,364 \$0 \$3,293,364 \$39,330 \$364,706 \$107,117	12 57 \$714,113 \$8,569,356 \$0 \$8,569,356 \$0 \$8,569,356 \$0 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364 \$32,785 \$32,490 \$364,706	12 45 \$714,113 \$8,569,356 \$0 \$8,569,356 \$0 \$8,569,356 \$0 \$2,554,740 \$0 \$738,624 \$3,293,364 \$3,293,364 \$0 \$3,293,364 \$0 \$3,293,364	12 33 \$714,113 \$8,569,356 \$42,847 \$8,612,203 \$2,554,740 \$3,293,364 \$3,293,364 \$16,467 \$3,309,831 \$23,547 \$3,309,831	12 21 \$714,113 \$8,569,356 \$8,569,356 \$85,908 <b>\$8,655,264</b> \$2,554,740 \$0 \$738,624 \$3,293,364 \$33,016 <b>\$3,326,380</b> \$14,984 \$4,311 \$12,320 \$11,970	6 12 9 \$714,113 \$8,569,356 \$129,184 \$8,698,540 \$1,277,370 \$0 \$369,312 \$1,646,682 \$24,824 \$1,671,506 \$4,422 \$1,847 \$5,280 \$5,130	0 9 0 \$714,113 \$6,427,017 \$131,926 <b>\$6,547,017</b> \$131,926 <b>\$6,678,943</b> \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	8 \$57,843,153 \$120,000 \$57,963,153 \$389,864 \$58,353,017 \$28,353,017 \$22,530,207 \$22,500,207 \$22,500,207 \$22,500,207 \$22,500,207 \$22,500,207 \$22,500,207 \$22,500,207 \$22,500,207 \$22,500,207 \$22,500,207 \$22,500,207 \$22,500,
Number of Units sold Number of Units Unsold Average Selling Price (Including Lot Preliums) Total Revenues - Base Plans Model Home Recapture TOTAL PROJECT REVENUES Market Appreciation (Quarterly, Starts in Period 5) 0.5 <b>TOTAL REVENUE</b> <b>FIXED EXPENSES</b> Construction Costs \$ 212,6 Model Upgrades Permits & Fees \$ 61,5 Total Construction Costs Inflation (Home Construction) 0.5 <b>TOTAL CONSTRUCTION COSTS</b> <b>VARIABLE EXPENSES</b> Property Taxes (1.1517%) \$699 Direct Levies (Per Quarter) \$201 Special Taxes (Per Quarter) \$575 HOA (Per Quarter) \$575 MOA (Per Quarter) \$570 Other Indirect Costs 5.0 Marketing 1.2 Closing Costs, Warranty 1.2 Commissions 3 Admin. and Overhead 3 <b>TOTAL VARIABLE EXPENSES</b>	31           \$714,113           \$0           \$0           \$0           \$0           \$0           \$0           \$0           \$0           \$0           \$0           \$0           \$0           \$0           \$0           \$0           \$0           \$0           \$0           \$0           \$4,416,705           \$16,601           \$0           \$44,6,590           \$0           \$46,590           \$0           \$46,706           \$364,706           \$%           \$%	12 65 5714,113 \$8,569,356 50 \$8,569,356 50 \$8,569,356 \$0 \$2,554,740 \$0 \$738,624 \$3,293,364 \$3,293,364 \$3,293,364 \$39,687 \$39,330 \$364,706 \$107,117	12 57 \$714,113 \$8,569,356 \$0 \$8,569,356 \$0 \$8,569,356 \$0 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364 \$32,785 \$32,490 \$364,706	12 45 \$714,113 \$8,569,356 \$0 \$8,569,356 \$0 \$8,569,356 \$0 \$2,554,740 \$0 \$738,624 \$3,293,364 \$0 \$3,293,364 \$0 \$3,293,364 \$0 \$3,293,364	12 33 \$714,113 \$8,569,356 \$42,847 \$8,612,203 \$2,554,740 \$0 \$738,624 \$3,293,364 \$16,467 \$3,309,831 \$23,547 \$6,774 \$19,361 \$18,810	12 21 \$714,113 \$8,569,356 \$8,569,356 \$8,559,264 \$2,554,740 \$0 \$738,624 \$3,293,364 \$33,2016 \$33,26,380 \$14,984 \$4,311 \$12,320 \$11,970	12 9 <u>\$714,113</u> \$8,569,356 \$129,184 <b>\$8,698,540</b> \$1,277,370 \$0 <b>\$369,312</b> \$1,646,682 \$24,824 <b>\$1,671,506</b> \$4,422 \$1,847 \$5,280 \$5,130	\$6,427,017 \$120,000 \$6,547,017 \$131,926 <b>\$6,578,943</b> \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	8 \$57,843,153 \$120,000 \$57,963,153 \$389,864 \$58,353,012 \$17,244,499 \$300,000 \$4,985,712 \$22,530,202 \$74,302 \$22,530,202 \$74,302 \$22,604,514 \$22,1240 \$63,642 \$181,900 \$179,550
Number of Units Unsold         Average Selling Price (Including Lot Preliums)         Total Revenues - Base Plans         Model Home Recapture         TOTAL PROJECT REVENUES         Market Appreciation (Quarterly, Starts in Period 5)         0.5         TOTAL REVENUE         FIXED EXPENSES         Construction Costs         Model Upgrades         Permits & Fees         Soft Construction Costs         Inflation (Home Construction)         0.5         TOTAL CONSTRUCTION COSTS         VARIABLE EXPENSES         Property Taxes (1.1517%)         Special Taxes (Per Quarter)         \$575         HOA (Per Quarter)         Special Taxes (Per Quarter)         \$570         Other Indirect Costs         Marketing         1.2         Cosing Costs, Warranty         1.3         Commissions       3         Admin. and Overhead         3         TOTAL VARIABLE EXPENSES	83 \$714,113 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	65 \$714,113 \$8,569,356 \$0 \$8,569,356 \$0 \$2,554,740 \$0 \$738,624 \$3,293,364 \$3,293,364 \$3,293,364 \$48,269 \$13,886 \$39,687 \$39,330 \$364,706 \$107,117	57 \$714,113 \$8,569,356 \$0 \$8,569,356 \$0 \$2,554,740 \$2,554,740 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364 \$3,2,785 \$32,490 \$364,706	45 \$714,113 \$8,569,356 \$0 \$8,569,356 \$0 \$2,554,740 \$0 \$738,624 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364	33 \$714,113 \$8,569,356 \$42,847 \$8,612,203 \$2,554,740 \$0 \$738,624 \$3,293,364 \$16,467 \$3,309,831 \$23,547 \$3,309,831 \$23,547 \$3,309,831	21 \$714,113 \$8,569,356 \$8,559,356 \$8,555,264 \$2,554,740 \$3293,364 \$33,293,364 \$33,206,380 \$33,326,380 \$14,984 \$4,311 \$12,320 \$11,970	9 \$714,113 \$8,569,356 \$129,184 \$8,698,540 \$1,277,370 \$0 \$369,312 \$1,646,682 \$24,824 \$1,647,506 \$4,422 \$1,847 \$5,280 \$5,130	0 \$714,113 \$6,427,017 \$120,000 \$6,547,017 \$131,926 <b>\$6,678,943</b> \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$57,843,15: \$120,000 \$57,963,15: \$389,864 \$58,353,01 \$17,244,492 \$300,000 \$4,985,711 \$22,530,20 \$74,307 \$22,604,514 \$22,604,514 \$221,244 \$63,64 \$181,900 \$179,550
Average Selling Price (Including Lot Preliums)         Total Revenues - Base Plans         Model Home Recapture         TOTAL PROJECT REVENUES         Market Appreciation (Quarterly, Starts in Period 5)         0.1         TOTAL REVENUE         FIXED EXPENSES         Construction Costs         \$         212,6         Model Upgrades         Permits & Fees         \$         Total Construction Costs         Inflation (Home Construction)         0.9         TOTAL CONSTRUCTION COSTS         VARIABLE EXPENSES         Property Taxes (1.1517%)         \$699         Direct Levies (Per Quarter)         \$201         Special Taxes (Per Quarter)         \$570         Other Indirect Costs         \$1.2         Marketing         1.2         Consing Costs, Warranty         1.3         Admin. and Overhead         3         TOTAL FIXED AND VARIABLE EXPENSES	\$714,113 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$714,113 \$8,569,356 \$0 \$8,569,356 \$0 \$2,554,740 \$0 \$738,624 \$3,293,364 \$3,293,364 \$3,293,364 \$39,687 \$39,330 \$364,706 \$107,117	\$714,113 \$8,569,356 \$0 \$8,569,356 \$0 \$2,554,740 \$2,554,740 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364 \$32,755 \$32,490 \$364,706	\$714,113 \$8,569,356 \$0 \$8,569,356 \$0 \$2,554,740 \$2,554,740 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364	\$714,113 \$8,569,356 \$42,847 \$8,612,203 \$2,554,740 \$3,293,364 \$3,293,364 \$3,293,364 \$3,309,831 \$23,547 \$23,547 \$6,774 \$19,361 \$18,810	\$714,113 \$8,569,356 \$0 \$8,569,356 \$8,555,264 \$2,554,740 \$0 \$738,624 \$3,293,364 \$33,216 \$33,26,380 \$14,984 \$4,311 \$12,320 \$11,970	\$714,113 \$8,569,356 \$129,184 \$8,698,540 \$1,277,370 \$0 \$369,312 \$1,646,682 \$24,824 \$1,647,1506 \$4,422 \$1,847 \$5,280 \$5,130	\$714,113 \$6,427,017 \$120,000 \$6,547,017 \$131,926 <b>\$6,678,943</b> \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$120,000 \$57,963,153 \$389,864 \$58,353,011 \$17,244,499 \$300,000 \$4,985,711 \$22,530,200 \$74,300 \$22,604,514 \$22,530,200 \$74,300 \$22,604,514 \$22,1,244 \$63,64 \$181,900 \$179,550
Total Revenues - Base Plans         Model Home Recapture         TOTAL PROJECT REVENUES         Market Appreciation (Quarterly, Starts in Period 5)         0.5         TOTAL REVENUE         FIXED EXPENSES         Construction Costs       \$ 212,6         Model Upgrades         Permits & Fees       \$ 61,5         Total Construction Costs       \$         Inflation (Home Construction)       0.5         TOTAL CONSTRUCTION COSTS       \$         VARIABLE EXPENSES       \$         Property Taxes (1.1517%)       \$699         Direct Levies (Per Quarter)       \$575         HOA (Per Quarter)       \$575         Marketing       1.2         Closing Costs, Warranty       1.2         Commissions       3         Admin. and Overhead       3         TOTAL VARIABLE EXPENSES       \$	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$	\$8,569,356 \$0 \$8,569,356 \$0 \$8,569,356 \$2,554,740 \$0 \$738,624 \$3,293,364 \$3,293,364 \$3,293,364 \$48,269 \$13,886 \$39,687 \$39,330 \$364,706 \$107,117	\$8,569,356 \$0 \$8,569,356 \$0 <b>\$8,569,356</b> \$2,554,740 \$0 <b>\$738,624</b> \$3,293,364 \$3,293,364 \$3,293,364 \$32,785 \$32,785 \$32,490 \$364,706	\$8,569,356 \$0 \$8,569,356 \$0 <b>\$8,569,356</b> \$2,554,740 \$0 <b>\$738,624</b> \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364	\$8,569,356 \$0 \$8,569,356 \$42,847 <b>\$8,612,203</b> \$2,554,740 \$0 \$738,624 \$3,293,364 \$16,467 <b>\$3,309,831</b> \$23,547 \$6,774 \$19,361 \$18,810	\$8,569,356 \$0 \$8,569,356 \$85,908 \$2,554,740 \$0 \$738,624 \$3,293,364 \$33,016 \$3,326,380 \$14,984 \$4,311 \$12,320 \$11,970	\$8,569,356 \$0 \$8,569,356 \$129,184 <b>\$8,698,540</b> \$1,277,370 \$0 \$369,312 \$1,646,682 \$24,824 <b>\$1,671,506</b> \$6,422 \$1,847 \$5,280 \$5,130	\$6,427,017 \$120,000 \$6,547,017 \$131,926 <b>\$6,678,943</b> \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$120,000 \$57,963,153 \$389,864 \$58,353,011 \$17,244,499 \$300,000 \$4,985,711 \$22,530,200 \$74,300 \$22,604,514 \$22,530,200 \$74,300 \$22,604,514 \$22,1,244 \$63,64 \$181,900 \$179,550
Model Home Recapture         TOTAL PROJECT REVENUES         Market Appreciation (Quarterly, Starts in Period 5)       0.5         TOTAL REVENUE       Image: Construction Costs       \$ 212,6         FIXED EXPENSES       Construction Costs       \$ 212,6         Model Upgrades       * 61,5       1.5         Permits & Fees       \$ 61,5       1.5         Total Construction Costs       Inflation (Home Construction)       0.5         TOTAL CONSTRUCTION COSTS       *       1.5         VARIABLE EXPENSES       *       1.5         Property Taxes (1.1517%)       \$699       \$570         Direct Levies (Per Quarter)       \$575       \$570         Other Indirect Costs       5.0       5.0         Marketing       1.2       \$570         Other Indirect Costs       5.0       5.0         Marketing       1.2       \$570         Other Indirect Costs       5.0       \$3         Admin. and Overhead       3       3         TOTAL VARIABLE EXPENSES       *         TOTAL FIXED AND VARIABLE EXPENSES       *	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$3,193,425 \$300,000 2 \$923,280 \$4,416,705 \$4,416,705 \$5 \$5,56,664 \$5 \$16,301 8 \$46,590 10 \$46,170 \$364,706 \$5 \$364,706 \$5 \$5 \$5 \$5 \$5 \$5 \$5 \$5 \$5 \$5	\$0 \$8,569,356 \$0 \$2,554,740 \$0 \$738,624 \$3,293,364 \$3,293,364 \$3,293,364 \$48,269 \$13,886 \$39,687 \$39,330 \$364,706 \$107,117	\$0 \$8,569,356 \$0 \$8,569,356 \$2,554,740 \$0 \$738,624 \$3,293,364 \$0 \$3,293,364 \$0 \$3,293,364 \$11,471 \$32,785 \$32,490 \$364,706	\$0 \$8,569,356 \$0 \$2,554,740 \$0 \$738,624 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364 \$0 \$31,480 \$9,056 \$25,883 \$25,650	\$0 \$8,569,356 \$42,847 \$8,612,203 \$2,554,740 \$0 \$738,624 \$3,293,364 \$16,467 \$3,309,831 \$23,547 \$6,774 \$19,361 \$18,810	\$0 \$8,569,356 \$85,908 \$2,555,264 \$2,554,740 \$0 \$738,624 \$3,293,364 \$33,016 \$33,326,380 \$14,984 \$4,311 \$12,320 \$11,970	\$0 \$8,569,356 \$129,184 \$1,277,370 \$0 \$369,312 \$1,646,682 \$24,824 \$1,671,506 \$ \$6,422 \$1,847 \$5,280 \$5,130	\$120,000 \$6,547,017 \$131,926 \$6,678,943 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$120,000 \$57,963,153 \$389,864 \$58,353,017 \$17,244,499 \$300,000 \$4,985,712 \$22,530,207 \$74,307 \$22,604,514 \$221,240 \$63,647 \$181,900 \$179,550
TOTAL PROJECT REVENUES Market Appreciation (Quarterly, Starts in Period 5) O.S TOTAL REVENUE FIXED EXPENSES Construction Costs S Model Upgrades Permits & Fees \$ 61,5 Total Construction Costs Inflation (Home Construction) 0.S TOTAL CONSTRUCTION COSTS VARIABLE EXPENSES Property Taxes (1.1517%) Special Taxes (Per Quarter) Special Taxes (Per Quarter) Special Taxes (Per Quarter) Special Taxes (Per Quarter) Costs Costs, Warranty Closing Costs, Warranty Closing Costs, Warranty Commissions Admin. and Overhead TOTAL VARIABLE EXPENSES TOTAL FIXED AND VARIABLE EXPENSES	\$0 % \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$3,193,425 \$300,000 2 \$923,280 \$4,416,705 \$4,416,705 \$5 \$5,56,664 \$5 \$16,301 8 \$46,590 \$0 \$446,170 \$364,706 \$364,706 \$5 \$50 \$50 \$50 \$50 \$50 \$50 \$50	\$8,569,356 \$0 <b>\$8,569,356</b> \$2,554,740 \$0 <b>\$738,624</b> \$3,293,364 \$0 <b>\$3,293,364</b> \$48,269 \$13,886 \$39,687 \$39,330 \$364,706 \$107,117	\$8,569,356 \$0 \$8,569,356 \$2,554,740 \$0 \$738,624 \$3,293,364 \$3,293,364 \$3,293,364 \$3,293,364 \$32,93,364 \$32,785 \$32,490 \$364,706	\$8,569,356 \$0 <b>\$8,569,356</b> \$2,554,740 \$0 <b>\$738,624</b> \$3,293,364 <b>\$3,293,364</b> <b>\$3,293,364</b> \$31,480 \$9,056 \$25,883 \$25,650	\$8,569,356 \$42,847 <b>\$8,612,203</b> \$2,554,740 \$0 \$738,624 \$3,293,364 \$16,467 <b>\$3,309,831</b> \$23,547 \$6,774 \$19,361 \$18,810	\$8,569,356 \$85,908 \$8,655,264 \$2,554,740 \$0 \$738,624 \$3,293,364 \$33,016 \$3,326,380 \$14,984 \$4,311 \$12,320 \$11,970	\$8,569,356 \$129,184 <b>\$8,698,540</b> \$1,277,370 \$0 <b>\$369,312</b> \$1,646,682 \$24,824 <b>\$1,671,506</b> \$6,422 \$1,847 \$5,280 \$5,130	\$6,547,017 \$131,926 <b>\$6,678,943</b> \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$57,963,15: \$389,86 \$58,353,01 \$17,244,49! \$300,000 \$4,985,711 \$22,530,20 \$74,30 \$22,604,514 \$221,240 \$63,64 \$181,900 \$179,550
Market Appreciation (Quarterly, Starts in Period 5)       0.9         TOTAL REVENUE       FIXED EXPENSES         Construction Costs       \$ 212,6         Model Upgrades       \$ 61,5         Permits & Fees       \$ 61,5         Total Construction Costs       \$         Inflation (Home Construction)       0.9         TOTAL CONSTRUCTION COSTS       \$         VARIABLE EXPENSES       \$         Property Taxes (1.1517%)       \$699         Direct Levies (Per Quarter)       \$2575         HOA (Per Quarter)       \$570         Other Indirect Costs       5.0         Marketing       1.3         Closing Costs, Warranty       1.4         Commissions       3         Admin. and Overhead       3         TOTAL VARIABLE EXPENSES       \$	%         \$0           \$0         \$0           \$15         \$3,193,425           \$300,000         \$2           \$2         \$923,280           \$4,416,705         \$0           \$4,416,705         \$0           \$5         \$56,664           \$5         \$16,301           8         \$46,590           90         \$46,170           \$364,706         \$30           \$%         \$0	\$0 \$8,569,356 \$2,554,740 \$0 \$738,624 \$3,293,364 \$0 \$3,293,364 \$48,269 \$13,886 \$39,687 \$39,330 \$364,706 \$107,117	\$0 \$8,569,356 \$2,554,740 \$0 \$738,624 \$3,293,364 \$0 \$3,293,364 \$0 \$39,874 \$11,471 \$32,785 \$32,490 \$364,706	\$0 \$8,569,356 \$2,554,740 \$0 \$738,624 \$3,293,364 \$0 \$3,293,364 \$3,293,364 \$0 \$31,480 \$9,056 \$25,883 \$25,650	\$42,847 \$8,612,203 \$2,554,740 \$0 \$738,624 \$3,293,364 \$16,467 \$3,309,831 \$23,547 \$6,774 \$19,361 \$18,810	\$85,908 \$8,655,264 \$2,554,740 \$0 \$738,624 \$3,293,364 \$33,016 \$3,326,380 \$14,984 \$4,311 \$12,320 \$11,970	\$129,184 \$8,698,540 \$1,277,370 \$0 \$369,312 \$1,646,682 \$24,824 \$1,671,506 \$6,422 \$1,847 \$5,280 \$5,130	\$131,926 \$6,678,943 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$389,86 <b>\$58,353,01</b> \$17,244,49 \$300,00 \$4,985,71 \$22,530,20 \$74,30 <b>\$22,604,51</b> \$221,24 \$63,64 \$181,90 \$179,550
TOTAL REVENUE         FIXED EXPENSES         Construction Costs       \$ 212,6         Model Upgrades         Permits & Fees       \$ 61,5         Total Construction Costs       Inflation (Home Construction)         Inflation (Home Construction)       0.5         TOTAL CONSTRUCTION COSTS       VARIABLE EXPENSES         Property Taxes (1.1517%)       \$699         Direct Levies (Per Quarter)       \$201         Special Taxes (Per Quarter)       \$575         HOA (Per Quarter)       \$570         Other Indirect Costs       5.6         Marketing       1.7         Closing Costs, Warranty       1.7         Commissions       3         Admin. and Overhead       3         TOTAL FIXED AND VARIABLE EXPENSES       TOTAL FIXED AND VARIABLE EXPENSES	\$0 5 \$3,193,425 \$300,000 2 \$923,280 \$4,416,705 1% \$0 \$4,416,705 1% \$0 \$4,416,705 5 \$56,664 5 \$16,301 8 \$46,590 10 \$46,170 1% \$364,706 1% \$0 1% \$0	\$8,569,356 \$2,554,740 \$0 \$738,624 \$3,293,364 \$0 \$3,293,364 \$3,293,364 \$39,687 \$39,330 \$364,706 \$107,117	\$8,569,356 \$2,554,740 \$0 \$738,624 \$3,293,364 \$0 \$3,293,364 \$0 \$39,874 \$11,471 \$32,785 \$32,490 \$364,706	\$8,569,356 \$2,554,740 \$0 \$738,624 \$3,293,364 \$0 \$3,293,364 \$3,293,364 \$0 \$31,480 \$9,056 \$25,883 \$25,650	\$8,612,203 \$2,554,740 \$0 \$738,624 \$3,293,364 \$16,467 \$3,309,831 \$23,547 \$6,774 \$19,361 \$18,810	\$8,655,264 \$2,554,740 \$0 \$738,624 \$3,293,364 \$33,016 \$3,326,380 \$14,984 \$4,311 \$12,320 \$11,970	\$8,698,540 \$1,277,370 \$0 \$369,312 \$1,646,682 \$24,824 \$1,671,506 \$6,422 \$1,847 \$5,280 \$5,130	\$6,678,943 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$58,353,01 \$17,244,49 \$300,00 \$4,985,71 \$22,530,20 \$74,30 \$22,604,51 \$22,604,51 \$221,24 \$63,64 \$181,90 \$179,55
FIXED EXPENSES         Construction Costs       \$ 212,6         Model Upgrades       *         Permits & Fees       \$ 61,5         Total Construction Costs       *         Inflation (Home Construction)       0.5         TOTAL CONSTRUCTION COSTS       *         VARIABLE EXPENSES       *         Property Taxes (1.1517%)       \$699         Direct Levies (Per Quarter)       \$2575         HOA (Per Quarter)       \$570         Other Indirect Costs       5.0         Marketing       1.2         Closing Costs, Warranty       1.2         Commissions       3         Admin. and Overhead       3         TOTAL VARIABLE EXPENSES       *	5       \$3,193,425         \$300,000         2       \$923,280         \$4,416,705         300       \$4,416,705         300       \$4,416,705         5       \$56,664         5       \$16,301         8       \$46,590         90       \$46,170         300       \$364,706         5%       \$0	\$2,554,740 \$0 \$738,624 \$3,293,364 \$3,293,364 \$3,293,364 \$48,269 \$13,886 \$39,687 \$39,330 \$364,706 \$107,117	\$2,554,740 \$0 \$738,624 \$3,293,364 \$0 <b>\$3,293,364</b> \$3,293,364 \$11,471 \$32,785 \$32,490 \$364,706	\$2,554,740 \$0 \$738,624 \$3,293,364 \$0 <b>\$3,293,364</b> \$31,480 \$9,056 \$25,883 \$25,650	\$2,554,740 \$0 \$738,624 \$3,293,364 \$16,467 <b>\$3,309,831</b> \$23,547 \$6,774 \$19,361 \$18,810	\$2,554,740 \$0 \$738,624 \$3,293,364 \$33,26,380 \$14,984 \$4,311 \$12,320 \$11,970	\$1,277,370 \$0 \$369,312 \$1,646,682 \$24,824 <b>\$1,671,506</b> \$6,422 \$1,847 \$5,280 \$5,130	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$17,244,49 \$300,00 \$4,985,71 \$22,530,20 \$74,30 <b>\$22,604,51</b> \$221,24 \$63,64 \$181,90 \$179,55
Construction Costs       \$ 212,6         Model Upgrades       *         Permits & Fees       \$ 61,5         Total Construction Costs	\$300,000 2 \$923,280 \$4,416,705 1% \$0 \$4,416,705 5 \$56,664 5 \$16,301 8 \$46,590 10 \$46,170 1% \$364,706 1% \$0 1% \$0	\$0 \$738,624 \$3,293,364 \$0 <b>\$3,293,364</b> \$48,269 \$13,886 \$39,687 \$39,330 \$364,706 \$107,117	\$0 \$738,624 \$3,293,364 \$0 <b>\$3,293,364</b> \$39,874 \$11,471 \$32,785 \$32,490 \$364,706	\$0 \$738,624 \$3,293,364 \$0 <b>\$3,293,364</b> \$31,480 \$9,056 \$25,883 \$25,650	\$0 \$738,624 \$3,293,364 \$16,467 <b>\$3,309,831</b> \$23,547 \$6,774 \$19,361 \$18,810	\$0 \$738,624 \$3,293,364 \$33,016 <b>\$3,326,380</b> \$14,984 \$4,311 \$12,320 \$11,970	\$0 \$369,312 \$1,646,682 \$24,824 <b>\$1,671,506</b> \$6,422 \$1,847 \$5,280 \$5,130	\$0 \$0 \$0 <b>\$0</b> <b>\$0</b> \$0 \$0 \$0 \$0 \$0	\$300,00 \$4,985,71 \$22,530,20 \$74,30 <b>\$22,604,51</b> \$221,24 \$63,64 \$181,90 \$179,55
Model Upgrades         Permits & Fees       \$ 61,5         Total Construction Costs         Inflation (Home Construction)       0.5         TOTAL CONSTRUCTION COSTS         VARIABLE EXPENSES         Property Taxes (1.1517%)       \$699         Direct Levies (Per Quarter)       \$201         Special Taxes (Per Quarter)       \$575         HOA (Per Quarter)       \$570         Other Indirect Costs       5.0         Marketing       1.2         Closing Costs, Warranty       1.2         Commissions       3         Admin. and Overhead       3         TOTAL VARIABLE EXPENSES       TOTAL FIXED AND VARIABLE EXPENSES	\$300,000 2 \$923,280 \$4,416,705 1% \$0 <b>\$4,416,705</b> 5 \$56,664 5 \$16,301 8 \$46,590 10 \$46,170 1% \$364,706 1% \$0 1% \$0	\$0 \$738,624 \$3,293,364 \$0 <b>\$3,293,364</b> \$48,269 \$13,886 \$39,687 \$39,330 \$364,706 \$107,117	\$0 \$738,624 \$3,293,364 \$0 <b>\$3,293,364</b> \$39,874 \$11,471 \$32,785 \$32,490 \$364,706	\$0 \$738,624 \$3,293,364 \$0 <b>\$3,293,364</b> \$31,480 \$9,056 \$25,883 \$25,650	\$0 \$738,624 \$3,293,364 \$16,467 <b>\$3,309,831</b> \$23,547 \$6,774 \$19,361 \$18,810	\$0 \$738,624 \$3,293,364 \$33,016 <b>\$3,326,380</b> \$14,984 \$4,311 \$12,320 \$11,970	\$0 \$369,312 \$1,646,682 \$24,824 <b>\$1,671,506</b> \$6,422 \$1,847 \$5,280 \$5,130	\$0 \$0 \$0 <b>\$0</b> <b>\$0</b> \$0 \$0 \$0 \$0 \$0	\$300,00 \$4,985,71 \$22,530,20 \$74,30 <b>\$22,604,51</b> \$221,24 \$63,64 \$181,90 \$179,55
Permits & Fees       \$ 61,5         Total Construction Costs       Inflation (Home Construction)       0.5         TOTAL CONSTRUCTION COSTS       VARIABLE EXPENSES         Property Taxes (1.1517%)       \$699         Direct Levies (Per Quarter)       \$201         Special Taxes (Per Quarter)       \$575         HOA (Per Quarter)       \$570         Other Indirect Costs       5.6         Marketing       1.2         Closing Costs, Warranty       1.2         Commissions       3         Admin. and Overhead       3         TOTAL VARIABLE EXPENSES       TOTAL FIXED AND VARIABLE EXPENSES	2         \$923,280           \$4,416,705         \$00           \$4,416,705         \$00           \$5         \$56,664           55         \$16,301           8         \$46,590           90         \$46,170           9%         \$364,706           9%         \$0	\$738,624 \$3,293,364 \$0 <b>\$3,293,364</b> \$48,269 \$13,886 \$39,687 \$39,330 \$364,706 \$107,117	\$738,624 \$3,293,364 \$0 <b>\$3,293,364</b> \$11,471 \$32,785 \$32,490 \$364,706	\$738,624 \$3,293,364 \$0 \$3,293,364 \$31,480 \$9,056 \$25,883 \$25,650	\$738,624 \$3,293,364 \$16,467 <b>\$3,309,831</b> \$23,547 \$6,774 \$19,361 \$18,810	\$738,624 \$3,293,364 \$33,016 <b>\$3,326,380</b> \$14,984 \$4,311 \$12,320 \$11,970	\$369,312 \$1,646,682 \$24,824 <b>\$1,671,506</b> \$6,422 \$1,847 \$5,280 \$5,130	\$0 \$0 \$0 <b>\$0</b> \$0 \$0 \$0 \$0 \$0 \$0	\$4,985,71: \$22,530,20 \$74,30 <b>\$22,604,51</b> \$221,24 \$63,64 \$181,90 \$179,55
Total Construction Costs         Inflation (Home Construction)       0.9         TOTAL CONSTRUCTION COSTS         VARIABLE EXPENSES         Property Taxes (1.1517%)       \$699         Direct Levies (Per Quarter)       \$201         Special Taxes (Per Quarter)       \$575         HOA (Per Quarter)       \$570         Other Indirect Costs       5.0         Marketing       1.2         Closing Costs, Warranty       1.2         Commissions       3         Admin. and Overhead       3         TOTAL VARIABLE EXPENSES       TOTAL FIXED AND VARIABLE EXPENSES	\$4,416,705 % \$0 \$4,416,705 5 5 5 5 5 5 5 5 5 5 5 5 5	\$3,293,364 \$0 <b>\$3,293,364</b> \$48,269 \$13,886 \$39,687 \$39,330 \$364,706 \$107,117	\$3,293,364 \$0 <b>\$3,293,364</b> \$39,874 \$11,471 \$32,785 \$32,490 \$364,706	\$3,293,364 \$0 <b>\$3,293,364</b> \$31,480 \$9,056 \$25,883 \$25,650	\$3,293,364 \$16,467 <b>\$3,309,831</b> \$23,547 \$6,774 \$19,361 \$18,810	\$3,293,364 \$33,016 <b>\$3,326,380</b> \$14,984 \$4,311 \$12,320 \$11,970	\$1,646,682 \$24,824 \$1,671,506 \$6,422 \$1,847 \$5,280 \$5,130	\$0 \$0 <b>\$0</b> \$0 \$0 \$0 \$0 \$0	\$22,530,20 \$74,30 <b>\$22,604,51</b> \$221,24 \$63,64 \$181,90 \$179,55
Total Construction Costs         Inflation (Home Construction)       0.5         TOTAL CONSTRUCTION COSTS         VARIABLE EXPENSES         Property Taxes (1.1517%)       \$699         Direct Levies (Per Quarter)       \$201         Special Taxes (Per Quarter)       \$575         HOA (Per Quarter)       \$570         Other Indirect Costs       5.6         Marketing       1.2         Closing Costs, Warranty       1.2         Commissions       3         Admin. and Overhead       3         TOTAL VARIABLE EXPENSES       TOTAL FIXED AND VARIABLE EXPENSES	\$4,416,705 % \$0 \$4,416,705 5 5 5 5 5 5 5 5 5 5 5 5 5	\$0 <b>\$3,293,364</b> \$48,269 \$13,886 \$39,687 \$39,330 \$364,706 \$107,117	\$0 <b>\$3,293,364</b> \$39,874 \$11,471 \$32,785 \$32,490 \$364,706	\$0 <b>\$3,293,364</b> <b>\$31,480</b> \$9,056 \$25,883 \$25,650	\$16,467 <b>\$3,309,831</b> \$23,547 \$6,774 \$19,361 \$18,810	\$33,016 <b>\$3,326,380</b> \$14,984 \$4,311 \$12,320 \$11,970	\$24,824 <b>\$1,671,506</b> \$6,422 \$1,847 \$5,280 \$5,130	\$0 \$0 \$0 \$0 \$0 \$0 \$0	\$22,530,20 \$74,30 <b>\$22,604,51</b> \$221,24 \$63,64 \$181,90 \$179,55
TOTAL CONSTRUCTION COSTS         VARIABLE EXPENSES         Property Taxes (1.1517%)       \$699         Direct Levies (Per Quarter)       \$201         Special Taxes (Per Quarter)       \$575         HOA (Per Quarter)       \$570         Other Indirect Costs       5.0         Marketing       1.2         Closing Costs, Warranty       1.2         Commissions       3         Admin. and Overhead       3         TOTAL VARIABLE EXPENSES       TOTAL FIXED AND VARIABLE EXPENSES	\$4,416,705 5 \$56,664 5 \$16,301 8 \$46,590 00 \$46,170 1% \$364,706 1% \$0 1% \$0	\$3,293,364 \$48,269 \$13,886 \$39,687 \$39,330 \$364,706 \$107,117	\$3,293,364 \$39,874 \$11,471 \$32,785 \$32,490 \$364,706	\$3,293,364 \$31,480 \$9,056 \$25,883 \$25,650	\$3,309,831 \$23,547 \$6,774 \$19,361 \$18,810	\$3,326,380 \$14,984 \$4,311 \$12,320 \$11,970	\$1,671,506 \$6,422 \$1,847 \$5,280 \$5,130	\$0 \$0 \$0 \$0 \$0 \$0	\$22,604,514 \$221,244 \$63,64 \$181,900 \$179,555
VARIABLE EXPENSES         Property Taxes (1.1517%)       \$699         Direct Levies (Per Quarter)       \$201         Special Taxes (Per Quarter)       \$575         HOA (Per Quarter)       \$570         Other Indirect Costs       5.0         Marketing       1.2         Closing Costs, Warranty       1.2         Commissions       3         Admin. and Overhead       3         TOTAL VARIABLE EXPENSES       TOTAL FIXED AND VARIABLE EXPENSES	5 \$56,664 5 \$16,301 8 \$46,590 00 \$46,170 1% \$364,706 1% \$0 1% \$0	\$48,269 \$13,886 \$39,687 \$39,330 \$364,706 \$107,117	\$39,874 \$11,471 \$32,785 \$32,490 \$364,706	\$31,480 \$9,056 \$25,883 \$25,650	\$23,547 \$6,774 \$19,361 \$18,810	\$14,984 \$4,311 \$12,320 \$11,970	\$6,422 \$1,847 \$5,280 \$5,130	\$0 \$0 \$0 \$0 \$0	\$221,244 \$63,64 \$181,90 \$179,55
Property Taxes (1.1517%)\$699Direct Levies (Per Quarter)\$201Special Taxes (Per Quarter)\$575HOA (Per Quarter)\$570Other Indirect Costs5.0Marketing1.2Closing Costs, Warranty1.2Commissions3Admin. and Overhead3TOTAL FIXED AND VARIABLE EXPENSES	5         \$16,301           8         \$46,590           0         \$46,170           9%         \$364,706           5%         \$0           \$364,706         \$364,706           5%         \$0	\$13,886 \$39,687 \$39,330 \$364,706 \$107,117	\$11,471 \$32,785 \$32,490 \$364,706	\$31,480 \$9,056 \$25,883 \$25,650	\$6,774 \$19,361 \$18,810	\$4,311 \$12,320 \$11,970	\$1,847 \$5,280 \$5,130	\$0 \$0 \$0	\$63,64 \$181,90 \$179,55
Direct Levies (Per Quarter) \$201 Special Taxes (Per Quarter) \$575 HOA (Per Quarter) \$575 Other Indirect Costs 5.0 Marketing 1.2 Closing Costs, Warranty 1.2 Commissions 3 Admin. and Overhead 3 TOTAL VARIABLE EXPENSES	5         \$16,301           8         \$46,590           0         \$46,170           9%         \$364,706           5%         \$0           \$364,706         \$364,706           5%         \$0	\$13,886 \$39,687 \$39,330 \$364,706 \$107,117	\$11,471 \$32,785 \$32,490 \$364,706	\$9,056 \$25,883 \$25,650	\$6,774 \$19,361 \$18,810	\$4,311 \$12,320 \$11,970	\$1,847 \$5,280 \$5,130	\$0 \$0 \$0	\$63,64 \$181,90 \$179,55
Direct Levies (Per Quarter) \$201 Special Taxes (Per Quarter) \$575 HOA (Per Quarter) \$575 Other Indirect Costs 5.0 Marketing 1.2 Closing Costs, Warranty 1.2 Commissions 3 Admin. and Overhead 3 TOTAL VARIABLE EXPENSES	5         \$16,301           8         \$46,590           0         \$46,170           9%         \$364,706           5%         \$0           \$364,706         \$364,706           5%         \$0	\$13,886 \$39,687 \$39,330 \$364,706 \$107,117	\$11,471 \$32,785 \$32,490 \$364,706	\$9,056 \$25,883 \$25,650	\$6,774 \$19,361 \$18,810	\$4,311 \$12,320 \$11,970	\$1,847 \$5,280 \$5,130	\$0 \$0 \$0	\$63,64 \$181,90 \$179,55
Special Taxes (Per Quarter)       \$575         HOA (Per Quarter)       \$570         Other Indirect Costs       5.0         Marketing       1.2         Closing Costs, Warranty       1.2         Commissions       3         Admin. and Overhead       3         TOTAL VARIABLE EXPENSES       50	8         \$46,590           10         \$46,170           10%         \$364,706           10%         \$0           10%         \$0	\$39,687 \$39,330 \$364,706 \$107,117	\$32,785 \$32,490 \$364,706	\$25,883 \$25,650	\$19,361 \$18,810	\$12,320 \$11,970	\$5,280 \$5,130	\$0 \$0	\$181,90 \$179,55
HOA (Per Quarter) \$570 Other Indirect Costs 5.0 Marketing 1.2 Closing Costs, Warranty 1.2 Commissions 3 Admin. and Overhead 3 TOTAL VARIABLE EXPENSES	0 \$46,170 )% \$364,706 ;% \$0 ;% \$0	\$39,330 \$364,706 \$107,117	\$32,490 \$364,706	\$25,650	\$18,810	\$11,970	\$5,130	\$0	\$179,55
Other Indirect Costs     5.0       Marketing     1.2       Closing Costs, Warranty     1.2       Commissions     3       Admin. and Overhead     3       TOTAL VARIABLE EXPENSES	0%         \$364,706           5%         \$0           5%         \$0           5%         \$0	\$364,706 \$107,117	\$364,706					¢264 706	
Marketing       1.2         Closing Costs, Warranty       1.2         Commissions       3         Admin. and Overhead       3         TOTAL VARIABLE EXPENSES       3         TOTAL FIXED AND VARIABLE EXPENSES       3	5% \$0 5% \$0	\$107,117			\$364,706	\$364,706	\$364,706	3304.700	\$2,917,65
Closing Costs, Warranty       1.2         Commissions       3         Admin. and Overhead       3         TOTAL VARIABLE EXPENSES       3         TOTAL FIXED AND VARIABLE EXPENSES       3	\$% \$0			\$107,117	\$107,653	\$108,191	\$108,732	\$83,487	\$729,41
Commissions     3       Admin. and Overhead     3       TOTAL VARIABLE EXPENSES       TOTAL FIXED AND VARIABLE EXPENSES		+	\$107,117	\$107,117	\$107,653	\$108,191	\$108,732	\$83,487	\$729,41
Admin. and Overhead 3 TOTAL VARIABLE EXPENSES TOTAL FIXED AND VARIABLE EXPENSES		\$257,081	\$257,081	\$257,081	\$258,366	\$259,658	\$260,956	\$200,368	\$1,750,59
TOTAL FIXED AND VARIABLE EXPENSES	\$218,824	\$218,824	\$218,824	\$218,824	\$218,824	\$218,824	\$218,824	\$218,824	\$1,750,59
	\$749,255	\$1,196,017	\$1,171,466	\$1,146,914	\$1,125,693	\$1,103,155	\$1,080,629	\$950,872	\$8,524,00
	· ·								
NET SALES REVENUE (BEFORE PROFIT)	\$5,165,960	\$4,489,381	\$4,464,830	\$4,440,278	\$4,435,524	\$4,429,535	\$2,752,135	\$950,872	\$31,128,51
	(\$5,165,960)	\$4,079,975	\$4,104,526	\$4,129,078	\$4,176,679	\$4,225,729	\$5,946,405	\$5,728,071	\$27,224,50
Discount Rate 2	0.94787	0.89845	0.85161	0.80722	0.76513	0.72525	0.68744	0.65160	
Net Cash Flow	(\$4,896,644)	\$3,665,663	\$3,495,471	\$3,333,061	\$3,195,721	\$3,064,692	\$4,087,778	\$3,732,404	
	<b>.</b>								
	\$19,678,145								
ROUNDED	\$19,680,000								
PER LOT	\$242,963								
IRR CALCULATIONS VA	JE PERIOD 1	PERIOD 2	PERIOD 3	PERIOD 4	PERIOD 5	PERIOD 6	PERIOD 7	PERIOD 8	
NET INCOME (BEFORE PROFIT) (\$19,678,1	5) (\$5,165,960)	\$4,079,975	\$4,104,526	\$4,129,078	\$4,176,679	\$4,225,729	\$5,946,405	\$5,728,071	
IRR (quarterly) 5.5									
Annualized 22									

Quarterly - LDR-2			PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	
ITEM			1	2	3	4	5	6	7	8	9	TOTALS
SINGLE-FAMILY RESIDENTIAL												
Total Number Developed			77	77	67	56	46	35	25	14	4	
Total Number Constructed			14	11	10	11	10	11	10	0	0	77
Number of Units sold			0	10	11	10	11	10	11	10	4	77
Number of Units Unsold			77	67	56	46	35	25	14	. 4	0	
Average Selling Price			\$787,395	\$787,395	\$787,395	\$787,395	\$787,395	\$787,395	\$787,395	\$787,395	\$787,395	
Total Revenues - Base Plans			\$0	\$7,873,950	\$8,661,345	\$7,873,950	\$8,661,345	\$7,873,950	\$8,661,345	\$7,873,950	\$3,149,580	\$60,629,415
Model Home Recapture			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$180,000	\$180,000
TOTAL PROJECT REVENUES			\$0	\$7,873,950	\$8,661,345	\$7,873,950	\$8,661,345	\$7,873,950	\$8,661,345	\$7,873,950	\$3,329,580	\$60,809,415
Market Appreciation (Quarterly, Starts in Period 5)		0.50%	\$0	\$0	\$0	\$0	\$43,307	\$78,936	\$130,571	\$158,664	\$84,076	\$495,554
TOTAL REVENUE			\$0	\$7.873.950	\$8,661,345	\$7.873.950	\$8,704,652	\$7.952.886		\$8.032.614		\$61,304,969
FIXED EXPENSES			<b>**</b>	<i><i><i></i></i></i>	<i><i><i>v</i>,<i>v</i>,<i>v</i>,<i>v</i>,<i>v</i>,<i>v</i>,<i>v</i>,<i>v</i>,<i>v</i>,<i>v</i></i></i>	<i>,,,,,,,,,,,</i> ,,,,,,,,,,,,,,,,,,,,,,,,	<i><b>v</b></i> (), <b>v</b> (), <b>v</b> ()	<i>,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,</i>	<i><b>v</b></i> (), <i>v</i> <u>-</u> ), <i>v</i> <u>-</u> <u>v</u>	<i><i>vo</i>,<i>oo-</i>,<i>o-</i>.</i>	<i><b>4</b>0).20,000</i>	<i><i><i><i>q</i></i> 0 <b>2</b> <i>1 0</i> <b>0</b> <i>1 1 0</i> <b>0</b> <i>0</i></i></i>
Construction Costs	\$	244,710	\$3,425,940	\$2,691,810	\$2,447,100	\$2,691,810	\$2,447,100	\$2 691 810	\$2,447,100	\$0	\$0	\$18,842,670
Model Upgrades	Ŷ	244,710	\$450,000	\$2,001,010 \$0	\$0	\$0\$	\$0	\$0 \$0	\$0	\$0 \$0	\$0 \$0	\$450,000
Permits & Fees	Ś	61,552	\$861,728	\$677,072	\$615,520	\$677,072	\$615,520	\$677,072	\$615,520	\$0 \$0	\$0 \$0	\$4,739,504
Total Construction Costs	Ý	01,002	\$4,737,668	\$3,368,882	\$3,062,620	\$3,368,882	\$3,062,620	\$3,368,882	\$3,062,620	\$0 \$0	\$0 \$0	\$24,032,174
Inflation (Home Construction)		0.50%	\$0	\$0,500,002 \$0	\$0,002,020 \$0	\$0,500,002	\$15,313	\$33,773	\$46,169	\$0 \$0	\$0 \$0	\$95,256
TOTAL CONSTRUCTION COSTS		0.0070	\$4,737,668	\$3,368,882	\$3,062,620	\$3,368,882	\$3,077,933	\$3,402,655	\$3,108,789	\$0	\$0	\$24,127,430
VARIABLE EXPENSES			<i>\$4,101,000</i>	<del>,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,</del>	<i><b>4</b>5,002,020</i>	<b>40,000,002</b>	<i><i><i>vvvvvvvvvvvvv</i></i></i>	<del>,,,,,,</del> ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	<i><b>4</b></i> <b>5,100,705</b>	<del>, , ,</del>	<del>,</del>	<i>Ş</i> <u>2</u> 4,127,430
Property Taxes (1.1517%)		\$743.74	\$57,268	\$49,831	\$41,649	\$34,212	\$26,552	\$18,965	\$10,621	\$3,034	\$0	\$242,132
Direct Levies (Per Quarter)		\$201.25	\$15,496	\$13,484	\$11,270	\$9,258	\$20,332 \$7,185	\$5,132	\$2,874	\$821	\$0 \$0	\$65,519
Special Taxes (Per Quarter)		\$575.18	\$44,289	\$38,537	\$32,210	\$26,458	\$20,534	\$14,667	\$8,214	\$2,347	\$0 \$0	\$187,256
HOA (Per Quarter)		\$570.00	\$43,890	\$38,557	\$32,210	\$26,220	\$19,950	\$14,007	\$7,980	\$2,347	\$0 \$0	\$187,250
Other Indirect Costs		5.00%	\$340,583	\$340,583	\$340,583	\$340,583	\$340,583	\$340,583	\$340,583	\$340,583	\$340,583	\$3,065,248
Marketing		1.25%	\$0 \$0	\$98,424	\$108,267	\$98,424	\$108,808	\$99,411	\$109,899	\$100,408	\$42,671	\$766,312
Closing Costs, Warranty		1.25%	\$0	\$98,424	\$108,267	\$98,424	\$108,808	\$99,411	\$109,899	\$100,408	\$42,671	\$766,312
Commissions		3.0%	\$0	\$236,219	\$259,840	\$236,219	\$261,140	\$238,587	\$263,757	\$240,978	\$102,410	\$1,839,149
Admin. and Overhead		3.0%	\$204,350	\$204,350	\$204,350	\$204,350	\$204,350	\$204,350	\$204,350	\$204,350	\$204,350	\$1,839,149
TOTAL VARIABLE EXPENSES		0.0,1	\$705.876	\$1.118.042	\$1.138.357	\$1.074.148	\$1.097.909	\$1.035.356	\$1.058.176	\$995,209	\$732,684	\$8,955,757
			<i>\$103,010</i>	<i><i><i><i></i></i></i></i>	<i><b><i>ψ</i>1</b>,130,337</i>	<u> </u>	<i>\</i>	<u> </u>	<i><b><i>ψ</i>1</b>,000,170</i>	<i>,,,,</i> ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	<del>,,,,,,</del> ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	<i><i><i>QQQQQQQQQQQQQ</i></i></i>
TOTAL FIXED AND VARIABLE EXPENSES			\$5,443,544	\$4,486,924	\$4,200,977	\$4,443,030	\$4,175,842	\$4,438,011	\$4,166,966	\$995,209	\$732,684	\$33,083,187
			<del>,,,,,</del> ,,,,,,	<del>,400,524</del>	<i>,200,311</i>	<b>,</b>	<u>,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,</u>	<del>,4,430,011</del>	<b>999100,000</b>	<i>,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,</i>	<i>\$732,004</i>	<i>433,003,107</i>
NET SALES REVENUE (BEFORE PROFIT)			(\$5,443,544)	\$3,387,026	\$4,460,368	\$3,430,920	\$4,528,810	62 F14 97F	<u>¢4 624 050</u>	\$7,037,405	¢2 680 072	\$28,221,782
NET SALES REVENUE (BEFORE PROFIL)			(35,445,544)	<b>33,387,020</b>	<b>34,400,300</b>	<b>33,430,320</b>	<b>34,</b> 320,010	<i>,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,</i>	<b>34,024,330</b>	\$7,057,405	\$2,000,572	320,221,702
		220/	0.04707	0.00045	0.054.64	0.00722	0 76542	0 72525	0.00744	0.65460	0.64762	
Discount Rate		22%	0.94787	0.89845	0.85161	0.80722	0.76513	0.72525	0.68744	0.65160	0.61763	
Net Cash Flow			(\$5,159,757)	\$3,043,082	\$3,798,511	\$2,769,496	\$3,465,148	\$2,549,149	\$3,179,361	\$4,585,565	\$1,655,847	
NET PRESENT VALUE			610 00C 400									
ROUNDED			\$19,886,400 \$19,890,000									
PER LOT			\$258,312									
IRR CALCULATIONS		VALUE	PERIOD 1	PERIOD 2	PERIOD 3	PERIOD 4	PERIOD 5	PERIOD 6	PERIOD 7	PERIOD 8	PERIOD 9	
NET INCOME (BEFORE PROFIT)	(\$1	.9,886,400)	(\$5,443,544)	\$3,387,026	\$4,460,368	\$3,430,920	\$4,528,810	\$3,514,875	\$4,624,950	\$7,037,405	\$2,680,972	
IRR (quarterly)	•	5.50%										
Annualized		22.0%										

# RECONCILIATION – INCOME APPROACH FINISHED LOT VALUES

The extraction approach and discounted cash flow analysis were utilized to develop an opinion of value as finished lots through the income approach. The following table shows this overall relationship.

	MINIMUM		DISCOUNTED	CONCLUSION
PRODUCT TYPE	LOT SIZE (SF)	EXTRACTION	<b>CASH FLOW</b>	PER LOT
MDR-1 - 110 Lots	3,230 SF	\$189,200	\$191,909	\$190,000
LDR-1 - 81 Lots	5,700 SF	\$233,700	\$242,963	\$235,000
LDR-2 - 77 Lots	6,825 SF	\$252,400	\$258,312	\$258,000

# RECONCILIATION FINISHED LOT VALUES

The sales comparison approach and the Income Approach were utilized to develop opinions of value for the finished lots. The following table summarizes these overall conclusions.

	MINIMUM	SALES COMPARISON	INCOME	CONCLUSION
PRODUCT TYPE	LOT SIZE (SF)	APPROACH	APPROACH	PER LOT
MDR-1 - 110 Lots	3,230 SF	\$186,000	\$190,000	\$188,000
LDR-1 - 81 Lots	5,700 SF	\$250,000	\$235,000	\$240,000
LDR-2 - 77 Lots	6,825 SF	\$260,000	\$258,000	\$260,000

# VALUATION OF EACH OWNERSHIP INTEREST

The next section of this report identifies the overall values for each ownership. This includes the underlying land value, contributing value for the model homes, as well as permits and fees paid in the project.

# KB Home

As of the effective date of valuation, KB Home owns all of the properties in MDR-1 and LDR-1. These projects are marketing homes as of the effective date of valuation and include two, individual and distinct projects. The highest and best use conclusion is identified as sale of the projects to individual home builders. As such, the values are based on this conclusion which reflects individual values allocated for MDR-1 and LDR-1. No further discounting is required for the project in its entirety.

# MDR-1

MDR-1 is comprised of 107 nearly completed finished lots, as well as 3 model homes. The first step in the reporting of value for MDR-1 is the land value. Values in the prior section noted the hypothetical value as finished lots at \$188,000 per finished lot. Applied to the 107 finished lots, yields the following conclusion.

# 107 Finished Lots @ \$188,000/Finished Lot \$20,116,000

There are refinements to this value for remaining site development costs, as well as for the permits and fees paid as of the effective date of valuation. As noted in the Site Description of this report, there are remaining offsite costs for the entire project. The total costs allocated to LDR-1 is noted at \$460,693. In addition, permits and fees totaling \$1,017,069 were paid as of the effective date of valuation. As such, the overall value for 107 lots (MDR-1) is as follows.

ITEM	TOTALS
Hypothetical Value – 107 Finished Lots	\$20,116,000
Less: Remaining Offsites allocated to MDR-1	(\$460,693)
Plus: Permits and Fees Paid as of Effective Date of Valuation	\$1,017,069
VALUE	\$20,672,376
ROUNDED	\$20,670,000

The next step is to provide the overall value for the 3 model homes. The contributing value for the model homes is based on the underlying finished lot value, as well as the allocated valuation identified for the permit. This recognizes the value a purchaser of the property would incur for the model homes. Calculations of the values identified for the model home lots are noted as follows.

ITEM	LOT 323	LOT 324	LOT 325
	1,795 SF	2,102 SF	2,236 SF
Land Value (Per Lot)	\$188,000	\$188,000	\$188,000
Valuation (Per Building Permit)	\$267,712	\$316,113	\$329,842
VALUE	\$455,712	\$504,113	<b>\$517,842</b>
ROUNDED	\$455,000	\$505 <i>,</i> 000	\$520,000

# CONCLUSIONS – MDR-1

VALUE	AGGREGATE MARKET VALUE
Hypothetical Market Value (KB HOME)	
-MDR-1 – 107 Residential Lots	\$20,670,000
-Lot 323 – 1,795 SF Home**	\$455,000
-Lot 324 – 2,102 SF Home**	\$505,000
-Lot 325 – 2,236 SF Home**	\$520,000
AGGREGATE VALUE (MDR-1)	\$22,150,000

The table below summarizes the overall values identified for MDR-1.

### LDR-1

LDR-1 is comprised of 79 nearly completed finished lots, as well as 2 model homes. The first step in the reporting of value for MDR-1 is the land value. Values in the prior section noted the hypothetical value as finished lots at \$240,000 per finished lot. Applied to the 79 finished lots, yields the following conclusion.

\$18,960,000

### 79 Finished Lots @ \$240,000/Finished Lot

There are refinements to this value for remaining site development costs, as well as for the permits and fees paid as of the effective date of valuation. As noted in the Site Description of this report, there are remaining offsite costs for the entire project. The total costs allocated to LDR-1 is noted at \$339,238. In addition, permits and fees totaling \$908,461 were paid as of the effective date of valuation. As such, the overall value for 79 lots (LDR-1) is as follows.

ITEM	TOTALS
Hypothetical Value – 79 Finished Lots	\$18,960,000
Less: Remaining Offsites allocated to LDR-1	(\$339,238)
Plus: Permits and Fees Paid as of Effective Date of Valuation	\$908,461
VALUE	\$19,529,223
ROUNDED	\$19,530,000

The next step is to provide the overall value for the 2 model homes. The contributing value for the model homes is based on the underlying finished lot value, as well as the allocated valuation identified for the permit. This recognizes the value a purchaser of the property would incur for the model homes. Calculations of the values identified for the model home lots are noted as follows.

ITEM	LOT 226 2,693 SF	LOT 227 1,652 SF
Land Value (Per Lot) Valuation (Per Building Permit)	\$240,000 \$381,428	\$240,000 \$246,000
Valuation (Per Building Permit)	\$381,428 <b>\$621,428</b>	\$246,000 <b>\$486,000</b>
ROUNDED	\$620,000	\$486,000

# CONCLUSIONS – LDR-1

VALUE	AGGREGATE MARKET VALUE
Hypothetical Market Value (KB HOME)	
-LDR-1 – 79 Residential Lots	\$19,530,000
-Lot 226 – 2,693 SF Home**	\$620,000
-Lot 227 – 1,685 SF Home**	\$486,000
AGGREGATE VALUE (LDR-1)	\$20,636,000

The table below summarizes the overall values identified for MDR-1.

# **RECONCILIATION WITH RECENT CONTRACT PRICING**

The combined value for the KB Home ownership (MDR-1 and LDR-1) is identified at \$42,786,000. These values were identified for each village consistent with the highest and best use.

As noted in this report, KB Home acquired MDR-1 and LDR-1 in April 2022 for a total price identified at \$12,484,436. This equates to \$65,367 per lot. It is noted that the total purchase price identified for this property in January 2022 at \$33,000,000 for the entire project (348 anticipated lots) never came to fruition as the first amendment modified this agreement to including only MDR-1 (110 Anticipated Lots) and LDR-1 (81 Anticipated Lots).

Total site development costs for the project are identified at \$44,155,817 or \$126,884 per lot. Adding this element to the land purchase price at \$65,367, results in a total finished lot basis at \$192,252 per lot. This equates to a total price of \$36,720,000. The value noted above is higher than this conclusion since it reflects only the land component. Using the conclusions only for the land component (excluding allocated values for the model homes), the overall value is \$39,085,000 based on 186 lots (191 total lots – 5 model home lots) or \$210,134 per lot. These conclusions show that the current value is 9.3% higher than the acquisition price in April 2022. This provides additional support to the conclusions of value.

# Meritage Homes (77 Lots) & M&H Realty (80 Lots) LDR-2

This component of the project is comprised of two ownerships. There are no vertical improvements noted for this portion of the project. The first step in the reporting of value for LDR-2 is the land value. Values in the prior section noted the hypothetical value as finished lots at \$260,000 per finished lot.

There are refinements to this value for remaining site development costs, as well as for the permits and fees paid as of the effective date of valuation. As noted in the Site Description of this report, there are remaining offsite costs for the entire project, as well as some trailing intract costs. The total costs allocated to LDR-2 by ownership are summarized as follows.

OWNERSHIP	LDR-2	LDR-2
	MERITAGE	M&H REALTY
	77 LOTS	80 LOTS
Offsite Costs (\$4,188.12/Lot)	\$322,485.24	\$335,049.60
Intract Costs	\$0	\$849,569.42
TOTAL REMAINING COSTS	\$322,485.24	<b>\$1,184,619.02</b>
ROUNDED	\$322,485	\$1,184,619

As such, the overall value for LDR-2 is allocated as follows.

ITEM	MERITAGE HOMES	M&H REALTY
	77 LOTS	80 LOTS
Hypothetical Value – (\$260,000/Finished Lot)	\$20,020,000	\$20,800,000
Less: Remaining Offsites allocated to LDR-2	(\$322,485)	(\$335,050)
Less Intract Costs	\$0	(\$849,569)
VALUE	\$19,697,515	\$19,615,381
ROUNDED	\$19,700,000	\$19,615,000

# CONCLUSIONS – LDR-2

The table below summarizes the overall values identified for LDR-2.

VALUE	AGGREGATE MARKET VALUE
Hypothetical Market Value (MERITAGE HOMES)	\$19,700,000
-Portion of LDR-2 – 77 Lots	
Hypothetical Market Value (M&H REALTY)	\$19,615,000
-Portion of LDR-2 – 80 Lots	
AGGREGATE VALUE (LDR-2)	\$39,315,000

# **RECONCILIATION WITH RECENT CONTRACT PRICING**

The concluded finished lot value identified for LDR-2 is consistent with the recent price paid by Meritage Homes in July 2024. The conclusions are slightly lower than this price, due to remaining offsite improvements and intract improvements for this property. It is noted that all of the funds for the offsite improvements are held in an escrow account which was part of the transaction price. Still, these improvements were not completed as of the effective date of valuation and were deducted from the overall conclusions.

# **Opinion of Probable Exposure Time**

A most likely purchaser of the property would be a production home builder. This is applicable for all of the components for the 348 lots in this project as all of the product types are different. Based on the location of the subject property, in conjunction with the current market conditions, an exposure period of 6-9 months is identified to facilitate a sale based on the opinions of value expressed in this section of the report.

# ANALYSIS OF HDR/MDR SITE

As noted, this project also includes two parcels north of Cosumnes River Boulevard including a 3.378 AC HDR Site as well as a 5,473 AC MDR Site. This highest and best use conclusion is for combination of these two parcels into an 8.851 net AC site for the development of 95-167 units on the property. Offsite improvements are completed to these sites and the development of a single project is legally permissible.

This site is identified for development at a density from 10.7-18.9 units per acre. For purposes of this analysis, an average density of 14.8 units per acre is identified. This equates to 131 potential units for this site. The overall value for this site is based on the transaction is predicated on the sales derived from the Delta Shores Community identified in the prior section. These conclusions are summarized as follows.

Sale 2 – \$5,020,000 Sales Price – 9.55 AC – 96 Lots or \$525,655/AC or \$52,291/Lot (10.1 du/ac)

Sale 3 - \$4,500,000 Sales Price – 9.115 AC – 101 Lots or \$493,692/AC or \$44,555/Lot (11.1 du/ac)

Sale 9 - \$3,825,000 Sales Price – 7.88 AC – 76 Lots or \$485,406/AC or \$50,329 per lot (9.6 du/ac)

These transactions show an overall value range from \$44,555 to \$52,291 per lot. The proposed development of the entire project is slightly higher in density but includes offsite improvements. Based on review of these transactions, as well as these elements, the overall value is identified at \$50,000 per potential unit, which equates to \$6,550,000 (131 Units \* \$50,000/Unit).

Based on the analysis described in the attached report, in connection with the Assumptions and Limiting Conditions, and the Hypothetical Conditions, as of September 25, 2024, the effective date of valuation, my opinion of value is as follows.

VALUE	INTEREST	OPINION OF VALUE
Hypothetical Market Value	Fee Simple	\$6,550,000
3.378 AC HDR Site &		
5.473 AC MDR Site - M&H Realty Partners		

# **Opinion of Probable Exposure Time**

A most likely purchaser of the property would be a developer seeking adequate return on their investment. Based on the location of the subject property, in conjunction with the current market conditions, an exposure period of 6-9 months is identified to facilitate a sale based on the opinion of value expressed above.

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# ADDENDA

**Assumptions and Limiting Conditions** 

**Certification of the Appraisers** 

Glossary

**Qualifications of the Appraiser** 

**Preliminary Title Report** 

**Summary of Infrastructure Costs** 

Market Absorption Study (Prepared by John Burns)

Permits Issued as of Effective Date of Valuation

2024 ULOP Report

# ASSUMPTIONS AND LIMITING CONDITIONS

The Certification of the appraiser(s) appearing in this report is subject to the following assumptions and limiting conditions.

- 1. The appraiser(s) assumes no responsibility for the legal description provided for matters pertaining to the legal or title considerations. Title is assumed to be good and marketable, and the property is appraised free and clear of any encumbrances, unless otherwise stated. It is assumed that the property is under responsible ownership and management.
- 2. Information, estimates, and opinions furnished to the appraiser(s) and contained in this report were obtained from sources considered reliable and believed to be true and correct. However, the appraiser(s) give no warranty of the accuracy of such items furnished by others.
- 3. The appraiser(s) is not required to give testimony or appear in court in connection with this appraisal unless prior arrangements have been made.
- 4. The sketches, maps, plats, and exhibits in this report are included to assist the reader in visualizing the property. The appraiser(s) has made no survey of the property and assumes no responsibility in connection with such matters.
- 5. The appraiser(s) assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The appraiser(s) assumes no responsibility for such conditions or for engineering which might be required to discover such factors.
- 6. The appraiser(s) assumes the property in full compliance with all applicable federal, state, and local environmental regulations and laws unless non-compliance is stated, defined, and considered in the appraisal. The appraiser(s) assumes the property contains no hazardous materials or substances or for engineering which might be required to discover such factors.
- 7. The appraiser(s) assumes all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value opinions contained in the report is based.
- 8. The appraiser(s) assumes that the property complies with applicable zoning requirements, use regulations and other restrictions, unless a lack of conformity has been stated, defined, and considered in the appraisal report.
- 9. Any allocation of the total value opinion stated in this report between the site and improvements applies only under the stated program of use. The separate values allocated to the site and improvements may not be used in connection with any other appraisal and are invalid if so used. Any value opinions provided in the appraisal report apply to the entire property and any proration or division of the total into fractional interests will invalidate the value opinion unless such proration or division of interests has been stated in the report.
- 10. Disclosure of the contents of the appraisal report is governed by the Code of Professional Ethics of the Appraisal Institute and is subject to peer review.

# **ASSUMPTIONS AND LIMITING CONDITIONS (Continued)**

- 11. The appraiser(s) assumes that the site and improvements are contained within the boundaries or property lines of the property described and that there are no encroachments unless noted in this report.
- 12. If only preliminary plans and specifications were available for use in the preparation of this assignment, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and the appraiser(s) reserves the right to amend this appraisal if substantial deviations exist.
- 13. The dates of value to which the opinions expressed in this report apply are set forth in this report. The appraiser(s) assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
- 14. This appraisal was prepared for the sole and exclusive use of the client for the intended use outlined in this report. Any party who is not the client or intended user identified in the appraisal or the engagement letter is not entitled to rely upon the contents of this appraisal without the express written consent of Smith & Associates, Inc. The appraiser assumes no obligation, liability, or accountability to any third party.
- 15. The Americans with Disabilities Act (ADA became effective January 26, 1992. The appraiser(s) have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed 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 Act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser(s) have no direct evidence relating to this issue, possible non-compliance was not considered in estimating the value of the property.
- 16. No part of the appraisal report (nor any copy of it) shall be used for any purpose by any party except the client without the previous written consent of the appraiser(s). No portion of the appraisal report may be reproduced. The report shall not be used for advertising, public relations, news, or other media without the consent of the appraiser(s).
- 17. Acceptance and/or use of this appraisal report by the client or any third party constitutes acceptance of the previously stated assumptions and limiting conditions.
- 18. Any estimate of the Insurable Replacement Costs, if included within the scope of work and presented herein, is based on figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from estimates noted in this report and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. It is highly recommended that the client obtains estimates from professionals experienced in providing insurance coverage. The appraiser(s) make no warranties regarding the accuracy of estimates for Insurable Replacement Costs noted in this report.

# CERTIFICATION

I certify that, to the best of my 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 is my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- 3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- 4. I have not performed services as an appraiser regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- 5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- 8. My analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- 9. I have made a personal inspection of the property that is the subject of this report.
- 10. No one provided significant real property appraisal assistance to the person signing this certification.
- 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, I John E. Carrothers, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.
- 13. The reported analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

John E. Carrothers, MAI State Certified General Real Estate Appraiser California AG014187, Exp. 04/11/2025

# GLOSSARY

Definitions are taken from the Dictionary of Real Estate Appraisal, 5<sup>th</sup> Edition, the Uniform Standards of Professional Appraisal Practice (USPAP) and Building Owners and Managers Association International (BOMA)

#### ABSOLUTE NET LEASE

A lease in which the tenant pays all operating expenses including structural maintenance, building reserves, and management, often a long-term lease to a credit tenant. (Dictionary)

#### AGGREGATE OF RETAIL VALUES (ARV)

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent an opinion of value; it is simply the total of multiple market value conclusions. **(Dictionary)** 

#### AS-IS MARKET VALUE

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

#### ASSUMPTION

That which is taken to be true. (USPAP)

#### **BUILDING RENTABLE AREA**

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of the floor the major vertical penetrations on the same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

#### **CASH EQUIVALENCY**

An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash. (Dictionary)

#### CLIENT

The party or parties who engage, by employment or contract, an appraiser in a specific assignment. The client may be an individual, group, or entity, and may engage and communicate with the appraiser directly or through an agent. **(USPAP)** 

#### CONDOMINIUM

A form of ownership in which each owner possesses the exclusive right to use and occupy an allotted unit plus an undivided interest in common area. A multi-unit structure or a unit within such a structure with a condominium form of ownership. (Dictionary)

#### COVERAGE

The proportion of the net or gross land area of a site that is occupied by a building or buildings. **(Dictionary)** 

#### DEED RESTRICTION

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. **(Dictionary)** 

#### DEPRECIATION

1) In appraising, the loss is a property value from any cause; the difference between the cost of an improvement on an effective date of the appraisal and the market value of the improvement on the same date. (Dictionary)

#### DISPOSITION VALUE

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

- Consummation of a sale within an exposure time specified by the client;
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time specified by the client;
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

#### EASEMENT

The right to use another's land for a stated purpose. (Dictionary)

#### EFFECTIVE AGE

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. (Dictionary)

#### EFFECTIVE DATE

1) The date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. 2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

#### **EFFECTIVE RENT**

The rental rate net of financial concessions such as periods of no rent during the lease term and above- or belowmarket tenant improvements (TIs). **(Dictionary)** 

#### **EXCESS LAND**

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately. (Dictionary)

#### **EXPOSURE TIME**

Estimated length of time that the property interest being appraised would have been on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. **(USPAP)** 

#### **EXTRAORDINARY ASSUMPTION**

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends, or about the integrity of data used in an analysis. **(USPAP)** 

#### EXTERNAL OBSOLESCENCE

An element of depreciation; a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, or tenant. (Dictionary)

#### FEE SIMPLE ESTATE

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary)

#### FLOOR AREA RATIO (FAR)

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

#### FULL SERVICE GROSS LEASE

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a full service lease. **(Dictionary)** 

#### FUNCTIONAL OBSOLESCENCE

The impairment of functional capacity of a property according to market tastes and standards. (Dictionary)

#### GOING CONCERN VALUE

1) The market value of all of the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the market value of the going concern.

2) The value of an operating business enterprise. Goodwill may be measured separately but is an integral component of going-concern value when it exists and is recognizable. (Dictionary)

#### **GROSS BUILDING AREA**

The total constructed area of a building. It is generally not used for leasing purposes. **(BOMA)** 

#### **GROUND LEASE**

A lease that grants the right to use and occupy land. Improvements made by the ground lease typically revert to the ground lessor at the end of the lease term. **(Dictionary)** 

#### HIGHEST & BEST USE

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are 1) legal permissibility; 2) physical possibility; 3) financial feasibility; and 4) maximally profitability. Alternatively, the probable use of land or improved property-specific with respect to the user and timing of the use – that is adequately supported and results in its highest present value. (Dictionary)

#### HYPOTHETICAL CONDITION

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of the analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions or trends; or about the integrity of data used in an analysis. (USPAP)

#### INTENDED USE

The use or uses of an appraiser's reported appraisal or appraisal review assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment. **(USPAP)** 

#### INTENDED USER

The client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser on the basis of communication with the client at the time of the assignment. **(USPAP)** 

#### INDUSTRIAL GROSS LEASE

A lease of industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay operating expenses, often structural maintenance, insurance, and real estate taxes as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

#### **INSURABLE VALUE**

A type of value used for insurance purposes. (Dictionary)

#### LEASED FEE INTEREST

A freehold (ownership-interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease). (Dictionary)

#### LEASEHOLD INTEREST

The tenant's possessory interest caused by a lease. (Dictionary)

#### LESSEE (TENANT)

One who has the right to occupancy and use of the property for a period of time according to a lease agreement. (Dictionary)

#### LESSOR (LANDLORD)

One who conveys the right of occupancy and use to others under a lease agreement. (Dictionary)

#### LIMITING CONDITIONS

Constraints which are imposed on valuations by clients, the Valuer, or local statutory law. (Dictionary)

#### LIQUIDATION VALUE

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

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

#### MARKET ANALYSIS

A process for estimating the productive attributes of a specific property, its demand and supply, and its geographic market area. Marketability analysis (often referred to erroneously as market analysis) is an essential part of the highest and best use for every valuation assignment. (Dictionary)

#### MARKET RENT

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement including permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

#### MARKET VALUE

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgably, 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:

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

#### MARKET VALUE "AS IF COMPLETE"

A hypothetical scenario representing the market value of the property with all proposed construction, conversion or rehabilitation completed under specified hypothetical conditions as of the date of the appraisal.

#### MARKET VALUE "AS IF STABILIZED"

A hypothetical scenario representing the market value of the property at a current point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy under specified hypothetical conditions as of the date of the appraisal.

#### MARKETING TIME

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level immediately after the effective date of the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.) (Dictionary)

#### MODIFIED GROSS LEASE

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease. (Dictionary)

#### PARTIAL INTEREST

Divided or undivided rights in real estate that represent less than the whole (a fractional interest). (Dictionary)

#### PHYSICAL DETERIORATION

The wear and tear that begins when a building is completed and placed into service. (Dictionary)

#### PROSPECTIVE OPINION OF VALUE

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

#### **REMAINING ECONOMIC LIFE (REL)**

The estimated period during which improvements will continue to represent the highest and best use of the property; an estimate of the number of years remaining in the economic life of the structure of structural components as of the date of the appraisal; used in the economic age-life method of estimating depreciation. (Dictionary)

#### **REPLACEMENT COSTS**

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. (Dictionary)

#### **REPRODUCTION COSTS**

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, super-adequacies, and obsolescence of the subject building. (Dictionary)

#### **RETROSPECTIVE VALUE OPINION**

A value opinion as of a specified historical date. The term does not define a type of value. Instead, it identifies a value as being effective at some specific prior date. Value as of a historic date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

#### SANDWICH LEASEHOLD ESTATE

The interest held by the original lessee when the property is subleased to another party; a type of leasehold estate. (Dictionary)

#### SCOPE OF WORK

The type and extent of research and analyses in an appraisal or appraisal review assignment. **(USPAP)** 

#### SURPLUS LAND

Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved property. **(Dictionary)** 

#### TRIPLE NET (NET NET NET) LEASE

A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called NNN, triple net lease, or fully net lease. (Dictionary)

#### USABLE AREA

The measured area of an office area, store area, or building common area on a floor. The total of all of the useable areas of a floor shall equal floor usable area of that same floor. The amount of floor usable area can vary over the life of a building as corridors expand and contract and as floors are remodeled. **(Dictionary)** 

# John E. Carrothers, MAI

Certified General Real Estate Appraiser California BREA Appraiser License No. AG014187

# **SUMMARY**

Over thirty years of appraisal experience in Sacramento, Placer, Solano, Sutter, Yolo, Stanislaus, Contra Costa and Alameda Counties. Extensive experience focusing on the analysis of residential subdivisions over the past twenty years.

Property types valued and analyzed include the following:

- Single and Multi-Family Residential
- Vacant Land Improved and Unimproved
- Commercial Retail and Industrial
- Subdivision Feasibility and Valuation

# WORK HISTORY

1998 – Present	Managing Partner
1991 – 1998	Staff Appraiser
1990 – 1991	Staff Appraiser

Smith & Associates, Inc. Smith Denton Associates, Inc. Professional Appraisal Services, Inc.

# **EDUCATION**

University of California, Davis, CA

**Bachelor of Science** 

# **Appraisal Institute Courses**

Real Estate Appraisal Principles • Valuation Procedures • Capitalization Theory and Techniques, A • Capitalization Theory and Techniques, B • Farm Valuation Seminar • Standards of Professional Practice, A and B • Real Estate Principles • Subdivision Analysis • Assessment Bond Mello Roos Seminar • Report Writing • Advanced Sale Comparison and Cost Approach • National USPAP Equivalent Course

# **PROFESSIONAL AFFILIATIONS**

• Appraisal Institute, MAI



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

# John E. Carrothers

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

"Certified General Real Estate Appraiser"

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

BREA APPRAISER IDENTIFICATION NUMBER:

AG 014187

Effective Date: Date Expires: April 12, 2023 April 11, 2025

Ungile Jemmott

Angela Jemmott, Bureau Chief, BREA

3070536

S DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE "CHAIN LINK

February 26, 2024 Amendment



First American Title Insurance Company National Commercial Services 901 Via Piemonte, Suite 150 Ontario, CA 91764

Karen C. Ahearn Glaser Weil Fink Howard Jordan & Shapiro, LLP 10250 Constellation Boulevard,, 19th Floor Los Angeles, CA 90067 Phone: (310)556-7852 Fax: (310)843-2652

Customer Reference:	CFD Improvement Area #1
Title Officer: Phone: Email:	Erin West (909)510-6215 ewest@firstam.com
Owner:	M&H Realty Partnership VI LP
Property:	7949, 7931 and 8145 Freeport, Boulevard, Sacramento, CA

#### PRELIMINARY REPORT

In response to the above referenced application for a policy of title insurance, this company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Exhibit A attached. *The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties.* Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Exhibit A. Copies of the policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of February 9, 2024 at 7:30 A.M.

The form of Policy of title insurance contemplated by this report is:

To Be Determined

A specific request should be made if another form or additional coverage is desired.

Title to said estate or interest at the date hereof is vested in:

M & H Realty Partners VI L.P., a California limited partnership, , as to Parcels One and Two and KB Home North Bay Inc., a California corporation, successor in interest by merger with KB Home Sacramento Inc., a California corporation, as to Parcel Three

The estate or interest in the land hereinafter described or referred to covered by this Report is:

Fee Simple

The Land referred to herein is described as follows:

(See attached Legal Description)

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

- 1. General and special taxes and assessments for the fiscal year 2024-2025, a lien not yet due or payable.
- 2.General and special taxes and assessments for the fiscal year 2023-2024.<br/>First Installment:\$14,043.68, PAIDPenalty:\$0.00Second Installment:\$14,043.68, OPENPenalty:\$0.00Tax Rate Area:03-056A. P. No.:119-0010-060-0000

(Affects Parcel One)

General and special taxes and assessments for the fiscal year 2023-2024.
First Installment: \$92.31, PAID
Penalty: \$0.00
Second Installment: \$92.31, OPEN
Penalty: \$0.00
Tax Rate Area: 03-056
A. P. No.: 119-0010-026-0000

(Affects Parcel Two)

- 4. This item has been intentionally deleted.
- 5. Assessment liens, if applicable, collected with the general and special taxes, including but not limited to those disclosed by the reflection of the following on the tax roll:

1915 Bond for SAFCA Consolidated Cap Asmt #2

- 6. The lien of special tax assessed pursuant to <u>Chapter 2.5 commencing with</u> Section 53311 of the California Government Code for Community Facilities District No. 2014-04, as disclosed by Notice of Special Tax Lien recorded April 08, 2016 in Book 20160408, Page 639 of Official Records.
- The lien of special tax assessed pursuant to Chapter 2.5 commencing with Section 53311 of the California Government Code for Community Facilities District No. 2019-1, as disclosed by Notice of Special Tax Lien recorded November 4, 2019 as Instrument No. 201911040510 of Official Records.

Document(s) declaring modifications thereof recorded February 18, 2022 as Book 20220218, Page 0717 of Official Records.

- 8. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
- 9. Any unpaid amounts owing for utilities, of record or not, due to the County and/or any of the following entities:

Sacramento County Utility Billing office at (916) 875-5555.

City of Sacramento at Utility Billing Office at (916) 808-5454.

- 10. Rights of the public in and to that portion of the land lying within Stonecrest Avenue and Freeport Boulevard.
- 11. An easement for water drainage and incidental purposes, recorded October 5, 1915 in Book 362 of Deeds, Page 357.
  - In Favor of:
     F.L. Baumgariel

     Affects:
     as described therein

(Affects All Parcels)

12. An easement for transmission and distribution of electricity and incidental purposes, recorded April 14, 1920 in Book 525 of Deeds, Page 374.
 In Favor of: Great Western Power Company, a corporation Affects: as described therein

A document entitled "Consent to Common Use" recorded June 22, 1976 as Book 7606-22, Page 950 of Official Records.

The terms and provisions contained in the document entitled "Relocation Agreement and Grant of Easement" recorded August 19, 1992 as Book 9208-19, Page 491 of Official Records.

The terms and provisions contained in the document entitled "Agreement" recorded February 17, 1993 as Book 9302-17, Page 1069 of Official Records.

(Affects Parcels One and Two)

13.		ission and distribution of electricity and for telephone purposes and incidental ember 23, 1922 in Book 626 of Deeds, Page 77. Great Western Power Company of California As described therein
	The location of the ease	ment cannot be determined from record information.
	(Affects All Parcels)	
14.		ission and distribution of electricity and incidental purposes, recorded ook 626 of Deeds, Page 78. Great Western Power Company, a corporation A portion of the land
	The location of the ease	ment cannot be determined from record information.
	(Affects All Parcels)	
15.		ission and distribution of electricity and incidental purposes, recorded ook 626 of Deeds, Page 79. Great Western Power Company, a California corporation A portion of the land
	The location of the ease	ment cannot be determined from record information.
	(Affects All Parcels)	
16.	An easement for transm 127, Page 494 of Officia	ission of electricity and incidental purposes, recorded June 13, 1927 in Book
	In Favor of: Affects:	Great Western Power Company, a California Corporation As described therein
	The location of the ease	ment cannot be determined from record information.
	(Affects All Parcels)	

An easement for transmission and distribution of electricity and incidental purposes, recorded June 13, 1927 in Book 127, Page 498 of Official Records.
 In Favor of: Great Western Power Company of California Affects: As described therein

The location of the easement cannot be determined from record information.

(Affects All Parcels)

18. An easement for the transmission and distribution of electricity and wires and incidental purposes, recorded August 15, 1930 in Book 321, Page 49 of Official Records.
 In Favor of: Great Western Power Company
 Affects: As described therein

(Affects All Parcels)

The location of the easement cannot be determined from record information.

 19.
 An easement for transmission and distribution of electricity and incidental purposes, recorded July 12, 1946 in Book 1257A, Page 40 of Official Records.

 In Favor of:
 Pacific Gas and Electric Company

 Affects:
 As described therein

The location of the easement cannot be determined from record information.

(Affects All Parcels)

 20. An easement for right of way to erect maintain, replace, remove and use such poles with all necessary and proper crossarms, braces, anchors, guys and other appliances and fixtures and incidental purposes, recorded October 10, 1956 in Book 3172, Page 499 of Official Records. In Favor of: Sacramento Municipal Utility District Affects: As described therein

(Affects Parcel Three)

21. An easement for sewer and drainage pipelines and incidental purposes, recorded February 23, 1962 as Book 4396, Page 907 of Official Records.

- In Favor of:	City of Sacramento
Affects:	as described therein

(Affects Parcel One)

22. An easement for drainage and incidental purposes, recorded July 29, 1970 as Book 7007-29, Page 29 of Official Records.

In Favor of: Affects: State of California as described therein

(Affects Parcel One)

23. Abutter's rights of ingress and egress to or from highway have been relinquished in the document recorded May 10, 1974 in Book 7405-10, Page 883 of Official Records.

(Affects Parcel Three)

- 24. An easement for frontage road and incidental purposes, recorded May 10, 1974 in Book 7405-10, Page 883 of Official Records.
  - In Favor of: Affects:

State of California as described therein

A portion of said frontage road was relinquished to the City of Sacramento by document recorded September 06, 1983 in Book 830906, Page 795 of Official Records.

(Affects Parcel Three)

25. An easement for irrigation pipe and incidental purposes, recorded May 10, 1974 in Book 7405-10, Page 883 of Official Records.
In Favor of: Mark K. Sweeney, ETAL as described therein

The location of the easement cannot be determined from record information.

(Affects Parcel Three)

26. Abutter's rights of ingress and egress to or from Interstate 5 have been relinquished in the document recorded May 1, 1978 as Book 780501, Page 843 of Official Records.

The location of the above mentioned abutters rights cannot be determined from record information.

27. Abutter's rights of ingress and egress to or from abutting highway have been relinquished in the document recorded April 28, 1983 as Book 8304-28, Page 1088 of Official Records.

Document(s) declaring modifications thereof recorded July 8, 1983 as Book 8307-08, Page 1437 of Official Records.

(Affects Parcels One and Three)

28. Abutter's rights of ingress and egress to or from abutting highway have been relinquished in the document recorded April 28, 1983 as Book 8304-28, Page 1092 of Official Records.

Document(s) declaring modifications thereof recorded July 8, 1983 as Book 8307-08, Page 1437 of Official Records.

(Affects Parcel Three)

29. Abutter's rights of ingress and egress to or from abutting highway have been relinquished in the document recorded April 28, 1983 as Book 8304-28, Page 1097 of Official Records.

(Affects Parcel One)

30. Any lease, grant, exception or reservation of minerals or mineral rights as described in the deed executed by Harry M. Tonkin and Dalton G. Feldstein, as trustees of the Freeport Liquidating Trust, recorded June 29, 1984, in Book 84 06 29, Page 1677, Official Records and also described in the

quitclaim deed dated January 19, 1960, recorded January 20, 1960, in Book 3980 of Official Records Page 661, executed by Lester C. Hunt and Martha Hunt, his wife, to California pacific title company, Sacramento Division, a corporation, and modified by Deed dated February 15, 1960, recorded March 25, 1960, in Book 4024 of Official Records, Page 939, executed by said parties, and as conveyed by deed dated March 18, 1960, recorded March 25, 1960, in Book 4024 of Official Records, Page 940, executed by California Pacific Title Company, Sacramento Division, a corporation to Lester C. Hunt and Martha E. Hunt, his wife, as joint tenants.

(Affects All Parcels)

31. The terms and provisions contained in the document entitled "Contract for Exchange of Real Property" recorded January 17, 1986 in Book 8601-17, Page 1771 of Official Records.

(Affects All Parcels)

32. The terms, provisions and easement(s) contained in the document entitled "Grant Deed" recorded June 18, 1990 as Book 9006-18, Page 1637 of Official Records.

(Affects Parcel Two)

 An easement for pipeline and incidental purposes, recorded July 24, 1995 as Book 199507-24, Page 1149 of Official Records.

In Favor of:	
Affects:	

Sacramento Municipal Utility District, a municipal utility district as described therein

A document entitled "Easement Quitclaim" recorded September 6, 2018 as Book 20180906, Page \_0488 of Official Records.

A document entitled "Easement Quitclaim" recorded September 6, 2018 as Book 20180906, Page 0489 of Official Records.

(Affects Parcels One and Two)

34. The terms and provisions contained in the document entitled "Release Agreement and Covenant Not to Sue" recorded February 01, 2005 in Book 20050201, Page 1126 of Official Records.

(Affects All Parcels)

35. The terms and provisions contained in the document entitled "Memorandum of Purchase Agreement" recorded October 19, 2005 in Book 20051019, Page 2302 of Official Records.

The terms and provisions contained in the document entitled "Memorandum of Assignment of and Amendment and Restatement of Purchase Agreement" recorded June 07, 2007 in Book 20070607, Page 371 of Official Records.

(Affects All Parcels)

36. The effect of a map purporting to show the land and other property, filed November 21, 2005 in Book 69, Page 14 of Record of Surveys.

Document(s) declaring modifications thereof recorded October 30, 2007 in Book 20071030, Page 1559 of Official Records.

(Affects All Parcels)

37. The terms and provisions contained in the document entitled "Memorandum of Assignment of Agreement of Purchase and Sale (and Joint Escrow Instructions)" recorded January 03, 2006 in Book 20060103, Page 1812 of Official Records.

(Affects All Parcels)

38. An easement for sewer and incidental purposes, recorded June 20, 2007 as Book 20070620, Page 1229 of Official Records.

In Favor of:	
Affects:	

Sacramento Regional County Sanitation District as described therein

A portion of said sewer <u>easement was quitclaimed to</u> the City of Sacramento by Quitclaim Deed recorded May 18, 2009 in Book 20090518, Page 887 of Official Records.

(Affects Parcels One and Two)

39. The terms and provisions contained in the document entitled "Development Agreement" recorded February 27, 2009 as Book 20090227, Page 0082 of Official Records.

Document(s) declaring modifications thereof recorded November 26, 2019 as Book 20191126, Page 0667 of Official Records.

Document(s) declaring modifications thereof recorded June 26, 2020 as Book 20200626, Page 0043 of Official Records.

(Affects All Parcels)

40. The terms, provisions and easement(s) contained in the document entitled "Grant of Non-Exclusive Right of Way Easement and Temporary Construction Easement Agreement" recorded June 16, 2009 in Book 20090616, Page 1635 of Official Records.

(Affects All Parcels)

Document re-recorded November 05, 2009 in Book 20091105, Page 1120 of Official Records.

41. The terms, provisions and easement(s) contained in the document entitled "Grant of Non-Exclusive Right of Way Easement" recorded June 16, 2009 as Book 20090616, Page 1636 of Official Records.

The above document was re-recorded November 5, 2009 in/as Book 20091105, Page 1141 of Official Records.

(Affects Parcel One)

42. An easement for overhead electrical facilities and incidental purposes, recorded September 6, 2012 as Book 20120906, Page 704 of Official Records. In Favor of: Sacramento Municipal Utility District

In Favor of:Sacramento Municipal Utility DistrictAffects:as described therein

(Affects Parcel One)

43. The terms and provisions contained in the document entitled "Public Improvement Agreement - By and Between the City of Sacramento and M & H Realty Partners VI, LP" recorded March 29, 2013 in Book 20130329, Page 2469 of Official Records.

A document entitled "Partial Release of Public Improvement Agreement" recorded June 23, 2016 in Book 20160623, Page 1390 of Official Records.

(Affects All Parcels)

44. The terms and provisions contained in the document entitled "Drainage Easement Agreement - By and Between M&H Realty Partners VI, LP and the City of Sacramento" recorded May 21, 2013 in Book 20130521, Page 1216 of Official Records.

(Affects All Parcels)

45. An easement for electrical and communication facilities and incidental purposes, recorded December 09, 2014 as Book 20141209, Page 1181 of Official Records.
In Favor of: Sacramento Municipal Utility District Affects: as described therein

(Affects Parcel One and Two)

46. Abutter's rights of ingress and egress to or from the road have been relinquished in the document recorded December 09, 2014 in Book 20141209, Page 1182 of Official Records.

Except at such points as described in the document above.

(Affects Parcels One and Three)

47. An easement for public utilities and incidental purposes, recorded December 9, 2014 as Book 20141209, Page 1245 of Official Records.

In	Fa	vor	of
 ٩ff	ect	S:	

City of Sacramento, a municipal corporation as described therein

(Affects Parcels One and Two)

48. A waiver of any claims for damages by reason of the location, construction, landscaping or maintenance of a contiguous freeway, highway, roadway or transit facility as contained in the document recorded December 9, 2014 as Book 20141209, Page 1245 of Official Records.

(Affects Parcels One and Two)

49. An easement for sewer pipeline and incidental purposes, recorded December 9, 2014 as Book 20141209, Page 1246 of Official Records.
 In Favor of: City of Sacramento, a municipal corporation

as described therein

(Affects Parcel One)

Affects:

50. A waiver of any claims for damages by reason of the location, construction, landscaping or maintenance of a contiguous freeway, highway, roadway or transit facility as contained in the document recorded December 9, 2014 as Book 20141209, Page 1246 of Official Records.

(Affects Parcel One)

51. An easement for a temporary easement for purposes of public use, construction, reconstruction, installation, improvements, repair, inspection, expansion, and maintenance of public rights-of way, highways, roadways, services, utilities, landscape improvements and incidental purposes, recorded December 9, 2014 as Book 20141209, Page 1248 of Official Records.
In Favor of: City of Sacramento, a municipal corporation as described therein

(Affects Parcels One and Two)

52. The terms, provisions and easement(s) contained in the document entitled "Memorandum of Agreement (Easement Use Agreement)" recorded October 30, 2015 as Book 20151030, Page 1624 of Official Records.

(Affects All Parcels )

- 53. We find no outstanding voluntary liens of record affecting subject property. An inquiry should be made concerning the existence of any unrecorded lien or other indebtedness which could give rise to any security interest in the subject property.
- 54. Water rights, claims or title to water, whether or not shown by the public records.
- 55. Rights of parties in possession.
- 56. The terms and provisions contained in the document entitled "Memorandum of Agreement" recorded April 29, 2022 as Book 20220429, Page 0745 of Official Records.

(Affects Parcel Three)

 57. Lien for delinquent utility service charges in favor of City of Sacramento Department of Utilities Against: Amount: Recorded:
 KB Home Sacramento, Inc \$14,947.65, and any other amounts due thereunder October 12, 2022 as Book 20221012, Page 0687 of Official Records.

(Affects Parcel Three)

58. The lien of special tax assessed pursuant to Chapter 2.5 commencing with Section 53311 of the California Government Code for Community Facilities District No. 2002-02, as disclosed by Notice of Special Tax Lien recorded December 13, 2022 as Book 20221213, Page 0139 of Official Records.

(Affects Parcel Three)

- 59.An easement for electrical and communication facilities and incidental purposes, recorded January 20,<br/>2023 as Book 20230120, Page 0545 of Official Records.<br/>In Favor of:<br/>Affects:Sacramento Municipal Utility District, a municipal utility district<br/>Parcel Three, as described therein
- 60. An easement shown or dedicated on the map of FINAL MAP DELTA SHORES WEST SUBDIVISION NO. P06-197 recorded December 19, 2023 and on file in Book 452, Page(s) 2, of Tract Maps. For: public utility and incidental purposes.

(Affects Parcel Three)

61. Covenants, conditions, restrictions and easements in the document recorded December 19, 2023 as Book 20231219, Page 0601 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes or Section 12955 of the California Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

(Affects Lots 239 through 250, and 313 through 317 of Parcel Three)

62. The terms and provisions contained in the document entitled "Master Dispute Resolution Declaration For Delta Shores West" recorded December 19, 2023 as Book 20231219, Page 0602 of Official Records.

(Affects Lots 239 through 250, and 313 through 317 of Parcel Three)

63. The terms and provisions contained in the document entitled "Subdivision Improvement Agreement Public Improvement Proceeding No. P06-197" recorded December 26, 2023 as Book 20231226, Page 0373 of Official Records.

(Affects Parcel Three)

#### INFORMATIONAL NOTES

ALERT - CA Senate Bill 2 imposes an additional fee of \$75 up to \$225 at the time of recording on certain transactions effective January 1, 2018. Please contact your First American Title representative for more information on how this may affect your closing.

1.Taxes for proration purposes only for the fiscal year 2023-2024.First Installment:\$156,714.19, PAIDSecond Installment:\$156,714.19, PAIDTax Rate Area:03-056APN:053-0180-021-0000

(Affects Parcel Three and other property)

2. Supplemental taxes for the fiscal year 2022-2023 assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

First Installment:	\$27,396.04, PAID
Penalty:	\$0.00
Second Installment:	\$27,396.04, PAID
Penalty:	\$0.00
Tax Rate Area:	03-056
A. P. No.:	053-0180-021-0000

(Affects Parcel Three and other property)

- 3. The property covered by this report is vacant land.
- 4. According to the public records, there has been no conveyance of the land within a period of twenty four months prior to the date of this report, except as follows:

A document recorded April 29, 2022 as Book 20220429 Page 0746 of Official Records. From: M & H Realty Partners VI L.P., <u>a California limited partnership</u> To: KB Home Sacramento Inc., a California corporation

(Affects Parcel Three)

- 5. If this preliminary report/commitment was prepared based upon an application for a policy of title insurance that identified land by street address or assessor's parcel number only, it is the responsibility of the applicant to determine whether the land referred to herein is in fact the land that is to be described in the policy or policies to be issued.
- 6. Should this report be used to facilitate your transaction, we must be provided with the following prior to the issuance of the policy:
  - A. WITH RESPECT TO A CORPORATION:
    - 1. A certificate of good standing of recent date issued by the Secretary of State of the corporation's state of domicile.
    - 2. A certificate copy of a resolution of the Board of Directors authorizing the contemplated

transaction and designating which corporate officers shall have the power to execute on behalf of the corporation.

- 3. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
- 4. Requirements which the Company may impose following its review of the above material and other information which the Company may require.
- B. WITH RESPECT TO A CALIFORNIA LIMITED PARTNERSHIP:
  - 1. A certified copy of the certificate of limited partnership (form LP-1) and any amendments thereto (form LP-2) to be recorded in the public records;
  - 2. A full copy of the partnership agreement and any amendments;
  - 3. Satisfactory evidence of the consent of a majority in interest of the limited partners to the contemplated transaction;
  - 4. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
  - 5. Requirements which the Company may impose following its review of the above material and other information which the Company may require.
- C. WITH RESPECT TO A FOREIGN LIMITED PARTNERSHIP:
  - 1. A certified copy of the application for registration, foreign limited partnership (form LP-5) and any amendments thereto (form LP-6) to be recorded in the public records;
  - 2. A full copy of the partnership agreement and any amendment;
  - 3. Satisfactory evidence of the consent of a majority in interest of the limited partners to the contemplated transaction;
  - 4. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
  - 5. Requirements which the Company may impose following its review of the above material and other information which the Company may require.
- D. WITH RESPECT TO A GENERAL PARTNERSHIP:
  - A certified copy of a statement of partnership authority pursuant to Section 16303 of the California Corporation Code (form GP-I), executed by at least two partners, and a certified copy of any amendments to such statement (form GP-7), to be recorded in the public records;
  - 2. A full copy of the partnership agreement and any amendments;
  - 3. Requirements which the Company may impose following its review of the above material required herein and other information which the Company may require.
- E. WITH RESPECT TO A LIMITED LIABILITY COMPANY:
  - 1. A copy of its operating agreement and any amendments thereto;
  - 2. If it is a California limited liability company, a certified copy of its articles of organization (LLC-1) and any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of articles of organization (LLC-10) to be recorded in the public records;
  - 3. If it is a foreign limited liability company, a certified copy of its application for registration (LLC-5) to be recorded in the public records;
  - 4. With respect to any deed, deed of trust, lease, subordination agreement or other document or instrument executed by such limited liability company and presented for recordation by the Company or upon which the Company is asked to rely, such document or instrument must be executed in accordance with one of the following, as appropriate:
    - (i) If the limited liability company properly operates through officers appointed or elected pursuant to the terms of a written operating agreement, such documents must be executed by at least two duly elected or appointed officers, as follows: the chairman of the board, the president or any vice president, and any secretary, assistant secretary, the chief financial officer or any assistant treasurer;
    - (ii) If the limited liability company properly operates through a manager or managers identified in the articles of organization and/or duly elected pursuant to the terms of a written operating agreement, such document must be executed by at least two such managers or by one manager if the limited liability company properly operates with the existence of only one

manager.

- 5. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
- 6. Requirements which the Company may impose following its review of the above material and other information which the Company may require.
- F. WITH RESPECT TO A TRUST:
  - 1. A certification pursuant to Section 18100.5 of the California Probate Code in a form satisfactory to the Company.
  - 2. Copies of those excerpts from the original trust documents and amendments thereto which designate the trustee and confer upon the trustee the power to act in the pending transaction.
  - 3. Other requirements which the Company may impose following its review of the material require herein and other information which the Company may require.
- G. WITH RESPECT TO INDIVIDUALS:
  - 1. A statement of information.

The map attached, if any, may or may not be a survey of the land depicted hereon. First American Title Insurance Company expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

# LEGAL DESCRIPTION

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

PARCEL ONE:

A PORTION OF SECTIONS 11 AND 12, TOWNSHIP 7 NORTH, RANGE 4 EAST, MOUNT DIABLO BASE AND MERIDIAN, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EAST RIGHT OF WAY LINE OF FREEPORT BOULEVARD, AS SHOWN ON THAT RECORD OF SURVEY FILED FOR RECORD IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY IN BOOK 38 OF SURVEYS, PAGE 12, FROM WHICH POINT THE NORTHEAST CORNER OF SAID SECTION 11 BEARS NORTH 01° 45' 06" WEST 337.55 FEET AND NORTH 07° 07' 53" EAST 4270.93 FEET, SAID POINT OF BEGINNING BEING THE MOST-NORTHERLY SOUTHWEST CORNER OF G.T.E. DATA SERVICES, INC. PROPERTY AS DESCRIBED IN BOOK 80 04 07, PAGE 485, OFFICIAL RECORDS OF SAID COUNTY; THENCE FOLLOWING THE BOUNDARY OF SAID G.T.E. PROPERTY, NORTH 88° 15' 23" EAST 179.13 FEET; THENCE SOUTH 01° 44' 37" EAST, 85.21 FEET; THENCE NORTH 88° 15' 23" EAST 100.00 FEET; THENCE NORTH 86° 03' 03" EAST 42.03 FEET; THENCE NORTH 88° 15' 23" EAST 67.68 FEET; THENCE NORTH 63° 23' 23" EAST 4.85 FEET; THENCE LEAVING SAID PROPERTY LINE, SOUTH 19° 48' 46" EAST 258.18 FEET; THENCE ALONG THE SOUTHERLY LINE OF SAID G.T.E. PROPERTY AND ITS SOUTHWESTERLY PROLONGATION NORTH 72° 07' 45" EAST 911.39 FEET; THENCE LEAVING SAID PROPERTY LINE ALONG THE ARC OF A NON-TANGENT 6055.00 FOOT RADIUS CURVE TO THE RIGHT, SAID CURVE BEING SUBTENDED BY A CHORD WHICH BEARS SOUTH 20° 42' 31" EAST 612.50 FEET: THENCE SOUTH 62° 00' 07" WEST 667.24 FEET; THENCE SOUTH 70° 11' 14" WEST 58.76 FEET; THENCE ALONG THE ARC OF A TANGENT 1570.00 FOOT RADIUS CURVE TO THE RIGHT, SAID CURVE BEING SUBTENDED BY A CHORD WHICH BEARS SOUTH 74° 08' 45" WEST 216.77 FEET; THENCE SOUTH 78° 06' 16" WEST 567.71 FEET; THENCE ALONG THE ARC OF A TANGENT 25.00 FOOT RADIUS CURVE TO THE RIGHT, SAID CURVE BEING SUBTENDED BY A CHORD WHICH BEARS NORTH 59° 06' 50" WEST 33.96 FEET; THENCE NORTH 16° 19' 56" WEST 138.76 FEET; THENCE NORTH 11° 35' 20" WEST 252.38 FEET; THENCE NORTH 02° 46' 20" WEST 110.69 FEET; THENCE NORTH 72° 27' 54" EAST 380.65 FEET; THENCE NORTH 02° 46' 20" WEST 180.88 FEET; THENCE SOUTH 72° 27' 54" WEST, 380.65 FEET: THENCE NORTH 02° 46' 20" WEST 206.99 FEET: THENCE NORTH 01° 45' 06" WEST 221.24 FEET TO THE POINT OF BEGINNING.

ALSO DESCRIBED AS PARCEL B OF THE CERTIFICATE OF COMPLIANCE RECORDED JUNE 29, 1988, IN BOOK 88 06 29, PAGE 1668.

EXCEPTING THEREFROM THAT PORTION OF LAND DESCRIBED IN CERTAIN "FINAL ORDER OF CONDEMNATION" RECORDED NOVEMBER 07, 2005 IN BOOK 20051107, PAGE 1942 OF OFFICIAL RECORDS OF SAID COUNTY.

ALSO EXCEPTING THEREFROM SAID PARCEL ALL THAT PORTION CONVENED TO THE CITY OF SACRAMENTO, A MUNICIPAL CORPORATION, BY GRANT DEED RECORDED DECEMBER 09, 2014 IN BOOK 20141209, PAGE 1182 OF OFFICIAL RECORDS.

ALSO EXCEPTING THEREEROM SAID PARCEL ALL THAT PORTION CONVENED TO THE CITY OF SACRAMENTO, A MUNICIPAL CORPORATION, BY GRANT DEED RECORDED DECEMBER 09, 2014 IN BOOK 20141209, PAGE 1183 OF OFFICIAL RECORDS.

PARCEL TWO:

ALL THAT PORTION OF LOTS 9, 10 AND 11, AS SHOWN ON THE PLAT OF "FREEPORT ACRES", RECORDED IN BOOK 15 OF MAPS, MAP NO. 20, RECORDS OF SACRAMENTO COUNTY, DESCRIBED AS

FOLLOWS:

BEGINNING AT THE MOST NORTHERLY CORNER OF THE PARCEL OF LAND DESCRIBED AND DESIGNATED PARCEL 1, IN THE DEED FROM PACIFIC GAS AND ELECTRIC COMPANY TO LAWRENCE J. DEE AND WIFE, DATED SEPTEMBER 24, 1957 AND RECORDED IN BOOK 3390 OF OFFICIAL RECORDS, PAGE 84, SACRAMENTO COUNTY RECORDS, AND RUNNING THENCE ALONG THE NORTHERLY BOUNDARY LINE OF SAID PARCEL OF LAND DESIGNATED PARCEL 1: (1) SOUTH 72° 49' WEST 380.57 FEET TO THE NORTHWESTERLY CORNER OF SAID PARCEL 1: THENCE RUNNING ALONG THE NORTHERLY PROLONGATION OF THE WESTERLY BOUNDARY LINE OF SAID PARCEL 1: (2) NORTH 2° 32' WEST 180.88 FEET TO THE MOST SOUTHERLY CORNER OF THE PARCEL OF LAND DESCRIBED AND DESIGNATED PARCEL 2 IN SAID DEED DATED SEPTEMBER 24, 1957, AND RUNNING ALONG THE SOUTHERLY BOUNDARY LINE OF SAID PARCEL OF LAND DESIGNATED PARCEL 2; (3) NORTH 72° 49' EAST 380.57 FEET OF THE SOUTHEASTERLY CORNER OF SAID PARCEL 0F LAND DESIGNATED PARCEL 2; THENCE RUNNING ALONG THE NORTHERLY PROLONGATION OF THE EASTERLY BOUNDARY LINE OF SAID PARCEL OF LAND DESIGNATED PARCEL 1; (4) SOUTH 2° 32' EAST 180.88 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION OF LAND DES<u>CRIBED IN CERTAIN "FINAL OR</u>DER OF CONDEMNATION" RECORDED NOVEMBER 07, 2005 IN BOOK 20051107, PAGE 1942 OF OFFICIAL RECORDS OF SAID COUNTY.

ALSO EXCEPTING THEREFROM SAID PARCEL ALL THAT PORTION CONVENED TO THE CITY OF SACRAMENTO, A MUNICIPAL CORPORATION, BY GRANT DEED RECORDED DECEMBER 09, 2014 IN BOOK 20141209, PAGE 1182 OF OFFICIAL RECORDS.

PARCEL THREE:

ALL OF LOTS 1 THROUGH 348, AS SHOWN ON THE "FINAL MAP DELTA SHORES WEST SUBDIVISION NO. P06-197", RECORDED ON DECEMBER 19, 2023 IN BOOK 452 OF MAPS, PAGE 2, OF TRACT MAPS, RECORDS OF SACRAMENTO COUNTY.

APN: 119-0010-060-0000 (Affects Parcel One) 119-0010-026-0000 (Affects Parcel Two) and 053-0180-021-0000 (Affects Parcel Three and other property)

#### NOTICE I

Section 12413.1 of the California Insurance Code, effective January 1, 1990, requires that any title insurance company, underwritten title company, or controlled escrow company handling funds in an escrow or sub-escrow capacity, wait a specified number of days after depositing funds, before recording any documents in connection with the transaction or disbursing funds. This statute allows for funds deposited by wire transfer to be disbursed the same day as deposit. In the case of cashier's checks or certified checks, funds may be disbursed the next day after deposit. In order to avoid unnecessary delays of three to seven days, or more, please use wire transfer, cashier's checks, or certified checks whenever possible.

If you have any questions about the effect of this new law, please contact your local First American Office for more details.

#### NOTICE II

As of January 1, 1991, if the transaction which is the subject of this report will be a sale, you as a party to the transaction, may have certain tax reporting and withholding obligations pursuant to the state law referred to below:

In accordance with Sections 18662 and 18668 of the Revenue and Taxation Code, a buyer may be required to withhold an amount equal to three and one-third percent of the sales price in the case of the disposition of California real property interest by either:

- 1. A seller who is an individual with a last known street address outside of California or when the disbursement instructions authorize the proceeds be sent to a financial intermediary of the seller, OR
- 2. A corporate seller which has no permanent place of business in California.

The buyer may become subject to penalty for failure to withhold an amount equal to the greater of 10 percent of the amount required to be withheld or five hundred dollars (\$500).

However, notwithstanding any other provision included in the California statutes referenced above, no buyer will be required to withhold any amount or be subject to penalty for failure to withhold if:

- 1. The sales price of the California real property conveyed does not exceed one hundred thousand dollars (\$100,000), OR
- The seller executes a written certificate, under the penalty of perjury, certifying that the seller is a resident of California, or if a corporation, has a permanent place of business in California, OR
- 3. The seller, who is an individual, executes a written certificate, under the penalty of perjury, that the California real property being conveyed is the seller's principal residence (as defined in Section 1034 of the Internal Revenue Code).

The seller is subject to penalty for knowingly filing a fraudulent certificate for the purpose of avoiding the withholding requirement.

The California statutes referenced above include provisions which authorize the Franchise Tax Board to grant reduced withholding and waivers from withholding on a case-by-case basis.

The parties to this transaction should seek an attorney's, accountant's, or other tax specialist's opinion concerning the effect of this law on this transaction and should not act on any statements made or omitted by the escrow or closing officer.

The Seller May Request a Waiver by Contacting: Franchise Tax Board Withhold at Source Unit P.O. Box 651 Sacramento, CA 95812-0651 (916) 845-4900

# Privacy Policy

# We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information - particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our parent company, The First American Corporation, we have adopted this Privacy Policy to govern the use and handling of your personal information.

# Applicability

This Privacy Policy governs our use of the information which you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its *Fair Information Values*, a copy of which can be found on our website at www.firstam.com.

## Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

## Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies, and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies, or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

## Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

# Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's *Fair Information Values*. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

#### CLTA/ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (02-03-10) **EXCLUSIONS**

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

- Governmental police power, and the existence or violation of those portions of any law or government regulation concerning: 1.
  - (a) building; (d) improvements on the Land;
  - (b) zoning; (e) land division; and
  - (c) land use; (f) environmental protection.
- This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This 2
- Exclusion does not limit the coverage described in Covered Risk 14 or 15.
- The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17. 3
- 4. Risks:
  - (a) that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;

(b) that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date; (c) that result in no loss to You; or

(d) that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28. Failure to pay value for Your Title.

5. Lack of a right: 6.

(a) to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and (b) in streets, alleys, or waterways that touch the Land.

- This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
- 7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.

#### LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows: For Covered Risk 16, 18, 19, and 21 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.

#### Your Deductible Amount

Covered Risk 16: 1% of Policy Amount or \$2,500.00 (whichever is less) Covered Risk 18: 1% of Policy Amount or \$5,000.00 (whichever is less) Covered Risk 19: 1% of Policy Amount or \$5,000.00 (whichever is less) Covered Risk 21: 1% of Policy Amount or \$2,500.00 (whichever is less)

<u>Our Maximum Dollar</u>
Limit of Liability
\$10,000.00
\$25,000.00
\$25,000.00
\$5,000,00

#### ALTA RESIDENTIAL TITLE INSURANCE POLICY (6-1-87) EXCLUSIONS

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees, and expenses resulting from:

- Governmental police power, and the existence or violation of any law or government regulation. This includes building and 1. zoning ordinances and also laws and regulations concerning:
  - (a) and use

2.

- (b) improvements on the land
- (c) and division
- (d) environmental protection

This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date. This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.

- The right to take the land by condemning it, unless:
- (a) a notice of exercising the right appears in the public records on the Policy Date
- (b) the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking 3 Title Risks:

(a) that are created, allowed, or agreed to by you

(b) that are known to you, but not to us, on the Policy Date -- unless they appeared in the public records

(c) that result in no loss to you

(d) that first affect your title after the Policy Date -- this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks

Failure to pay value for your title
 Lack of a right:

(a) to any land outside the area specifically described and referred to in Item 3 of Schedule A OR

(b) in streets, alleys, or waterways that touch your land

This exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

#### 2006 ALTA LOAN POLICY (06-17-06) EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

- 1. a. Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
  - i. the occupancy, use, or enjoyment of the Land;
  - ii. the character, dimensions, or location of any improvement erected on the Land;
  - iii. the subdivision of land; or
  - iv. environmental protection;

or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

- b. Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
- 2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
- 3. Defects, liens, encumbrances, adverse claims, or other matters
  - a. created, suffered, assumed, or agreed to by the Insured Claimant;

b. not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;

c. resulting in no loss or damage to the Insured Claimant;

d. attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or

e. resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.

- Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
- 6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
  - a. a fraudulent conveyance or fraudulent transfer, or
  - b. a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
- 7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

#### EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

- (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
- 2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
- 3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
- 4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an

accurate and complete land survey of the Land and not shown by the Public Records.

5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

# 2006 ALTA OWNER'S POLICY (06-17-06) EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. a. Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to

i. the occupancy, use, or enjoyment of the Land;

ii. the character, dimensions, or location of any improvement erected on the Land;

iii. the subdivision of land; or

iv. environmental protection;

or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

b.Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.

Rights of eminent domain. This Exclusion does not modify or lim
 Defects, liens, encumbrances, adverse claims, or other matters

a. created, suffered, assumed, or agreed to by the Insured Claimant;

b. not Known to the Company, not recorded in the Public Records at Date of Policy, but known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;

c. resulting in no loss or damage to the Insured Claimant;

d. attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or

e. resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.

- 4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
  - a. a fraudulent conveyance or fraudulent transfer; or
  - b. a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
- 5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

#### EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

- (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
- Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
- 3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
- 4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
- 5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
- 6. Any lien or right to a lien for services, labor or material not shown by the public records.

#### ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (07-26-10) EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

- 1. a. Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
  - i. the occupancy, use, or enjoyment of the Land;
  - ii. the character, dimensions, or location of any improvement erected on the Land;
  - iii. the subdivision of land; or
  - iv. environmental protection;

or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.

- b. Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
- 2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
- 3. Defects, liens, encumbrances, adverse claims, or other matters

a. created, suffered, assumed, or agreed to by the Insured Claimant;
b. not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;

c. resulting in no loss or damage to the Insured Claimant;

d. attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or

- e. resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable
- doing-business laws of the state where the Land is situated.
- Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
- 6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.
- 7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
- The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
- 9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
  - a. a fraudulent conveyance or fraudulent transfer, or
  - b. a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.



## Invoice No. 24 – Delta Shores West

July 16, 2024

M&H Realty Partners VI L.P.with a copy to:Westland Capitol Partnersc/o Merlone Geier Partners4370 Town Center Blvd., Ste. 1004365 Executive Drive, Suite 1400El Dorado Hills, California 95762San Diego, California 92121Attn: Bill BunceAttn: Bradley A. Geier, Jonathan Lischke and Barron Caronite

Subject: Goodfellow Invoice No. 24

Current Payment Due to Good	fellow from MHRP	\$ 141,618.43
Original Contract Sum		\$ 36,625,600.90
Net Change by Change Order		\$ 967,835.18
Contract Sum to Date		\$ 37,593,436.08
Total Completed and Stored To	Date	\$ 35,286,401.66
Retainage 10% of C	ompleted Work	\$ 3,446,434.71
Total Earned Less Retention	\$ 31,839,966.95	
Less Previous Pay Applications	\$ 31,529,127.56	
Current Payment Due		\$ 310,839.39
Balance To Finish Plus Retentio	n	\$ 5,753,469.13
JDA Current Payment Obligatio	ns:	
KB Home	54.44%	\$ 169,220.96
MHRP	45.56%	\$ 141,618.43
		\$ 310,839.39

HBTDS approved for Payment By: 7/24/2024 S 8/6/2024	KJ 7/22/2024
	WBB

KB Home Sacramento, Inc. 3005 Douglas Blvd Suite 250 Roseville CA

# CONDITIONAL WAIVER AND RELEASE UPON PROGRESS PAYMENT

NOTICE: THIS DOCUMENT WAIVES THE CLAIMANT'S LIEN, STOP PAYMENT NOTICE, AND PAYMENT BOND RIGHTS EFFECTIVE ON RECEIPT OF PAYMENT. A PERSON SHOULD NOT RELY ON THIS DOCUMENT UNLESS SATISFIED THAT THE CLAIMANT HAS RECEIVED PAYMENT.

	Identifying Information					
Name of Claimant:	Goodfellow Bros. California, LLC					
Name of Customer:	KB Home Sacramento and M&H Realty Partners VI L.P.					
Job Location:	Delta Shores West					
Owner:	KB Home Sacramento and M&H Realty Partners VI L.P.					
Through Date:	04/30/2024					

# **Conditional Waiver and Release**

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant, are waived and released by this document, unless listed as an Exception below. This document is effective only on the claimant's receipt of payment from the financial institution on which the following check is drawn:

Maker of Check:	M&H Realty Partners VI L.P.
Amount of Check:	\$141,618.43
Check Payable to:	Goodfellow Bros. California, LLC

### Exceptions

This document does not affect any of the following:

- (1) Retentions.
- (2) Extras for which the claimant has not received payment.
- (3) The following progress payments for which the claimant has previously given a conditional waiver and release but has not received payment:

Date(s) of waiver and release:

Amount(s) of unpaid progress payments

(4) Contract rights, including (A) a right based on rescission, abandonment, or breach of contract, and(B) the right to recover compensation for work not compensated by the payment.

	Signature
Claimant's Signature:	Alla
Claimant's Title:	Andrew Hilger, Corporate Controller
Date of Signature	08/06/2024

FORM R101 rev 07-01-12



July 31, 2024

# Important Security Alert: Protecting Your Payments with Goodfellow Bros. (GBI)

Dear Valued Customer,

I hope this letter finds you well. In recent times, we have become aware of a concerning security issue that could potentially impact our valued customers like you.

This scheme involves hackers attempting to gain access to your communication channels, often followed by fraudulent payment and banking information change instructions sent directly to your accounting teams. These deceptive communications are designed to mimic official messages from trusted members of our GBI staff, making them appear genuine. Such messages may include requests to change payment details or banking information.

What is particularly concerning is the level of sophistication these fraudsters employ. They often use email domains that closely resemble our legitimate domain, creating a convincing illusion of authenticity. For instance, they may use an email domain such as **@goodfellowbrosinc.com** instead of our legitimate domain, **@goodfellowbros.com**. Additionally, these fraudulent messages may incorporate manipulated email signature lines, logos, and other elements, making them appear highly convincing. Hackers even take the time to trade messages with your staff and build false customer relationships before sending a payment fraud request.

The severity of this threat cannot be overstated, as falling victim to this scam could result in substantial financial losses for your organization. It is critical this information is shared with your team and these key steps are taken to protect your financial interests:

- 1. Payment Information Security: <u>Goodfellow Bros. will NEVER change our banking information without</u> formal written advisement directly from me, the CFO, followed by a phone call to verify the changes with a trusted contact.
- 2. Employee Awareness: Take immediate steps to educate your staff on this emerging issue and what to watch out for. There are numerous valuable resources available on the web, and your information security teams can provide further guidance on the appropriate safeguards needed to secure your systems and educate your teams. Furthermore, we strongly advise that if your staff receives any form of fraudulent request to modify our verified payment information, you immediately reach out to us directly to report the request and implement internal measures to ensure the security of your systems.
- **3. Payment Accountability:** Finally, and most importantly, I must emphasize that if, inadvertently, you make payments intended for Goodfellow Bros. to fraudulent accounts, all associated amounts will be at your expense. All amounts due to Goodfellow Bros. will remain unpaid until full remittance is made to GBI, in accordance with the payment terms outlined in all applicable contracts between us.

We value our relationship with you and take payment fraud very seriously. We ask that you *also* be vigilant to prevent fraud and help protect our common interests. If you have any questions, please do not hesitate to contact me.

Regards,

Simon Poole Chief Financial Officer simonp@goodfellowbros.com

P.O. Box 598, Wenatchee, WA 98807 135 N. Wenatchee Ave., Wenatchee, WA 98801 Phone 509.662.7111 | Fax 509.662.2621 CL# GOODFBL825PH | Equal Opportunity Employer

Net Changes By Change Order

\$967,835.18

APP	LICATION AND CER	TIFICATE FC	R PAYMENT	Invoice #: 16	511	
To Owner:	KB HOME SACRAMENTO INC 3005 Douglas Blvd, Suite 250 Roseville, CA 95661	Project 4	22221- Delta Shores West	Application N Period Period To:	lo. :24 04/01/24 04/30/24	Distribution to Owner Architect Contractor
From Co	ontract Goodfellow Bros. California, PO Box 598 Wenatchee, WA 98807-059	ct:	MSA Engineering	Project Nos:		
Contrac	t For:			Contract		
CON.	<b>FRACTOR'S APPLICA</b>	ION FOR PAY	MENT	The undersigned Contrac	ctor certifies that to	the best of the Contractor's knowledge,
	on is made for payment, as shown below, ir tion Sheet is attached.	n connection with the Contra	ct.	information, and belief, the completed in accordance paid by the Contractor fo	ne work covered by with the Contract E r Work for which pre	this Application for Payment has been Documents. That all amounts have been evious Certificates for Payment were her, and that current payment shown
0	inal Contract Sum Change By Change Order		\$36,625,600 <b>.</b> 90 \$967,835 <b>.</b> 18	CONTRACTOR: Goo	odfellow Bros. Calif	ornia, LLC
	tract Sum To Date		\$37,593,436.08 \$35,286,401.66	By: Marlena Stoarton		Date: <u>4/30/24</u>
	ainage: <sup>77%</sup> of Completed Work	\$3,446,434.71		State of:		County of:
b. 0.	<sup>00%</sup> of Stored Material	\$0.00		Subscribed and sworn to be Notary Public: My Commission expires:	erore me this	day of
Тс	otal Retainage		\$3,446,434.71			
6. Tota	Earned Less Retainage		\$31,839,966.95	ARCHITECT'S CERTIFIC In accordance with the Cont		<b>NT</b> ed on on-site observations and the data
7. Less	Previous Certificates For Payme	ents	\$31,529,127.56			ertifies to the Owner that to the best of the ework has progressed as indicated,
8. Curr	ent Payment Due		\$310,839.39	•		Contract Documents, and the Contractor
9. Bala	nce To Finish, Plus Retainage .		\$5,753,469.13	AMOUNT CERTIFIED \$310,	839.39	
				(Attach explanation if amount cent the Continuation Sheet that are o		ount applied. Initial all figures on this Application and o the amount certified.)
	GE ORDER SUMMARY	Additions	Deductions			
in prev	ious months by Owner	\$967,835.18	\$0.00	ARCHITECT:		_
Total A	pproved this Month	\$0.00	\$0.00	By:		Date:
1	TOTALS	\$967,835,18	\$0.00	This Certificate is not neg	otiable. The AMOU	INT CERTIFIED is payable only to the

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment, and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

Application and Certification for Payment, containing

Contractor's signed certification is attached.

In tabulations below, amounts are stated to the nearest dollar.

Use Column I on Contracts where variable retainage for line items may apply.

# Invoice # : 16511 Contract : 422221- Delta Shores West

Page 2 of 10

Application No. : 24

Application Date : 04/30/24

Period: 04/01/24 to 04/30/24

# Architect's Project No.:

Α	В	С	D	E	F	G		н	I
Item	Description of Work	Scheduled	Work Co	mpleted	Materials	Total	%	Balance	Retainage
No.		Value	From Previous Application (D+E)	This Period In Place	Presently Stored	Completed and Stored To Date	(G / C)	To Finish (C-G)	-
					(Not in D or E)	(D+E+F)			
Bill Group									
200.00	Change Order 01	196,027.22	196,027.22	0.00	0.00	196,027.22	100.00%	0.00	19,602.72
201.00	Change Order 02	2,761.60	2,761.60	0.00	0.00	2,761.60	100.00%	0.00	276.16
202.00	Change Order 03	3,541.41	3,541.41	0.00	0.00	3,541.41	100.00%	0.00	354.14
203.00	Change Order 04	228,825.00	228,825.00	0.00	0.00	228,825.00	100.00%	0.00	22,882.50
204.00	Change Order 05	7,386.45	7,386.45	0.00	0.00	7,386.45	100.00%	0.00	738.65
205.00	Change Order 06	73,616.87	73,616.87	0.00	0.00	73,616.87	100.00%	0.00	7,361.69
206.00	Change Order 07	22,858.00	22,858.00	0.00	0.00	22,858.00	100.00%	0.00	2,285.80
207.01	Change Order 8 - Water Phasing	43,450.00	43,450.00	0.00	0.00	43,450.00	100.00%	0.00	4,345.00
207.02	Change Order 8 - Add'l 60in MH	10,600.00	10,600.00	0.00	0.00	10,600.00	100.00%	0.00	1,060.00
207.03	Change Order 8 - Add'l park demo and	28,391.25	28,391.25	0.00	0.00	28,391.25	100.00%	0.00	2,839.13
208.00	CO #08 - Phase 4 Joint Trench (New F	125,211.18	125,211.18	0.00	0.00	125,211.18	100.00%	0.00	12,521.12
209.00	CO #10 -	92,936.80	92,936.80	0.00	0.00	92,936.80	100.00%	0.00	9,293.68
210.01	Change Order 11 - Buried Trash	4,230.90	4,230.90	0.00	0.00	4,230.90	100.00%	0.00	423.09
210.02	Change Order 11 - Add'l water sampli	2,000.00	2,000.00	0.00	0.00	2,000.00	100.00%	0.00	200.00
211.00	Change Order 12	17,869.50	17,869.50	0.00	0.00	17,869.50	100.00%	0.00	1,786.96
212.00	Change Order 13	0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
213.00	Change Order 14	33,000.00	33,000.00	0.00	0.00	33,000.00	100.00%	0.00	3,300.00
214.00	Change Order 15	75,129.00	75,129.00	0.00	0.00	75,129.00	100.00%	0.00	7,512.90
	Totals	967,835.18	967,835.18	0.00	0.00	967,835.18	100.00%	0.00	96,783.54
Bill Group	01.00 115022 / Demolition								
1.00	General Conditions w/ Mobilization	396,800.00	396,800.00	0.00	0.00	396,800.00	100.00%	0.00	35,359.65
2.00	Spray Weedkiller	113,400.00	113,400.00	0.00	0.00	113,400.00	100.00%	0.00	11,340.00
	Mow & Bale Weeds	27,864.00	27,864.00	0.00	0.00	27,864.00	100.00%	0.00	2,786.40
4.00	Clear & Grub	28,026.00	28,026.00	0.00	0.00	28,026.00	100.00%	0.00	2,116.02
5.00	Remove Trees	136,500.00	136,500.00	0.00	0.00	136,500.00	100.00%	0.00	13,650.00
151.00	Clear and Grub	7,300.00	5,840.00	0.00	0.00	5,840.00	80.00%	1,460.00	584.00
152.00	Pavement Sawcut and Removal (Wate	33,215.00	0.00	0.00	0.00	0.00	0.00%	33,215.00	0.00
	115022 / Demolition Totals	743,105.00	708,430.00	0.00	0.00	708,430.00	95.33%	34,675.00	65,836.07

## Application and Certification for Payment, containing

Contractor's signed certification is attached.

In tabulations below, amounts are stated to the nearest dollar.

Use Column I on Contracts where variable retainage for line items may apply.

## Invoice # : 16511 Contract : 422221- Delta Shores West

Page 3 of 1

Application No. : 24

Application Date : 04/30/24

Period: 04/01/24 to 04/30/24

# Architect's Project No.:

Α	В	С	D	Е	F	G		Н	I
Item	Description of Work	Scheduled	Work Co	mpleted	Materials	Total	%	Balance	Retainage
No.		Value	From Previous Application (D+E)	This Period In Place	Presently Stored	Completed and Stored To Date	(G / C)	To Finish (C-G)	
					(Not in D or E)	(D+E+F)			
Bill Group	02.00 115020 / Grading								
6.00	Disc, Moisture Condition & Precompa	125,500.00	125,500.00	0.00	0.00	125,500.00	100.00%	0.00	9,475.50
7.00	Cut Top 1' of Fill Areas per Youngdahl	340,425.00	340,425.00	0.00	0.00	340,425.00	100.00%	0.00	25,702.76
8.00	Rough Grade	547,650.00	547,650.00	0.00	0.00	547,650.00	100.00%	0.00	41,348.67
9.00	Grade House Pads	178,524.00	178,524.00	0.00	0.00	178,524.00	100.00%	0.00	13,478.92
10.00	Grade Parks, Lots & Landscape Areas	156,500.00	156,500.00	0.00	0.00	156,500.00	100.00%	0.00	11,816.06
11.00	Fine Grade Streets & Concrete	544,800.00	544,800.00	0.00	0.00	544,800.00	100.00%	0.00	54,480.00
169.00	Potential Offroad Diesel Escalation fo	72,000.00	72,000.00	0.00	0.00	72,000.00	100.00%	0.00	6,710.03
	115020 / Grading Totals	1,965,399.00	1,965,399.00	0.00	0.00	1,965,399.00	100.00%	0.00	163,011.94
Bill Group	03.00 114040 / Erosion Control								
12.00	Hydroseed House Pads for Winter	102,312.00	102,312.00	0.00	0.00	102,312.00	100.00%	0.00	10,231.20
13.00	Install Erosion Control	232,600.00	232,600.00	0.00	0.00	232,600.00	100.00%	0.00	21,677.16
14.00	Maintain Erosion Control	104,000.00	104,000.00	0.00	0.00	104,000.00	100.00%	0.00	10,400.00
153.00	Erosion Control	49,600.00	17,360.00	0.00	0.00	17,360.00	35.00%	32,240.00	1,736.00
173.00	Offsite Street Sweeping as Needed	85,800.00	81,510.00	2,145.00	0.00	83,655.00	97.50%	2,145.00	8,365.50
174.00	Weekend Dust Control as Needed	46,800.00	46,800.00	0.00	0.00	46,800.00	100.00%	0.00	4,590.83
175.00	Manage Rain/Stormwater to Maintain	143,200.00	143,200.00	0.00	0.00	143,200.00	100.00%	0.00	14,320.00
	114040 / Erosion Control Totals	764,312.00	727,782.00	2,145.00	0.00	729,927.00	95.50%	34,385.00	71,320.69
Bill Group	04.00 116040 / Sewer								
15.00	8" Sewer Pipe	1,286,310.00	1,286,310.00	0.00	0.00	1,286,310.00	100.00%	0.00	128,631.00
16.00	10" Sewer Pipe	71,250.00	71,250.00	0.00	0.00	71,250.00	100.00%	0.00	5,651.04
17.00	12" Sewer Pipe	112,500.00	112,500.00	0.00	0.00	112,500.00	100.00%	0.00	8,892.07
18.00	8" Inside Drop Connection	26,100.00	26,100.00	0.00	0.00	26,100.00	100.00%	0.00	2,610.00
	SSMH # 3	144,400.00	144,400.00	0.00	0.00	144,400.00	100.00%	0.00	13,850.41
20.00	SSMH # 3A	410,800.00	410,800.00	0.00	0.00	410,800.00	100.00%	0.00	37,725.40
21.00	6" Sewer Force Main	26,775.00	26,775.00	0.00	0.00	26,775.00	100.00%	0.00	2,677.50
22.00	4" Sewer Services	487,200.00	487,200.00	0.00	0.00	487,200.00	100.00%	0.00	47,393.84

Page 3 of 10

## Application and Certification for Payment, containing

Contractor's signed certification is attached.

In tabulations below, amounts are stated to the nearest dollar.

Use Column I on Contracts where variable retainage for line items may apply.

# Invoice # : 16511 Contract : 422221- Delta Shores West

Page 4 of 1

Application No. : 24

Application Date : 04/30/24

Period: 04/01/24 to 04/30/24

# Architect's Project No.:

Α	В	С	D	Е	F	G		Н	I
ltem	Description of Work	Scheduled	Work Con	npleted	Materials	Total	%	Balance	Retainage
No.		Value	From Previous Application (D+E)	This Period In Place	Presently Stored	Completed and Stored To Date	(G / C)	To Finish (C-G)	-
					(Not in D or E)	(D+E+F)			
Bill Group	04.00 116040 / Sewer								
23.00	6" Sewer Service (Park Site)	1,800.00	1,800.00	0.00	0.00	1,800.00	100.00%	0.00	180.00
24.00	Trench De-Watering	888,000.00	888,000.00	0.00	0.00	888,000.00	100.00%	0.00	76,714.31
25.00	Tie Into Existing System	8,900.00	8,900.00	0.00	0.00	8,900.00	100.00%	0.00	768.87
116.00	Mobilization	86,400.00	86,400.00	0.00	0.00	86,400.00	100.00%	0.00	8,404.82
117.00	Sheeting, Shoring & Bracing	200,600.00	200,600.00	0.00	0.00	200,600.00	100.00%	0.00	20,060.00
118.00	Dewater	125,600.00	125,600.00	0.00	0.00	125,600.00	100.00%	0.00	10,850.58
119.00	Earthwork	163,700.00	163,700.00	0.00	0.00	163,700.00	100.00%	0.00	16,370.00
120.00	Underground Utilities	42,600.00	42,600.00	0.00	0.00	42,600.00	100.00%	0.00	4,260.00
121.00	Concrete	30,000.00	30,000.00	0.00	0.00	30,000.00	100.00%	0.00	3,000.00
122.00	Precast Conc Wet Well	109,500.00	109,500.00	0.00	0.00	109,500.00	100.00%	0.00	10,950.00
123.00	4" AC Pave	21,630.00	21,630.00	0.00	0.00	21,630.00	100.00%	0.00	2,163.00
124.00	Gate & Fall Prevention Fence	42,600.00	42,600.00	0.00	0.00	42,600.00	100.00%	0.00	4,260.00
125.00	CMU Wall	78,400.00	78,400.00	0.00	0.00	78,400.00	100.00%	0.00	7,840.00
126.00	Misc Metals & Equip Cover Structure	66,900.00	66,900.00	0.00	0.00	66,900.00	100.00%	0.00	6,690.00
127.00	Paint & Coat	42,600.00	42,600.00	0.00	0.00	42,600.00	100.00%	0.00	4,260.00
128.00	Submersible Pumps	115,300.00	115,300.00	0.00	0.00	115,300.00	100.00%	0.00	11,530.00
129.00	Water Hose Cabinet w/ Booster Pump	9,200.00	9,200.00	0.00	0.00	9,200.00	100.00%	0.00	920.00
130.00	Wet Well Pipe & Above Grade FM	115,300.00	115,300.00	0.00	0.00	115,300.00	100.00%	0.00	11,530.00
131.00	Electrical	633,900.00	633,900.00	0.00	0.00	633,900.00	100.00%	0.00	63,390.00
132.00	SMUD Transformer & Service (Allowar	28,400.00	28,400.00	0.00	0.00	28,400.00	100.00%	0.00	2,840.00
170.00	UG & Lift Station Material Escalation	284,300.00	284,300.00	0.00	0.00	284,300.00	100.00%	0.00	24,560.68
	116040 / Sewer Totals	5,660,965.00	5,660,965.00	0.00	0.00	5,660,965.00	100.00%	0.00	538,973.52
Bill Group	05.00 116010 / Water								
26.00	8" Waterline	1,179,750.00	1,179,750.00	0.00	0.00	1,179,750.00	100.00%	0.00	108,364.34
27.00	12" Waterline	384,750.00	384,750.00	0.00	0.00	384,750.00	100.00%	0.00	38,475.00
28.00	8" Gate Valve	133,400.00	133,400.00	0.00	0.00	133,400.00	100.00%	0.00	13,340.01
	12" Gate Valve	51,600.00	51,600.00	0.00	0.00	51,600.00	100.00%	0.00	5,160.00
30.00	Residential Water Services	696,000.00	696,000.00	0.00	0.00	696,000.00	100.00%	0.00	69,600.00

Page 4 of 10

Application and Certification for Payment, containing

Contractor's signed certification is attached.

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Use Column I on Contracts where variable retainage for line items may apply.

# Invoice # : 16511 Contract : 422221- Delta Shores West

Page 5 of 1

Application No. : 24

Application Date : 04/30/24

Period: 04/01/24 to 04/30/24

# Architect's Project No.:

Α	В	С	D	E	F	G		Н	I
Item	Description of Work	Scheduled	Work Co	mpleted	Materials	Total	%	Balance	Retainage
No.		Value	From Previous Application (D+E)	This Period In Place	Presently Stored	Completed and Stored To Date	(G / C)	To Finish (C-G)	-
					(Not in D or E)	(D+E+F)			
Bill Group	05.00 116010 / Water								
31.00	Fire Hydrants	346,500.00	346,500.00	0.00	0.00	346,500.00	100.00%	0.00	34,650.00
32.00	1" Irrigation Services w/ RP Device	37,200.00	37,200.00	0.00	0.00	37,200.00	100.00%	0.00	3,720.00
33.00	4" Irrigation Service (Park Site)	21,400.00	21,400.00	0.00	0.00	21,400.00	100.00%	0.00	2,140.00
34.00	1.5" Irrigation Service w/ RP Device	35,500.00	35,500.00	0.00	0.00	35,500.00	100.00%	0.00	3,550.00
35.00	2" Irrigation Sleeves	38,000.00	38,000.00	0.00	0.00	38,000.00	100.00%	0.00	3,800.00
36.00	Connect to Existing	4,800.00	4,800.00	0.00	0.00	4,800.00	100.00%	0.00	480.00
154.00	12" Waterline Pipe	565,800.00	127,191.01	0.00	0.00	127,191.01	22.48%	438,608.99	12,719.10
155.00	12" Gate Valve	8,600.00	0.00	0.00	0.00	0.00	0.00%	8,600.00	0.00
156.00	Fire Hydrants	77,500.00	0.00	0.00	0.00	0.00	0.00%	77,500.00	0.00
157.00	2" Temp. Blow Off Valve	7,000.00	0.00	0.00	0.00	0.00	0.00%	7,000.00	0.00
158.00	Connect to Existing	9,600.00	0.00	0.00	0.00	0.00	0.00%	9,600.00	0.00
	116010 / Water Totals	3,597,400.00	3,056,091.01	0.00	0.00	3,056,091.01	84.95%	541,308.99	295,998.45
Bill Group	06.00 116030 / Storm Drain								
37.00	12" Drain Pipe (DI Leads)	176,550.00	176,550.00	0.00	0.00	176,550.00	100.00%	0.00	17,655.00
38.00	18" Drain Pipe	381,150.00	381,150.00	0.00	0.00	381,150.00	100.00%	0.00	38,115.00
39.00	24" Drain Pipe	428,125.00	428,125.00	0.00	0.00	428,125.00	100.00%	0.00	42,812.50
40.00	30" Drain Pipe	182,250.00	182,250.00	0.00	0.00	182,250.00	100.00%	0.00	18,225.00
41.00	36" Drain Pipe	249,100.00	249,100.00	0.00	0.00	249,100.00	100.00%	0.00	24,910.00
	42" Drain Pipe	61,500.00	61,500.00	0.00	0.00	61,500.00	100.00%	0.00	6,150.00
43.00	48" Drain Pipe	472,750.00	472,750.00	0.00	0.00	472,750.00	100.00%	0.00	47,275.00
44.00	48" SDMH # 3	229,400.00	229,400.00	0.00	0.00	229,400.00	100.00%	0.00	22,940.00
45.00	48" SDMH #4	93,600.00	93,600.00	0.00	0.00	93,600.00	100.00%	0.00	9,360.00
46.00	60" SDMH #4	321,300.00	321,300.00	0.00	0.00	321,300.00	100.00%	0.00	32,130.00
47.00	Saddle SDMH	104,800.00	104,800.00	0.00	0.00	104,800.00	100.00%	0.00	10,480.00
48.00	Drop Inlets	396,000.00	396,000.00	0.00	0.00	396,000.00	100.00%	0.00	39,600.00
	Ditch Box	8,400.00	8,400.00	0.00	0.00	8,400.00	100.00%	0.00	840.00
	6" Subdrain per Youngdahl Recomme	225,000.00	0.00	0.00	0.00	0.00	0.00%	225,000.00	0.00
51.00	Connect to Existing	10,800.00	10,800.00	0.00	0.00	10,800.00	100.00%	0.00	1,080.00

Page 5 of 10

Application and Certification for Payment, containing

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# Invoice # : 16511 Contract : 422221- Delta Shores West

Page 6 of 10

Application No. : 24

Application Date : 04/30/24

Period: 04/01/24 to 04/30/24

# Architect's Project No.:

Α	В	С	D	Е	F	G		Н	I
Item	Description of Work	Scheduled	Work Co	mpleted	Materials	Total	%	Balance	Retainage
No.		Value	From Previous Application (D+E)	This Period In Place	Presently Stored	Completed and Stored To Date	(G / C)	To Finish (C-G)	-
					(Not in D or E)	(D+E+F)			
Bill Group	06.00 116030 / Storm Drain								
133.00	Clear & Grub	7,200.00	7,200.00	0.00	0.00	7,200.00	100.00%	0.00	524.02
134.00	Rough Grade	74,250.00	74,250.00	0.00	0.00	74,250.00	100.00%	0.00	5,606.02
135.00	Hydroseed Basin	7,800.00	7,800.00	0.00	0.00	7,800.00	100.00%	0.00	780.00
136.00	3" AC	39,960.00	39,960.00	0.00	0.00	39,960.00	100.00%	0.00	3,996.00
137.00	8" AB	37,000.00	37,000.00	0.00	0.00	37,000.00	100.00%	0.00	3,700.00
138.00	6" PCC/6" AB (Access Ramp & Low FI	69,160.00	69,160.00	0.00	0.00	69,160.00	100.00%	0.00	6,916.00
139.00	Decomposed Granite	89,655.00	89,655.00	0.00	0.00	89,655.00	100.00%	0.00	8,965.50
140.00	Stripe and Sign (Trail/Access Road)	9,300.00	9,300.00	0.00	0.00	9,300.00	100.00%	0.00	930.00
141.00	Bollards	14,400.00	14,400.00	0.00	0.00	14,400.00	100.00%	0.00	1,440.00
142.00	16' Single Leaf Access Control Gate	8,500.00	8,500.00	0.00	0.00	8,500.00	100.00%	0.00	850.00
143.00	Post & Cable Fence	33,512.00	33,512.00	0.00	0.00	33,512.00	100.00%	0.00	3,351.20
144.00	42" Storm Drain Pipe	5,670.00	5,670.00	0.00	0.00	5,670.00	100.00%	0.00	567.00
145.00	48" Storm Drain Pipe	16,377.00	16,377.00	0.00	0.00	16,377.00	100.00%	0.00	1,637.70
146.00	Connect to Existing	5,900.00	5,900.00	0.00	0.00	5,900.00	100.00%	0.00	590.00
147.00	48" Drain Outfall w/ Access Control Ra	29,600.00	29,600.00	0.00	0.00	29,600.00	100.00%	0.00	2,960.00
148.00	42" Drain Inlet w/ Trash Rack	23,300.00	23,300.00	0.00	0.00	23,300.00	100.00%	0.00	2,330.00
149.00	Rip Rap @ Inlet/Outlet/Structures	6,985.00	6,985.00	0.00	0.00	6,985.00	100.00%	0.00	698.50
150.00	Dewater to Rough Grade Basin	159,200.00	159,200.00	0.00	0.00	159,200.00	100.00%	0.00	12,669.93
	116030 / Storm Drain Totals	3,978,494.00	3,753,494.00	0.00	0.00	3,753,494.00	94.34%	225,000.00	370,084.37
Bill Group	07.00 119010 / Concrete								
52.00	6" PCC over 12" AB (Alleys)	597,720.00	597,720.00	0.00	0.00	597,720.00	100.00%	0.00	59,772.00
53.00	Vertical Curb & Gutter	1,274,895.00	1,274,895.00	0.00	0.00	1,274,895.00	100.00%	0.00	127,489.51
54.00	Rolled Curb & Gutter	40,680.00	40,680.00	0.00	0.00	40,680.00	100.00%	0.00	4,068.00
55.00	Type 14A Median Curb	52,855.00	52,855.00	0.00	0.00	52,855.00	100.00%	0.00	5,285.50
56.00	Sidewalk over 12" A.B.	1,826,820.00	1,808,551.80	0.00	0.00	1,808,551.80	99.00%	18,268.20	180,855.18
57.00	Residential Driveway (C&G to Sidewa	283,200.00	283,200.00	0.00	0.00	283,200.00	100.00%	0.00	28,320.00
	Handicap Ramps w/Truncated Dome	145,600.00	145,600.00	0.00	0.00	145,600.00	100.00%	0.00	14,560.00
	Commercial Driveway (Alley Entrance	66,000.00	66,000.00	0.00	0.00	66,000.00	100.00%	0.00	6,600.00

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Application and Certification for Payment, containing

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Use Column I on Contracts where variable retainage for line items may apply.

# Invoice # : 16511 Contract : 422221- Delta Shores West

Application No. : 24

Application Date : 04/30/24

Period: 04/01/24 to 04/30/24

## Architect's Project No.:

Α	В	С	D	E	F	G		Н	I
Item	Description of Work	Scheduled	Work Co	mpleted	Materials	Total	%	Balance	Retainage
No.		Value	From Previous Application (D+E)	This Period In Place	Presently Stored	Completed and Stored To Date	(G / C)	To Finish (C-G)	_
					(Not in D or E)	(D+E+F)			
Bill Group	07.00 119010 / Concrete								
60.00	Conc Flatwork @ Circle Islands	50,100.00	50,100.00	0.00	0.00	50,100.00	100.00%	0.00	5,010.00
159.00	Vertical Curb & Gutter No. 4 over 12" /	8,090.00	0.00	0.00	0.00	0.00	0.00%	8,090.00	0.00
160.00	Attached Sidewalk over 12" AB	11,900.00	0.00	0.00	0.00	0.00	0.00%	11,900.00	0.00
161.00	Handicap Ramps w/Truncated Dome	7,000.00	0.00	0.00	0.00	0.00	0.00%	7,000.00	0.00
	119010 / Concrete Totals	4,364,860.00	4,319,601.80	0.00	0.00	4,319,601.80	98.96%	45,258.20	431,960.19
Bill Group	08.00 120010 / Paving								
61.00	4" AC	1,743,750.00	1,735,031.25	0.00	0.00	1,735,031.25	99.50%	8,718.75	173,503.14
62.00	13" AB	1,109,900.00	1,109,900.00	0.00	0.00	1,109,900.00	100.00%	0.00	110,990.00
63.00	17" AB	556,150.00	556,150.00	0.00	0.00	556,150.00	100.00%	0.00	55,615.00
64.00	3" AC/6" AB Meandering Trail w/ Head	236,555.00	236,555.00	0.00	0.00	236,555.00	100.00%	0.00	23,655.50
65.00	Speed Humps	12,600.00	12,600.00	0.00	0.00	12,600.00	100.00%	0.00	1,260.00
66.00	Raised Crosswalk	3,400.00	3,400.00	0.00	0.00	3,400.00	100.00%	0.00	340.00
67.00	Monument Well	54,400.00	0.00	54,400.00	0.00	54,400.00	100.00%	0.00	5,440.00
162.00	Traffic Control	16,500.00	0.00	0.00	0.00	0.00	0.00%	16,500.00	0.00
163.00	4" AC	35,990.00	0.00	0.00	0.00	0.00	0.00%	35,990.00	0.00
164.00	13" AB	33,245.00	0.00	0.00	0.00	0.00	0.00%	33,245.00	0.00
165.00	Monument Well	2,000.00	0.00	0.00	0.00	0.00	0.00%	2,000.00	0.00
166.00	Pavement Replacement (Water Main)	66,430.00	0.00	0.00	0.00	0.00	0.00%	66,430.00	0.00
171.00	Lime Treat (5% @12") - Wet/Unstable	930,600.00	930,600.00	0.00	0.00	930,600.00	100.00%	0.00	93,060.00
172.00	Potential AC Escalation	79,625.00	79,625.00	0.00	0.00	79,625.00	100.00%	0.00	7,962.51
177.00	Freeport Blvd & Meadowview Rd (Allo	505,300.00	0.00	0.00	0.00	0.00	0.00%	505,300.00	0.00
	120010 / Paving Totals	5,386,445.00	4,663,861.25	54,400.00	0.00	4,718,261.25	87.60%	668,183.75	471,826.15
Bill Group	09.00 140020 / Striping								
68.00	Stripe and Sign (Subdivision)	197,400.00	148,050.00	39,480.00	0.00	187,530.00	95.00%	9,870.00	18,753.00
167.00	Sidewalk Barricade	1,820.00	0.00	0.00	0.00	0.00	0.00%	1,820.00	0.00
168.00	Stripe and Sign (Freeport Boulevard)	10,600.00	0.00	0.00	0.00	0.00	0.00%	10,600.00	0.00

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# Docusign Envelope ID: D4E615FF-E9E9-4F74-98A7-30AF63B51092 **CONTINUATION SHEET**

## Application and Certification for Payment, containing

Contractor's signed certification is attached.

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Use Column I on Contracts where variable retainage for line items may apply.

#### Invoice # : 16511 Contract: 422221- Delta Shores West

24

Application Date : 04/30/24

Period: 04/01/24 to 04/30/24

# Architect's Project No.:

Α	В	С	D	Е	F	G		Н	I
Item	Description of Work	Scheduled	Work Co		Materials	Total	%	Balance	Retainage
No.		Value	From Previous Application (D+E)	This Period In Place	Presently Stored	Completed and Stored To Date	(G / C)	To Finish (C-G)	-
					(Not in D or E)	(D+E+F)			
[	140020 / Striping Totals	209,820.00	148,050.00	39,480.00	0.00	187,530.00	89.38%	22,290.00	18,753.00
Bill Group	10.00 118120 / Utility Trenching								
69.00	Joint Trench	2,958,000.00	2,958,000.00	0.00	0.00	2,958,000.00	100.00%	0.00	295,800.00
176.00	Relocate & Underground Exist Overhe	54,000.00	54,000.00	0.00	0.00	54,000.00	100.00%	0.00	5,400.00
	118120 / Utility Trenching Totals	3,012,000.00	3,012,000.00	0.00	0.00	3,012,000.00	100.00%	0.00	301,200.00
Bill Group	11.00 118050 / Street Lights								
70.00	Street Lights	2.040.000.00	2.040.000.00	0.00	0.00	2.040.000.00	100.00%	0.00	204.000.00
	Street Light Service Point	80,400.00	80,400.00	0.00	0.00	80,400.00	100.00%	0.00	8,040.00
	118050 / Street Lights Totals	2,120,400.00	2,120,400.00	0.00	0.00	2,120,400.00	100.00%	0.00	212,040.00
Bill Group	12.00 140010 / Landscape								
72.00	6" Decomposed Granite (2' side @ Me	157,480.00	23,622.00	133,858.00	0.00	157,480.00	100.00%	0.00	15,748.00
1	Pedestrian Grade Concrete	44,400.00	44,400.00	0.00	0.00	44,400.00	100.00%	0.00	4,440.00
74.00	Stabilized Decomposed Granite Pathw	28,520.00	0.00	0.00	0.00	0.00	0.00%	28,520.00	0.00
75.00	Concrete Mow Curb, 8"	23,625.00	23,625.00	0.00	0.00	23,625.00	100.00%	0.00	2,362.51
76.00	CMU Seat Wall with Stone Veneer and	23,550.00	18,840.00	4,710.00	0.00	23,550.00	100.00%	0.00	2,355.00
77.00	Sign Wall	54,600.00	43,680.00	10,374.00	0.00	54,054.00	99.00%	546.00	5,405.40
	Picnic Table, ADA - Accessible	21,500.00	10,750.00	10,750.00	0.00	21,500.00	100.00%	0.00	2,150.00
	Picnic Table	15,200.00	7,600.00	7,600.00	0.00	15,200.00	100.00%	0.00	1,520.00
	Bench	10,500.00	5,250.00	5,250.00	0.00	10,500.00	100.00%	0.00	1,050.00
	Trash Receptacle	8,100.00	0.00	0.00	0.00	0.00	0.00%	8,100.00	0.00
	Area Drain	2,192.00	2,192.00	0.00	0.00	2,192.00	100.00%	0.00	219.20
	Landscape Drain Pipe	18,550.00	18,550.00	0.00	0.00	18,550.00	100.00%	0.00	1,855.00
1	Irrigation POC (backflow preventer, M	21,600.00	21,600.00	0.00	0.00	21,600.00	100.00%	0.00	2,160.00
	Controller, Private Maintained Lots	56,000.00	56,000.00	0.00	0.00	56,000.00	100.00%	0.00	5,600.00
	Controller, Public Maintained Lots	38,600.00	38,600.00	0.00	0.00	38,600.00	100.00%	0.00	3,860.00
87.00	Booster Pump, Private Maintained Lot	130,200.00	117,180.00	0.00	0.00	117,180.00	90.00%	13,020.00	11,718.00

Page 8 of 10

Application No. :

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# Invoice # : 16511 Contract : 422221- Delta Shores West

Page 9 of 10

Application No. : 24

Application Date : 04/30/24

Period: 04/01/24 to 04/30/24

# Architect's Project No.:

Α	В	С	D	E	F	G		н	I
Item	Description of Work	Scheduled	Work Co	mpleted	Materials	Total	%	Balance	Retainage
No.		Value	From Previous Application	This Period In Place	Presently Stored	Completed and Stored To Date	(G / C)	To Finish (C-G)	
			(D+E)						
					(Not in D or E)	(D+E+F)			
Bill Group	12.00 140010 / Landscape								
88.00	Booster Pump, Public Maintained Lots	73,400.00	66,060.00	0.00	0.00	66,060.00	90.00%	7,340.00	6,606.00
89.00	Irrigation Mainline, Allowance	130,000.00	130,000.00	0.00	0.00	130,000.00	100.00%	0.00	13,000.00
90.00	Gate Valve	6,156.00	6,156.00	0.00	0.00	6,156.00	100.00%	0.00	615.60
91.00	Remove Control Valve	21,315.00	21,315.00	0.00	0.00	21,315.00	100.00%	0.00	2,131.51
92.00	Remote Control Drip Kit	12,300.00	12,300.00	0.00	0.00	12,300.00	100.00%	0.00	1,230.00
93.00	Quick Coupler	13,202.00	13,202.00	0.00	0.00	13,202.00	100.00%	0.00	1,320.20
94.00	Tree Irrigation Micro Spray (incl. latera	53,720.00	53,720.00	0.00	0.00	53,720.00	100.00%	0.00	5,372.00
95.00	Turf Rotor (incl. laterals)	3,528.00	3,528.00	0.00	0.00	3,528.00	100.00%	0.00	352.80
96.00	Turf Rotary Spray (incl. laterals)	16,107.00	16,107.00	0.00	0.00	16,107.00	100.00%	0.00	1,610.70
97.00	Shrub Rotary Spray (incl. laterals)	131,376.00	131,376.00	0.00	0.00	131,376.00	100.00%	0.00	13,137.60
98.00	Drip Irrigation (incl. laterals)	39,325.00	39,325.00	0.00	0.00	39,325.00	100.00%	0.00	3,932.50
99.00	Tree, 24" Box	57,216.00	45,772.80	5,721.60	0.00	51,494.40	90.00%	5,721.60	5,149.44
100.00	Tree, 15-Gallon	5,910.00	4,728.00	591.00	0.00	5,319.00	90.00%	591.00	531.90
101.00	Shrub, 5-Gallon	59,636.50	47,709.20	0.00	0.00	47,709.20	80.00%	11,927.30	4,770.93
102.00	Shrub, 2-Gallon	7,407.20	5,925.76	0.00	0.00	5,925.76	80.00%	1,481.44	592.58
103.00	Shrub, 1-Gallon	97,143.20	77,714.56	0.00	0.00	77,714.56	80.00%	19,428.64	7,771.46
104.00	Sod	32,230.00	0.00	0.00	0.00	0.00	0.00%	32,230.00	0.00
105.00	Bark Mulch at Planter Areas	150,570.00	75,285.00	0.00	0.00	75,285.00	50.00%	75,285.00	7,528.50
106.00	Existing Area to Remain, Clear and Mu	35,620.00	0.00	17,810.00	0.00	17,810.00	50.00%	17,810.00	1,781.00
107.00	Soil Preparation, Planter Areas	94,985.00	75,988.00	0.00	0.00	75,988.00	80.00%	18,997.00	7,598.80
108.00	Plant Maintenance and Establishmen	10,362.00	0.00	0.00	0.00	0.00	0.00%	10,362.00	0.00
	140010 / Landscape Totals	1,706,125.90	1,258,101.32	196,664.60	0.00	1,454,765.92	85.27%	251,359.98	145,476.63
Bill Group	13.00 130050 / Wall Fence								
109.00	15' Masonry Soundwall	1,987,700.00	1,987,700.00	0.00	0.00	1,987,700.00	100.00%	0.00	198,770.01
110.00	15' High Pilaster	226,000.00	226,000.00	0.00	0.00	226,000.00	100.00%	0.00	22,600.00
	8' Masonry Soundwall	28,800.00	28,800.00	0.00	0.00	28,800.00	100.00%	0.00	2,880.00
	8' High Pilaster	24,800.00	24,800.00	0.00	0.00	24,800.00	100.00%	0.00	2,480.00
	6' Masonry Soundwall w/ Retaining W	673,400.00	264,511.52	0.00	0.00	264,511.52	39.28%	408,888.48	26,451.15

Application and Certification for Payment, containing

Contractor's signed certification is attached.

In tabulations below, amounts are stated to the nearest dollar.

Use Column I on Contracts where variable retainage for line items may apply.

Invoice # : 16511 Contract : 422221- Delta Shores West

Application No. : 24

Application Date : 04/30/24

Period: 04/01/24 to 04/30/24

Architect's Project No.:

Α	В	С	D	E	F	G		н	I
ltem No.	Description of Work	Scheduled Value	Work Cor From Previous Application (D+E)	<u>mpleted</u> This Period In Place	Materials Presently Stored	Total Completed and Stored To Date	% (G / C)	Balance To Finish (C-G)	Retainage
					(Not in D or E)	(D+E+F)			
Bill Group	13.00 130050 / Wall Fence								
	6' High Pilaster	70,200.00	47,202.48	0.00	0.00	47,202.48	67.24%	22,997.52	4,720.25
115.00	6' Open View Metal Fence	105,375.00	0.00	52,687.50	0.00	52,687.50	50.00%	52,687.50	5,268.75
	130050 / Wall Fence Totals	3,116,275.00	2,579,014.00	52,687.50	0.00	2,631,701.50	84.45%	484,573.50	263,170.16
	Grand Totals	37,593,436.08	34,941,024.56	345,377.10	0.00	35,286,401.66	93.86%	2,307,034.42	3,446,434.71

Page 10 of 10

# CONDITIONAL WAIVER AND RELEASE UPON PROGRESS PAYMENT

NOTICE: THIS DOCUMENT WAIVES THE CLAIMANT'S LIEN, STOP PAYMENT NOTICE, AND PAYMENT BOND RIGHTS EFFECTIVE ON RECEIPT OF PAYMENT. A PERSON SHOULD NOT RELY ON THIS DOCUMENT UNLESS SATISFIED THAT THE CLAIMANT HAS RECEIVED PAYMENT.

	Identifying Information			
Name of Claimant:	Goodfellow Bros. California, LLC			
Name of Customer:	KB Home Sacramento and M&H Realty Partners VI L.P.			
Job Location: Delta Shores West				
Owner:	KB Home Sacramento and M&H Realty Partners VI L.P.			
Through Date:	04/30/2024			

# **Conditional Waiver and Release**

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant, are waived and released by this document, unless listed as an Exception below. This document is effective only on the claimant's receipt of payment from the financial institution on which the following check is drawn:

Maker of Check:	KB Home Sacramento and M&H Realty Partners VI L.P.					
Amount of Check:	\$310,839.39					
Check Payable to:	Goodfellow Bros. California, LLC					

## Exceptions

This document does not affect any of the following:

- (1) Retentions.
- (2) Extras for which the claimant has not received payment.
- (3) The following progress payments for which the claimant has previously given a conditional waiver and release but has not received payment:

Date(s) of waiver and release:

Amount(s) of unpaid progress payments

(4) Contract rights, including (A) a right based on rescission, abandonment, or breach of contract, and(B) the right to recover compensation for work not compensated by the payment.

	Signature
Claimant's Signature:	Alle
Claimant's Title:	Andrew Hilger, Corporate Controller
Date of Signature	07/22/2024

FORM R101 rev 07-01-12

KB portion \$48,996.00

# CONDITIONAL WAIVER AND RELEASE UPON PROGRESS PAYMENT [California Civil Code 8132]

# **USE THIS FORM STARTING JULY 1, 2012**

# NOTICE: THIS DOCUMENT WAIVES THE CLAIMANT'S LIEN, STOP PAYMENT NOTICE, AND PAYMENT BOND RIGHTS EFFECTIVE ON RECEIPT OF PAYMENT. A PERSON SHOULD NOT RELY ON THIS DOCUMENT UNLESS SATISFIED THAT THE CLAIMANT HAS RECEIVED PAYMENT.

# **Identifying Information**

Name of Claimant: Mozingo Construction, Inc.

Name of Customer: Goodfellow Bros. California, LLC

Job Location: Delta Shores West, Elk Grove, CA

Owner: KB Home Sacramento, Inc.

Through Date: April 30, 2024

# **Conditional Waiver and Release**

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant, are waived and released by this document, unless listed as an Exception below. This document is effective only on the claimant's receipt of payment from the financial institution on which the following check is drawn:

Maker of Check: KB Home Sacramento, Inc.

Amount of Check: \$ 90,000.00

Check Payable to: Mozingo Construction, Inc. and Goodfellow Bros. California, LLC

# **Exceptions**

This document does not affect any of the following:

(1) Retentions.

(2) Extras for which the claimant has not received payment.

(3) The following progress payments for which the claimant has previously given a conditional waiver and release but has not received payment:

Date(s) of waiver and release: N/A

Amount(s) of unpaid progress payments(s): <u>N/A</u>

(4) Contract rights, including (A) a right based on rescission, abandonment, or breach of contract, and (B) the right to recover compensation for work not compensated by the payment.

## Signature

Claimant's Signature: <u>Jaclyn Hoobler</u>

Claimant's Title: Project Accountant

Date of Signature: April 16, 2024

# UNCONDITIONAL WAIVER AND RELEASE UPON PROGRESS PAYMENT [California Civil Code 8138]

# **USE THIS FORM STARTING JULY 1, 2012**

# NOTICE TO CLAIMANT: THIS DOCUMENT WAIVES AND RELEASES LIEN, STOP PAYMENT NOTICE, AND PAYMENT BOND RIGHTS UNCONDITIONALLY AND STATES THAT YOU HAVE BEEN PAID FOR GIVING UP THOSE RIGHTS. THIS DOCUMENT IS ENFORCEABLE AGAINST YOU IF YOU SIGN IT, EVEN IF YOU HAVE NOT BEEN PAID. IF YOU HAVE NOT BEEN PAID, USE A CONTIDIONAL WAIVER AND RELEASE FORM.

### **Identifying Information**

Name of Claimant: A & A Concrete Supply Inc.

Name of Customer: Mozingo Construction, Inc.

Job Location: Delta Shores West, Sacramento, CA

Owner: KB Home Sacramento, Inc.

Through Date: April 30, 2024

#### **Unconditional Waiver and Release**

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant are waived and released by this document, unless listed as an Exception below. The claimant has received the following progress payment:

\$ 0.00

## Exceptions

This document does not affect any of the following:

(1) Retentions.

(2) Extras for which the claimant has not received payment.

(3) Contract rights, including (A) a right based on rescission, abandonment, or breach of contract, and (B) the right to recover compensation for work not compensated by the payment.

10

	Signature				
Claimant's Signature: _	alamingt.				
Claimant's Title:	Credit Admin				
Date of Signature:	05/14/2024				

# UNCONDITIONAL WAIVER AND RELEASE UPON PROGRESS PAYMENT [California Civil Code 8138]

# **USE THIS FORM STARTING JULY 1, 2012**

# NOTICE TO CLAIMANT: THIS DOCUMENT WAIVES AND RELEASES LIEN, STOP PAYMENT NOTICE, AND PAYMENT BOND RIGHTS UNCONDITIONALLY AND STATES THAT YOU HAVE BEEN PAID FOR GIVING UP THOSE RIGHTS. THIS DOCUMENT IS ENFORCEABLE AGAINST YOU IF YOU SIGN IT, EVEN IF YOU HAVE NOT BEEN PAID. IF YOU HAVE NOT BEEN PAID, USE A CONTIDIONAL WAIVER AND RELEASE FORM.

# **Identifying Information**

Name of Claimant: White Cap, L.P.

Name of Customer: Mozingo Construction, Inc.

Job Location: Delta Shores West, Sacramento, CA

Owner: KB Home Sacramento Inc.

Through Date: April 30, 2024

# **Unconditional Waiver and Release**

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant are waived and released by this document, unless listed as an Exception below. The claimant has received the following progress payment:

## \$0.00

# Exceptions

This document does not affect any of the following:

(1) Retentions.

(2) Extras for which the claimant has not received payment.

(3) Contract rights, including (A) a right based on rescission, abandonment, or breach of contract, and (B) the right to recover compensation for work not compensated by the payment.

## **Signature**

Claimant's Signature:	Lautaro da	
	U.M.	

Claimant's Title: Account Services Associate

Date of Signature:

: 5-3-2024

## UNCONDITIONAL WAIVER AND RELEASE ON PROGRESS PAYMENT

NOTICE TO CLAIMANT: THIS DOCUMENT WAIVES AND RELEASES LIEN, STOP PAYMENT NOTICE, AND PAYMENT BOND RIGHTS UNCONDITIONALLY AND STATES THAT YOU HAVE BEEN PAID FOR GIVING UP THOSE RIGHTS. THIS DOCUMENT IS ENFORCEABLE AGAINST YOU IF YOU SIGN IT, EVEN IF YOU HAVE NOT BEEN PAID. IF YOU HAVE NOT BEEN PAID, USE A CONDITIONAL WAIVER AND RELEASE FORM.

Identifying Information				
Name of Claimant: ICONIX Waterworks (US) Inc.				
Name of Customer: Mozingo Construction Inc.				
Job Location: Delta Shores West, Sacramento, CA 95652				
Owner: KB Home Sacramento Inc.				
Through Date: 04/30/2024				

#### **Unconditional Waiver and Release**

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant, are waived and released by this document, unless listed as an Exception below. The claimant has received the following progress payment:

\$ 2,446.87

#### Exceptions

This document does not affect any of the following:

(1) Retentions.

(2) Extras for which the claimant has not received payment.

(3) Contract rights, including (A) a right based on rescission, abandonment, or breach of

contract, and (B) the right to recover compensation for work not compensated by the payment.

		Signature	4/ tak)
Claimant's Signature: Vi	cki Taylor		U. O ayor
Claimant's Title: CFS Repr	resentative		
Date of Signature: 05/10/2	024		

# UNCONDITIONAL WAIVER AND RELEASE UPON PROGRESS PAYMENT [California Civil Code 8138]

# **USE THIS FORM STARTING JULY 1, 2012**

# NOTICE TO CLAIMANT: THIS DOCUMENT WAIVES AND RELEASES LIEN, STOP PAYMENT NOTICE, AND PAYMENT BOND RIGHTS UNCONDITIONALLY AND STATES THAT YOU HAVE BEEN PAID FOR GIVING UP THOSE RIGHTS. THIS DOCUMENT IS ENFORCEABLE AGAINST YOU IF YOU SIGN IT, EVEN IF YOU HAVE NOT BEEN PAID. IF YOU HAVE NOT BEEN PAID, USE A CONTIDIONAL WAIVER AND RELEASE FORM.

## **Identifying Information**

Name of Claimant: Murga, Strange & Chalmers, Inc.

Name of Customer: Mozingo Construction, Inc.

Job Location: Delta Shores West, Sacramento, CA

Owner: KB Home Sacramento Inc.

Through Date: April 30, 2024

## **Unconditional Waiver and Release**

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant are waived and released by this document, unless listed as an Exception below. The claimant has received the following progress payment:

\$0.00

#### Exceptions

Cianatura

This document does not affect any of the following:

(1) Retentions.

(2) Extras for which the claimant has not received payment.

(3) Contract rights, including (A) a right based on rescission, abandonment, or breach of contract, and (B) the right to recover compensation for work not compensated by the payment.

	~	Signature
Claimant's Signature	Dereyed	Destehez
Claimant's Title:	R	
Date of Signature:	5-2-24	

#### UNCONDITIONAL WAIVER AND RELEASE ON PROGRESS PAYMENT (California Civil Code Section 8122-8138)

NOTICE TO CLAIMANT: THIS DOCUMENT WAIVES AND RELEASES LIEN, STOP PAYMENT NOTICE, AND PAYMENT BOND RIGHTS UNCONDITIONALLY AND STATES THAT YOU HAVE BEEN PAID FOR GIVING UP THOSE RIGHTS. THIS DOCUMENT IS ENFORCEABLE AGAINST YOU IF YOU SIGN IT, EVEN IF YOU HAVE NOT BEEN PAID. IF YOU HAVE NOT BEEN PAID, USE A CONDITIONAL WAIVER AND RELEASE FORM.

#### Identifying Information

Name of Claimant: Core & Main LP Name of Customer: MOZINGO CONSTRUCTION Job Location: DELTA SHORES, COSUMNES RIVER BLVD WEST , SACRAMENTO, CA Owner: KB HOME SACRAMENTO Through Date: 04/30/2024

#### Unconditional Waiver and Release

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant, are waived and released by this document, unless listed as an Exception below. The claimant has received the following progress payment: \$0.00.

# Exceptions

This document does not affect any of the following:

(1) Retentions.

(2) Extras for which the claimant has not received payment.

(3) Contract rights, including (A) a right based on rescission, abandonment, or breach of contract, and (B) the right to recover compensation for work not compensated by the payment.

### Signature

Soc

Ms. Sarah Chadwick Credit Representative

Date of Signature: May 14, 2024

Reference No.: 210697(2225)

KB portion \$10,671.33

DocuSign Envelope ID: AF673738-3467-4466-A401-6D35B3A81535

Contractor Job # 42222

# CONDITIONAL WAIVER AND RELEASE UPON PROGRESS PAYMENT

NOTICE: THIS DOCUMENT WAIVES THE CLAIMANT'S LIEN, STOP PAYMENT NOTICE, AND PAYMENT BOND RIGHTS EFFECTIVE ON RECEIPT OF PAYMENT. A PERSON SHOULD NOT RELY ON THIS DOCUMENT UNLESS SATISFIED THAT THE CLAIMANT HAS RECEIVED PAYMENT.

	Identifying Information	
Name of Claimant:	Murga, Strange 3 Chalmers, Inc.	
Name of Customer:	Goodfellow Bros. California, LLC	
Job Location:	Delta Shores West	
Owner:	KB Home Sacramento, inc.	
Through Date:	4-30-24	

Conditional Waiver and Release

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant, are waived and released by this document, unless listed as an Exception below. This document is effective only on the claimant's receipt of payment from the financial institution on which the following check is drawn:

Maker of Check:	KB Home Sacramento, inc
Amount of Check: Check Payable to:	Goodfellow Bros. California LLC and Murga, Strange 7 Chalmars, inc

#### Exceptions

This document does not affect any of the following:

- (1) Retentions.
- (2) Extras for which the claimant has not received payment.

(3) The following progress payments for which the claimant has previously given a conditional waiver and release but has not received payment:

Date(s) of waiver and release:

Amount(s) o	f unpaid	progress	payments
-------------	----------	----------	----------

(4) Contract rights, including (A) a right based on rescission, abandonment, or breach of contract, and
 (B) the right to recover compensation for work not compensated by the payment.

	Signature	
Claimant's Signature:	Derge Blestones	
Claimant's Title:	AR	
Date of Signature	6-24-2024	
		FORM R101 rev 07-01-12

GB-CA Job #422221

# UNCONDITIONAL WAIVER AND RELEASE UPON PROGRESS PAYMENT

NOTICE TO CLAIMANT: THIS DOCUMENT WAIVES AND RELEASES LIEN, STOP PAYMENT NOTICE, AND PAYMENT BOND RIGHTS UNCONDITIONALLY AND STATES THAT YOU HAVE BEEN PAID FOR GIVING UP THOSE RIGHTS. THIS DOCUMENT IS ENFORCEABLE AGAINST YOU IF YOU SIGN IT, EVEN IF YOU HAVE NOT BEEN PAID. IF YOU HAVE NOT BEEN PAID, USE A CONDITIONAL WAIVER AND RELEASE FORM.

## **Identifying Information**

Name of Claimant:	WSA COMPLIANCE, LLC
Name of Customer:	Goodfellow Bros. California, LLC
Job Location:	Delta Shores West, Elk Grove, CA
Owner:	KB HOME SACRAMENTO INC
Through Date:	04/30/2024

## **Unconditional Waiver and Release**

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant, are waived and released by this document, unless listed as an Exception below. The claimant has received the following progress payment:

## **\$** 0

## Exceptions

This document does not affect any of the following:

- (1) Retentions.
- (2) Extras for which the claimant has not received payment.
- (3) Contract rights, including (A) a right based on rescission, abandonment, or breach of contract, and (B) the right to recover compensation for work not compensated by the payment.

	Signature
Claimant's Signature:	Brian Wells
Claimant's Title:	General Manager
Date of Signature:	6/24/24

FORM R102 rev 07-01-12



# CONDITIONAL WAIVER AND RELEASE ON PROGRESS PAYMENT

(CA CIVIL CODE §8132)

NOTICE: THIS DOCUMENT WAIVES THE CLAIMANT'S LIEN, STOP PAYMENT NOTICE, AND PAYMENT BOND RIGHTS EFFECTIVE ON RECEIPT OF PAYMENT. A PERSON SHOULD NOT RELY ON THIS DOCUMENT UNLESS SATISFIED THAT THE CLAIMANT HAS RECEIVED PAYMENT.

## **Identifying Information:**

Name of Claimant:	Syblon Reid
Name of Customer:	Good Fellow Bros., LLC
Job Location:	Delta Shores West
Owner: Through Date:	KB Home Sacramento, Inc. 04/30/2024
Through Date.	04/30/2024

### **Conditional Waiver and Release**

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant, are waived and released by this document, unless listed as an Exception below. This document is effective only on the claimant's receipt of payment from the financial institution on which the following check is drawn.

Maker of Check:	KB Home Sacramento, Inc.
Amount of Check: \$	0
Check Payable to:	Syblon Reid
Exceptions:	
This document does not af	fect any of the following:
(1) Retentions	
	he claimant has not received payment.
waiver and release Date(s) of waiver a Amount(s) of (4) Contract right (A) a right	unpaid progress payment(s): \$43,040.04 remaining balance February
	SIGNATURE
Claimant's Signature:	Melissa Pratt
Claimant's Title	Accounting Administrator

Date of Signature:

06/21/2024

CALIFORNIA LICENSE NO. 758610 NEVADA LICENSE NO. 0050713

GTGC Job # 422221

# UNCONDITIONAL WAIVER AND RELEASE UPON PROGRESS PAYMENT

NOTICE TO CLAIMANT: THIS DOCUMENT WAIVES AND RELEASES LIEN, STOP PAYMENT NOTICE, AND PAYMENT BOND RIGHTS UNCONDITIONALLY AND STATES THAT YOU HAVE BEEN PAID FOR GIVING UP THOSE RIGHTS. THIS DOCUMENT IS ENFORCEABLE AGAINST YOU IF YOU SIGN IT, EVEN IF YOU HAVE NOT BEEN PAID. IF YOU HAVE NOT BEEN PAID, USE A CONDITIONAL WAIVER AND RELEASE FORM.

Identifying Information			
Name of Claimant:	Oliveira Fence Inc.		
Name of Customer:	Goodfellow Bros. California LLC		
Job Location:	Delta Shores West, Elk Grove, CA		
Owner:	KB HOME SACRAMENTO INC		
Through Date:	4/30/2024		

#### **Unconditional Waiver and Release**

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant, are waived and released by this document, unless listed as an Exception below. The claimant has received the following progress payment:

\$ 0.00

#### Exceptions

This document does not affect any of the following:

(1) Retentions.

(2) Extras for which the claimant has not received payment.

(3) Contract rights, including (A) a right based on rescission, abandonment, or breach of contract, and (B) the right to recover compensation for work not compensated by the payment.

		Signature
Claimant's Signature:	Debbie Garcia	
Claimant's Title:	Vice President	
Date of Signature:	June 21, 2024	

# UNCONDITIONAL WAIVER AND RELEASE ON PROGRESS PAYMENT (CIVIL CODE § 8134)

NOTICE TO CLAIMANT: THIS DOCUMENT WAIVES AND RELEASES LIEN, STOP PAYMENT NOTICE, AND PAYMENT BOND RIGHTS UNCONDITIONALLY AND STATES THAT YOU HAVE BEEN PAID FOR GIVING UP THOSE RIGHTS. THIS DOCUMENT IS ENFORCEABLE AGAINST YOU IF YOU SIGN IT, EVEN IF YOU HAVE NOT BEEN PAID. IF YOU HAVE NOT BEEN PAID, USE A CONDITIONAL WAIVER AND RELEASE FORM.

# **Identifying Information**

Name of Claimant: SR Bray LLC dba Power Plus
Name of Customer: Goodfellows Bros. CA, LLC
Job Location: Delta Shores West 8145 Freeport Blvd Sacramento, CA
Owner: KB Home Sacramento
Through Date: 04/30/2024
11104gi 15102. 04/30/2024

# **Unconditional Waiver and Release**

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant, are waived and released by this document, unless listed as an Exception below. The claimant has received the following progress payment: \$ 0.00

# Exceptions

This document does not affect any of the following:

(1) Retentions.

(2) Extras for which the claimant has not received payment.

(3) Contract rights, including (A) a right based on rescission, abandonment, or breach of contract, and (B) the right to recover compensation for work not compensated by the payment.

# Signature

Claimant's Signature: Claimant's Title: <u>A/R/ COORDINATOR</u>	
Claimant's Title: A/R/ COORDINATOR	
Date of Signature: 06/24/2024	

1 An Dela

## GBI-GC Job # 422221 MTL Jobs#22842 & 22843 CONDITIONAL WAIVER AND RELEASE UPON PROGRESS PAYMENT

NOTICE: THIS DOCUMENT WAIVES THE CLAIMANT'S LIEN, STOP PAYMENT NOTICE, AND PAYMENT BOND RIGHTS EFFECTIVE ON RECEIPT OF PAYMENT. A PERSON SHOULD NOT RELY ON THIS DOCUMENT UNLESS SATISFIED THAT THE CLAIMANT HAS RECEIVED PAYMENT.

	Identifying Information
Name of Claimant	Moreno Trenching, Ltd.
Name of Customer	Goodfellow Bros. California, LLC
Job Location	Delta Shores West
	Delta Shores West
Owner	KB HOME SACRAMENTO INC
Through Date	04/30/24

## **Conditional Waiver and Release**

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant, are waived and released by this document, unless listed as an Exception below. This document is effective only on the claimant's receipt of payment from the financial institution on which the following check is drawn:

Maker of Check: KB Home Sacramento, Inc. Amount of Check: \$103,201.99 Check Payable to: Moreno Trenching, Ltd. & Good fellow Bros. California, LLC

# **Exceptions**

This document does not affect any of the following:

(1) Retentions.

(2) Extras for which the claimant has not received payment.
(3) The following progress payments for which the claimant has previously given a conditional waiver and release but has not received payment:

Date(s) of waiver and release:

Amount(s) of unpaid progress payments

(4)Contract rights, including (A) a right based on rescission, abandonment, or breach of contract, and (B) the right to recover compensation for work not compensated by the payment.

Signature

Claimant's Signature:	<u>Rosie Cobian</u>	
Claimant's Title:	Accounts Receivable	
Date of Signature:	04/16/2024	



#### **UNCONDITIONAL WAIVER AND RELEASE ON PROGRESS PAYMENT**

#### NOTICE TO CLAIMANT: THIS DOCUMENT WAIVES AND RELEASES LIEN, STOP PAYMENT NOTICE, AND PAYMENT BOND RIGHTS UNCONDITIONALLY AND STATES THAT YOU HAVE BEEN PAID FOR GIVING UP THOSE RIGHTS. THIS DOCUMENT IS ENFORCEABLE AGAINST YOU IF YOU SIGN IT, EVEN IF YOU HAVE NOT BEEN PAID. IF YOU HAVE NOT BEEN PAID, USE A CONDITIONAL WAIVER AND RELEASE FORM.

Identifying Information

Name of Claimant: White Cap

Name of Customer: GOODFELLOW BROS CALIFORNIA LLC

Additional Identifying Information (If Applicable): Delta Shores West, Job #422221

Job Location: 8145 Freeport Blvd SACRAMENTO, CA 95832

Job No 10003681598

Owner: KB Home Sacramento, Inc.

Through Date: 2024-04-30

**Unconditional Waiver and Release** 

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant, are waived and released by this document, unless listed as an Exception below. The claimant has received the following progress payment:

#### \$<u>0.00</u>

#### Exceptions

This document does not affect any of the following:

(1) Retentions.

(2) Extras for which the claimant has not received payment.

(3) Contract rights, including (A) a right based on rescission, abandonment, or breach of contract, and (B) the right to recover compensation for work not compensated by the payment.

#### Signature

Claimant's Signature: Hudan Jos

Claimant's Title: Gustavo Jimenez, Account Services Associate

Date of Signature: 2024-06-21



#### UNCONDITIONAL WAIVER AND RELEASE ON PROGRESS PAYMENT

#### NOTICE TO CLAIMANT: THIS DOCUMENT WAIVES AND RELEASES LIEN, STOP PAYMENT NOTICE, AND PAYMENT BOND RIGHTS UNCONDITIONALLY AND STATES THAT YOU HAVE BEEN PAID FOR GIVING UP THOSE RIGHTS. THIS DOCUMENT IS ENFORCEABLE AGAINST YOU IF YOU SIGN IT, EVEN IF YOU HAVE NOT BEEN PAID. IF YOU HAVE NOT BEEN PAID, USE A CONDITIONAL WAIVER AND RELEASE FORM.

Identifying Information

Name of Claimant: A. Teichert & Son, Inc.

Name of Customer: GOODFELLOW BROS CALIFORNIA LLC

Additional Identifying Information (If Applicable):

Delta Shores West

Job Location: 8145 Freeport Boulevard Sacramento, CA 95832

Job No 422221

Owner: KB HOME SACRAMENTO INC

Through Date: 2024-04-30

**Unconditional Waiver and Release** 

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant, are waived and released by this document, unless listed as an Exception below. The claimant has received the following progress payment:

\$Paid in Full

Exceptions

This document does not affect any of the following:

(1) Retentions.

(2) Extras for which the claimant has not received payment.

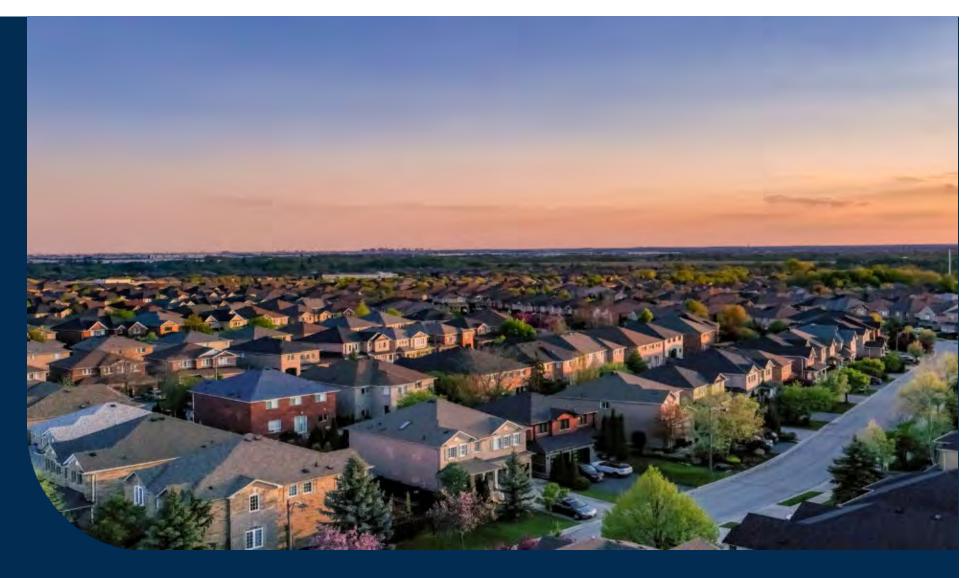
(3) Contract rights, including (A) a right based on rescission, abandonment, or breach of contract, and (B) the right to recover compensation for work not compensated by the payment.

Signature

Claimant's Signature:

Claimant's Title: Vivian Fong, Credit Representative

Date of Signature: 2024-06-20



# **Absorption Analysis**

Delta Shores Improvement Area 1 Sacramento, CA for the City of Sacramento



May 24, 2024 Revised June 27, 2024 Revised July 23. 2024

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# Introduction

#### **Project Details**

Client	The City of Sacramento
Subject	The Subject is the Improvement Area 1 portion of the Delta Shores master- planned community ("MPC"). It encompasses the portion of Delta Shores west of Interstate 5. The Subject includes for-rent and for-sale product types.
Location	Mainly south of Cosumnes River Blvd. and west of Interstate 5 in southwestern Sacramento, Sacramento County, Sacramento MSA, CA
Study Period	May 2024

#### Objective

Provide relevant market data to support sales / lease rates and resulting build-out (absorption) schedules for for-sale, apartment, and build-to-rent product components.

#### Methodology

Review Subject information and visit the site. Collect and analyze information on actively selling new home and rental projects in the Competitive Market Area ("CMA"). The CMA is defined as Sacramento south of approximately Highway 50 and west of Highway 99, as well as the northern portion of western Elk Grove (roughly west of Highway 99). Compile and analyze macroeconomic, housing market, and demographic data and trends.



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Principal

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**Authors** 



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Consultant

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### Introduction

### Assumptions

#### We assume the Subject will have:

- home sizes and types as described for the Subject in this report;
- property taxes and HOA fees as stated in this report;
- homes of the same general quality and appeal as described in this report;
- "market-appropriate" community entrance, monumentation, and landscaping of the same general appeal as nearby new home and rental projects;
- community amenities as described in this report, with substantial completion of amenities coinciding with first units' completion;
- advertising and marketing generating qualified shopper traffic commensurate with communities achieving absorption similar to that projected for the Subject;
- a community website with floorplans, accurate pricing, and an Internet sales / leasing consultant;
- fully decorated and furnished model homes / rental units available and amenities at least under construction at market entry; and
- experienced sales and leasing agent(s) familiar with the local market.

Failure to meet these conditions could adversely impact achievable prices and/or sales rates.

Level of Competition

Our pricing and absorption recommendations assume competition during the Subject's sales period will be similar to today's competition. <u>Limiting Conditions</u>





#### **Objectives**

- The primary task of this analysis was to assess the residential absorption potential for Improvement Area 1 of the Delta Shores master plan ("Subject" or "Subject Development") in Sacramento, CA. Though there are no formal approvals for the two Subject parcels north of Cosumnes River Blvd., in keeping with past analyses and Developer input we have assumed these parcels would be developed either as Build-to-Rent (BTR) homes or as garden-style apartments. The Subject will include either 435 total residential units if those parcels are developed as a Build-to-Rent (BTR) community or 609 residential units if those parcels are developed as a garden-style apartment complex. These two parcels could also be eventually developed as for-sale housing as well. The three parcels south of Cosumnes River Blvd. will be developed as 348 for-sale units in the form of single-family homes across three distinct neighborhoods/product types.
- To accomplish this objective, we:
  - > Assessed the Subject in terms of planned product, location, orientation, place in the market, etc.
  - > Estimated market size relevant to the Subject's residential uses
  - Examined relevant for-sale comparables in the CMA and examined historical for-sale pricing and sales trends to discern market appropriateness of the Subject product and pricing and estimate achievable absorption rates
  - Developed market-appropriate product and pricing for Subject housing product. However, note that the three for-sale neighborhoods all have planned products currently in the market or soon to open by the two builders (KB Home and Meritage Homes) that will be building and selling those homes. One neighborhood (LDR 1 South) also has pricing in place by its builder, KB Home. We developed product and pricing for all uses to assess potential absorption rates for each proposed product type.
  - > Estimated logical build-out schedules of Subject units, both for-sale and for-rent, based on estimated rational absorption rates
  - > Assessed these build-out schedules against our estimates of market size to discern if they are achievable
  - Examined historical rental market trends in the Subject Area and the surrounding region. We surveyed apartment comparables and stand-alone single-family rentals in the CMA, and also regional BTR communities to assess the validity of the Subject rental product, pricing, and absorption potential.
  - > Gathered information on relevant potential future residential supply in the Subject Area
  - Examined relevant regional and local economic, housing market, and demographic trends that could impact the absorption potential of the Subject

#### Subject Development

- The Subject is part of Delta Shores, a cohesive mixed-use master plan of over 780 acres, 5,200+ planned new residential units, 1.3+ million square feet of retail, two new elementary schools, parks, extensive open space, and wetlands. The Subject is near a planned rail commuter station. A major bike trail that passes through Delta Shores will go all the way to the Old Town area of Sacramento near major employment centers. Delta Shores is situated along Interstate 5, which has immediate access to this key north-south transportation corridor throughout the region.
- The Subject is Improvement Area 1 of Delta Shores, sometimes called Delta Shores West. This portion of Delta Shores was planned to have 348 for-sale units south of Cosumnes River Blvd. The two parcels to the north can accommodate 106 apartment units and 52 units leased as build-to-rent (BTR) small-lot detached homes. In consultation with the Client, however, for this analysis, we have assumed that both parcels would be merged and developed as either a BTR community or an apartment complex. This alters the potential unit counts for the north part of the Subject, and those unit counts are reflected in this analysis. The for-sale homes include alley- and front-loaded product. We assume the apartment complex would be a conventional three-story, multi-building community with surface parking and Class A amenities. We assume a BTR development would offer small lot detached homes and some modest amenity package.
- KB Home will build and market the alley-loaded (minimum lots 2,975 SF) and front-loaded (minimum lots 5,000 SF) product on MDR-1-South and LDR-1-South, while Meritage Homes will build the larger lot neighborhood (LDR-2-South). We have product and pricing for LDR-1-South, product and starting pricing for MDR-1-South (both KB Home), and product for LDR-2-South. We have assumed pricing for the latter neighborhood. We assessed absorption potential on a per-project basis (i.e., each for-sale neighborhood and each rental community scenario) and on a cumulative basis (annual community-wide absorption levels).
- The map to the right shows the Subject outlined, consisting of all residential parcels west of Interstate 5. The commercial uses immediately east of the freeway have mostly been completed and are active (though note that they are not within the Delta Shores Community Facilities District [CFD]).
- The Subject will include extensive park and open space both south of and north of Cosumnes River Blvd. (called Stonecrest Ave. in this map). There will be a bike lane along the soundwall on the site's eastern edge. The park space north of the two northern parcels will buffer the Subject from a low-impact Verizon office center to its immediate north. Some residential and light office uses are also west of the southern parcels along Freeport Blvd.





#### **Market Factors**

- Regional and Competitive Market Area For-Sale Housing Market. For-sale housing market conditions weakened considerably in 2022 when mortgage rates shot up, putting downward pressure on pricing, heightening builder incentives, and depressing sales albeit from enhanced sales during the Covid pandemic. The market stabilized last year as mortgage rates eased and have held steady even as rates again pushed modestly upward in recent months. The economy has performed solidly, new home builders face far more limited resale competition, and buyers have acclimated to higher mortgage rates. We expect slower price growth this year than 2023 but forecast positive year-over-year housing market price change through at least 2027. Note that our Subject pricing is given current market conditions, but we assume these prices would shift with regional price movement between now and the absorption of the Subject.
- Apartment Market. Apartment market conditions have remained strong for the better part of a decade before beginning to flatten in the spring of 2022. Effective rent rates regionally and in Sacramento County dipped slightly in the latter part of 2022 and the first part of 2023, but since then have remained reasonably stable to modestly increasing and at a historically high level. Occupancies followed the same pattern as pricing and as of April 2024 have shifted slightly upward from recent months to a regional average of 94.7% (per Real Page, a national rental market data aggregator and property management software firm). Concessions are not unheard of but are relatively modest when offered (e.g., one month of free rent with a 12-month lease). We project continued solid annual appreciation for both apartments and single-family rentals (a useful proxy for BTR developments) through 2027.
- Future Supply. The potential future residential supply most relevant to the Subject appears manageable. Though continuing development in southern Elk Grove could be partially competitive with the Subject's for-sale homes, this will build-out at a reasonable rate over the next several years. Elk Grove has long been a very active submarket, often with more activity than at present. South Sacramento has limited new home developments on the horizon other than the Subject due to a lack of developable land. There will be occasional infill projects. More proximate to the Subject, the Stone Beetland master plan may enter the market during the Subject's marketing period, but this development is still in its early stages. The same developer has also purchased future phases of Delta Shores north of Cosumnes River Blvd. and east of Interstate 5, so is likely to limit supply so as not to compete with the Subject. We expect new apartment projects to open in 2023-24 regionally. However, the most likely direct potential competition to the Subject apartments would be any apartment activity in the Delta Shores master plan on the multifamily pads east of Interstate 5.
- Economic Trends. The region rebounded strongly following the first weeks of the COVID-19 pandemic with above-average job growth and income growth. Generally, we project continued solid growth in the region's jobs, incomes, and population for the next few years. Multifamily permits have ticked up over the last five years but from muted levels. Critically, the employment growth to permit ratio (E/P Ratio) that measures demand and supply has been extraordinarily positive for several years, indicating pent-up demand. We expect this metric to soften in the coming years, but to remain positive.



#### Market Factors cont'd

- Mortgage Rates: We project mortgage rates to finish 2024 at an average rate of 6.9% (entire calendar-year average). This is roughly in line with where rates are at present, but slightly higher than they were earlier in the year. Though this diminishes affordability, it also "locks in" many would-be sellers, a dynamic that limits resale supply and directly benefits new home sales. Most economists do not envisage interest rate easing from the Federal Reserve until at least late this year due to continued inflation above 3% annualized. Still, builder incentives, households acclimating to higher rates, and limited resale supply have all bolstered the new home market. JBREC projects mortgage rates to ease modestly through 2027, coming in at full-year averages of 6.5%, 5.9%, and 6.0%, respectively (2025, 2026, and 2027).
- **Demographic Trends**. We project modest population and household growth in the region that is slower than the long-term norm. The remote work migration to more affordable markets has dissipated since earlier in the Covid period. Still, Sacramento's relative affordability has long attracted those employed in the Bay Area who can work remotely all or some of the time. Countering this are households moving out of California altogether for employment or, far more likely, more affordable housing.

#### **Key Conclusions**

- The immediate area around the Subject and the city of Sacramento more generally (outside of the Natomas area to the north) has long been constrained, by a lack of available land, in terms of new residential development. For this reason, we have assessed market size mainly on a county-wide level and at the Metropolitan Statistical Area (MSA) level. The Sacramento MSA includes Sacramento, Placer, El Dorado, and Yolo Counties.
- Single-family permit data relevant to the for-sale market shows market size estimates ranging from about 1,300 to over 8,600 new units annually based on city-wide, county-wide, and MSA-wide data. Multifamily permit data relevant to the rental market shows market-size estimates of about 925 to 2,500 annually across the same areas.
- Given market size estimates and corresponding capture rates, as well as long-term market norms and the more recent performance of comparable new home projects, we believe absorption levels of 3.5 to 4.0 per month for for-sale neighborhoods, 18.0 leases per month for an apartment complex, and 6.0 leases per month for a BTR community at the Subject are realistic and achievable.
- These absorption rates lead to a build-out by 2028 for the for-sale component. A BTR community would reach equilibrium in 2026, while an apartment complex would reach equilibrium in 2027. Equilibrium is defined as achieving 95% occupancy. Given our market size estimates, these build-out scenarios' necessary market capture rates are reasonable for both the for-sale and for-rent components. Market conditions for either use are projected to remain stable through 2027, the latest year JBREC currently forecasts trends.

# Subject Development and Planned Product

JOHN BURNS

# Subject Development



#### **Subject Development Overview**

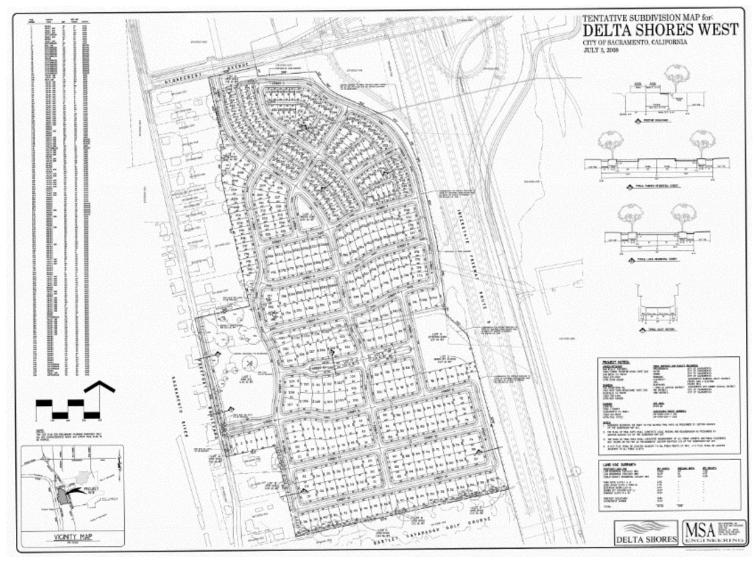
- Delta Shores is a 782-acre master-planned community in southwest Sacramento, immediately south of the Pocket and Meadowview
  areas of the City and north of the western portion of the City of Elk Grove. It has already opened much of its total planned +/- 1.3 million
  square feet of commercial space situated on the eastern side of Interstate 5 south of the new Cosumnes River Blvd. interchange. (Note
  that this retail space is not part of the Delta Shores CFD.) At build-out per current planning, Delta Shores will encompass over 5,200
  residential units, about 144 acres of open space, and a +/- 20-acre mixed-use town center. There will be school uses, parks,
  interconnecting trails, and thematic landscaping to provide a sense of community cohesion.
- Improvement Area 1 is the subject of this analysis. It is shown in the map below as an inset to illustrate its location within the overall master plan and is also shown on the next page.



# Subject (Improvement Area 1) Site Plan



There are two additional Subject parcels located north of Cosumnes River Blvd. (previously named Stonecrest Avenue.).



# Subject Development





- The planned product array for the Subject is summarized below with two options. The top table displays the total product array (609 units) if the north parcels were developed as an apartment complex, and the bottom table (435 units) assumes those parcels will be developed as a BTR community. For-sale parcels are the same in both scenarios.
- The "% Mix" reflects the percent of <u>all</u> residential units, rental and for-sale. "North" in planning area names indicate the parcel's location is north of Cosumnes River Blvd., and "South" refers to parcels south of Cosumnes River Blvd. Both scenarios combined the north parcels into a single developable parcel. The apartment scenario on the top table assumes maximum density to arrive at 261 units. The BTR scenario assumes small lot detached homes at about nine units to the acre to translate into 87 units. All South parcels are actual unit counts per Landowner.

Planning Area	Acreage	Dens. Rng	Density	Units	% Mix	Product	Market Entry
HDR -1 + MDR -2 - North	9.66	15-27 du/ac.	27.0	261	43%	3-Story Garden Apts	2Q 2026
MDR-1 - South	17.87	8-14 du/ac.	6.2	110	18%	Alley SFD 35' x 85'	Q2 2024
LDR-1 - South	17.38	4-7 du/ac.	4.7	81	13%	SFD 50' x 100'	Q2 2024
LDR-2 - South	42.21	4-7 du/ac.	3.7	157	26%	SFD 65' x 100'	Q4 2024
Totals	87.12			609	100%		

#### Delta Shores Improvement Area 1 Product Array - North Parcels Apartment Scenario

Notes: LDR = Low Density Residential. MDR = Medium Density Residential. HDR = High Density Residential. Densities are ranges and expressed as dwelling units per acre (du/ac).

#### Delta Shores Improvement Area 1 Product Array - North Parcels Build-to-Rent Scenario

Planning Area	Acreage	Dens. Rng	Density	Units	% Mix	Product	Market Entry
HDR -1 + MDR -2 - North	9.66	8-14 du/ac.	9.0	87	20%	Small Lot Det. BTR	4Q 2025
MDR-1 - South	17.87	8-14 du/ac.	6.2	110	25%	Alley SFD 35' x 85'	Q2 2024
LDR-1 - South	17.38	4-7 du/ac.	4.7	81	19%	SFD 50' x 100'	Q2 2024
LDR-2 - South	42.21	4-7 du/ac.	3.7	157	36%	SFD 65' x 100'	Q4 2024
Totals	87.12			435	100%		

Notes: LDR = Low Density Residential. MDR = Medium Density Residential. HDR = High Density Residential. Densities are ranges and expressed as dwelling units per acre (du/ac).

# **For-Sale Product and Pricing**



#### For-Sale Product and Pricing Summary – Detail

Note that lot sizes, total unit counts, and home sizes are per Landowner and their Builder partners (KB Home for the MDR-1 – South and LDR-1 South and Meritage for LDR-2 – South). LDR-1 – South is active and marketed as "Edgewater." Product (sizes, bed/bath, floors/parking) and pricing reflect actuals. The MDR-1 – South product will soon open as "Riva." Product is per KB Home as is their approximate starting base price. Overall pricing is per JBREC and in view of Edgewater pricing. Meritage Homes will build LDR-2 – South and reflects product and JBREC pricing to position them rationally in the market. Note that lot sizes are minimums. In actuality, the vast bulk of lot sizes are larger than each minimum. Incentives for the two KB Home neighborhoods are per KB Home. We have assumed slightly higher incentives for Meritage given absolute price points and their history.

Delta Shores		Sacr	amento			F	loor Plan	I			Ta	IX & HOA	٨		JB	REC Price	e Recomm	endations			Cost 7	To Own
					Unit						Base				Incentives	Net	Options		Net	Total	90%	35%
					Size						Tax	Add'l		Base	Closing	Base	Ttl Bldr	Average	Total	Price/	7.15%	Income
				Mix	(SqFt)	Bed	Other	Bath	Levels	Pkg	Rate	Taxes	HOA	Price	Costs	Price	& Buyer	Premium	Price	SqFt	Total Price	to Qualify
Delta Shores I	4-1 MDR-1 - S	outh	KB Home																			
Product	Alley SFD	Sales Start	Jun-24	37	1,795	4		3.0	2	2	1.15%	\$5,220	\$190	\$605,000	(\$5,000)	\$600,000	\$33,275	\$2,000	\$635,275	\$354	\$5,405	\$185,000
		Total Units	110	36	2,102	4	Loft	2.5	2	2	1.15%	\$5,220	\$190	\$635,000	(\$5,000)	\$630,000	\$34,925	\$2,000	\$666,925	\$317	\$5,643	\$193,000
Min Lot/Density	2,975	Target Sales Rate	4.0	37	2,236	5	Loft	3.0	2	2	1.15%	\$5,220	\$190	\$648,000	(\$5,000)	\$643,000	\$35,640	\$2,000	\$680,640	\$304	\$5,746	\$197,000
Dimens/Config	35' x 85'	Sell-Out (months)	28																			
			Total/Avg	110	2,044						1.15%	\$5.220	\$190	\$629.282	(\$5,000)	\$624.282	\$34.611	\$2,000	\$660.892	\$323	\$5.598	\$191,655
			Total/Avg	110	2,011						1.10/0	<i><b>\</b></i> <b>0</b> , <b>220</b>	ψισσ	<b>4010,101</b>	(\$0,000)	<b>W02</b> 4,202	ψ <b>0</b> 4,011	<i>\</i> 2,000	\$000,002	ψ <b>0</b> 20	ψ0,000	φ101,000
Delta Shores I/	4-1 LDR-1 - S	outh	KB Home																			
Product	SFD	Sales Started	May-24	20	1,685	3	Den	2.0	1	2	1.15%	\$5,220	\$190	\$665,990	(\$5,000)	\$660,990	\$38,294	\$3,000	\$702,284	\$417	\$5,909	\$203,000
		Total Units	81	20	2,188	3	Den	2.0	1	2	1.15%	\$5,220	\$190	\$715,990	(\$5,000)	\$710,990	\$41,169	\$3,000	\$755,159	\$345	\$6,307	\$216,000
Configuration	5,000	Target Sales Rate	4.0	21	2,391	4	Loft	3.0	2	2	1.15%	\$5,220	\$190	\$725,990	(\$5,000)	\$720,990	\$41,744	\$3,000	\$765,734	\$320	\$6,387	\$219,000
Dimens/Config	50' x 100'	Sell-Out (months)	20	20	2,693	5	Flex	3.0	2	2	1.15%	\$5,220	\$190	\$755,990	(\$5,000)	\$750,990	\$43,469	\$3,000	\$797,459	\$296	\$6,625	\$227,000
			Total/Avg	81	2,241						1.15%	\$5,220	\$190	\$716,113	(\$5,000)	\$711,113	\$41,177	\$3,000	\$755,290	\$337	\$6,308	\$216,284
Delta Shores I	1 I DR-2 - S	outh	Meritage																			
_			•																			
Product	SFD	Sales Start	Nov-24	31	2,339	4	Flex	2.0	1	2	1.15%	\$5,220	\$190	\$750,000	(\$15,000)	\$735,000	\$45,000	\$15,000	\$795,000	\$340	\$6,607	\$227,000
		Total Units	157	32	2,515	4	Flex	3.0	2	2	1.15%	\$5,220	\$190	\$767,000	(\$15,340)	\$751,660	\$46,020	\$15,340	\$813,020	\$323	\$6,743	\$231,000
Min Lot/Density		Target Sales Rate	3.50	31	2,698	4	Flex	3.0	2	3T	1.15%	\$5,220	\$190	\$785,000	(\$15,700)	\$769,300	\$47,100	\$15,700	\$832,100	\$308	\$6,886	\$236,000
Dimens/Config	65' x 100'	Sell-Out (months)	45	32	2,916	4	Flx/Lft	3.0	2	3T	1.15%	\$5,220	\$190	\$807,000	(\$16,140)	\$790,860	\$48,420	\$16,140	\$855,420	\$293	\$7,062	\$242,000
				31	3,127	5	Flx/Lft	3.5	2	3T	1.15%	\$5,220	\$190	\$828,000	(\$16,560)	\$811,440	\$49,680	\$16,560	\$877,680	\$281	\$7,229	\$248,000
			Total/Avg	157	2,719						1.15%	\$5.220	\$190	\$787.395	(\$15.748)	\$771.647	\$47,244	\$15,748	\$834,639	\$307	\$6.905	\$236,796
			i Jiai/Avy	137	2,113						1.13%	\$J,220	φιου	ψιοι,3 <b>3</b> 3	(913,140)	φ//1,04/	\$41,244	\$13,740	400 <del>4</del> ,039	φ <b>30</b> 7	40,903	φ <b>230,1</b> 90
		Overall Totals	Averages:	348	2,394		_				1.15%	\$5,220	\$190	\$720,825	(\$9,849)	\$710,976	\$41,838	\$8,435	\$761,250	\$318	\$6,353	\$217,753



#### For-Sale Product and Pricing Summary

Delta Shores																	
	Product Type	Min Lot/ Density	Dimens/ Config	Units	% of Total	Unit Size Range (SqFt)	Unit Size Avg (SqFt)			Average Base Price	PS Incentive	Net Base Price	TTI Bldr & Buyer Options	Average Premium	Avg Net Total Price	Total Price Per Sq. Ft	
Delta Shores IA-1 MDR-1 - South	Alley SFD	2,975 SqFt	35' x 85'	110	32%	1,795 - 2,236	2,044	1.15%	\$190	\$629,282	(\$5,000)	\$624,282	\$34,611	\$2,000	\$660,892	\$323	4.00
Delta Shores IA-1 LDR-1 - South	SFD	5,000 SqFt	50' x 100'	81	23%	1,685 - 2,693	2,241	1.15%	\$190	\$716,113	(\$5,000)	\$711,113	\$41,177	\$3,000	\$755,290	\$337	4.00
Delta Shores IA-1 LDR-2 - South	SFD	6,500 SqFt	65' x 100'	157	45%	2,339 - 3,127	2,719	1.15%	\$190	\$787,395	(\$15,748)	\$771,647	\$47,244	\$15,748	\$834,639	\$307	3.50
Total/Weighted Average:			348	100%	1,685 - 3,127	2,394	1.15%	\$190	\$720,825	(\$9,849)	\$710,976	\$41,838	\$8,435	\$761,250	\$318	11.50	

#### For-Sale Product and Pricing Summary – Discussion

Regarding the for-sale product outlined above, note the following:

- We assessed product characteristics for the Subject for-sale neighborhoods as well as the Subject location, master plan setting, schools, etc., to determine how these factors might impact sales rates at the Subject.
- Lot sizes are all market-appropriate and result in a well-segmented product array. Smaller lot detached for-sale options in the region have not been the norm but have been increasingly more common and can provide relative affordability and a lower maintenance living environment. The alley-loaded condition of the smallest lot type is also not common, but not unheard of and that neighborhood's comparative affordability will widen its potential buyer pool. Minimum 6,500 SF lots such as the largest lot type will offer have become increasingly uncommon in the wider market. This parcel also abuts a golf course to its south and should be considered the best location among the three villages.
- We expect key buyer segments to include younger couples and families with some older couples or single-parent families for the small lot alley-loaded product type. These buyers will be motivated by comparative affordability as well as a lower-maintenance opportunity. We expect a broad combination of professional couples, empty nesters, and mature families for the two more conventional product types. Buyers will generally originate from the Sacramento area, mainly working Downtown but also in Elk Grove, augmented by some buyers working remotely with jobs for employers based in the Bay Area.
- **Tax rate** and **HOA** fees are per Landowner / Builder. Note that there is some leeway in the ultimate tax rate for the for-sale parcels. The tax rate and HOA we used are per KB Home. We assume Meritage would use this same approximate tax rate when they enter the market, scheduled for late this year. HOAS may differ for Riva and / or Meritage.

# For-Rent Product and Pricing

Total/Avg

87



#### For-Rent Product and Pricing Summary – Detail

- Both potential rental uses in the Subject parcels north of Cosumnes River Blvd. are theoretical. JBREC provided rational product and pricing for an apartment use and a BTR use based on the assumption that either use would merge the two north parcels into a single development. Unit counts seen below reflect that.
- We assume a Class A garden-style three-story apartment complex for the apartment scenario. This complex would feature a normal amenity package for such an offering (e.g., pool, clubhouse, fitness room, lounge).
- The BTR community assumes very small lots and a modest amenity package (e.g., small clubhouse and pool, common area landscaping). Price point assumptions are based on our market analysis.

Delta Shores						F	loor	Plan						R	ental Re	commer	ndation	s (Mont	hly)					Variation	s
				M	ix Plar	Size n (SqFt)	Bed	Bath	Level	Pkg Sp	Base	\$/SF	Avg Prem	Total Stabilized	Concessio Direct	ns Indirect (		Total Eff. Rent	\$/SF	Mand. Fees	Total Eff. Rent + M. Fees	\$/SF	Base + M. Fees		33% Inc. to Qualify
Delta Shores IA-	1 Apartments																								
Product Type Floors Parking Elevator	Stacked Flats 3-Story UC/CP No	Leasing Starts Total Units Target Abs. Rate Stabilization Projected	Jul-25 261 18.0/mo 95% Aug-26 Total/Avg	30% 54% 16%		750 1,000 1,200 <b>957</b>	1 2 3	1.0 2.0 2.0	1 1 1	1 2 2	\$2,080 \$2,400 \$2,640 \$2,640	\$2.77 \$2.40 \$2.20 <b>\$2.45</b>	\$0 \$0 \$0	\$2,080 \$2,400 \$2,640 <b>\$2,640</b>	\$0 \$0 \$0 \$0	\$0 \$0 \$0 \$0	\$0 \$0 \$0	\$2,080 \$2,400 \$2,640 \$2,640	\$2.77 \$2.40 \$2.20 <b>\$2.45</b>	\$0 \$0 \$0 <b>\$0</b>	\$2,080 \$2,400 \$2,640 <b>\$2,343</b>	\$2.77 \$2.40 \$2.20 \$ <b>2.45</b>	\$2,080 \$2,400 \$2,640 \$2,640	1 1	\$87,273 \$96,000
Delta Shores IA-	1 BTR																								
Product Type Min Lot/Density Floors Parking Elevator	Small Lot SFD 2,500 SqFt 2-Story DAG No	Leasing Starts Total Units Target Abs. Rate Stabilization Projected	Jul-24 87 6.0/mo 95% Aug-25	31% 37% 32%	27 32 28	1,250 1,450 1,650	3 3 3	2.0 2.0 2.5	2 2 2	2 2 2	\$2,750 \$2,950 \$3,150	\$2.20 \$2.03 \$1.91	\$0 \$0 \$0	\$2,750 \$2,950 \$3,150	\$0 \$0 \$0	\$0 \$0 \$0	\$0 \$0 \$0	\$2,750 \$2,950 \$3,150	\$2.20 \$2.03 \$1.91	\$0 \$0 \$0	\$2,750 \$2,950 \$3,150	\$2.20 \$2.03 \$1.91	\$2,750 \$2,950 \$3,150	\$2,950 \$2.03	\$107,273

\$2,952 \$2.03 \$0 \$2,952

\$0 \$0 \$0 **\$2,952 \$2.03 \$0 \$2,952 \$2.03 \$2,952 \$2,952 \$2.03 \$107,356** 

# **For-Rent Absorption**



#### **For-Rent Absorption Conclusions**

#### Depending on the scenario chosen for the north parcels of the Subject our recommendations are as follows:

- As noted at the beginning of this report, the uses of the two north of Cosumnes parcels are uncertain. We have presented two potential rental uses in this analysis per past analyses on this Subject and given the current zoning / density of these parcels. The latter factor makes rental uses more likely than for-sale, but these parcels could ultimately be for-sale.
- We estimate a monthly lease-up (absorption) rate of 18.0 units per month during the initial lease-up phase of an apartment complex is reasonable and achievable. This is informed by our experience in this and other markets, rates at apartment complexes currently or recently in their initial lease-up phase, and the specific characteristics of the Subject (location, accessibility, master plan setting, schools, etc.). Critically, Solasta, not far north of the Subject, has leased up at 19 units per month during its leasing phase, but even these rates mask higher velocities. Effectively, Solasta has leased in phases, and the leasing manager indicated that leases were signed closer to 30 per month when phases were released. Solasta features superior product than the Subject with its mid-rise elevator-serviced offering, but we believe its experience strongly supports our absorption estimate for a Subject apartment complex.
- We estimate a monthly lease-up rate of 6.0 homes for a BTR community. This is slightly below national norms in the BTR space but in line with lease-up rates at BTR communities within the region and is roughly in line with that achieved by the two BTR communities in the CMA. See further discussion on page 20.
- We assume the Subject apartments will be introduced in mid-2026 and the BTR in late 2025. There is no clear buyer for these parcels at present, so this schedule should be considered highly approximate but achievable given the rapid development of other parts of Delta Shores and the expectation that multifamily capital access will gradually improve. We assume land sales will be in 2Q 2025 for both scenarios. We assume 12-18 months to complete apartment construction (midpoint 15 months), yielding an absorption start date of 2Q 2026. The BTR community would have a shorter construction period for detached homes of 4-6 months, which implies a leasing start date of late 2025.
- Renters will include young couples, professional couples, single professionals, and some families for the apartment product. BTR units will attract younger couples (often pre-families), as well as young and mature families.
- Overall, Delta Shores IA-1 would have 348 for-sale units in the neighborhoods with readily acceptable and reasonably segmented product types. This would represent 57% of all residential units in the apartment scenario and 80% of all units in the BTR scenario. All rental units would be separated from the for-sale neighborhoods to the south by Cosumnes River Blvd. All developments would have freeway visibility, helpful for marketing any development, but particularly for an apartment complex. This seems to be a reasonable overall product offering appropriate for this location and market.

# **Opportunities & Challenges**

#### Opportunities

- Master plan community setting with a variety of product lines and attractive amenities.
- Immediately south of the highly-regarded Pocket area to the north and desirable Elk Grove to the south.
- Clarksburg area wineries a few miles southwest of the site are a major regional draw.
- The subject's substantial size and scope should allow it to differentiate itself from the Meadowview and South Sacramento areas to the northeast.
- Product will appeal to couples, younger families, empty nesters, and professional couples.
- Excellent accessibility to Interstate 5 and very near commuter rail station.
- Near huge Downtown Sacramento employment hub and proximate to Downtown / Midtown amenities.
- Walkable to major retail center (across Interstate 5) with a wide variety of venues to the immediate west.
- There is a potential Kaiser health facility northeast of the site that would be walkable for residents (this will only impact marketing if there is certainty during the marketing period, which seems unlikely at present).
- Minimal new home competition in the immediate area.
- More affordable than Elk Grove and competitive with Natomas.
- Potential youth sports complex northeast of the Subject.

#### Challenges

- Adjacency to Interstate 5 on the east side of the site will concern some buyers (rental communities more buffered by off-ramp).
- Subject schools are generally inferior, which will deter some family buyers or renters. However, buyers at nearby active new home communities have experienced limited impact from schools. Parents are either keeping children in current schools, choosing charter or private options, or registering children in Elk Grove schools. In addition, two new schools will be built in Delta Shores.
- Although access to retail is only via a bridge over the freeway, the proximity to retail is still a major net positive.
- Though proximity to the Pocket area will be a plus, the Meadowview neighborhood northeast of the site has a poor residential reputation. However, this is similar to Pocket's condition, and the freeway buffering has helped Pocket maintain a strong residential reputation.
- Similarly there are some less desirable uses in Freeport along the western edge of the site (e.g., RV park). However, we expect most residents (and buyer traffic) to access the site from Cosumnes Parkway and not through Freeport.
- Mortgage rates have risen since earlier in the year and continue fluctuating, leaving buyers uncertain about this critical factor.
- The Stone Beetland development northeast of the Subject may eventually add residential supply to the immediate area (see fuller discussion later in this report).
- The area northeast of the Subject that could include a youth sports park may also eventually include affordable housing, commercial, and homeless services components. This would likely have a minimal impact on the Subject, and, regardless, any development on this 102-acre site is highly uncertain.



# Absorption Rates



#### Absorption Rate Estimates

- We believe the Subject's for-sale offerings would absorb approximately 3.5 to 4.0 units per month per product given their characteristics, market timing expectations per developer and market conditions. These absorption estimates are based on Subject product, pricing, location and master plan setting, regional supply, the performance of new home comparables we surveyed, our experience in the CMA and the wider market, and longer-term new home per project norms in the region. We assume decorated models will be open at (or very near) the inception of sales, that there will be a strong marketing effort with a cohesive MPC brand, and that experienced on-site sales staff will sell Subject homes. The alley homes and minimum 5,000 SF lot SFD neighborhoods will be built and sold by KB Home, a major national builder with proven experience and expertise in the market. Meritage Homes will build the minimum 6,500 SF lot SFD neighborhood, another major public builder with a significant regional presence and the ability to conduct a substantial marketing campaign. There is upside potential for the alley-loaded neighborhood absorption rate given its relative affordability, but the product's density may offset this.
- Though absolute sales levels have decreased over the last two years given an increase in mortgage rates, the resulting minimal resale inventory has increased new home market share. Consequently, new home communities are generally absorbing reasonably well throughout the region and pricing remains stable to rising modestly over the last year or so. We forecast modest slowing over the next year, but we project that home prices will remain positive through 2027 in the nation and the Sacramento region.
- KB Home has only recently begun pre-sales at Edgewater, the minimum 5,000 SF lot SFD product (LDR-1-South). The initial reaction has been positive with eight sales before the official grand opening (though models are open and viewable). Signature has experienced solid sales at Delta Shores on the east side of Interstate 5 with its Coronado and Catalina projects. Both KB Home and Meritage Homes are larger public builders (Signature is a regional private builder) with access to public capital that enables them to be more aggressive in incentivizing when market conditions demand this to maintain sales rates. This factor further supports our estimated for-sales absorption levels.
- We estimate that the Subject **apartment** complex on both parcels north of Cosumnes River Blvd. could absorb **18.0 leases per month** during their lease-up phase. A lease-up phase is usually defined as the start of leasing until the point at which equilibrium is reached (about 90-95% of units are leased). This absorption estimate is based on our experience in this and other markets, the characteristics of the Subject, and the performance of currently or very recently leasing apartment developments in the wider Sacramento market. Critically, we have also looked to Solasta, a new complex north of the Subject, which has absorbed very strongly.
- We estimate the **BTR** component could absorb **6.0 units per month** given our wide experience with this sector across the nation and the performance of recently active and still actively leasing BTR communities in the region. Though existing BTR communities are located in South Placer County and Rancho Cordova, they provide a rational indicator of absorption at a Subject BTR community. Our estimate is very similar to absorptions at these comparables.
- We assume the Subject rental communities would be amenitized as noted in this report, and that concessions during the lease-up phase for each Subject rental scenario would be appropriate. New apartment developments often offer concessions during lease-up to achieve stabilized occupancy of +/- 95% more quickly.

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# Market Size



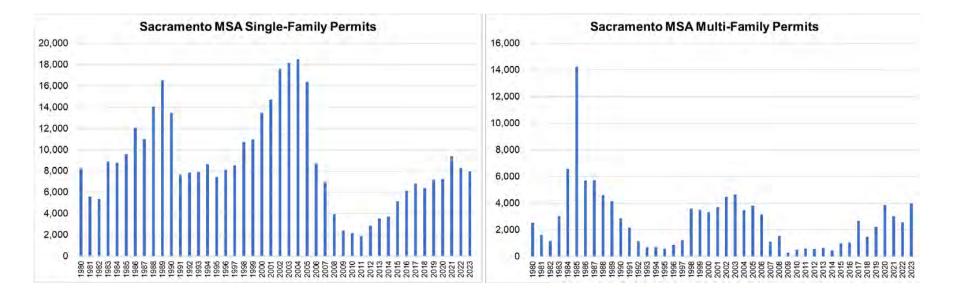
#### Market Size Estimates

- To test the validity of our absorption assumptions and build-outs seen later in this report, we must estimate market size for the for-sale and for-rent markets. This is necessary so we can apply our absorption assumptions and test them for validity in terms of the market capture rates our annual absorption figures imply.
- To estimate market size for the for-sale market, we gathered data on single-family residential (SFR) permits and new home sales. It would be unfair to use data from only the local area around the Subject since this area, and the City of Sacramento more generally (except the Natomas area) has been supply-constrained for many years. Also, buyers will come from throughout the region (and beyond), so it is fair to test Subject for-sale absorption against market size and capture rate estimates based on data from a wider area. In this case, we will focus on data from the Sacramento MSA (Sacramento, Placer, El Dorado, and Yolo Counties) and the Sacramento County levels.
- For the rental sector we have focused on multifamily residential (MFR) permit activity at the regional, county, and city level. As with for-sale
  activity, MFR activity has been somewhat constrained in the City of Sacramento and so we emphasize MSA and county-level data, though
  include city-level data. MFR permit data is most reliable as a test of market size. Note that though MFR permit data include both apartments
  and attached for-sale units, the latter category is uncommon enough in the Sacramento market to render the MFR permit figures usable for
  assessing the size of the rental market.
- The SFR permit data for the three relevant geographies Sacramento MSA, Sacramento County, and City of Sacramento are displayed visually on the next two pages. See further discussion below, but the results for the for-sale market size show almost 4,500 county-wide and about 8,600 MSA-wide annual units of demand as a rational permit-based measure of the market size for the for-sale sector. Even the city-level data show +/- 1,300 units annually.
- We show data from new home sales later in this report. The City has averaged 1,067 annual sales from 2012 through 2023, Sacramento County has averaged 2,617, and Sacramento MSA (including Sacramento, Placer, El Dorado, and Yolo Counties) has averaged 5,158. The area immediately surrounding the Subject has experienced relatively modest annual new home sales levels over the last decade (data not shown), but this reflects limited supply. Permit data are typically more complete than third-party sales data, but we will use both permit and sales data to judge the achievability of expected Subject absorption when we examine market capture rates later in this report.
- In terms of the Subject rental component, from the analysis on the next two pages, we estimate a relevant market size based on MFR
  permits of about 925 annually for the City of Sacramento, +/- 1,650 at the county level, and +/- 2,500 at the MSA level. We use these permit
  figures as our market size measure when we assess a logical capture rate for the Subject's annual rental absorption.

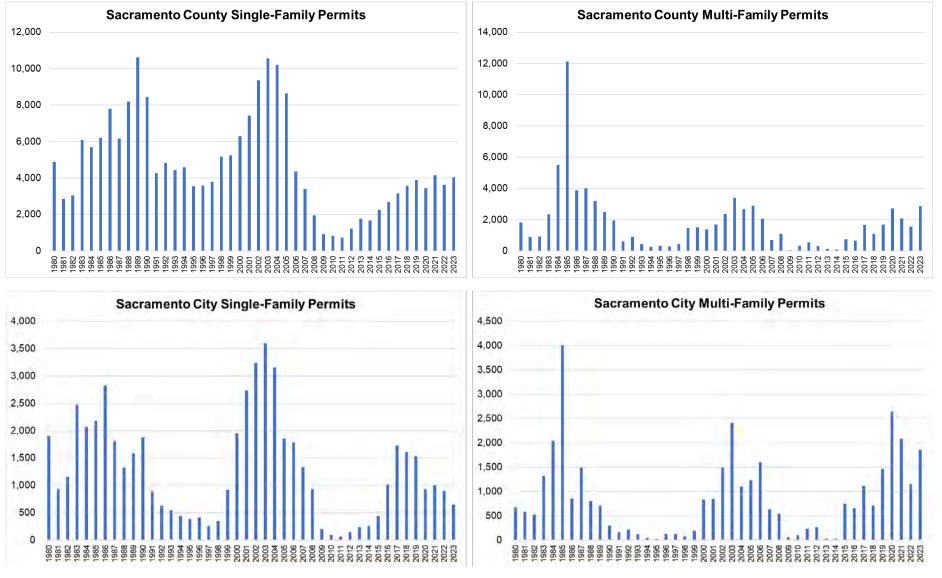
# Sacramento MSA, County and City Historic Permit Activity

- The table below summarizes single-family and multifamily permit averages from a longer-term (1980-2023) and more recent time period (2000-2023) spans for the Sacramento MSA, Sacramento County, and Sacramento City. The data are displayed in charts at the bottom of this page and on the succeeding page.
- These figures are reasonably similar and both have drawbacks. The longer period includes the 1980s with permit figures that are unachievable today. The shorter period includes some extraordinary lows during the Great Recession that are also unlikely to be repeated. For these reasons, we have used the "approximate norms" seen in the table below as our permit-based measures of market size.

		Averages S	<u>SFR</u>		Averages N	IFR
Area	1980-2023	2000-2023	Approx. Norm	1980-2023	2000-2023	Approx. Norm
Sacramento MSA	8,888	8,317	8,600	2,759	2,268	2,500
Sacramento County	4,766	4,177	4,475	1,825	1,452	1,650
Sacramento City	1,283	1,309	1,300	869	994	925



# Sacramento MSA, County and City Historic Permit Activity



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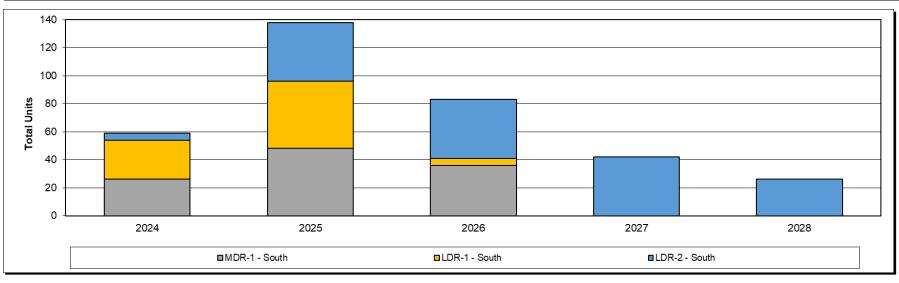
Source: Bureau of Labor Statistics 23

# Subject Build-Out

#### Build-Out - For-Sale

- Per the discussion earlier in this report, LDR-1 South just began sales, MDR-1 South will soon, and LDR-2 South will start sales in the fourth quarter of this year (we assumed 1.5 months of sales in 4Q 2024 and is per a discussion with Meritage personnel).
- The absorption schedule shown below assumes continuous development of all neighborhoods until units are exhausted. We believe this build-out scenario is prudent and achievable given the market conditions and expectations outlined in this report and the Subject being consistently price positioned as seen in this report.
- The resulting build-out does leave a "tail" of solely SFD 6,500 SF lots selling from 2027 into 2028. This is due to the relatively high unit count of this parcel and the slightly slower estimated monthly absorption rate due to higher price points. We assume Meritage Homes will price and market this neighborhood adequately to maintain sales throughout the marketing life of this community.

#### Min. Lot Size (SF) PRODUCT Product Sales/Mo Total 2024 2025 2026 2027 2028 Alley SFD 35' x 85' 36 MDR-1 - South 2,975 4.00 110 26 48 LDR-1 - South SFD 50' x 100' 5,000 4.00 81 28 48 5 LDR-2 - South 5 SFD 65' x 100' 6,500 3.50 157 42 42 42 26 TOTALS 348 59 138 83 42 26



ANNUAL PROJECTED ABSORPTION - FOR-SALE



# Subject Build-Out

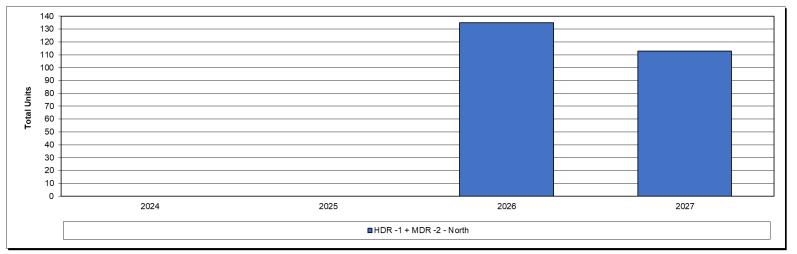


#### Build-Out - For-Rent

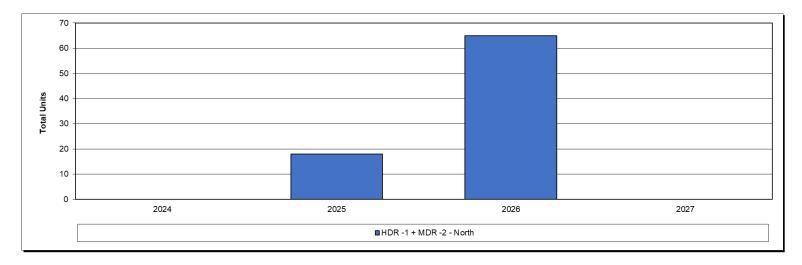
- As outlined earlier in this report, we assume the two parcels at the northern end of the Subject will be merged and developed as either an apartment complex or a BTR community. Below, we illustrate the lease-up period for both uses. We assume an apartment complex would begin leasing approximately 15 months after the purchase of the land, that is, in the second quarter of 2026 (we assume 1.5 months of leasing activity in that initial quarter). A BTR community would come onto the market more rapidly. For that use we assume leasing would start at the beginning of the fourth quarter of 2025.
- We estimate 18.0 leases per month as an achievable absorption rate during the initial lease-up period for the apartments and 6.0/mo. for the BTR. Note that since +/-95% occupancy is considered stable we absorb only 95% of the units for each rental community. Thus, the number of absorbed rental units in the following charts and tables equals 95% of total rental units for either scenario. Given market entry timing, unit counts, and estimated absorption rates, an apartment complex would reach equilibrium in very early 3Q 2027 while a BTR community would do so in Q4 2026.
- The build-outs seen on the next page lead to reasonable capture levels for either Subject rental scenario (see capture analysis later in this report). The subsequent page details sales of multifamily lots to an apartment or BTR developer and displays absorptions on a quarterly basis.

# Subject Build-Outs





#### **Rental Build-Out Annually – BTR**



# Subject Build-Out

#### **Quarterly Apartment Lot Sales and Absorption – Apartments**

#### ANNUAL PROJECTED ABSORPTION - FOR-RENT - APARTMENT SCENARIO

PRODUCT	Leases / Mo.	Total	Q1 '24	Q2 '24	Q3 '24	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Q1 '26	Q2 '26	Q3 '26	Q4 '26	Q1 '27	Q2 '27	Q3 '27	Q4 '27
HDR-1 / MDR - 2 - North Lot Sale		261						261										
HDR-1 / MDR - 2 - North Market Abs.	18.0	261										27	54	54	54	54	5	

#### **Quarterly Apartment Lot Sales and Absorption – BTR**

#### ANNUAL PROJECTED ABSORPTION - FOR-RENT - BTR SCENARIO

PRODUCT	Leases / Mo.	Total	Q1 '24	Q2 '24	Q3 '24	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Q1 '26	Q2 '26	Q3 '26	Q4 '26
HDR-1 / MDR - 2 - North Lot Sale		87						87						
HDR-1 / MDR - 2 - North Market Abs.	6.0	87								18	18	18	18	11

5

# Market Capture



#### **Capture Analysis – For-Sale**

• The table below shows the percentage of the relevant market the Subject would capture assuming the sales numbers shown previously. Even at the level of city-wide SFR permit activity, the Subject would require capture rates of at most 11% at peak. Other measures yield lower necessary capture rates. These capture rates appear achievable, particularly considering typically limited city-wide new for-sale residential activity (e.g., only Natomas has been a consistent major supply node and even that has become relatively constricted in recent years). Note that the two new home sales measures reflect annual averages for 2012-23 while the permit figures are from the "approximate norms" figures discussed in the historical permit discussion earlier in this report.

#### Subject Build Out and Capture - For-Sale

	Total	2024	2025	2026	2027	2028
SUBJECT TOTALS	348	59	138	83	42	26

#### **Annual Market Capture Rate**

#### % Capture of:

Annual New Home Sales - County	2%	5%	3%	2%	1%
Annual New Home Sales - MSA	1%	3%	2%	1%	1%
Annual SFR Permits - Sacramento City	5%	11%	6%	3%	2%
Annual SFR Permits - Sacramento County	1%	3%	2%	1%	1%

#### Subject Build Out and Capture - For-Sale

	Total	2023	2024	2025	2026	2027	2028
SUBJECT TOTALS	348	37	110	106	38	38	19
Annual Market Capture Rate % Capture of:							
Annual New Home Sales - County		1%	4%	4%	1%	1%	1%
Annual New Home Sales - MSA		1%	2%	2%	1%	1%	0%
Annual SFR Permits - Sacramento City		3%	8%	8%	3%	3%	1%
Annual SFR Permits - Sacramento County		1%	2%	2%	1%	1%	0%

# Market Capture



#### **Capture Analysis – For-Rent**

- The tables below show the absorption schedule for the Subject's two rental scenarios. Annual absorption levels are measured against the total estimated rental market size. We provide three estimates of rental market size at the city, county, and MSA-level. At the city-level, the apartments would need to capture about 12%-15% of the market in 2026-2027. At the more appropriate county level (since historical city-wide rental development has been somewhat supply-constrained), the apartments would need to capture about 7%-8% of the market. This would equate to it being one of about 13 actively leasing apartment complexes county-wide during its initial leasing period, while the MSA figure would equal about one of 20 leasing apartment complexes across the entire MSA. We believe this is an achievable market capture rate assuming even approximate normal market conditions. The necessary capture rates for a BTR scenario would be far less.
- Note that Delta Shores Improvement Area 2 (IA-2) on the east side of Interstate 5 is likely to have an apartment complex developed by Jackson Square that could coincide with the Subject apartment timing. Since our assessment of supply, absorption, and capture rate is based on data from large geographies (mainly the county and MSA level) this would not alter our conclusions. The differing locations will also act to differentiate the renter profiles to some degree, and we assume different operators, marketing efforts, etc. In sum, then, we believe the absorption levels for the Subject rental communities are reasonable and the resulting market capture levels are achievable given approximately normal market conditions in the region during the initial lease-up period.

Subject Build Out and Capture - Apartment Scenario

	Total	2025	2026	2027
SUBJECT TOTAL ANNUAL ABSORPTION	261	0	135	113

#### **Annual Market Capture Rate**

% Capture of:			
Annual MFR Permits - Sacramento City	0%	15%	12%
Annual MFR Permits - Sacramento County	0%	8%	7%
Annual MFR Permits - Sacramento MSA	0%	5%	5%

#### Subject Build Out and Capture - BTR Scenario

	Total	2025	2026
SUBJECT TOTAL ANNUAL ABSORPTION	87	18	65

#### **Annual Market Capture Rate**

#### % Capture of:

Annual MFR Permits - Sacramento City	2%	7%
Annual MFR Permits - Sacramento County	1%	4%
Annual MFR Permits - Sacramento MSA	1%	3%

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# **For-Sale Market Analysis**

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# Location of Subject & Surveyed Comparables



# New Home Comparables Summary



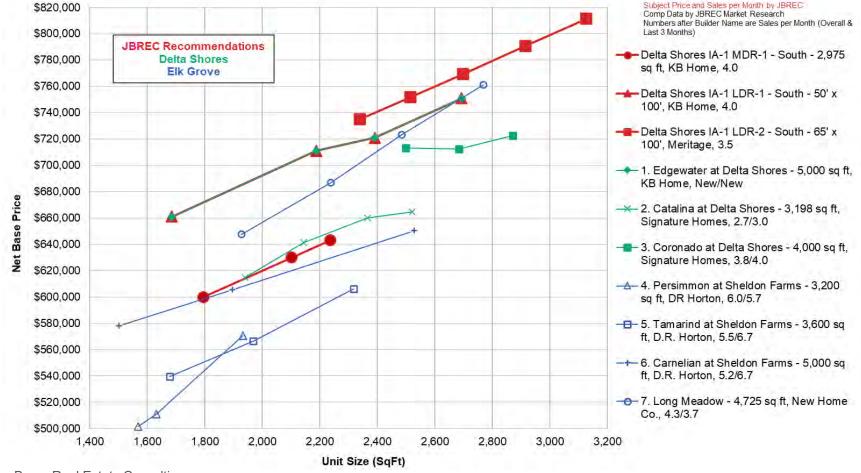
The table below displays summary details of the Subject for-sale product types and the key new home comparables we used to gauge relevant market dynamics. Comparables are located in Delta Shores, augmented by comparables from the nearer portions of Elk Grove. The latter is included for context since there are few active comparables near the Subject and some Subject buyers would likely also shop nearby Elk Grove.

Community	Builder	Location	Product Type	Min Lot / Density	Unit Size (SqFt)	Overall Abs	3-Mo Abs	Avg Base Price	Total Incentives	Ttl Bldr & Buyer Options	Premiums	Avg Net Total Price	Tota /SqF
Delta Shores IA-1 MDR-1 - South	KB Home	Sacramento	Alley SFD	2,975	2,044	4.0	n/ap	\$629,282	<b>(\$5,000)</b> -0.8%	\$34,611 5.5%	<b>\$2,000</b> 0.3%	\$660,892	\$323
Delta Shores IA-1 LDR-1 - South	KB Home	Sacramento	SFD	5,000	2,241	4.0	n/ap	\$716,113	<b>(\$5,000)</b> -0.7%	<b>\$41,177</b> 5.8%	\$3,000 0.4%	\$755,290	\$33
Delta Shores IA-1 LDR-2 - South	Meritage	Sacramento	SFD	6,500	2,719	3.5	n/ap	\$787,395	<b>(\$15,748)</b> -2.0%	\$47,244 6.0%	<b>\$15,748</b> 2.0%	\$834,639	\$30
Edgewater at Delta Shores	KB Home	Sacramento	SFD	5,000	2,239	New	New	\$715,990	<b>(\$5,000)</b> -0.7%	<b>\$40,000</b> 5.6%	<b>\$3,000</b> 0.4%	\$753,990	\$33
Catalina at Delta Shores	Signature Homes	Sacramento	SFD	3,198	2,243	2.7	3.0	\$670,136	<b>(\$25,000)</b> -3.7%	<b>\$0</b> 0.0%	<b>\$2,000</b> 0.3%	\$647,136	\$28
Coronado at Delta Shores	Signature Homes	Sacramento	SFD	4,000	2,685	3.8	4.0	\$735,973	<b>(\$20,000)</b> -2.7%	<b>\$0</b> 0.0%	<b>\$2,000</b> 0.3%	\$717,973	\$26
Persimmon at Sheldon Farms	DR Horton	Elk Grove	SFD	3,200	1,710	6.0	5.7	\$535,157	<b>(\$7,500)</b> -1.4%	<b>\$0</b> 0.0%	<b>\$0</b> 0.0%	\$527,657	\$30
Tamarind at Sheldon Farms	D.R. Horton	Elk Grove	SFD	3,600	1,988	5.5	6.7	\$578,157	<b>(\$7,500)</b> -1.3%	<b>\$0</b> 0.0%	<b>\$0</b> 0.0%	\$570,657	\$28
Carnelian at Sheldon Farms	D.R. Horton	Elk Grove	SFD	5,000	1,975	5.2	6.7	\$618,823	<b>(\$7,500)</b> -1.2%	<b>\$0</b> 0.0%	<b>\$0</b> 0.0%	\$611,323	\$3 <sup>-</sup>
Long Meadow	New Home Co.	Elk Grove	SFD	4,725	2,355	4.3	3.7	\$708,696	<b>(\$4,000)</b> -0.6%	<b>\$0</b> 0.0%	<b>\$0</b> 0.0%	\$704,696	\$29
C		Compet	itor Median		2,239	4.8	4.8	\$670,136	<b>(\$7,500)</b> -1.3%	<b>\$0</b> 0.0%	<b>\$0</b> 0.0%	\$647,136	\$29
	Competitor Average					4.6	4.9	\$651,847	(\$10,929) -1.7%	\$5,714 0.8%	\$1,000 0.1%	\$647,633	\$2

### Net Base Price Comparison



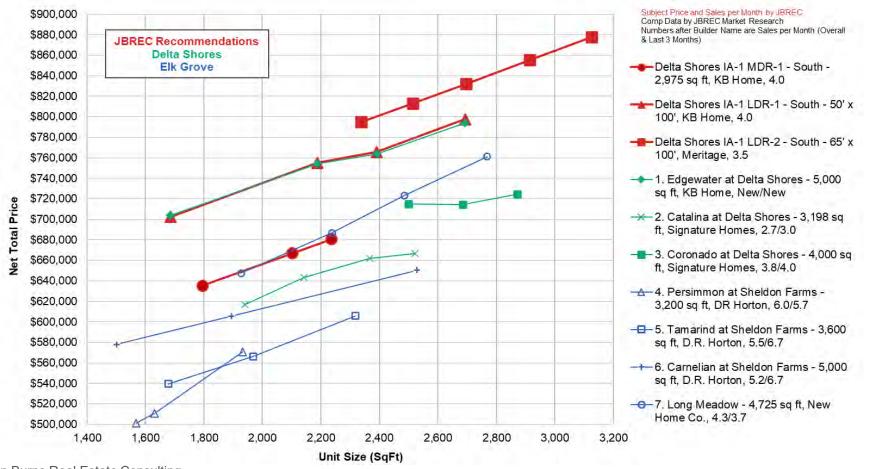
The chart below displays the Subject's proposed pricing against all new home comparables on a net base price basis. The Subject's Alley SFD is positioned toward the middle of the market, with the 5,000 and 6,500 lot SFD products toward the upper portion. However, builders commonly embed some or all options and premiums in advertised base pricing. This means net total price positioning on the following page provides a more accurate comparison.



# **Total Price Comparison**



On a total price comparison (base price + options + premiums - incentives) Subject price positioning is generally similar to its net base price positioning, though minimal upgrade spending at Sheldon Farms pushes those comparables downward. The Subject alley-loaded product is positioned competitively with similar lot size options by Signature in Delta Shores east of Interstate 5, while the Subject 5,000 lot SFD is actively selling (Edgewater) and we have mirrored that pricing. We have positioned the 6,500 lot SFD Subject lots rationally above Edgewater.

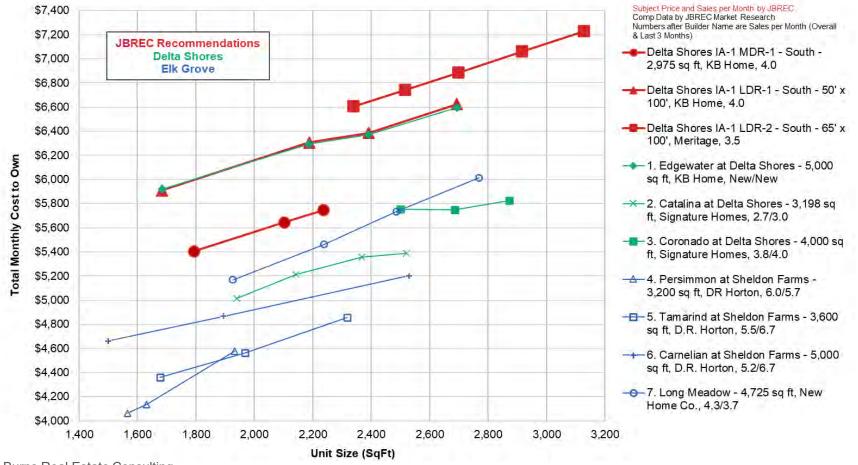


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# **Total Monthly Payment Comparison**



Applying tax rates and HOA fees of the comparables and Subject translates total pricing into net monthly payments. The Subject has a somewhat higher Tax/HOA profile than most surveyed new home projects, so Subject positioning on a monthly payment basis is elevated compared to total price positioning on the previous page. We have factored this into our pricing conclusions but note that the Subject location west of Interstate 5 and immediately south of the Pocket area is superior to Delta Shores east of Interstate 5.



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# New Home Comparables Detail



Community			Builder			Floor P	lan			Т	ax & HO	A			Ma	rket Price				Cost t	o Own
Surveyed	May-24			Unit						Base		HOA		Incentives	Net	Ttl Bldr		Net	Total	90%	35%
				Size						Тах	Add'l	Fees	Base	Closing	Base	& Buyer	Average	Total	Price/	7.15%	Income
				(SqFt)	Bd	Other	Ba	Levels	Pkg	Rate	Taxes	(\$/Mo.)	Price	Costs	Price	Options	Premium	Price	SqFt	Total Price	to Qualif
Edgewater at D	Delta Shores		KB Home																		
Product	SFD	Sales Started	May-24	1,685	3	Den	2.0	1	2	1.15%	\$5,220	\$190	\$665,990	(\$5,000)	\$660,990	\$40,000	\$3,000	\$703,990	\$418	\$5,920	\$203,00
		Total Units	80	2,188	3	Den	2.0	1	2	1.15%	\$5,220	\$190	\$715,990	(\$5,000)	\$710,990	\$40,000	\$3,000	\$753,990	\$345	\$6,297	\$216,0
Min Lot/Density	5,775	Units Sold	8	2,391	4	Loft	3.0	2	2	1.15%	\$5,220	\$190	\$725,990	(\$5,000)	\$720,990	\$40,000	\$3,000	\$763,990	\$320	\$6,372	\$218,0
Dimens/Config	55' x 105'	3 Mon. Sold	8	2,693	5	Flex	3.0	2	2	1.15%	\$5,220	\$190	\$755,990	(\$5,000)	\$750,990	\$40,000	\$3,000	\$793,990	\$295	\$6,597	\$226,0
1	0	Units Remaining	72																		
Location	Sacramento	% Remaining Overall Sales Rate	90%																		
		3-Mo. Sales Rate	New New																		
		3-INO. Sales Rale	INEW																		
			Total/Avg	2,239						1.15%	\$5,220	\$190	\$715,990	(\$5,000)	\$710,990	\$40,000	\$3,000	\$753,990	\$337	\$6,297	\$215,7
Catalina at Del	ta Shores	Signatu	ire Homes																		
Product	SFD	Sales Started	Jun-23	1,940	3	Loft	2.5	2	2	1.15%	\$2,976		\$639,748	(\$25,000)	\$614,748	\$0	\$2,000	\$616,748	\$318	\$5,014	\$172,0
		Total Units	125	2,143	4		3.0	2	2	1.15%	\$2,976	\$125	\$666,227	(\$25,000)	\$641,227	\$0	\$2,000	\$643,227	\$300	\$5,213	\$179,0
Min Lot/Density		Units Sold	31	2,367	4	Tech	2.5	2	2	1.15%	\$2,976	\$125	\$685,062	(\$25,000)	\$660,062	\$0	\$2,000	\$662,062	\$280	\$5,355	\$184,0
Dimens/Config	41' x 78'	3 Mon. Sold	9	2,521	4	Loft	2.5	2	2	1.15%	\$2,976	\$125	\$689,507	(\$25,000)	\$664,507	\$0	\$2,000	\$666,507	\$264	\$5,388	\$185,0
Lenstinn	Sacramento	Units Remaining % Remaining	94 75%																		
Location	Sacramento	% Remaining Overall Sales Rate	75% 2.7																		
		3-Mo. Sales Rate	3.0																		
		5-WO. Gales Male	5.0																		
			Total/Avg	2,243						1.15%	\$2,976	\$125	\$670,136	(\$25,000)	\$645,136	\$0	\$2,000	\$647,136	\$289	\$5,242	\$180,0
Coronado at De		-	re Homes																		
Product	SFD	Sales Started	Jun-23	2,500	5	Loft	3.0	2	2	1.15%		\$125	\$733,034	(\$20,000)	\$713,034	\$0	\$2,000	\$715,034	\$286	\$5,753	\$197,0
		Total Units	87	2,685	4	Loft	3.5	2	2	1.15%	\$2,976	\$125	\$732,308	(\$20,000)	\$712,308	\$0	\$2,000	\$714,308	\$266	\$5,748	\$197,0
Min Lot/Density		Units Sold	43 12	2,871	4	Loft, Flex	3.5	2	2	1.15%	\$2,976	\$125	\$742,578	(\$20,000)	\$722,578	\$0	\$2,000	\$724,578	\$252	\$5,825	\$200,0
Dimens/Config	50' x 80'	3 Mon. Sold Units Remaining	12																		
Location	Sacramento	% Remaining	51%																		
Loodion	ouorumento	Overall Sales Rate	3.8																		
		3-Mo. Sales Rate	4.0																		
			Total/Avg	2,685						1.15%	\$2.976	\$125	\$735.973	(\$20.000)	\$715.973	\$0	\$2,000	\$717.973	\$267	\$5.775	\$198,0
			DR Horton	1,000						1.1070	<i>42,010</i>	\$120	<i><b>Q</b></i> 100,010	(*20,000)	<i>ç</i> 110,010	ΨŪ	<i>\$2,000</i>	çı ii,orð	Ψ207	<i>w</i> 0,110	φ100,0
Persimmon at	Sheldon Farme						25	2	2	1.05%	\$3,960	\$0	\$508,990	(\$7,500)	\$501,490	\$0	\$0	\$501,490	\$320	\$4,063	\$139,0
Persimmon at				1 567	3						φ0,000			A			φυ	φου 1,400	Ψ020		
Persimmon at a Product	SFD	Sales Started	Sep-22	1,567 1,631	3 4		2.5 2.5	_	2	1 05%	\$3,960	\$0	\$518 490	(\$7,500)	\$510,990	\$0	\$0	\$510,990	\$313		
Product	SFD		Sep-22 148	1,567 1,631 1,932	3 4 4	Loft	2.5 2.5 3.0	2	2 2	1.05% 1.05%	\$3,960 \$3,960	\$0 \$0	\$518,490 \$577.990	(\$7,500) (\$7,500)	\$510,990 \$570.490	\$0 \$0	\$0 \$0	\$510,990 \$570.490	\$313 \$295	\$4,134	\$142,
		Sales Started Total Units	Sep-22	1,631	4	Loft	2.5	2			\$3,960 \$3,960		\$518,490 \$577,990	(\$7,500) (\$7,500)	\$510,990 \$570,490			\$510,990 \$570,490			\$142,
Product Min Lot/Density	SFD 3,200	Sales Started Total Units Units Sold	Sep-22 148 123	1,631	4	Loft	2.5	2												\$4,134	\$142,
Product Min Lot/Density	SFD 3,200	Sales Started Total Units Units Sold 3 Mon. Sold	Sep-22 148 123 17	1,631	4	Loft	2.5	2												\$4,134	\$142,
Product Min Lot/Density Dimens/Config	SFD 3,200 40' x 80'	Sales Started Total Units Units Sold 3 Mon. Sold Units Remaining	Sep-22 148 123 17 25	1,631	4	Loft	2.5	2												\$4,134	\$142,
Product Min Lot/Density Dimens/Config	SFD 3,200 40' x 80'	Sales Started Total Units Units Sold 3 Mon. Sold Units Remaining % Remaining	Sep-22 148 123 17 25 17%	1,631	4	Loft	2.5	2												\$4,134	\$142,
Product Min Lot/Density Dimens/Config	SFD 3,200 40' x 80'	Sales Started Total Units Units Sold 3 Mon. Sold Units Remaining % Remaining Overall Sales Rate	Sep-22 148 123 17 25 17% 6.0	1,631 1,932	4	Loft	2.5	2		1.05%										\$4,134	\$142,0 \$157,0 <b>\$146,0</b>

# New Home Comparables Detail



Community			Builder			Floor F	lan			T	ax & HC	A			Ma	rket Price				Cost to	to Own
Surveyed	May-24			Unit						Base		HOA		Incentives	Net	Ttl Bldr		Net	Total	90%	35%
				Size						Tax	Add'l	Fees	Base	Closing	Base	& Buyer	Average	Total	Price/	7.15%	Income
				(SqFt)	Bd	Other	Ba	Levels	Pkg	Rate	Taxes	(\$/Mo.)	Price	Costs	Price	Options	Premium	Price	SqFt	Total Price	to Qualify*
5 Tamarind at SI	neldon Farms	C	O.R. Horton																		
Product	SFD	Sales Started	Sep-22	1,678	4		2.5	2	2	1.05%	\$4,140	\$0	\$546,990	(\$7,500)	\$539,490	\$0	\$0	\$539,490	\$322	\$4,361	\$150,000
		Total Units	121	1,969	4		2.5	2	2	1.05%	\$4,140	\$0	\$573,990	(\$7,500)	\$566,490	\$0	\$0	\$566,490	\$288	\$4,562	\$156,000
Min Lot/Density	3,600	Units Sold	113	2,318	4	Den	3.0	2	2	1.05%	\$4,140	\$0	\$613,490	(\$7,500)	\$605,990	\$0	\$0	\$605,990	\$261	\$4,856	\$166,000
Dimens/Config	45' x 80'	3 Mon. Sold	20																		
		Units Remaining	8																		
Location	Elk Grove	% Remaining	7%																		
		Overall Sales Rate	5.5																		
		3-Mo. Sales Rate	6.7																		

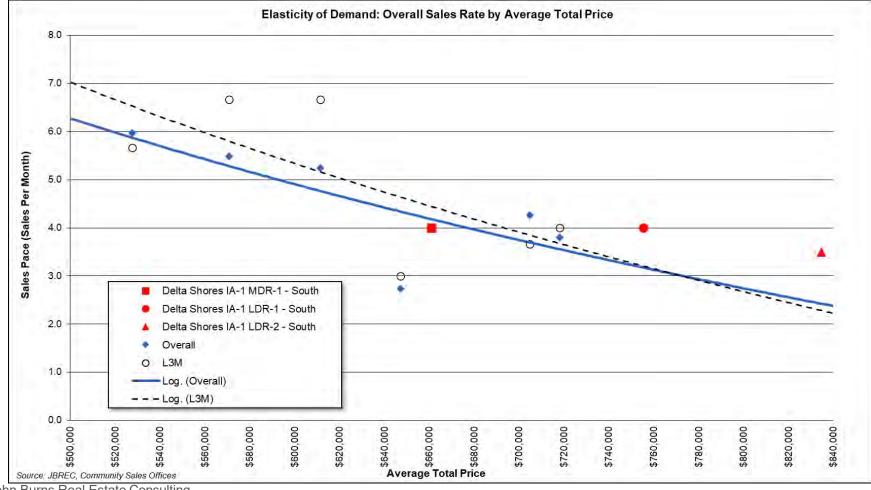
			Total/Avg	1,988					1. <b>05</b> %	\$4,140	\$0	\$578,157	(\$7,500)	\$570,657	\$0	\$0	\$570,657	\$287	\$4,593	\$157,333
6 Carnelian at SI	heldon Farms		D.R. Horton																	
Product	SFD	Sales Started	Sep-22	1,501	3	2.0	1	2	1.05%	\$4,320	\$0	\$585,490	(\$7,500)	\$577,990	\$0	\$0	\$577,990	\$385	\$4,662	\$160,000
		Total Units	122	1,895	4	2.0	1	2	1.05%	\$4,320	\$0	\$612,990	(\$7,500)	\$605,490	\$0	\$0	\$605,490	\$320	\$4,867	\$167,000
Min Lot/Density	5,000	Units Sold	108	2,529	5	3.0	2	2	1.05%	\$4,320	\$0	\$657,990	(\$7,500)	\$650,490	\$0	\$0	\$650,490	\$257	\$5,202	\$178,000
Dimens/Config	50' x 100'	3 Mon. Sold	20																	
		Units Remaining	14																	
Location	Elk Grove	% Remaining	11%																	
		Overall Sales Rate	e 5.2																	
		3-Mo. Sales Rate	6.7																	

			Total/Avg	1,975						1.05%	\$4,320	\$0	\$618,823	(\$7,500)	\$611,323	\$0	\$0	\$611,323	\$310	\$4,910	\$168,333
Long Meadow		New	Home Co.																		
Product	SFD	Sales Started	Aug-23	1,927	3		2.5	2	2	1.05%	\$3,852	\$28	\$651,494	(\$4,000)	\$647,494	\$0	\$0	\$647,494	\$336	\$5,169	\$177,000
		Total Units	122	2,238	3	Loft	2.5	2	2	1.05%	\$3,852	\$28	\$690,757	(\$4,000)	\$686,757	\$0	\$0	\$686,757	\$307	\$5,461	\$187,000
Min Lot/Density	4,725	Units Sold	39	2,486	4		3.0	2	2+	1.05%	\$3,852	\$28	\$727,383	(\$4,000)	\$723,383	\$0	\$0	\$723,383	\$291	\$5,734	\$197,000
Dimens/Config	45 x 105'	3 Mon. Sold	11	2,769	4	Workshop	3.0	2	2+	1.05%	\$3,852	\$28	\$765,150	(\$4,000)	\$761,150	\$0	\$0	\$761,150	\$275	\$6,015	\$206,000
		Units Remaining	83																		
Location	Elk Grove	% Remaining	68%																		
		Overall Sales Rate	4.3																		
		3-Mo. Sales Rate	3.7																		
			Total/Avg	2,355						1.05%		\$28	\$708,696	(\$4,000)	\$704,696	\$0	\$0	\$704,696	\$299	\$5,594	\$191,750

### **Elasticity Analysis**



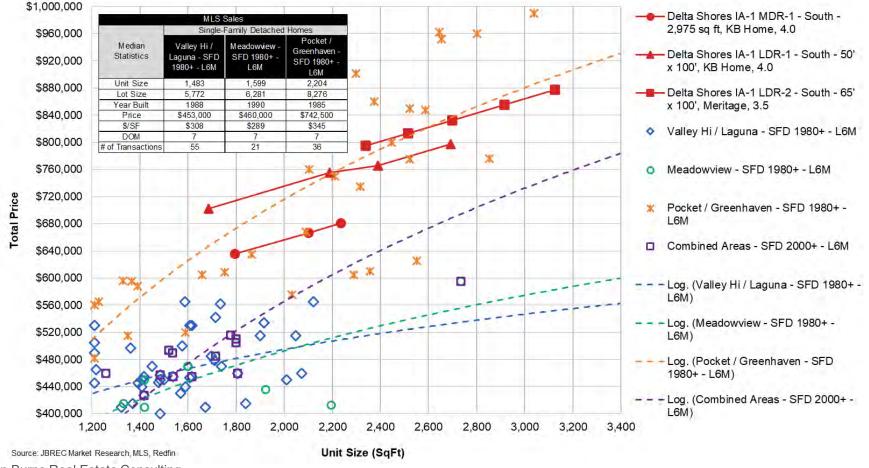
An elasticity analysis measures the relationship between sales pace and pricing at comparable neighborhoods. Lower prices typically generate higher sales. Our estimated sales rates and pricing for the Subject position the Subject offerings roughly in-line with to above the overall and recent sales rate trend lines. Given the limited number of observations, the trendlines are skewed by Catalina at Delta Shores. Excluding this project, the Subject would be well in line with the trendline and other surveyed comparables. Overall, we believe Subject absorptions are achievable for the reasons stated earlier in this report.



### Subject v. Area Resales



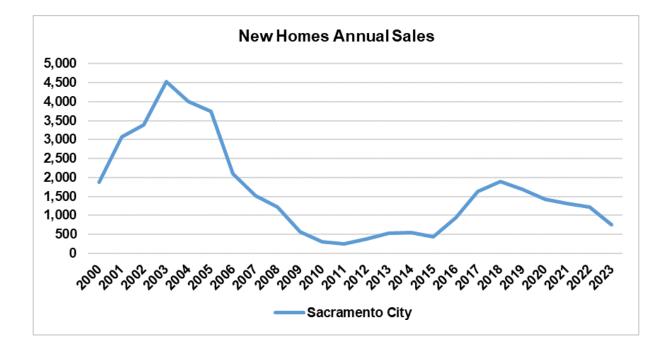
Given the limited number of new home competitors in the immediate area, the Subject will also compete against resales. The Subject's forsale product types can be positioned above resale transactions from the last six months from the surrounding areas due to new construction and a superior planned community setting. The Subject should be positioned more competitively with resales from the Pocket area to the immediate north despite these same advantages due to the well-established Pocket address and the larger lot sizes of those homes. Note that resale trendlines are typically skewed more steeply due to outlier transactions.





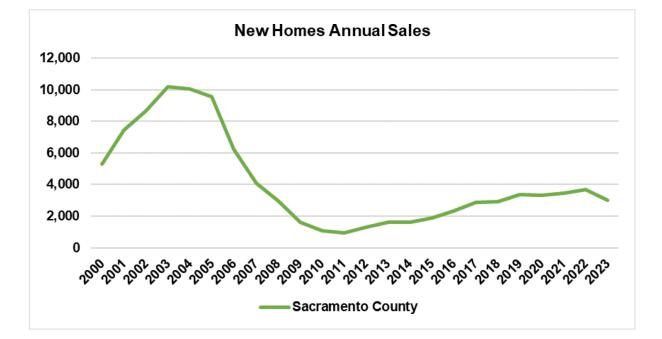
#### New Home Sales – City of Sacramento

In this section, we examine regional and local housing data for the Sacramento MSA, Sacramento County, and the City of Sacramento. All 2024 data is through April 2024. New home sales (which include both attached and detached) generally increased from 2012 to 2018. The COVID-19 pandemic unleashed huge demand but regional new home production is generally concentrated outside of the city of Sacramento. The dip in sales since 2018 is primarily due to a more limited supply than a lack of demand.



New Home	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Sacramento City	312	257	378	527	547	436	941	1,626	1,898	1,685	1,427	1,314	1,214	758	360
YOY % 🔺	-45%	-18%	47%	39%	4%	-20%	116%	73%	17%	-11%	-15%	-8%	-8%	-38%	-

Similar to the city, Sacramento County's new home sales bottomed out in 2011, then increased in the following years. New home sales hit a recent peak at 3,694 homes sold in 2022 then decreased last year but still at a solid sales level.



New Home	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Sacramento County	1,096	953	1,296	1,626	1,596	1,900	2,347	2,880	2,915	3,376	3,308	3,468	3,694	2,999	1,181
YOY % 🔺	-32%	-13%	36%	25%	-2%	19%	24%	23%	1%	16%	-2%	5%	7%	-19%	-

# New Home Sales – Sacramento MSA

Sacramento MSA new home sales gradually increased from 2011 to 2022, peaking at nearly 7,500. Following the same trends as the city and county, MSA new home sales decreased nearly 20% in 2023.



New Home	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Sacramento MSA	2,448	1,932	2,565	3,222	3,139	3,890	4,999	5,811	5,503	5,650	6,242	7,151	7,426	6,297	2,236
<b>YOY %</b> ▲	-30%	-21%	33%	26%	-3%	24%	29%	16%	-5%	3%	10%	15%	4%	-15%	-

### Existing Home Sales – City of Sacramento

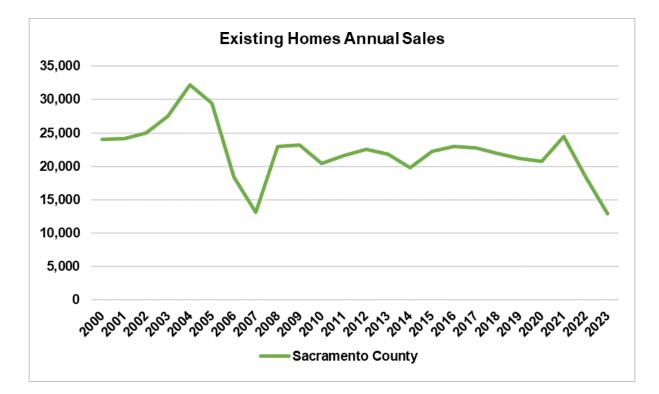
Existing home sales offer a reliable barometer of residential activity. Annual sales have fluctuated since 2012, peaked in 2021, and have since pulled back. Mortgage rate increases have dampened existing homeowners' willingness to sell due to their historically low mortgage rates.



Existing	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Sacramento City	10,703	10,793	11,454	11,213	10,189	11,376	11,663	11,831	11,518	10,833	10,318	12,460	9,362	6,706	2,146
YOY % 🔺	-16%	1%	6%	-2%	-9%	12%	3%	1%	-3%	-6%	-5%	21%	-25%	-28%	-

### Existing Home Sales – Sacramento County

Sacramento County's existing home sales have followed the same trends as the city, significantly decreasing over the last two years.



Existing	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Sacramento County	20,448	21,646	22,521	21,828	19,857	22,231	22,998	22,818	21,892	21,165	20,718	24,489	18,417	12,933	4,235
YOY % ▲	-12%	1%	6%	-2%	-9%	12%	3%	1%	-3%	-6%	-5%	21%	-25%	-28%	-

### Existing Home Sales – Sacramento MSA

Existing home sales in the MSA have also decreased at a rapid rate over the past two years. 2023 existing home sales are down nearly 50% from 2021 levels. This trend has bolstered new home sales throughout the region and the nation as new homebuilders have captured enhanced market share.

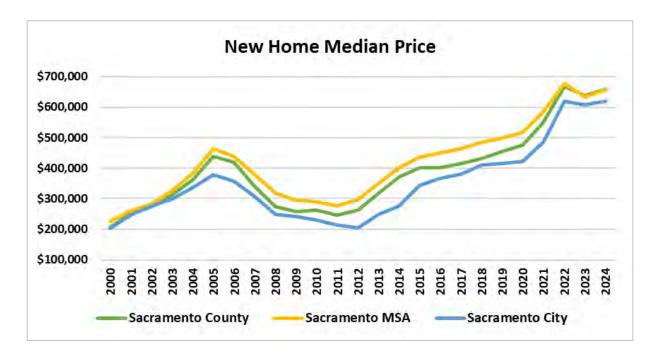


Existing	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Sacramento MSA	30,420	32,696	34,644	34,555	31,760	35,252	36,550	36,430	34,753	33,798	35,599	40,424	29,968	21,743	7,088
YOY % 🔺	-5%	7%	6%	0%	-8%	11%	4%	0%	-5%	-3%	5%	14%	-26%	-27%	-

### New Home Price



From 2012 to 2022, new home prices increased in all three areas along similar trends. New home prices increased 22% YOY from 2021 to 2022 in Sacramento. However, incentives increased, and price cuts ensued in 2023 due to weakening market conditions. 2024 has seen a more stabilized market in terms of price, and at a level near historical highs.

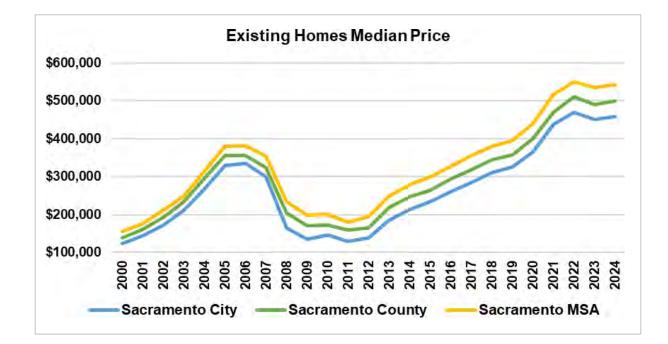


New Home	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Sacramento City	\$230,000	\$215,000	\$206,000	\$250,000	\$277,500	\$345,000	\$366,500	\$380,100	\$411,000	\$415,000	\$422,000	\$485,000	\$619,000	\$607,500	\$619,000
YOY % 🔺	-5%	-7%	-4%	21%	11%	24%	6%	4%	8%	1%	2%	15%	28%	-2%	2%
Sacramento County	\$263,000	\$246,500	\$262,500	\$319,500	\$372,000	\$402,000	\$402,500	\$415,500	\$433,100	\$454,500	\$476,000	\$551,000	\$667,500	\$637,000	\$659,500
YOY % 🔺	2%	-6%	6%	22%	16%	8%	0%	3%	4%	5%	5%	16%	21%	-5%	4%
Sacramento MSA	\$291,500	\$276,000	\$298,500	\$350,500	\$401,000	\$436,500	\$451,000	\$465,100	\$486,000	\$500,000	\$518,000	\$584,500	\$677,000	\$634,000	\$656,000
YOY % 🔺	-1%	-5%	8%	17%	14%	9%	3%	3%	4%	3%	4%	13%	16%	-6%	3%

# **Existing Home Price**



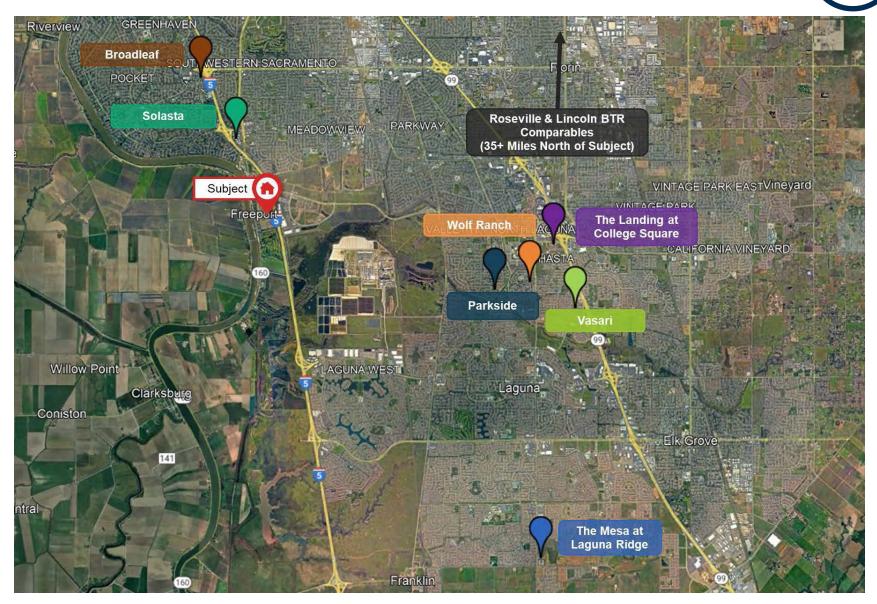
Existing SFD prices increased dramatically in all geographies from 2012 to 2022 and all geographies experienced double-digit price growth from 2020 to 2021. Following the same trends as new home prices, existing home prices decreased in 2023, and stabilized in 2024.



Existing	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Sacramento City	\$146,500	\$130,000	\$140,000	\$185,000	\$214,000	\$235,000	\$260,000	\$285,000	\$310,000	\$325,000	\$365,500	\$438,000	\$470,000	\$450,000	\$458,000
YOY % 🔺	8%	-11%	8%	32%	16%	10%	11%	10%	9%	5%	12%	20%	7%	-4%	2%
Sacramento County	\$173,000	\$159,000	\$166,000	\$220,000	\$246,600	\$265,000	\$294,500	\$318,500	\$345,000	\$357,500	\$400,000	\$470,000	\$510,000	\$490,000	\$500,000
YOY % 🔺	2%	-8%	4%	33%	12%	7%	11%	8%	8%	4%	12%	18%	9%	-4%	2%
Sacramento MSA	\$201,000	\$180,500	\$195,000	\$250,000	\$280,000	\$300,100	\$327,000	\$355,000	\$380,000	\$395,000	\$439,000	\$516,000	\$550,000	\$535,000	\$541,500
YOY % 🔺	1%	-10%	8%	28%	12%	7%	9%	9%	7%	4%	11%	18%	7%	-3%	1%



# Location of Subject & Rental Comparables



### **Rental Comparables Summary**

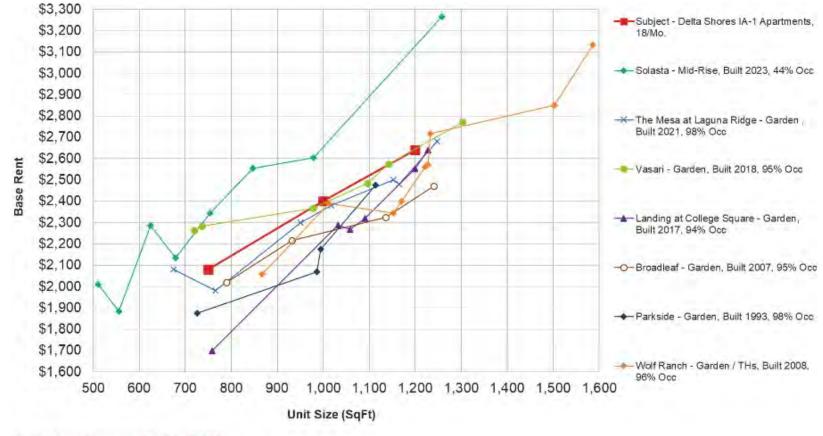


The table below summarizes rents at the Subject rental communities as well as apartment and BTR comparables. Note that there are no BTR comparables within the Subject CMA, so we surveyed six BTR communities in the wider Sacramento region. They are the only six open purpose-built BTR communities in the MSA and thus are useful given the far greater product similarities to the potential Subject BTR community. Stabilized (no longer in initial lease-up period) rental projects have a median occupancy of 95%.

roject Summary																		
	D 1 1 T		Year		Unit Size	Leased			5	A/05	Avg	Total	% of	Total Eff.	A/05	Mand.	Rent	\$/0F
Community	Product Type	Location	Built	Units	(SqFt)	/Mo	Leased	Occ.	Base	\$/SF	Prem	Concess.	Base	Rent	\$/SF	Fees	+ M. Fees	\$/SF
Delta Shores IA-1 Apartments				261	957	18.0			\$2,343	\$2.45	\$0	\$0	0.0%	\$2,343	\$2.45	\$0	\$2,343	\$2.45
Delta Shores IA-1 BTR	Small Lot SFD	Sacramento		87	1,452	6.0			\$2,952	\$2.03	\$0	\$0	0.0%	\$2,952	\$2.03	\$0	\$2,952	\$2.03
Solasta	Mid-Rise	Sacramento	2023	266	782	19.1	60%	44%	\$2,378	\$3.04	\$56	(\$182)	(7.7%)	\$2,251	\$2.88	\$0	\$2,251	\$2.88
The Mesa at Laguna Ridge	Garden	Elk Grove	2021	55	951		98%	98%	\$2,281	\$2.40	\$0	\$0	0.0%	\$2,281	\$2.40	\$0	\$2,281	\$2.40
Vasari	Garden	Elk Grove	2018	324	1,004		98%	95%	\$2,467	\$2.46	\$25	(\$42)	(1.7%)	\$2,450	\$2.44	\$0	\$2,450	\$2.44
Landing at College Square	Garden	Sacramento	2017	270	932		95%	94%	\$2,041	\$2.19	\$30	\$0	0.0%	\$2,071	\$2.22	\$0	\$2,071	\$2.22
Broadleaf	Garden	Sacramento	2007	244	1,041		95%	95%	\$2,273	\$2.18	\$0	(\$174)	(7.7%)	\$2,099	\$2.02	\$0	\$2,099	\$2.02
Parkside	Garden	Sacramento	1993	88	999		100%	98%	\$2,211	\$2.21	\$0	\$0	0.0%	\$2,211	\$2.21	\$0	\$2,211	\$2.21
Wolf Ranch	Garden / THs	Sacramento	2008	136	1,225		96%	96%	\$2,577	\$2.10	\$13	\$0	0.0%	\$2,589	\$2.11	\$0	\$2,589	\$2.11
Cyrene at Fiddyment	SFD	Roseville	2021	152	1,496		93%	93%	\$3,108	\$2.08	\$75	\$0	0.0%	\$3,183	\$2.13	\$0	\$3,183	\$2.13
Solstice at Fiddyment	SFD	Roseville	2023	189	1,437	6.1	47%	43%	\$2,989	\$2.08	\$0	(\$287)	(9.6%)	\$2,703	\$1.88	\$0	\$2,703	\$1.88
Isles	SFD	Roseville	2022	135	1,738	7.5	91%	91%	\$3,290	\$1.89	\$13	\$0	0.0%	\$3,303	\$1.90	\$0	\$3,303	\$1.90
Tricon Sunridge	SFD	Rancho Cordova	2023	114	1,631	4.2	5%	5%	\$3,206	\$1.97	\$19	(\$246)	(7.7%)	\$2,979	\$1.83	\$0	\$2,979	\$1.83
Tricon at Twelve Bridges	Duets/SFD	Lincoln	2023	161	1,562	4.6	42%	40%	\$3,170	\$2.03	\$38	(\$304)	<b>(9</b> .6%)	\$2,903	\$1.86	\$0	\$2,903	\$1.86
Cyrene at Meadowlands	SFD	Lincoln	2023	81	1,318	5.8	89%	89%	\$2,917	\$2.21	\$63	\$0	0.0%	\$2,979	\$2.26	\$0	\$2,979	\$2.26
		Competi	tor Median	-	1,225	6	93%	93%	\$2,577	\$2.18	\$19	\$0	0.0%	\$2,589	\$2.13	\$0	\$2,589	\$2.13
		Competite	or Average		1,240	7.9	78%	75%	\$2,685	\$2.22	\$25	(\$95)	(3.4%)	\$2,616	\$2.16	\$0	\$2,616	\$2.16
		Median (S	Stabilized*)				<b>96%</b>	<b>95</b> %	\$2,374	\$2.19	\$13	\$0	0.0%	\$2,366	\$2.17	\$0	\$2,366	\$2.17
		Average (	Stabilized*)				<b>96</b> %	<b>95%</b>	\$2,531	\$2.19	\$19	(\$27)	(1.2%)	\$2,523	\$2.18	\$0	\$2,523	\$2.18

#### Base Rental Positioning Comparison – Apartments

Base rents usually provide the most accurate sense of positioning among comparables since average rents can fluctuate markedly. Subject rents represent market-appropriate rents assuming stabilized occupancy. The Subject apartment product is appropriately positioned toward the top of the relevant market, given its MPC setting and new construction.

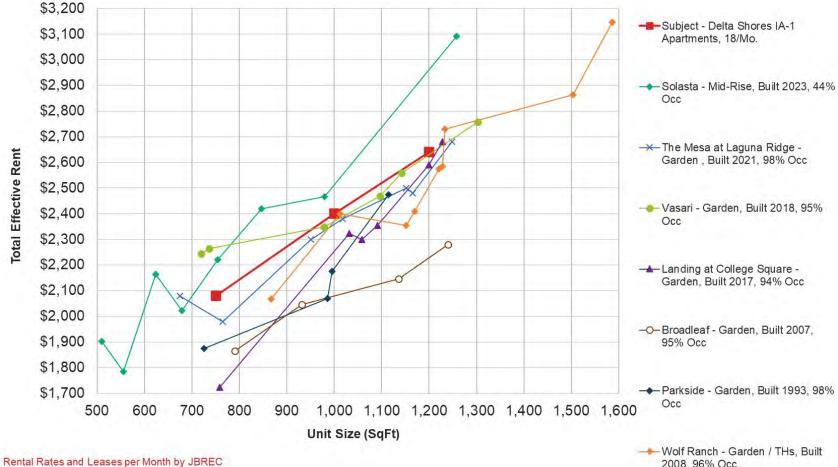


Rental Rates and Leases per Month by JBREC Comp Data by JBREC Market Research

#### Total Effective Rent – Apartments



The graph shows the Subjects' positioning against rental communities on a total effective rent basis (Base Rent + Average Premiums -Concessions). Subject apartments are positioned below Solasta, a newly built elevator-serviced mid-rise apartment community, given its superior Greenhaven location closer to downtown Sacramento jobs and entertainment.

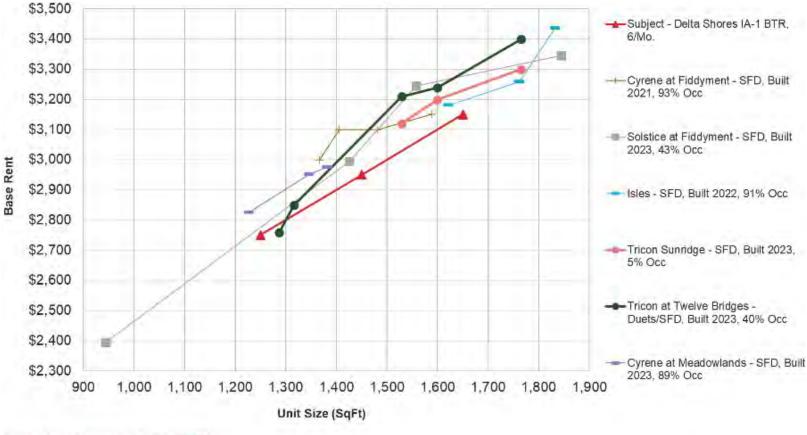


Comp Data by JBREC Market Research

2008, 96% Occ

### Base Rental Positioning Comparison – BTR

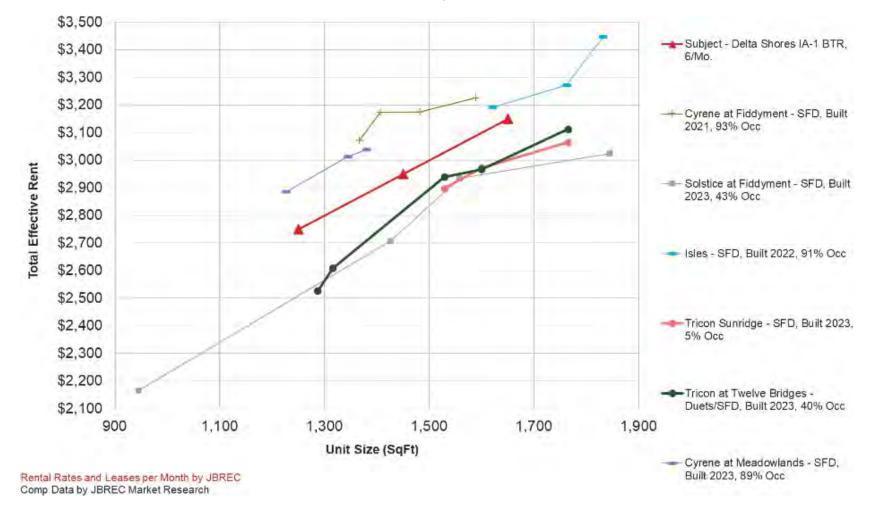
The graph shows Subject BTR base rent positioning against regional BTR communities. The Subject is positioned toward the bottom of the market given its slightly less desirable address compared to Roseville and Lincoln (and note that Tricon in Lincoln is in the highly appealing Twelve Bridges master plan). These factors are slightly offset at Cyrene and Isles due to a poor location within Roseville and minimal amenities.



Rental Rates and Leases per Month by JBREC Comp Data by JBREC Market Research

### Total Effective Rent Positioning Comparison – BTR

The graph shows Subject BTR positioning against regional BTR communities on a total effective rent basis (Base Rent + Average Premiums – Concessions). Given its location disadvantage, this comparison shows the Subject BTR community positioned below Cyrene at Fiddyment and Isles. Note that Tricon at Twelve Bridges and Solstice comparables also hold a location advantage over the Subject but offer considerable concessions while in lease-up; thus, their positioning is lower.





Community							Flo	or Pla	n		Ma	rket R	ents a	nd Fees	s (Month	ly)		
Surveyed	May-24					Size				Pkg			Avg.	Total	Total Eff.		Total	33% Inc
					Mix	(SqFt)	Bed	Bath	Level	Sp	Base	\$/SF	Prem.	Concess.	Rent	\$/SF	Stabl'zd*	to Qualif
Solasta			AG S	panos														
Туре	Mid-Rise	Began Lease-Up	Sep	<b>b-23</b>	18	510	1	1.0	1	1CP	\$2,010	\$3.94	\$48	(\$154)	\$1,903	\$3.73	\$2,058	\$74,820
		Finished Lease-Up		asing	36	555	1	1.0	1	1CP	\$1,885	\$3.40	\$45	(\$145)	\$1,785	\$3.22	\$1,930	\$70,167
Floors	4-Story	Total Units	266		26	624	1	1.0	1	1CP	\$2,285	\$3.66	\$54	(\$175)	\$2,164	\$3.47	\$2,339	\$85,05
Parking	CP/DG		160 60%		48	679	1	1.0	1	1CP	\$2,135	\$3.14	\$51	(\$164)	\$2,022	\$2.98	\$2,186	\$79,473
Elevator	Yes		117 44%	6	6	754	2	1.0	1	1CP	\$2,345	\$3.11	\$55	(\$180)	\$2,221	\$2.95	\$2,400	\$87,29
Year Built	2023	Available	106		66	847	2	2.0	1	1CP	\$2,555	\$3.02	\$60	(\$196)	\$2,419	\$2.86	\$2,615	\$95,10
Location	Sacramento				48	979	2	2.0	1	1CP	\$2,605	\$2.66	\$62	(\$200)	\$2,467	\$2.52	\$2,667	\$96,96
			19.1		18	1,258	3	2.0	1	1CP	\$3,265	\$2.60	\$77	(\$250)	\$3,092	\$2.46	\$3,342	\$121,53
		Typical Premium	\$75															
Utilities in Rent	None	% w/ Premiums	75%	6														
Services in Rent	Trash	Avg. Premium	2.4%															
Appliances in Rent	R/W/D																	
			1	ſtl/Avg	266	782					\$2,378	\$3.04	\$56	(\$182)	\$2,251	\$2.88	\$2,434	\$88,503
The Mesa at Lagun	a Ridge																	
Туре	Garden	Began Lease-Up	N/A	w	9	675	1	1.0	1	2UC	\$2,080	\$3.08	\$0	\$0	\$2,080	\$3.08	\$2,080	\$75,636
<i>,</i> ,		Finished Lease-Up	Lea	ased	10	765	1	1.0	1	2UC	\$1,980	\$2.59	\$0	\$0	\$1,980	\$2.59	\$1,980	\$72,00
Floors	2-Story	Total Units	55		9	951	2	2.0	1	2UC	\$2,300	\$2.42	\$0	\$0	\$2,300	\$2.42	\$2,300	\$83,63
Parking	UC/AG	Leased	54 98%	6	9	1,018	2	2.0	1	2UC	\$2,380	\$2.34	\$0	\$0	\$2,380	\$2.34	\$2,380	\$86,54
Elevator	No	Occupied	54 98%	6	9	1,152	2	2.5	2	2UC	\$2,500	\$2.17	\$0	\$0	\$2,500	\$2.17	\$2,500	\$90,90
Year Built	2021	Available	1		9	1,165	2	1.5	2	2UC	\$2,480	\$2.13	\$0	\$0	\$2,480	\$2.13	\$2,480	\$90,18
Location	Elk Grove					1,248	2	2.5	2	2UC	\$2,680	\$2.15	\$0	\$0	\$2,680	\$2.15	\$2,680	\$97,45
		Leased/Mo.				, -									, ,		, ,	, - , -
		Typical Premium	\$0															
Utilities in Rent	None	% w/ Premiums	0%															
Services in Rent	Trash	Avg. Premium	0.0%															
Appliances in Rent	R/W/D	5																
Phase 2 is under co	onstruction		٦	ſtl/Avg	55	951					\$2,281	\$2.40	\$0	\$0	\$2,281	\$2.40	\$2,281	\$82,94
Vasari		G	uardian C	apital														
Туре	Garden	Began Lease-Up	N/A	w	64	719	1	1.0	1	1CP	\$2.263	\$3.15	\$23	(\$42)	\$2,244	\$3.12	\$2,286	\$83,125
51		Finished Lease-Up	Lea	ased	42	736	1	1.0	1	1CP	\$2,283	\$3.10	\$23	(\$42)	\$2,264	\$3.08	\$2,306	\$83,86
Floors	2-Story	Total Units	324	Ļ	42	978	2	2.0	1	1CP	\$2,367	\$2.42	\$24	(\$42)	\$2,349	\$2.40	\$2,391	\$86,94
Parking	CP/UC/DAG		318 98%		56	1,096	2	2.0	1	1CP	\$2,485	\$2.27	\$25	(\$42)	\$2,469	\$2.25	\$2,510	\$91,27
Elevator	No	Occupied	307 95%	6	64	1,142	2	2.0	1	1CP	\$2,575	\$2.25	\$26	(\$42)	\$2,559	\$2.24	\$2,601	\$94,58
Year Built	2018	Available	6	-	56	1,303	3	2.0	1	1CP	\$2,771	\$2.13	\$28	(\$42)	\$2,757	\$2.12	\$2,799	\$101,78
Location	Elk Grove	, (railable	•			1,000		2.0	•		<i>\\\\\</i>	φ <u></u> 2.10	ΨLO	(+)	φ <u></u> ,	<b>\$</b> 22	<i>q</i> 2,700	<i></i>
Loodilon		Leased/Mo.																
		Typical Premium	\$50	)														
Utilities in Rent	None	% w/ Premiums	50%															
Services in Rent	None		1.0%	-														
Appliances in Rent	R/W/D																	



Community						Flo	or Pla	n		Ma	rket Re	ents a	nd Fees	s (Month	ly)		
Surveyed	May-24				Size				Pkg			Avg.	Total	Total Eff.		Total	33% Inc
				Mix	(SqFt)	Bed	Bath	Level	Sp	Base	\$/SF		Concess.	Rent	\$/SF	Stabl'zd*	to Qualify
Landing at College	Square	MG	Properties														
Туре	Garden	Began Lease-Up	Leased	126	758	1	1.0	1	1CP	\$1,698	\$2.24	\$25	\$0	\$1,723	\$2.27	\$1,723	\$62,653
		Finished Lease-Up	N/Av	42	1032	2	2.0	1	1CP	\$2,289	\$2.22	\$34	\$0	\$2,323	\$2.25	\$2,323	\$84,46
Floors	3-Story	Total Units	270	42	1058	2	2.0	1	1CP	\$2,267	\$2.14	\$33	\$0	\$2,300	\$2.17	\$2,300	\$83,64
Parking	CP/UC/DG	Leased 256	95%	36	1091	2	2.0	1	1CP	\$2,320	\$2.13	\$34	\$0	\$2,354	\$2.16	\$2,354	\$85,60
Elevator	No	Occupied 253	94%	12	1,199	3	2.0	1	1CP	\$2,552	\$2.13	\$38	\$0	\$2,590	\$2.16	\$2,590	\$94,16
Year Built	2017	Available 14		12	1,228	3	2.0	1	1CP	\$2,641	\$2.15	\$39	\$0	\$2,680	\$2.18	\$2,680	\$97,44
Location	Sacramento																
		Leased/Mo.															
		Typical Premium	\$100														
Utilities in Rent	None	% w/ Premiums	30%														
Services in Rent	Trash	Avg. Premium 1.5%															
Appliances in Rent	R/W/D											•		•		•	
			Ttl/Avg	270	932					\$2,041	\$2.19	\$30	\$0	\$2,071	\$2.22	\$2,071	\$75,31
Broadleaf		Security	Properties														
Туре	Garden	Began Lease-Up	N/Av	64	790	1	1.0	1	1CP	\$2,020	\$2.56		(\$155)	\$1,865	\$2.36	\$2,020	\$73,45
		Finished Lease-Up	Leased	48	932	2	1.0	1	1CP	\$2,215	\$2.38		(\$170)	\$2,045	\$2.19	\$2,215	\$80,54
Floors	3-Story	Total Units	244	48	1,136	2	2.0	1	1CP	\$2,325	\$2.05		(\$178)	\$2,147	\$1.89	\$2,325	\$84,54
Parking	CP/O/UC	Leased 232	95%	84	1,240	2	2.0	1	1CP	\$2,470	\$1.99		(\$189)	\$2,281	\$1.84	\$2,470	\$89,81
Elevator	None	Occupied 232	95%														
Year Built	2007	Available 12															
Location	Sacramento																
		Leased/Mo.															
		Typical Premium	\$100														
Utilities in Rent	None	% w/ Premiums	50%														
Services in Rent	None	Avg. Premium NAv															
Appliances in Rent	R/W/D																
			Ttl/Avg	244	1,041					\$2,273	\$2.18	\$0	(\$174)	\$2,099	\$2.02	\$2,273	\$82,66
Parkside			Entrata														
Туре	Garden	Began Lease-Up	N/Av	11	726	1	1.0	1	1CP	\$1,875	\$2.58	\$0	\$0	\$1,875	\$2.58	\$1,875	\$68,18
		Finished Lease-Up	Leased	24	986	2	2.0	1	1CP	\$2,070	\$2.10	\$0	\$0	\$2,070	\$2.10	\$2,070	\$75,27
Floors	2-Story	Total Units	88	23	995	2	2.0	1	1CP	\$2,175	\$2.19	\$0	\$0	\$2,175	\$2.19	\$2,175	\$79,09
Parking	CP/UC	Leased 88	100%	30	1,114	3	2.0	1	1CP	\$2,475	\$2.22	\$0	\$0	\$2,475	\$2.22	\$2,475	\$90,00
Elevator	None	Occupied 86	98%														
Year Built	1993	Available 0															
Location	Sacramento																
		Leased/Mo.															
		Typical Premium	\$0														
Utilities in Rent	None	% w/ Premiums	0%														
Services in Rent	None	Avg. Premium 0.0%															
Appliances in Rent	R/W/D																
			Ttl/Avg	88	999					\$2,211	\$2.21	\$0	\$0	\$2,211	\$2.21	\$2,211	\$80,40



Community						Flo	or Pla	n		Ma	rket Re	ents a	nd Fees	s (Month	ly)		
Surveyed	May-24				Size				Pkg			Avg.	Total	Total Eff.		Total	33% lı
				Mix	(SqFt)	Bed	Bath	Level	Sp	Base	\$/SF	Prem.	Concess.	Rent	\$/SF	Stabl'zd*	to Qua
Wolf Ranch		Se	equoia Equities														
Туре	Garden / THs	Began Lease-Up	N/Av	8	867	1	1.0	1	1CP	\$2,058	\$2.37	\$10	\$0	\$2,068	\$2.39	\$2,068	\$75,1
		Finished Lease-Up	Leased	16	1012	2	2.0	1	1CP	\$2,389	\$2.36	\$12	\$0	\$2,401	\$2.37	\$2,401	\$87,2
Floors	2 & 3-Story	Total Units	136	16	1152	2	2.0	1	1CP	\$2,344	\$2.03	\$11	\$0	\$2,355	\$2.04	\$2,355	\$85,6
Parking	CP/UC/DAG	Leased	131 96%	8	1,170	2	2.0	1	1CP	\$2,398	\$2.05	\$12	\$0	\$2,410	\$2.06	\$2,410	\$87,
Elevator	None	Occupied	130 96%	20	1,221	2	2.0	1	1DAG	\$2,562	\$2.10	\$12	\$0	\$2,574	\$2.11	\$2,574	\$93,
Year Built	2008	Available	5	24	1,228	2	2.0	1	1CP	\$2,571	\$2.09	\$12	\$0	\$2,583	\$2.10	\$2,583	\$93,
Location	Sacramento			20	1,233	3	2.0	1	1CP	\$2,716	\$2.20	\$13	\$0	\$2,729	\$2.21	\$2,729	\$99,
		Leased/Mo.		12	1,503	3	3.0	2	1DAG+1UC	\$2,850	\$1.90	\$14	\$0	\$2,864	\$1.91	\$2,864	\$104
		Typical Premium	\$50	12	1,586	3	3.0	2	1DAG+1UC	\$3,132	\$1.97	\$15	\$0	\$3,147	\$1.98	\$3,147	\$114
Utilities in Rent	None	% w/ Premiums	25%														
Services in Rent	Trash	Avg. Premium 0	.5%														
Appliances in Rent	R/W/D	Ū.															
24 BMR units not in	cluded in unit mix		Ttl/Avg	136	1,225					\$2,577	\$2.10	\$13	\$0	\$2,589	\$2.11	\$2,589	\$94
Cyrene at Fiddymer	nt	Sare	es-Re gis Group														
Type	SFD	Began Lease-Up	Leased	15	1,367	3	2.5	2	2DAG	\$2,999	\$2.19	\$72	\$0	\$3,071	\$2.25	\$3,071	\$111
туре	3FD	Finished Lease-Up	Leased	29	1,406	3	2.5	2	2DAG 2DAG	\$2,999 \$3,099	\$2.19	\$72 \$75	\$0 \$0	\$3,071	\$2.25	\$3,071	\$115
Floors	2-Story	Total Units	152	29 52	1,400	3	2.5	2	2DAG 2DAG	\$3,099 \$3,100	\$2.20 \$2.09	\$75 \$75	\$0 \$0	\$3,174 \$3,175	\$2.20 \$2.14	\$3,174 \$3,175	
	Direct Acc. Gar.		141 93%	52	1,482	4	2.5	2	2DAG 2DAG	\$3,100 \$3,150	\$2.09 \$1.98	\$75 \$76	\$0 \$0	\$3,175	φ2.14 \$2.03	\$3,175	
Parking	None		141 93% 141 93%	50	1,569	4	2.5	2	ZDAG	<del>ф</del> 3,130	φ1.90	φ/0	φU	φ3,ZZ0	φ2.03	φ3,ZZ0	φΠΙ
Elevator																	
Year Built	2021	Available	11														
Location	Roseville																
		Leased/Mo.	<b>\$450</b>														
		Typical Premium	\$150														
Utilities in Rent	None	% w/ Premiums	50%														
Services in Rent	Landscaping	Avg. Premium 2.	.4%														
Appliances in Rent	R/W/D											<b></b>					<b>.</b>
			Ttl/Avg	152	1,496					\$3,108	\$2.08	\$75	\$0	\$3,183	\$2.13	\$3,183	\$115
Solstice at Fiddyme	ent	Var	n Dael e Homes														
Туре	SFD	Began Lease-Up	Mar-23	48	945	2	2.0	1	1CP	\$2,395	\$2.53	\$0	(\$230)	\$2,165	\$2.29	\$2,395	\$87
		Finished Lease-Up	Leasing	48	1,426	3	2.5	2	2DAG	\$2,995	\$2.10	\$0	(\$287)	\$2,708	\$1.90	\$2,995	\$108
Floors	1 & 2-Story	Total Units	189	48	1,558	4	3.0	2	2DG	\$3,245	\$2.08	\$0	(\$311)	\$2,934	\$1.88	\$3,245	
Parking	Surface/Garage	Leased	88 47%	45	1,845	4	3.0	2	2DG	\$3,345	\$1.81	\$0	(\$321)	\$3,024	\$1.64	\$3,345	\$12´
Elevator	None	Occupied	82 43%														
Year Built	2023	Available 1	101														
_ocation	Roseville																
		Leased/Mo.	6.1														
		Typical Premium	\$0														
	None	% w/ Premiums	0%														
Utilities in Rent																	
Utilities in Rent Services in Rent	None	Ava. Premium 0.	.0%														
		Avg. Premium 0.	.0%														



Community						Flo	or Pla	n		Ma	rket Re	ents a	nd Fees	(Month	ly)		
Surveyed	May-24				Size				Pkg			Avg.	Total	Total Eff.		Total	33% In
				Mix	(SqFt)	Bed	Bath	Level	Sp	Base	\$/SF	Prem.	Concess.	Rent	\$/SF	Stabl'zd*	to Qua
Isles		Progres	s Residential														
Туре	SFD	Began Lease-Up Finished Lease-Up	Oct-22 Mar-24	45 46	1,621 1,762	3 4	2.5 2.5	2 2	2DAG 2DAG	\$3,180 \$3,259	\$1.96 \$1.85	\$12 \$12	\$0 \$0	\$3,192 \$3,271	\$1.97 \$1.86	\$3,192 \$3,271	\$116,0 \$118,9
Floors	2-Story	Total Units	135	44	1,832	4	2.5	2	2DAG	\$3,435	\$1.88	\$13	\$0	\$3,448	\$1.88	\$3,448	\$125,3
Parking	Direct Acc. Gar.	Leased 12		••	1,002	•	2.0	-	LD/10	φ0,100	ψ1.00	ψiö	ψŪ	ψ0,110	ψ1.00	φ0,110	ψ120,
Elevator	None	Occupied 123															
Year Built	2022	Available 12															
Location	Roseville																
		Leased/Mo. 7.5	5														
		Typical Premium	\$50														
Utilities in Rent	None	% w/ Premiums	25%														
Services in Rent	None	Avg. Premium 0.49	6														
Appliances in Rent	R/W/D	-															
			Ttl/Avg	135	1,738					\$3,290	\$1.89	\$13	\$0	\$3,303	\$1.90	\$3,303	\$120,
Tricon Sunridge		Tricor	Residential														
Туре	SFD	Began Lease-Up	Apr-24	38	1,529	3	2.5	2	2DAG	\$3,119	\$2.04	\$18	(\$239)	\$2,898	\$1.90	\$3,137	\$114,
		Finished Lease-Up	Leasing	38	1,600	3	2.5	2	2DAG	\$3,199	\$2.00	\$19	(\$245)	\$2,972	\$1.86	\$3,218	\$117,
Floors	2-Story	Total Units	114	38	1,765	4	2.5	2	2DAG	\$3,299	\$1.87	\$19	(\$253)	\$3,065	\$1.74	\$3,318	\$120,
Parking	Direct Acc. Gar.	Leased 6	5%														
Elevator	None	Occupied 6	5%														
Year Built	2023	Available 108	3														
Location	Rancho Cordova																
		Leased/Mo. 4.2															
		Typical Premium	\$75														
Utilities in Rent	None	% w/ Premiums	25%														
Services in Rent	Landscaping	Avg. Premium 0.69	6														
Appliances in Rent	R/W/D	5															
			Ttl/Avg	114	1,631					\$3,206	\$1.97	\$19	(\$246)	\$2,979	\$1.83	\$3,224	\$117,
Tricon at Twelve B	ridges	Tricor	n Residential														
Туре	Duets/SFD	Began Lease-Up	Feb-23	22	1,287	2	2.5	2	2DAG	\$2,759	\$2.14	\$33	(\$265)	\$2,527	\$1.96	\$2,792	\$101,
		Finished Lease-Up	Leasing	18	1,316	3	2.5	2	2DAG	\$2,849	\$2.16	\$34	(\$273)	\$2,610	\$1.98	\$2,883	\$104.
Floors	2-Story	Total Units	161	20	1,529	3	2.5	2	2DAG	\$3,209	\$2.10	\$38	(\$308)	\$2,939	\$1.92	\$3,247	\$118,
Parking	Direct Acc. Gar.	Leased 68	42%	57	1,600	3	2.5	2	2DAG	\$3,239	\$2.02	\$38	(\$311)	\$2,967	\$1.85	\$3,277	\$119,
Elevator	None	Occupied 65	40%	44	1,765	4	2.5	2	2DAG	\$3,399	\$1.93	\$40	(\$326)	\$3,113	\$1.76	\$3,439	\$125,
Year Built	2023	Available 93												. , -			,
Location	Lincoln																
		Leased/Mo. 4.6	5														
		Typical Premium	\$75														
Utilities in Rent	None	% w/ Premiums	50%														
Services in Rent	Landscaping	Avg. Premium 1.29	6														

John Durns Rear Estate Consulting

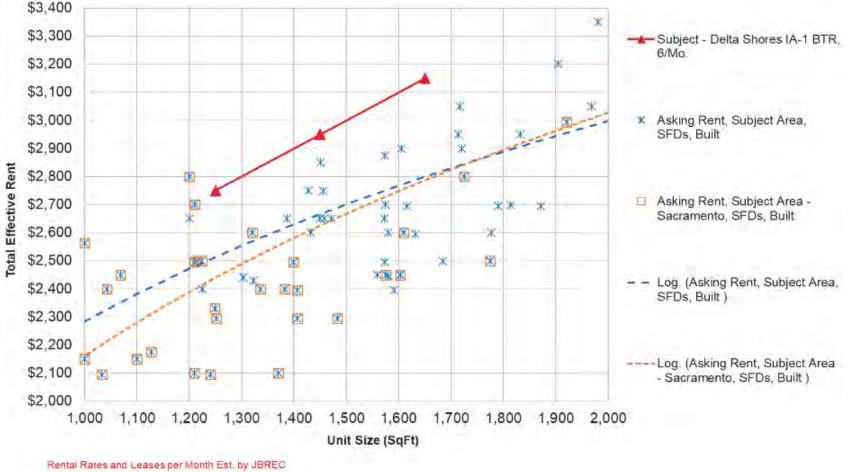
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Community							Flo	or Pla	In		Ма	rket Re	ents a	nd Fees	(Month	ly)		
Surveyed	May-24				Mix	Size (SqFt)	Bed	Bath	Level	Pkg Sp	Base	\$/SF	Avg. Prem.	Total Concess.	Total Eff. Rent	\$/SF	Total Stabl'zd*	33% Inc. to Qualify
IS Cyrene at meadowi	anas	56	ares-ĸe	gis Group														
Туре	SFD	Began Lease-Up Finished Lease-U	D	May-23 Leasing	27 27	1,227 1,345	2 3	2.5 2.5	2 2	2DAG 2DAG	\$2,825 \$2,950	\$2.30 \$2.19	\$61 \$63	\$0 \$0	\$2,886 \$3,013	\$2.35 \$2.24	\$2,886 \$3,013	\$104,929 \$109,571
Floors Parking	2-Story Direct Acc. Gar.	Total Units Leased	72	81 89%	27	1,381	3	2.5	2	2DAG	\$2,975	\$2.15	\$64	\$0	\$3,039	\$2.20	\$3,039	\$110,500
Elevator	No	Occupied	72	89%														
Year Built Location	2023 Lincoln	Available	9															
		Leased/Mo.	5.8	<b>\$405</b>														
Utilities in Rent	None	Typical Premium % w/ Premiums		\$125 50%														
Services in Rent Appliances in Rent	None R/W/D	Avg. Premium	2.1%															
				Ttl/Avg	81	1,318					\$2,917	\$2.21	\$63	\$0	\$2,979	\$2.26	\$2,979	\$108,333

#### Subject Positioning vs. Stand-Alone Single-Family Detached Rentals

The graph below shows the positioning of the Subject BTR community against detached Single-Family Rental ("SFR") listings in the Subject Area. The Subject BTR is appropriately positioned above these trendlines given its premium for new construction, its master plan environment, and its assumed modest amenity package. These factors are somewhat offset by its smaller lot size. It is worth noting that SFR homes were built as for-sale homes and are often larger than is optimal for BTR. BTR communities generally enjoy a significant premium over local "Mom and Pop" single-family rentals.



Comp Data by JBREC Market Research



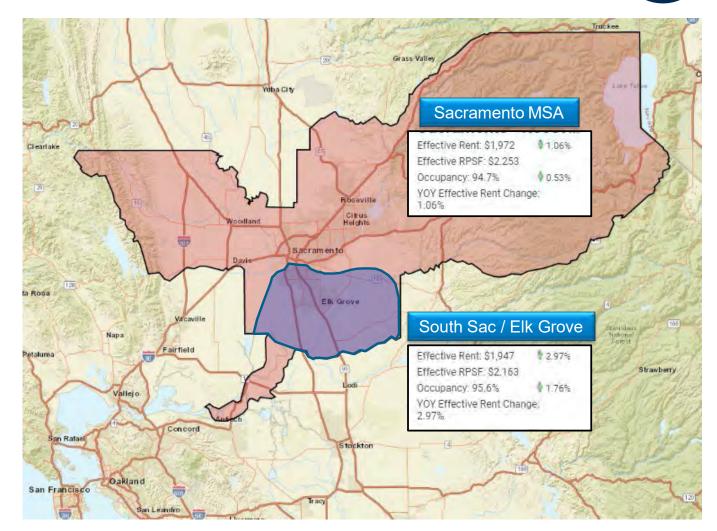
### Apartments Trends – Geographic Areas

We analyzed apartment trends at the following levels:

- Sacramento MSA
- South Sacramento/Elk Grove submarket

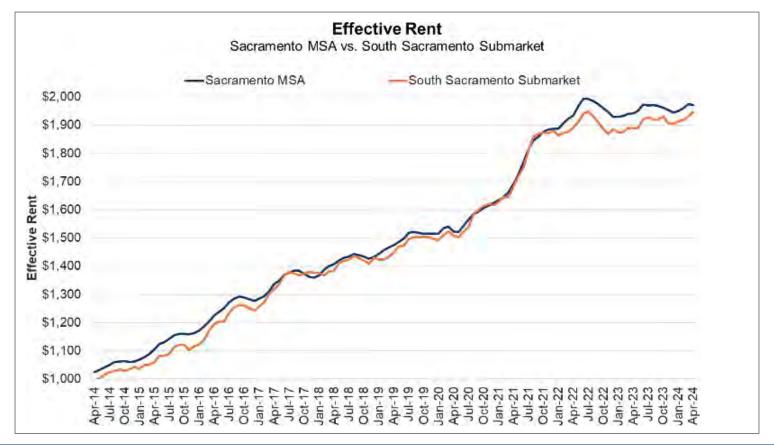
Apartment trend data in this section are per RealPage, which also defines these submarkets. The full Sacramento MSA includes the counties of Sacramento, Yolo, El Dorado, and Placer, while south Sacramento is defined by the purple area, where the Subject is located.

Note also that the data on the tables and chart that follow reflect all apartment unit types.



# Effective Rents

Effective rents have been increasing over the past decade, with the largest increase occurring from 2020 to 2022. Rents have vacillated over the last two years and sit just below \$2,000/month as of April 2024.

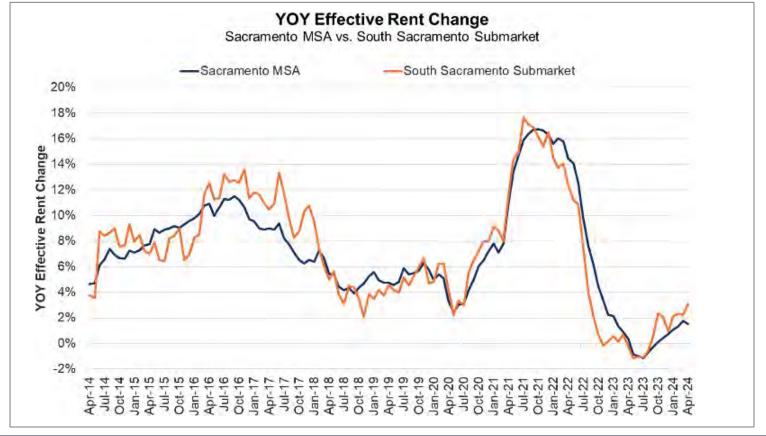


Effective Rent	Apr 2014	Apr 2015	Apr 2016	Apr 2017	Apr 2018	Apr 2019	Apr 2020	Apr 2021	Apr 2022	Apr 2023	Apr 2024
Sacramento MSA	\$1,025	\$1,105	\$1,226	\$1,336	\$1,408	\$1,475	\$1,523	\$1,691	\$1,935	\$1,942	\$1,972
South Sacramento	\$992	\$1,061	\$1,194	\$1,319	\$1,385	\$1,448	\$1,509	\$1,684	\$1,892	\$1,889	\$1,947

### YOY Effective Rent Change



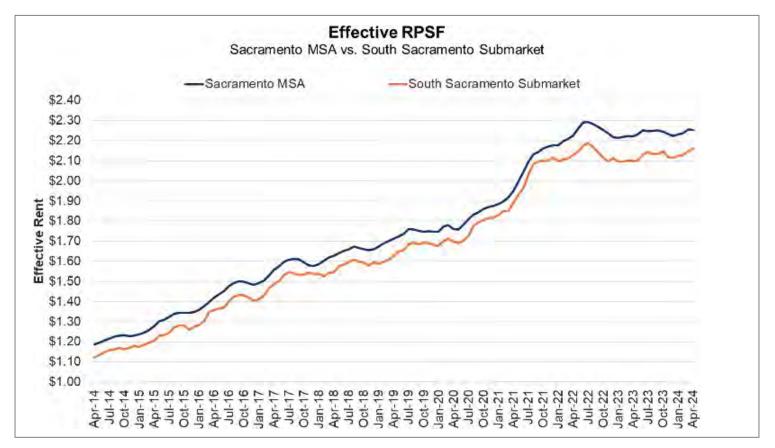
Effective rent change increased drastically from January 2021 through June 2022, where the MSA and submarket experienced over 8% YOY growth in asking rents, reaching over 16% in late 2021. Asking rent growth slowed drastically in the last quarter of 2022 and turned negative in the summer of 2023 with the market softening. Rent change returned to positive territory in late 2023 and is now at 3.1% YOY for the South Sacramento submarket.



YOY Effective Rent	Apr 2014	Apr 2015	Apr 2016	Apr 2017	Apr 2018	Apr 2019	Apr 2020	Apr 2021	Apr 2022	Apr 2023	Apr 2024
Sacramento MSA	4.6%	7.8%	10.9%	9.0%	5.4%	4.7%	3.3%	11.0%	14.5%	0.4%	1.5%
South Sacramento	3.8%	7.0%	12.5%	10.5%	5.0%	4.6%	4.2%	11.6%	12.3%	-0.2%	3.1%

## Effective Rent Per Square Foot

Similar to effective rents, the price per square foot of multifamily units has increased, particularly since 2020. The MSA has a slight premium over the South Sacramento submarket.

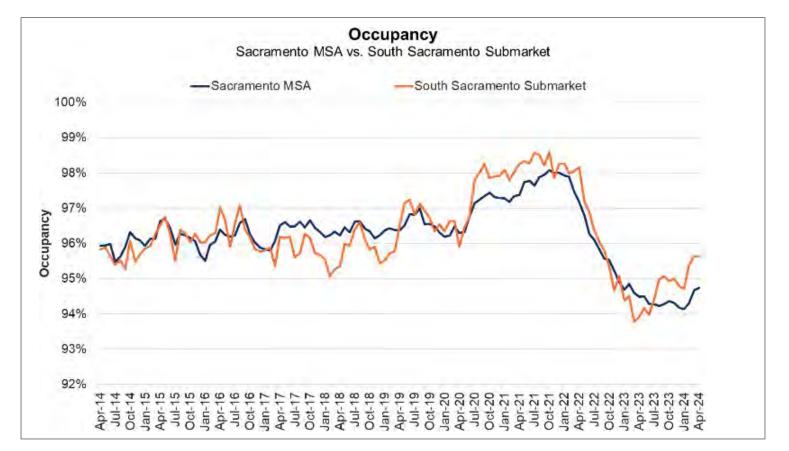


Effective RPSF	Apr 2014	Apr 2015	Apr 2016	Apr 2017	Apr 2018	Apr 2019	Apr 2020	Apr 2021	Apr 2022	Apr 2023	Apr 2024
Sacramento MSA	\$1.19	\$1.28	\$1.42	\$1.56	\$1.63	\$1.71	\$1.76	\$1.95	\$2.23	\$2.22	\$2.25
South Sacramento	\$1.12	\$1.21	\$1.36	\$1.49	\$1.55	\$1.63	\$1.70	\$1.89	\$2.13	\$2.10	\$2.16

## Occupancy



Occupancy has remained strong over the last ten years, though it dipped below 95% in early 2023. There have been fluctuations over the last decade from quarter to quarter, but both geographies have generally maintained high occupancies, though they are currently slightly below recent years.

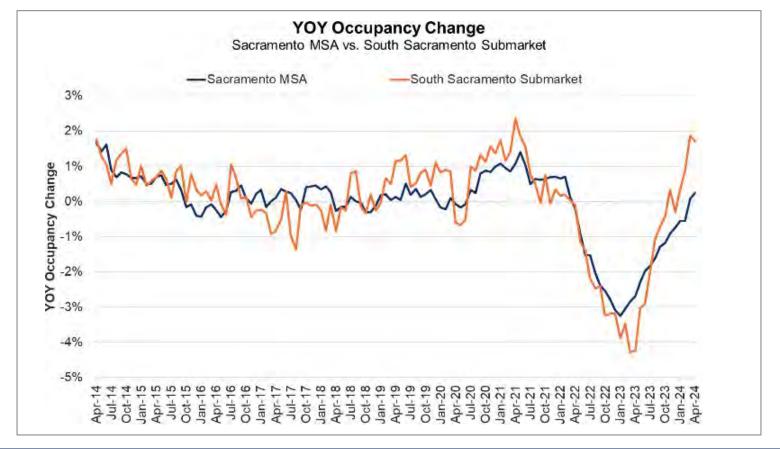


Occupancy	Apr 2014	Apr 2015	Apr 2016	Apr 2017	Apr 2018	Apr 2019	Apr 2020	Apr 2021	Apr 2022	Apr 2023	Apr 2024
Sacramento MSA	95.9%	96.6%	96.4%	96.5%	96.2%	96.4%	96.3%	97.4%	97.2%	94.5%	94.7%
South Sacramento	95.8%	96.5%	97.0%	96.2%	95.4%	96.5%	95.9%	98.3%	98.2%	93.9%	95.6%

# YOY Occupancy Change



For much of the last decade, year-over-year occupancy change has hovered between negative and positive 2%. As shown on the previous page, early 2023 saw outsized decreases in occupancy, resulting in a larger negative change than the norm. However, both the MSA and submarket are currently positive.



YOY Occupancy	Apr 2014	Apr 2015	Apr 2016	Apr 2017	Apr 2018	Apr 2019	Apr 2020	Apr 2021	Apr 2022	Apr 2023	Apr 2024
Sacramento MSA	1.7%	0.7%	-0.2%	0.1%	-0.3%	0.1%	-0.1%	1.1%	-0.2%	-2.7%	0.3%
South Sacramento	1.8%	0.7%	0.5%	-0.8%	-0.8%	1.2%	-0.6%	2.4%	-0.1%	-4.2%	1.7%

### **Rental Rate Trends & Projections**



The tables below show apartment and SFR rent trends and JBREC projections for the Sacramento MSA. BTR rents are not forecasted, but SFR represents a reasonable proxy. JBREC forecasts positive annual rent change through 2027 for both apartment and SFR rentals in the MSA.

	Apartment Rent	
2015	\$1,226	10.4%
2016	\$1,350	10.1%
2017	\$1,438	6.5%
2018	\$1,510	5.0%
2019	\$1,579	4.6%
2020	\$1,694	7.3%
2021	\$1,947	14.9%
2022	\$1,961	0.7%
2023	\$1,954	-0.4%
Current	\$1,978	1.0%
2024P	\$1,976	1.1%
2025P	\$2,026	2.5%
2026P	\$2,094	3.4%
2027P	\$2,173	3.8%

	S.F. Rent, Entry-Level S.F. Rent Home YOY %				
2015	\$1,555	5.6%			
2016	\$1,650	6.1%			
2017	\$1,783	8.1%			
2018	\$1,849	3.7%			
2019	\$1,947	5.3%			
2020	\$2,108	8.3%			
2021	\$2,339	11.0%			
2022	\$2,425	3.7%			
2023	\$2,499	3.1%			
Current	\$2,520	3.4%			
2024P	\$2,591	3.7%			
2025P	\$2,702	4.3%			
2026P	\$2,825	4.6%			
2027P	\$2,951	4.5%			

Sacramento, CA

May 2024



#### Sacramento Residential Pipeline



The table below summarizes all rental residential projects in the city of Sacramento development pipeline per RealPage. In terms of competitive rental projects, the Russell Square Developments in Improvement Area 2 of Delta Shores east of the Subject are expected to add 576 apartments to the market over three parcels. Per the Russell Square website, construction is slated to begin in the fall of 2024 and will be completed in late 2026. The only substantially sized for-sale residential project planned in the south Sacramento planning area (where the Subject is located) is Stone Beetland (see following pages). There will also occasionally be infill projects throughout the South Sacramento planning area, like Wickford Square by Next Generation (sold out in 2022).

SACRAMENTO FUTURE RENTAL SUPPLY									
Project Name	Location	City	Status	Build Year	Applicant/Developer/Builder	Product Type	Total Number of Units		
1600 Broadway	1600 Broadway	Sacramento	Under Construction	2025	CORE Commercial Real Estate	Garden	67		
ANOVA Aggie Square	Stockton Blvd & 2nd Ave	Sacramento	Under Construction	2025	GMH Communities	Wrap	141		
Cypress	1330 N St	Sacramento	Under Construction	2024	Capitol Area Development Authority	Tower	75		
Former Beers Books	905-915 S St	Sacramento	Under Construction	2025	Anthem Properties Group Ltd	Tower	225		
Leisure Lane	500 Leisure Ln	Sacramento	Under Construction	2024	AG Spanos Companies	Podium	121		
Luella	1208 Q St	Sacramento	Under Construction	2024	Urban Development + Partners	Garden	49		
Natomas Fountains	3801 Gateway Park Blvd	Sacramento	Under Construction	2026	Hines/TriCap Development	Garden	303		
Studio30	500 16th St	Sacramento	Under Construction	2024	SKK Developments	Garden	30		
Sutter Green 2.0	2450 Natomas Park Dr	Sacramento	Under Construction	2025	Demmon Partners	Podium	190		
The Eames	1542 Bartlett Ln	Sacramento	Under Construction	2025	DeBartolo Development	Garden	331		
The Hayley	571 Cannery Ave	Sacramento	Under Construction	2025	29th Street Capital	Garden	372		
The Richmond	1629 S St	Sacramento	Under Construction	2024	Sutter Capital Group	Podium	47		
Trinity House	2701 Capitol Ave	Sacramento	Under Construction	2025	HK3 Development LLC	Podium	62		
1023 J Street	1023 J St	Sacramento	Planned	2027	Privately Owned	Tower	256		
1121 I Street	1121 I St	Sacramento	Planned	2026	TA Group	Tower	206		
200 North 16th Street	200 N 16th St	Sacramento	Planned	2026	Bauen Capital	Podium	355		
201 N Street	201 N St	Sacramento	Planned	2026	Southern Land Company	Midrise/THs	438		
211 North 16th Street	211 N 16th St	Sacramento	Planned	2026	Bauen Capital	Garden	111		
215 North 16th Street	215 N 16th St	Sacramento	Planned	2025	Bauen Capital	Garden	70		
2730 Stockton Boulevard	2730 Stockton Blvd	Sacramento	Planned	2026	Sutter Capital Group	Podium	34		
Edgewater in Woodlake	1891 Royal Oaks Dr	Sacramento	Planned	2026	Privately Owned	Garden	269		
Homecoming at Creekside III	2631 Del Paso Rd	Sacramento	Planned	2026	Lewis Group of Companies	Duets/THs	184		
Independence at Natomas	Kankakee Dr & N Park Dr	Sacramento	Planned	2026	Lewis Group of Companies	Duets/THs	170		
Jefferson Block	1619 N St	Sacramento	Planned	2026	Cresleigh Homes	Tower	108		
Maven on 5th	2629 5th St	Sacramento	Planned	2026	29th Street Capital	Garden	252		
The Grace	620 & 628 15th St	Sacramento	Planned	2025	Urban Capital LLC	Garden	41		
The Telegrapher	5th St & Railyards Blvd	Sacramento	Planned	2026	LDK Ventures	Podium	337		
Russell Square Development I	8105 Delta Shores Cir.	Sacramento	Planned	2026	Merlone Geier/Russell Square	Garden	232		
Russell Square Development II	8105 Delta Shores Cir.	Sacramento	Planned	2026	Merlone Geier/Russell Square	Garden	344		
· ·					• •	Total	5,420		

# Future Supply – Stone Beetland



One major development not included in the table on the previous page (as it is still conceptual) is Stone Beetland, a 111.2-acre property just east of Delta Shores Improvement Area 2. The developer, Taylor Builders, submitted a land-use map that indicates they plan about 1,160 residential units with densities that translate primarily into relatively dense detached product. This project is immediately west of the Morrison Creek light rail station and will have a transit-oriented village as part of the overall development. Stone Beetland will likely start development after the Subject, but it is possible that the marketing of both properties will coincide.



Source: City of Sacramento Planning Department John Burns Real Estate Consulting

## Future Supply – Stone Beetland



The graphic below displays the various land use densities at Stone Beetland.



Source: City of Sacramento Community Development Department

## Elk Grove Residential Pipeline



The table below summarizes all residential projects in the pipeline for Elk Grove per the City of Elk Grove Planning Department. The following page contains a map showing the locations of these projects (note that all items on the map not included in this table are non-residential). Note that color coding on the map on the next page indicates approval status.

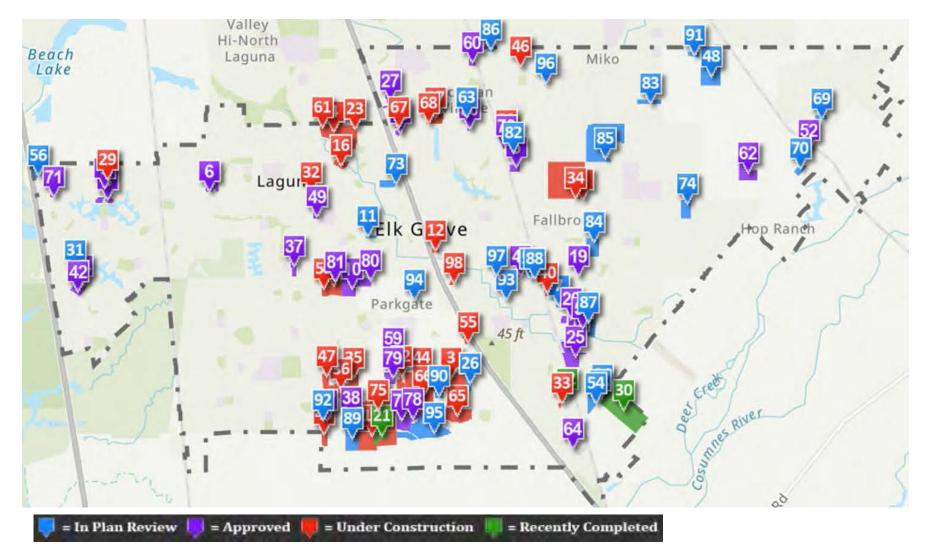
		ELK GROVE FUTURE RESIDENTIAL SUPPLY					
Map #	Project Name	Location	Approval Status	Product Type	For Sale	For Rent	Number of Units
3	Poppy Keys Southeast	South of Poppy Ridge Road, and East of Big Horn Blvd	Under Constr.	SFD	х		326
17	Long Meadow	NE corner of Sheldon Rd and Power Inn Rd	Approved	SFD	х		83
23	Sheldon Farms MHP	S of Sheldon Rd, between Bruceville Rd and Lewis Stein Under Constr. SFD x					47
28	Telos Greens TSM and Rezone	S of Bilby Rd, just east of Montaria Way	Under Constr.	SFD	х		85
34	Elliot Springs	Bond Rd. and Waterman Rd.	Under Constr.	SFD	х		660
35	Tuscan Ridge West	South of Poppy Ridge Road and East of Bruceville Rd	Under Constr.	SFD	х		100
36	McGeary Ranch Village 2	East side of Bruceville Rd at Machado Ranch Dr	Under Constr.	SFD	х		241
39	Elk Grove Landing	Florin Rd and Sheldon Rd	Under Constr.	SFD	х		85
44	Poppy Keys Southwest	South of Poppy Ridge Road, and East of Big Horn Blvd	Approved	SFD	х		286
46	Hearthstone Master Homes Plans	8965 Brown Rd.	Under Constr.	SFD	х		22
60	Sage Glen Map	8694 Calvine Rd.	Approved	SFD	х		49
66	Souza Dairy Villages (Madeira Ranch)	East of Big Horn Blvd, South of Poppy Ridge Rd.	Under Constr.	SFD	х		66
73	Dunisch Site	9826 Bond Rd.	In Plan Review	SFD	х		111
76	Hamilton Park at Elk Grove Landing	8773 J Sheehan St	Under Constr.	SFD	х		85
85	Summer Villas at Sheldon Road	9350 Sheldon Road	In Plan Review	SFD	х		406
89	Madeira Greens MHP	Bilby Rd and Angsley Dr.	In Plan Review	SFD	х		85
						Total	2,737
Man #	Drojast Noma	Location	Approval	Product	For	For	Number of
Map #	Project Name		Status	Туре	Sale	Rent	Units
8	Toscano Apartments	Laguna Court	Approved	APT		х	206
9	Laguna Main Street Apartments	Laguna Main Street (and south of Vaux)	Approved	APT		х	150
26	Mountain Elk Villas	S of Poppy Ridge Rd	In Plan Review	APT		х	174
27	Bow Stockton Apartments	8676 Bow Street and 8717 E Stockton Boulevard	Approved	APT		х	120
32	The Lyla	South Side of Quali Run Ln Bruceville Intersection	Under Constr.	APT		х	294
40	Elk Grove Railroad Courtyards	9686 Railroad St	Under Constr.	APT		х	34
42	Wellington Crossing	2804 Elk Grove Blvd.	Approved	TH		х	188
45	Bruceville Meadows Townhomes	Southeast corner of Bruceville Rd and Bilby Rd	Under Constr.	TH		х	157
47	Poppy Grove Apartments	Southeast corner of Bruceville Rd and Poppy Ridge Rd	Under Constr.	APT		х	387
49	Cornerstone Village	South of Laguna Blvd, West of Bruceville Rd, North of Seasons Dr	Approved	APT		х	84
57	Mesa at Laguna Ridge Phase 2	10371 Bruceville Rd.	Approved	APT		х	136
59	Big Horn Apartments	SE Corner of Big Horn Rd and Whitelock Blvd	Approved	APT		х	246
72	Pardes Apartments	Dunisch Rd. and West Stockton Blvd.	Under Constr.	APT		х	236
79	Guardian Madeira Apartments	Poppy Ridge and Big Horn Blvd.	Approved	APT		х	324
						Total	2,736

Source: City of Elk Grove Planning Department, The Ryness Report

## Elk Grove Residential Pipeline



See table on previous page to identify each numbered item in the map below.



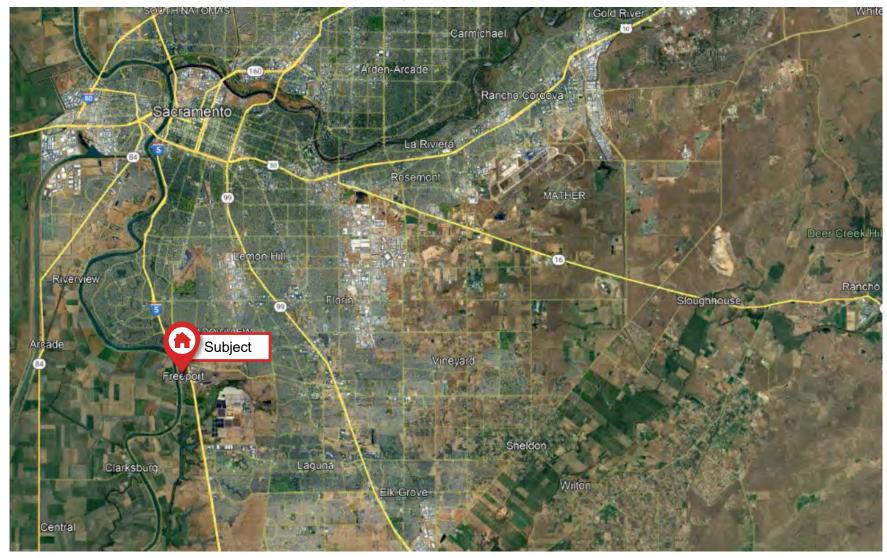
# Location and Property Analysis

JOHN BURNS

# **Regional Location**



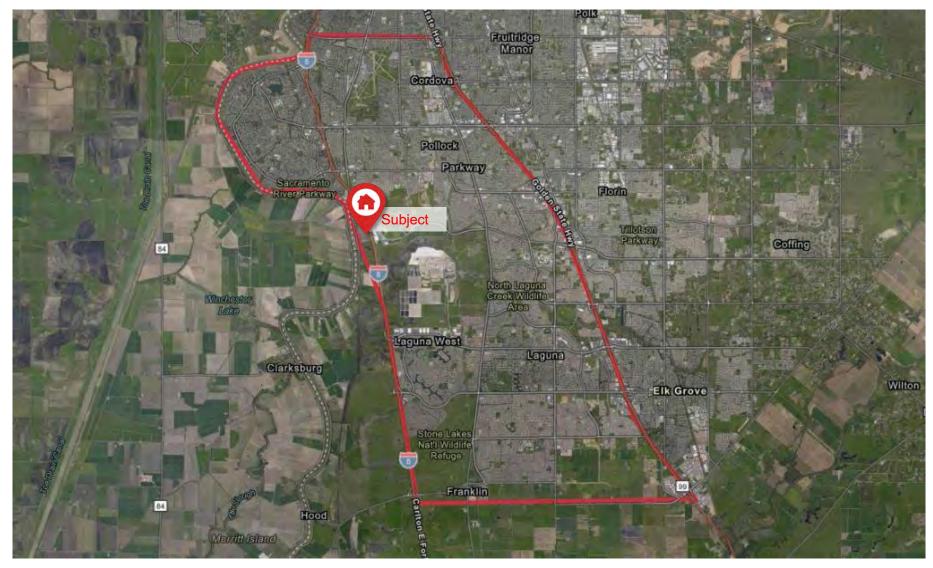
The Subject is in the City of Sacramento, in the far southwest of the city, historically considered the Freeport area. This location is about five miles north of West Elk Grove along Interstate 5 and immediately south of the Pocket area on the west side of Interstate 5.



# Subject Area



The Subject Area is displayed below. This area was used to gather Subject Area demographic data examined later in the report.



## Immediate Subject Areas



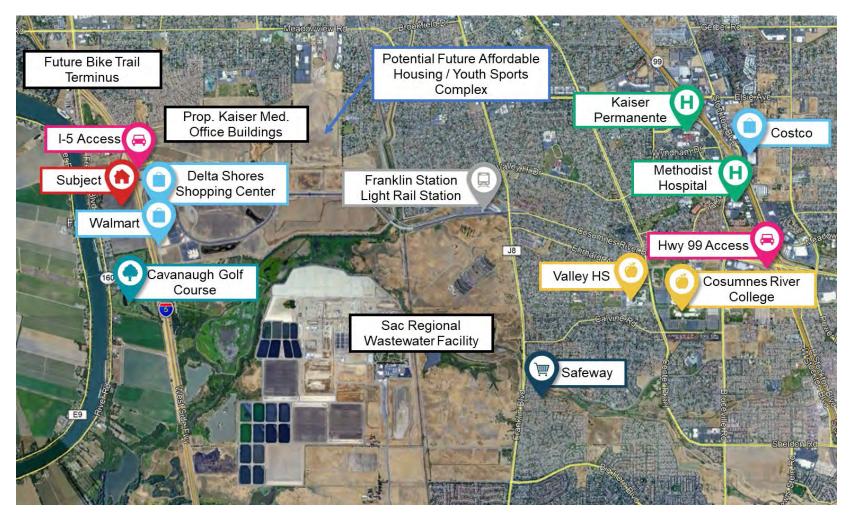
The Immediate Subject Areas displayed below were used to gather the most relevant resales for the Subject's for-sale product.



# Surrounding Area

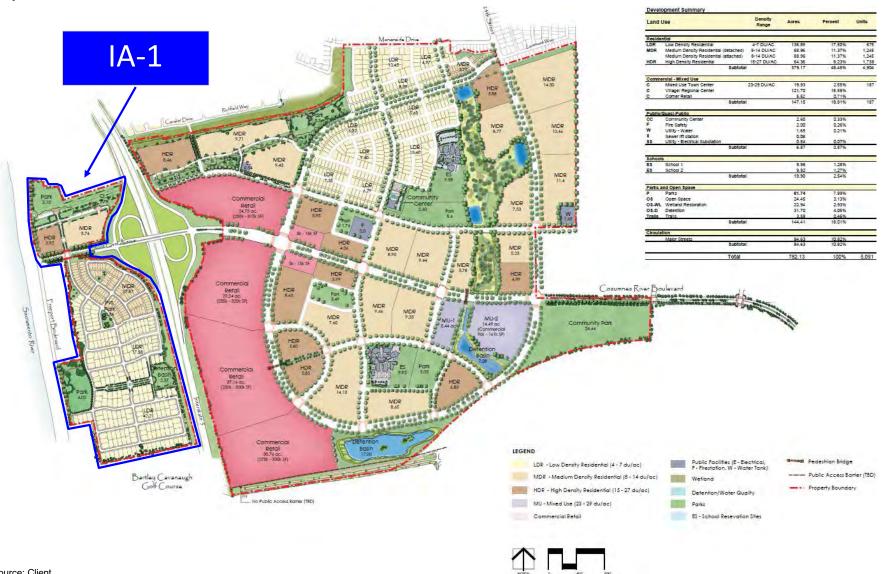


The Subject is 10 miles south of Downtown Sacramento and just west of Interstate 5. Daily retail and services in the Delta Shores Shopping Plaza are directly across Interstate 5 from the Subject. With Interstate 5 alongside the Subject, the area provides easy access to Sacramento for work and leisure.



# Site Map

### Subject outlined in blue below.



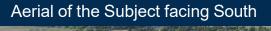
# Site Photography



## Aerial of the Subject facing North



Edgewater at Delta Shores Model





Riva at Delta Shores Models





## Schools

The Sacramento City Unified School District will serve the Subject. The Subject's schools, displayed to the right, are rated below average per GreatSchools and well below the Elk Grove comparable new home communities.

Discussions with active new home builders in Delta Shores indicate a combination of school strategies. Families from nearby (e.g., Pocket) keep their kids in those schools, while some opt for charter or private schools. Some families with connections to nearby Elk Grove are able to register their children in schools there. These strategies have significantly mitigated the relatively low ratings of the public schools that service the Subject.

**Grading Scales:** GreatSchools.org rates schools on a 1–10 scale.

**School assignment notes:** We used the assigned schools provided by builders and school districts where available. For communities where this info is not available, we used the assigned schools provided by GreatSchools.org. Residents can often select from more than one elementary school. School assignments subject to change.

Ratings by GreatSchools.org	J	Scale:	1 to 10
Community Name	District	Schoo	Rating
Elementary Schools			
Subject	Sac City Unified	John H. Still	4
Edgewater at Delta Shores	Sac City Unified	John H. Still	4
Catalina at Delta Shores	Sac City Unified	John H. Still	4
Coronado at Delta Shores	Sac City Unified	John H. Still	4
Persimmons at Sheldon Farms	Elk Grove Unified	Irene B. West	6
Tamarind at Sheldon Farms	Elk Grove Unified	Irene B. West	6
Carnelian at Sheldon Farms	Elk Grove Unified	Irene B. West	6
Long Meadow	Elk Grove Unified	Roy Herberger	6
Elementary Schools Average			5
Middle Schools			
Subject	Sac City Unified	John H. Still	4

Subject	Sac City Unified	John H. Still	4
Edgewater at Delta Shores	Sac City Unified	John H. Still	4
Catalina at Delta Shores	Sac City Unified	John H. Still	4
Coronado at Delta Shores	Sac City Unified	John H. Still	4
Persimmons at Sheldon Farms	Elk Grove Unified	Harriet G. Eddy	5
Tamarind at Sheldon Farms	Elk Grove Unified	Harriet G. Eddy	5
Carnelian at Sheldon Farms	Elk Grove Unified	Harriet G. Eddy	5
Long Meadow	Elk Grove Unified	Edward Harris Jr.	5

#### Middle Schools Average

High Schools			
Subject	Sac City Unified	Luther Burbank	3
Edgewater at Delta Shores	Sac City Unified	Luther Burbank	3
Catalina at Delta Shores	Sac City Unified	Luther Burbank	3
Coronado at Delta Shores	Sac City Unified	Luther Burbank	3
Persimmons at Sheldon Farms	Elk Grove Unified	Laguna Creek	7
Tamarind at Sheldon Farms	Elk Grove Unified	Laguna Creek	7
Carnelian at Sheldon Farms	Elk Grove Unified	Laguna Creek	7
Long Meadow	Elk Grove Unified	Monterey Trail	7

High Schools Average

# Economic and Housing Trends

40 470

JOHN BURNS

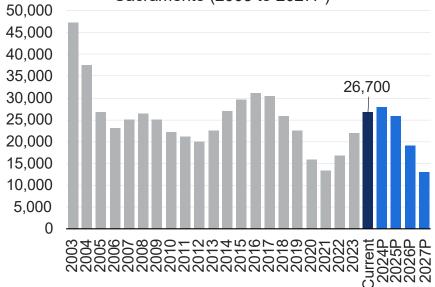
- too with

## Population and Employment Change

The Sacramento MSA's population growth slid to a 20-year low in 2021 but has since begun to rebound. Net population growth increased year over year in 2023 and is forecasted to grow 1.0% per year through 2025, but growth rates slowing through 2027.

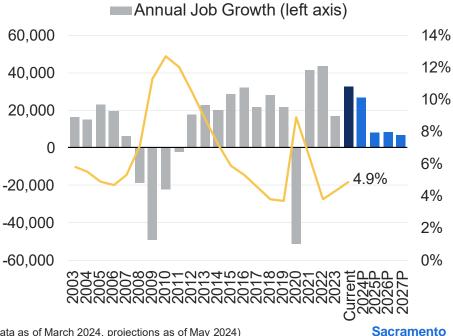
Population Change											
2024P	2025P	2026P	2027P								
27,900	25,800	19,000	13,000								
1.1%	1.0%	0.8%	0.5%								





Post-Covid employment growth has been strong but moderated in 2023 as pandemic spending impacts eased. The current unemployment rate is 4.9%, up from recent lows but still at a historically good level. We project modest job gains from 2025 to 2027.

Employment Change											
2024P	2025P	2026P	2027P								
26,700	7,900	8,500	6,800								
2.5%	0.7%	0.8%	0.6%								



Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics (BLS) with JBREC forecasts (Data as of March 2024, projections as of May 2024)

# Market Health: Employment Growth by Sector



The Education & Health Services (EHS) sector had the most job gains over the last year. Some of the high-income job sectors in the Sacramento MSA had YOY net job losses, impacted by tech layoffs throughout the region. The education and health sector, though, remains robust.

#### Financial Activities (FA) Government (Gov) Information (Info) Leisure & Hospitality (LH) Professional & Business Services (PBS) Manufacturing (Mfg) Construction (Cons) Other Servies (OS) Education & Health Services (EHS) Trade, Transp. and Utilities (TTU) 20.000 17,900 **High Income Sectors** 15.000 8,900 10,000 5,100 5.000 1,400 1,000 100 0 -100 -100 -700 -900 -5,000 Cons ₹ Info PBS EHS Gov SO Mfg ЪГ Ξ

## **Current Employment Growth by Sector: Sacramento**

Sources: U.S. Bureau of Labor Statistics (BLS); John Burns Research and Consulting, LLC (Data as of March 2024, projections as of May 2024) John Burns Real Estate Consulting

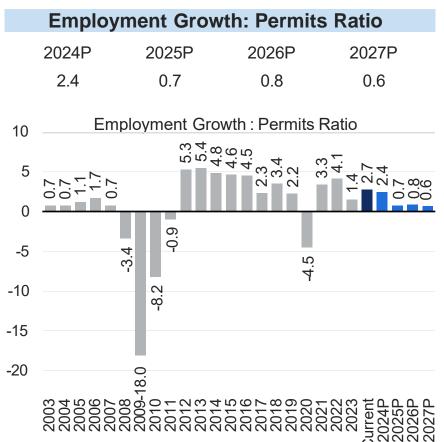
## **Residential Permits and Employment Relationship**

Permit levels (new construction) have been increasing for over a decade and are currently close to levels last seen in 2006. About 75% of current permits are single-family residential permits. We project the number of permits to dip in 2024, then slowly increase through 2027.

		Total P	ermits						
20	24P	2025P	2026P	2027P					
11	,100	10,750	10,800	11,300					
<ul> <li>Single-Family Permits</li> <li>Multifamily Permits</li> </ul>									
25,000	-								
20,000	łн:								
15,000	III.								
10,000	1115								
5,000		lout	millilli						
0	88888	8002222	2202087165222222222222222222222222222222222222	200 5200 C					

The E/P Ratio (new jobs divided by permitted dwelling units) can be a leading indicator, as permits respond to job creation.

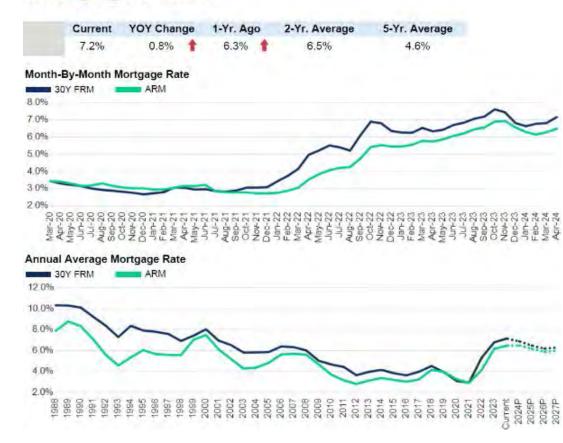
A ratio of +/-1.2:1 generally means healthy housing demand. The MSA ratio is currently 2.7:1. Though projected to decrease from 2024 to 2027, the ratios of the last several years indicate significant pent-up demand.



Sources: U.S. Census Bureau with JBREC forecasts (Data as of March 2024, projections as of May 2024)

# Mortgage Rates

## **Mortgage Rates**



## Sacramento, CA May 2024

Source: Freddie Mac with JBREC forecasts (Data as of March 2024, projections as of May 2024)

John Burns Real Estate Consulting

#### ARM rates assume 5/1 terms.

Мо	onthly Dat	ta
Date	Fixed	ARM
Feb-22	3.8%	2.9%
Mar-22	4.2%	3.1%
Apr-22	5.0%	3.5%
May-22	5.2%	3.9%
Jun-22	5.5%	4.1%
Jul-22	5.4%	4.2%
Aug-22	5.2%	4.3%
Sep-22	6.1%	4.8%
Oct-22	6.9%	5.4%
Nov-22	6.8%	5.5%
Dec-22	6.4%	5.5%
Jan-23	6.3%	5.5%
Feb-23	6.3%	5.6%
Mar-23	6.5%	5.8%
Apr-23	6.3%	5.8%
May-23	6.4%	5.9%
Jun-23	6.7%	6.1%
Jul-23	6.8%	6.2%
Aug-23	7.1%	6.5%
Sep-23	7.2%	6.6%
Oct-23	7.6%	6.9%
Nov-23	7.4%	6.9%
Dec-23	6.8%	6.6%
Jan-24	6.6%	6.3%
Feb-24	6.8%	6.2%
Mar-24	6.8%	6.3%
Apr-24	7.2%	6.5%

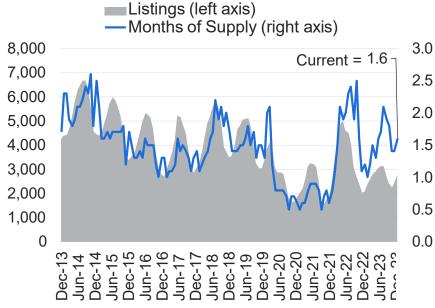
Note: The current rate is the last week of the month.

## **Resale Market**

Months of supply (ratio of homes listed for sale to average monthly sales) depict housing surpluses or shortages.

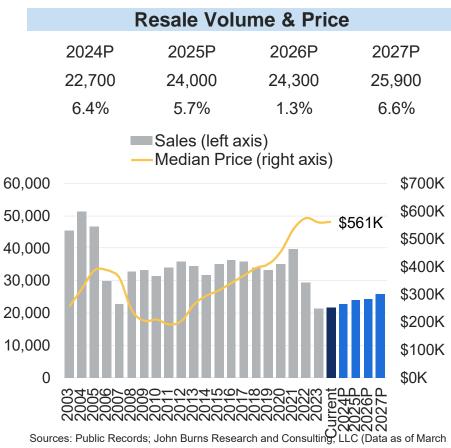
The Sacramento MSA has averaged 1.4 months of supply since January 2014. The current supply is 1.6 months, above May 2023's 1.2.

Resale L	istings	Months	of Supply
Current	Year-Ago	Current	Year-Ago
2,778	2,072	1.6	1.2



Sources: John Burns Research and Consulting, LLC MOS Estimate: (Data as of April 2024, projections as of May 2024)

Due to the sharp uptick in mortgage rates, existing home sales volumes have declined rapidly since 2022. We project sales volume to increase from 2024 to 2027. The median existing home price is \$561K, down from 2022.

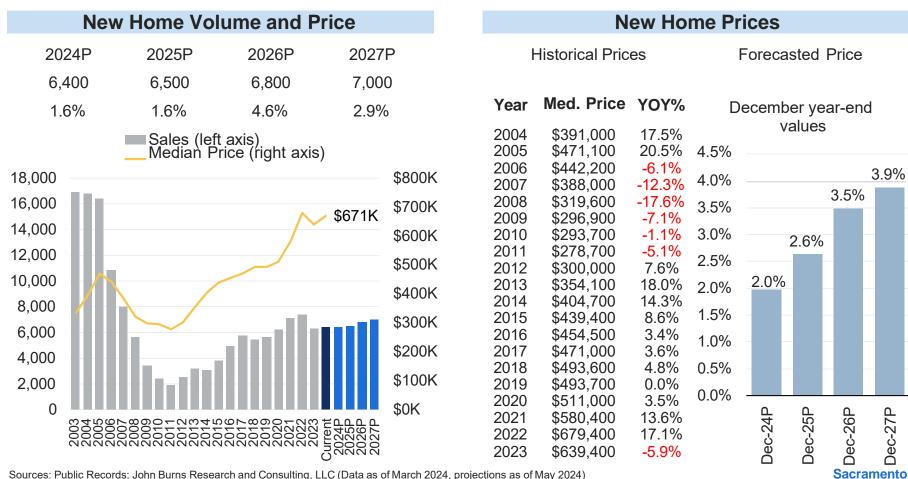


2024, projections as of May 2024)

## New Home Market

The volume of new home sales steadily increased for over a decade, though it dipped in 2023 in part due to limited supply and rising mortgage rates. We project that the volume will slowly increase through 2027.

New home prices reached their highest point in 2022, as there was a shortage of resale supply and a growing demand for new housing. The current median price of a new home is \$671K, down from 2022. We forecast a 2.0% increase in 2024 and continued increases in 2025-2027 as mortgage rates ease somewhat.



Sources: Public Records; John Burns Research and Consulting, LLC (Data as of March 2024, projections as of May 2024)

John Burns Real Estate Consulting

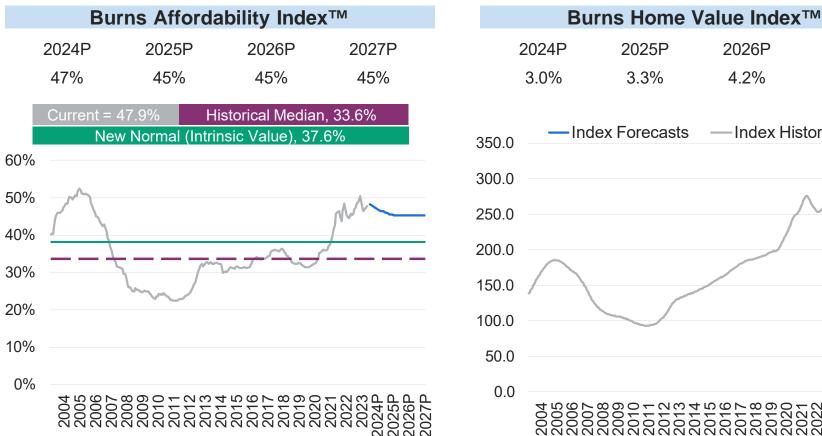
Dec-27P

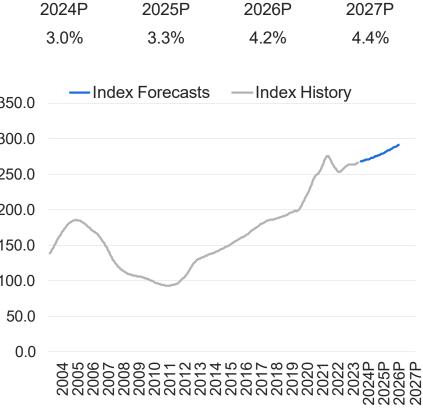
3.9%

## Affordability and Value

JBREC's Burns Affordability Index shows affordability in the Sacramento MSA at nearly 48%, above the new normal of 37%. We expect affordability to marginally improve in the coming year (lower percentages = increased affordability).

The Burns Home Value Index<sup>™</sup> (BHVI) measures home value trends for existing homes. We project positive price change from 2024 to 2027.





Sources: John Burns Research and Consulting, LLC (Data as of April 2024, projections as of May 2024)

\* HC/I ratio = median monthly housing costs (median priced home, 90% LTV, 30-yr fixed rate, PITI plus mortgage insurance) divided by 125% of median income. The "New Normal" reflects fundamental shifts in markets that we believe are now permanently more/less expensive due to increased/decreased demand or limited supply.

Sacramento

The Burns Home Value Index<sup>TM</sup>(BHVI) provides our view of home value trends in existing single-family homes. Each month's BHVI is based on an "electronic appraisal" of every home in the market, rather than just actual transactions, removing the influence of shifts in mix of home sales. BHVI Meth



## Demographic Snapshots



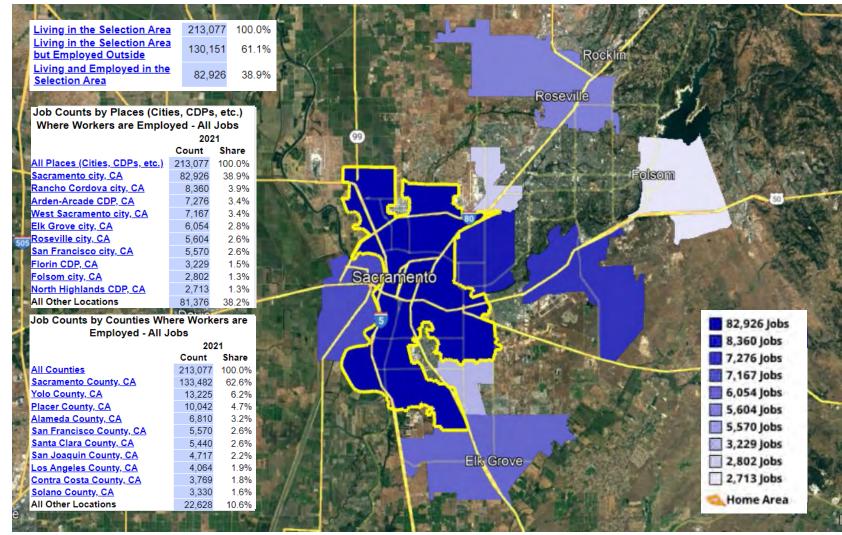
To analyze demographics, the table below highlights key metrics for the Sacramento MSA, Sacramento County, the City of Sacramento, and the Subject Area. (The source is ESRI, a major national demographic forecasting firm.) The Subject Area has a higher median income and net worth than the city and county.

	Sacramento MSA	Sacramento County	City of Sacramento	Subject Area
2023 Population	2,448,813	1,614,771	537,063	282,078
Proj. Annual % Increase (2023 to 2028)	0.36%	0.30%	0.59%	0.18%
2023 Households	890,070	576,145	197,512	92,523
Proj. Annual % Increase (2023 to 2028)	0.42%	0.29%	0.67%	0.12%
2023 Median Age	37.9	36.7	35.1	35.5
2023 Median HH Income	\$88,209	\$83,284	\$78,218	\$87,328
2023 Median Net Worth	\$182,755	\$145,027	\$93,210	\$164,025
2023 Median Home Value	\$574,783	\$514,900	\$501,834	\$508,041
2023 Avg. Household Size	2.70	2.74	2.63	3.03

# Employment

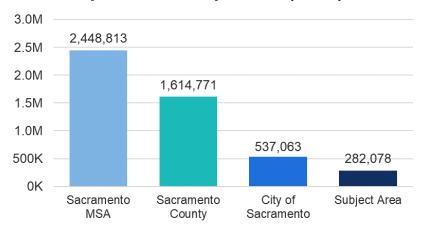


About 61% of employed Sacramento workers commute beyond the city. Most commuters travel into nearby areas such as unincorporated eastern Sacramento, Rancho Cordova, West Sacramento, and Elk Grove. *Note that this data is lagged about two years and so is somewhat dated.* 



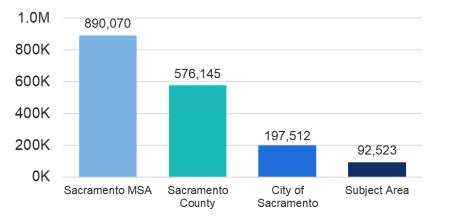
# Population and Household Trends

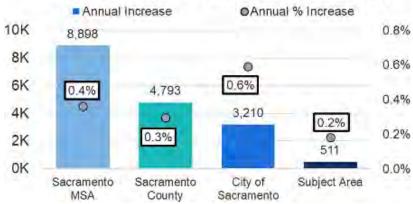
Population growth among the four areas is relatively similar from 2023 to 2028 with slightly higher rates slated for the city than the subject area. Note that projections are per ESRI.



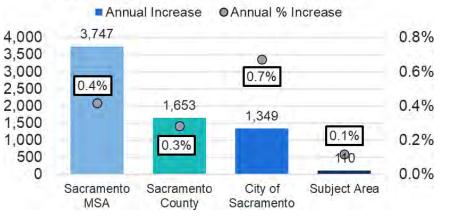
## **Population Comparison (2023)**

## Household Comparison (2023)





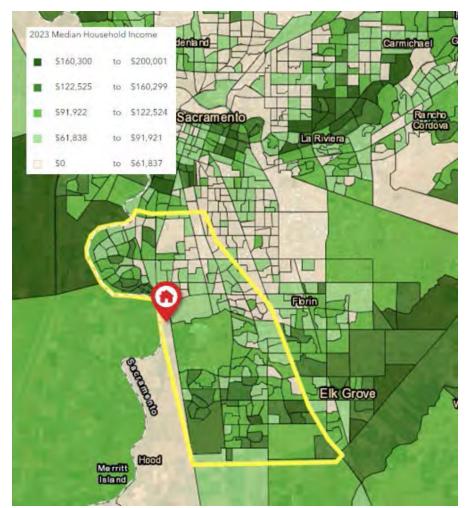
#### Household Expected Annual Growth (2023-2028)



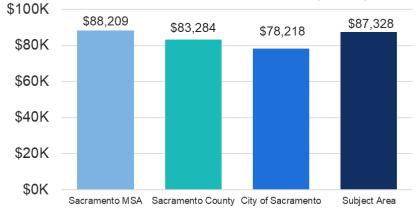
## Population Expected Annual Growth (2023-2028)

# Median Income & Income Distribution

The Subject Area is outlined in yellow on the map below. The red pinpoint represents the location of the Subject. The Subject Area is a slightly more affluent area than the city of Sacramento and incomes are on par with the MSA as a whole.



## Median Household Income (2023)

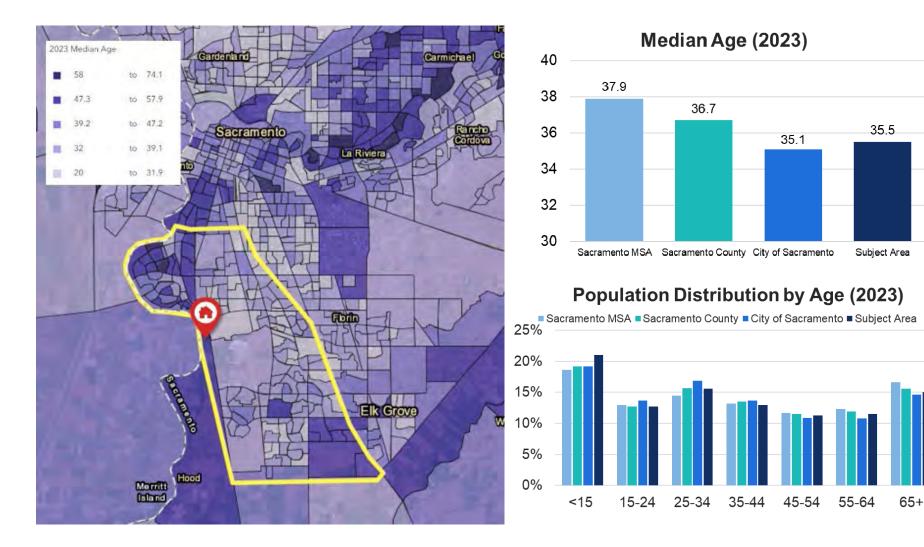


## Household Income Distribution (2023)



# Median Age & Age Distribution

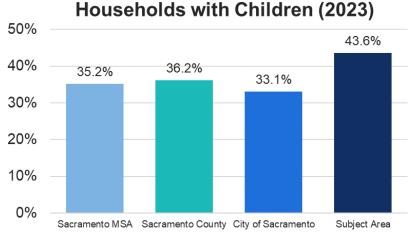
The Subject Area has a slightly younger skew than the MSA and the county. It has the highest concentration of people 15 years old or younger, indicative of family households.

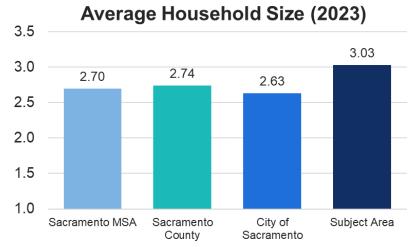


# Presence of Family

Also indicative of a family-oriented profile, about 44% of households in the Subject Area are households with children compared to about 33% of family households in the city of Sacramento.







# Top 3 Demographic Segments

ESRI Tapestry Segmentation classifies neighborhoods into 67 unique segments based on demographics and socioeconomic characteristics. The top 3 segments for the Subject Area represent 32% of households.

### Sprouting Explorers: Urban Edge Families



Located throughout the South and West, most Urban Edge Families residents own their own homes, primarily single-family housing—out of the city, where housing is more affordable. Median household income is slightly below average (Index 91). The majority of households include younger married-couple families with children and, frequently, grandparents. Many residents are foreign-born. Spending is focused more on the members of the household than the home. Entertainment includes multiple televisions, movie rentals, and video games at home or visits to theme parks and zoos. This market is connected and adept at accessing what they want from the Internet.

### **Sprouting Explorers: Up and Coming Families**



Up and Coming Families is a market in transition—residents are younger and more mobile than the previous generation. They are ambitious, working hard to get ahead, and willing to take some risks to achieve their goals. The recession has impacted their financial well-being, but they are optimistic. Their homes are new; their families are young. This is one of the fastest-growing markets in the country.



### **Affluent Estates: Boomburbs**



This is the new growth market, with a profile similar to the original: young professionals with families that have opted to trade up to the newest housing in the suburbs. The original Boomburbs neighborhoods began growing in the 1990s and continued through the peak of the housing boom. Most of those neighborhoods are fully developed now. This is an affluent market but with a higher proportion of mortgages. Rapid growth still distinguishes the Boomburbs neighborhoods, although the boom is more subdued now than it was 10 years ago. So is the housing market. Residents are well-educated professionals with a running start on prosperity.



# Appendix

## Limiting Conditions



This report's conclusions and recommendations are based on our analysis of the information available to us from our research and from the client as of the date of this report. We assume that the information is correct and reliable and that we have been informed about any issues that would affect project marketability or success potential.

Our conclusions and recommendations are based on current and expected performance of the national, and/or local economy and real estate market. Given that economic conditions can change and real estate markets are cyclical, it is critical to monitor the economy and real-estate market continuously and to revisit key project assumptions periodically to ensure that they are still justified.

Due to changes in market conditions, as well as changes in consumer psychology, projected and actual results will likely differ. Events and circumstances frequently do not occur as expected, and the differences may be material. We do not express any form of assurance on the achievability of any pricing or absorption estimates or reasonableness of the underlying assumptions. In general, for projects out in the future, we are assuming "normal" real estate market conditions and not a condition of either prolonged "boom" or "bust" market conditions. We do assume that economic, employment, and household growth will occur more or less in accordance with current expectations. We are not taking into account major shifts in the level of consumer confidence; in the ability of developers to secure needed project entitlements; in the cost of development or construction; in tax laws that favor or disfavor real estate markets; or in the availability and/or cost of capital and mortgage financing for real estate developers, owners and buyers. Should there be such major shifts affecting real estate markets, this analysis should be updated, with the conclusions and recommendations summarized herein reviewed and reevaluated under a potential range of buildout scenarios reflecting changed market conditions.

We have no responsibility to update our analysis for events and circumstances occurring after the date of our report.

## John Burns Real Estate Consulting Services

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   Forecast
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- Home Builder Analysis & Forecast
- Apartment Analysis &
   Forecast
- Public Builder Earnings
   Summaries
- Proprietary Surveys



- Burns Building Products
   Analysis & Forecast
- Burn Building Product
   Dealer Survey: Flash
   Insight
- US Remodeler Index
- Kitchen & Bath Market
   Index
- Prefab Construction Components Index
- Summary of Building
   Product Company
   Quarterly Earnings Calls
- US Housing Analysis & Forecast
- Home Builder Survey
- Real Estate Agent Survey

# New Home A

- Consumer, Home Design, & Product Insights
- Monthly Proprietary
   Survey Insights Industry
   Experts
- DesignLens Database Production Homes & Communities Across the Country
- Annual Housing Design
   Summit Conference
- Monthly Mini-Events
- Home Design, Master Plans, & Consumer Trend Councils
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- Trend Insights
- Trend Consulting



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LOT #	APN	LOT SIZE (SF)	STATUS	PERMIT	LOT #	APN	LOT SIZE (SF)	STATUS	PERMIT	LOT #	APN	LOT SIZE (SF)	STATUS	PERMIT
239	053-0220-019	4,573	F-Lot	\$51,443.76	276	053-0220-056	3,431	F-Lot	No	313	053-0220-093	5,495	F-Lot	\$47,690.04
240	053-0220-020	3,705	F-Lot	\$49,137.18	277	053-0220-057	3,431	F-Lot	No	314	053-0220-094	4,452	F-Lot	\$48,316.84
241	053-0220-021	3,967	F-Lot	\$52,079.53	278	053-0220-058	3,431	F-Lot	No	315	053-0220-095	4,421	F-Lot	\$51,451.66
242	053-0220-022	4,075	F-Lot	\$47,682.14	279	053-0220-059	3,431	F-Lot	No	316	053-0220-096	3,588	F-Lot	\$52,089.63
243	053-0220-023	4,168	F-Lot	\$45,965.72	280	053-0220-060	3,677	F-Lot	No	317	053-0220-097	4,009	F-Lot	\$49,027.69
244	053-0220-024	3,705	F-Lot	\$45,375.56	281	053-0220-061	5,488	F-Lot	No	318	053-0220-098	3,230	F-Lot	No
245	053-0220-025	2,975	F-Lot	\$47,690.04	282	053-0220-062	2,975	F-Lot	No	319	053-0220-099	3,230	F-Lot	No
246	053-0220-026	3,161	F-Lot	\$48,050.14	283	053-0220-063	2,975	F-Lot	No	320	053-0220-100	3,230	F-Lot	No
247	053-0220-027	3,258	F-Lot	\$47,646.81	284	053-0220-064	3,644	F-Lot	No	321	053-0220-101	4,081	F-Lot	No
248	053-0220-028	3,258	F-Lot	\$48,707.69	285	053-0220-065	3,294	F-Lot	No	322	053-0220-102	3,826	Parking Lot	No
249	053-0220-029	3,090	F-Lot	\$48,071.92	286	053-0220-066	3,294	F-Lot	No	323	053-0220-103	3,305	1,795 SF M	Yes
250	053-0220-030	3,561	F-Lot	\$45,655.75	287	053-0220-067	3,931	F-Lot	No	324	053-0220-104	3,305	2,102 SF M	Yes
251	053-0220-031	4,297	F-Lot	\$48,468.25	288	053-0220-068	3,697	F-Lot	No	325	053-0220-105	3,305	2,236 SF M	Yes
252	053-0220-032	3,314	F-Lot	\$48,280.30	289	053-0220-069	3,111	F-Lot	No	326	053-0220-106	3,305	F-Lot	No
253	053-0220-033	3,314	F-Lot	\$45,965.72	290	053-0220-070	3,111	F-Lot	No	327	053-0220-107	3,305	F-Lot	No
254	053-0220-034	3,314	F-Lot	\$48,272.40	291	053-0220-071	3,111	F-Lot	No	328	053-0220-108	3,305	F-Lot	No
255	053-0220-035	3,314	F-Lot	No	292	053-0220-072	3,697	F-Lot	No	329	053-0220-109	3,305	F-Lot	No
256	053-0220-036	3,314	F-Lot	No	293	053-0220-073	3,880	F-Lot	No	330	053-0220-110	3,781	F-Lot	No
257	053-0220-037	3,270	F-Lot	No	294	053-0220-074	3,294	F-Lot	No	331	053-0220-111	3,731	F-Lot	No
258	053-0220-038	3,896	F-Lot	No	295	053-0220-075	3,294	F-Lot	No	332	053-0220-112	3,215	F-Lot	No
259	053-0220-039	4,506	F-Lot	No	296	053-0220-076	4,476	F-Lot	No	333	053-0220-113	3,215	F-Lot	No
260	053-0220-040	3,357	F-Lot	No	297	053-0220-077	7,760	F-Lot	No	334	053-0220-114	3,215	F-Lot	No
261	053-0220-041	3,364	F-Lot	No	298	053-0220-078	4,573	F-Lot	No	335	053-0220-115	3,679	F-Lot	No
262	053-0220-042	3,364	F-Lot	No	299	053-0220-079	4,165	F-Lot	No	336	053-0220-116	3,634	F-Lot	No
263	053-0220-043	3,586	F-Lot	No	300	053-0220-080	3,778	F-Lot	No	337	053-0220-117	3,427	F-Lot	No
264	053-0220-044	4,465	F-Lot	No	301	053-0220-081	4,317	F-Lot	No	338	053-0220-118	3,427	F-Lot	No
265	053-0220-045	3,812	F-Lot	No	302	053-0220-082	3,816	F-Lot	No	339	053-0220-119	3,427	F-Lot	No
266	053-0220-046	3,103	F-Lot	No	303	053-0220-083	3,230	F-Lot	No	340	053-0220-120	3,427	F-Lot	No
267	053-0220-047	3,103	F-Lot	No	304	053-0220-084	3,230	F-Lot	No	341	053-0220-121	3,427	F-Lot	No
268	053-0220-048	3,103	F-Lot	No	305	053-0220-085	3,230	F-Lot	No	342	053-0220-122	3,427	F-Lot	No
269	053-0220-049	3,103	F-Lot	No	306	053-0220-086	3,230	F-Lot	No	343	053-0220-123	3,427	F-Lot	No
270	053-0220-050	4,402	F-Lot	No	307	053-0220-087	3,230	F-Lot	No	344	053-0220-124	3,427	F-Lot	No
271	053-0220-051	4,714	F-Lot	No	308	053-0220-088	5,450	F-Lot	No	345	053-0220-125	3,097	F-Lot	No
272	053-0220-052	3,204	F-Lot	No	309	053-0220-089	4,603	F-Lot	No	346	053-0220-126	3,074	F-Lot	No
273	053-0220-053	3,021	F-Lot	No	310	053-0220-090	4,681	F-Lot	No	347	053-0220-127	3,077	F-Lot	No
274	053-0220-054	3,334	F-Lot	No	311	053-0220-091	5,070	F-Lot	No	348	053-0220-128	3,288	F-Lot	No
275	053-0220-055	,	F-Lot	No	312	053-0220-092	6,437	F-Lot	No					
<b>T</b>		,		44 047 0C0			-,							

Total Permits Paid (As of 9-25-24)

\$1,017,069

YPICAL SIZE

3230

LOT #	APN	LOT SIZE (SF)	STATUS	PERMIT	LOT #	APN	LOT SIZE (SF)	STATUS	PERMIT	LOT #	APN	LOT SIZE (SF)	STATUS
158	053-0230-015	5,775	F-Lot	No	185	053-0230-042	5,426	F-Lot	No	212	053-0220-013	5,000	F-Lot
159	053-0230-016	5,775	F-Lot	No	186	053-0230-043	7,043	F-Lot	No	213	053-0220-014	5,000	F-Lot
160	053-0230-017	5,775	F-Lot	No	187	053-0230-044	6,544	F-Lot	No	214	053-0230-057	5,000	F-Lot
161	053-0230-018	5,775	F-Lot	No	188	053-0230-045	5,700	F-Lot	No	215	053-0230-058	5,698	F-Lot
162	053-0230-019	5,775	F-Lot	No	189	053-0230-046	5,700	F-Lot	No	216	053-0220-015	7,717	F-Lot
163	053-0230-020	5,775	F-Lot	No	190	053-0230-047	5,700	F-Lot	No	217	053-0220-016	6,505	F-Lot
164	053-0230-021	6,809	F-Lot	No	191	053-0230-048	5,700	F-Lot	No	218	053-0220-017	6,956	F-Lot
165	053-0230-022	5,959	F-Lot	No	192	053-0230-049	5,700	F-Lot	No	219	053-0220-018	5,000	F-Lot
166	053-0230-023	5,408	F-Lot	No	193	053-0230-050	7,633	F-Lot	No	220	053-0230-059	5,000	F-Lot
167	053-0230-024	5,716	F-Lot	\$54,450.81	194	053-0230-051	5,354	F-Lot	No	221	053-0230-060	5,698	F-Lot
168	053-0230-025	5,872	F-Lot	\$48,747.15	195	053-0230-052	5,508	F-Lot	No	222	053-0230-061	6,595	F-Lot
169	053-0230-026	5,596	F-Lot	\$52,319.90	196	053-0230-053	5,508	F-Lot	No	223	053-0230-062	5,700	F-Lot
170	053-0230-027	5,238	F-Lot	\$48,549.67	197	053-0230-054	5,506	F-Lot	No	224	053-0230-063	5,700	F-Lot
171	053-0230-028	5,201	F-Lot	\$57,912.91	198	053-0230-055	5,505	F-Lot	No	225	053-0230-064	5,700	F-Lot
172	053-0230-029	5,426	F-Lot	\$56,406.00	199	053-0230-056	5,504	F-Lot	No	226	053-0230-065	5,700	2,683 SF M
173	053-0230-030	6,080	F-Lot	\$51,305.14	200	053-0220-001	5,503	F-Lot	No	227	053-0230-066	5,775	1,685 SF M
174	053-0230-031	5,000	F-Lot	\$55,076.82	201	053-0220-002	5,502	F-Lot	No	228	053-0230-067	7,044	F-Lot
175	053-0230-032	5,000	F-Lot	\$56,405.57	202	053-0220-003	5,601	F-Lot	No	229	053-0230-068	7,092	F-Lot
176	053-0230-033	6,620	F-Lot	\$51,654.82	203	053-0220-004	6,557	F-Lot	No	230	053-0230-069	5,509	F-Lot
177	053-0230-034	5,811	F-Lot	\$58,307.82	204	053-0220-005	7,755	F-Lot	No	231	053-0230-070	5,602	F-Lot
178	053-0230-035	5,246	F-Lot	No	205	053-0220-006	9,970	F-Lot	No	232	053-0230-071	5,291	F-Lot
179	053-0230-036	5,375	F-Lot	\$54,814.37	206	053-0220-007	6,577	F-Lot	No	233	053-0230-072	5,375	F-Lot
180	053-0230-037	5,375	F-Lot	\$51,041.29	207	053-0220-008	7,432	F-Lot	No	234	053-0230-073	5,375	F-Lot
181	053-0230-038	5,375	F-Lot	\$53,168.90	208	053-0220-009	5,950	F-Lot	No	235	053-0230-074	5,375	F-Lot
182	053-0230-039	5,423	F-Lot	\$52,154.67	209	053-0220-010	6,578	F-Lot	No	236	053-0230-075	5,375	F-Lot
183	053-0230-040	5,660	F-Lot	\$53,748.09	210	053-0220-011	6,873	F-Lot	No	237	053-0230-076	5,059	F-Lot
184	053-0230-041	5,417	F-Lot	\$52,397.07	211	053-0220-012	5,000	F-Lot	No	238	053-0230-077	5,937	F-Lot
Total Perr	nits Paid (As of 9	-25-24)		\$908,461.00									

TYPICAL LOT SIZE 5,700

LOT #	APN	LOT SIZE (SF)	STATUS	LOT #	APN	LOT SIZE (SF)	STATUS	LOT #	APN	LOT SIZE (SF)	STATUS
1	053-0250-001	8,644	F-Lot	54	053-0250-054	7,800	F-Lot	107	053-0240-015	10,046	F-Lot
2	053-0250-002	8,641	F-Lot	55	053-0250-055	7,800	F-Lot	108	053-0240-016	7,599	F-Lot
3	053-0250-003	8,638	F-Lot	56	053-0250-056	7,746	F-Lot	109	053-0240-017	7,498	F-Lot
4	053-0250-004	9,580	F-Lot	57	053-0250-057	8,223	F-Lot	110	053-0240-018	6,958	F-Lot
5	053-0250-005	7,559	F-Lot	58	053-0250-058	7,233	F-Lot	111	053-0240-019	6,500	F-Lot
6	053-0250-006	6,825	F-Lot	59	053-0250-059	6,825	F-Lot	112	053-0240-020	7,702	F-Lot
7	053-0250-007	9,359	F-Lot	60	053-0250-060	6,825	F-Lot	113	053-0240-021	7,922	F-Lot
8	053-0250-008	8,334	F-Lot	61	053-0250-061	6,825	F-Lot	114	053-0240-022	9,420	F-Lot
9	053-0250-009	7,200	F-Lot	62	053-0250-062	6,825	F-Lot	115	053-0240-023	10,327	F-Lot
10	053-0250-010	6,858	F-Lot	63	053-0250-063	6,825	F-Lot	116	053-0240-024	7,542	F-Lot
11	053-0250-011	6,825	F-Lot	64	053-0250-064	6,825	F-Lot	117	053-0240-025	7,542	F-Lot
12	053-0250-012	7,473	F-Lot	65	053-0250-065	7,836	F-Lot	118	053-0240-026	8,361	F-Lot
13	053-0250-013	6,825	F-Lot	66	053-0250-066	7,150	F-Lot	119	053-0240-027	9,645	F-Lot
14	053-0250-014	7,473	F-Lot	67	053-0250-067	7,836	F-Lot	120	053-0240-028	8,128	F-Lot
15	053-0250-015	6,825	F-Lot	68	053-0250-068	6,825	F-Lot	121	053-0240-029	7,547	F-Lot
16	053-0250-016	6,825	F-Lot	69	053-0250-069	6,825	F-Lot	122	053-0240-030	9,973	F-Lot
17	053-0250-017	7,090	F-Lot	70	053-0250-070	6,825	F-Lot	123	053-0240-031	7,405	F-Lot
18	053-0250-018	7,620	F-Lot	71	053-0250-071	6,825	F-Lot	124	053-0240-032	8,035	F-Lot
19	053-0250-019	8,150	F-Lot	72	053-0250-072	6,825	F-Lot	125	053-0240-033	7,855	F-Lot
20	053-0250-020	6,825	F-Lot	73	053-0250-073	6,825	F-Lot	126	053-0240-034	7,564	F-Lot
21	053-0250-021	7,561	F-Lot	74	053-0250-074	7,807	F-Lot	127	053-0240-035	7,033	F-Lot
22	053-0250-022	7,561	F-Lot	75	053-0250-075	8,132	F-Lot	128	053-0240-036	6,944	F-Lot
23	053-0250-023	6,825	F-Lot	76	053-0250-076	7,151	F-Lot	129	053-0240-037	7,954	F-Lot
24	053-0250-024	6,825	F-Lot	77	053-0250-077	6,825	F-Lot	130	053-0240-038	6,833	F-Lot
25	053-0250-025	6,825	F-Lot	78	053-0250-078	6,825	F-Lot	131	053-0240-039	8,813	F-Lot
26	053-0250-026	6,825	F-Lot	79	053-0250-079	6,825	F-Lot	132	053-0240-040	7,150	F-Lot
27	053-0250-027	6,825	F-Lot	80	053-0250-080	6,825	F-Lot	133	053-0240-041	7,150	F-Lot
28	053-0250-028	6,825	F-Lot	81	053-0250-081	6,825	F-Lot	134	053-0240-042	7,150	F-Lot
29	053-0250-029	7,473	F-Lot	82	053-0250-082	6,825	F-Lot	135	053-0240-043	7,150	F-Lot
30	053-0250-030	6,825	F-Lot	83	053-0250-083	7,111	F-Lot	136	053-0240-044	8,035	F-Lot
31	053-0250-031	7,473	F-Lot	84	053-0250-084	6,500	F-Lot	137	053-0240-045	10,114	F-Lot
32	053-0250-032	6,825	F-Lot	85	053-0250-085	7,111	F-Lot	138	053-0240-046	8,260	F-Lot
33	053-0250-033	6,825	F-Lot	86	053-0250-086	6,825	F-Lot	139	053-0240-047	8,616	F-Lot

34	053-0250-034	6,825	F-Lot	87	053-0250-087	6,825	F-Lot	140	053-0240-048	10,279	F-Lot
35	053-0250-035	6,825	F-Lot	88	053-0250-088	6,825	F-Lot	141	053-0240-049	9,023	F-Lot
36	053-0250-036	6,825	F-Lot	89	053-0250-089	6,825	F-Lot	142	053-0240-050	8,239	F-Lot
37	053-0250-037	7,561	F-Lot	90	053-0250-090	6,825	F-Lot	143	053-0240-051	8,029	F-Lot
38	053-0250-038	7,686	F-Lot	91	053-0250-091	6,825	F-Lot	144	053-0230-001	7,827	F-Lot
39	053-0250-039	7,800	F-Lot	92	053-0250-092	7,717	F-Lot	145	053-0230-002	7,862	F-Lot
40	053-0250-040	7,800	F-Lot	93	053-0240-001	7,327	F-Lot	146	053-0230-003	7,919	F-Lot
41	053-0250-041	7,800	F-Lot	94	053-0240-002	7,475	F-Lot	147	053-0230-004	7,728	F-Lot
42	053-0250-042	7,800	F-Lot	95	053-0240-003	7,475	F-Lot	148	053-0230-005	7,610	F-Lot
43	053-0250-043	7,800	F-Lot	96	053-0240-004	8,286	F-Lot	149	053-0230-006	8,811	F-Lot
44	053-0250-044	7,800	F-Lot	97	053-0240-005	8,286	F-Lot	150	053-0230-007	9,162	F-Lot
45	053-0250-045	7,800	F-Lot	98	053-0240-006	7,475	F-Lot	151	053-0230-008	8,085	F-Lot
46	053-0250-046	7,800	F-Lot	99	053-0240-007	7,475	F-Lot	152	053-0230-009	8,085	F-Lot
47	053-0250-047	7,800	F-Lot	100	053-0240-008	10,341	F-Lot	153	053-0230-010	8,085	F-Lot
48	053-0250-048	7,800	F-Lot	101	053-0240-009	8,619	F-Lot	154	053-0230-011	8,085	F-Lot
49	053-0250-049	7,800	F-Lot	102	053-0240-010	9,325	F-Lot	155	053-0230-012	9,302	F-Lot
50	053-0250-050	7,800	F-Lot	103	053-0240-011	9,061	F-Lot	156	053-0230-013	8,316	F-Lot
51	053-0250-051	7,800	F-Lot	104	053-0240-012	8,409	F-Lot	157	053-0230-014	10,831	F-Lot
52	053-0250-052	7,800	F-Lot	105	053-0240-013	7,678	F-Lot				
53	053-0250-053	7,800	F-Lot	106	053-0240-014	7,886	F-Lot				
Cotal Darmits Daid (As of 7 15 24)			ćo								

Total Permits Paid (As of 7-15-24)

\$0

#### City of Sacramento City Council - 5PM Report 915 I Street Sacramento, CA 95814 www.cityofsacramento.org

File ID: 2024-01776

10/22/2024

Consent Item 5.

Accepting Sacramento Area Flood Control Agency's 2024 Urban Level of Flood Protection (ULOP) Adequate Progress Annual Report

File ID: 2024-01776

Location: Citywide

**Recommendation:** Adopt a **Resolution** accepting Sacramento Area Flood Control Agency's 2024 Urban Level of Flood Protection Adequate Progress Annual Report.

**Contact:** Remi Mendoza, Acting Long Range Planning Manager, (916) 808-5003, rmendoza@cityofsacramento.org, Community Development Department; Rosa Millino, Senior Engineer, (916) 808-1451, rmillino@cityofsacramento.org; Neal Joyce, Supervising Engineer, (916) 808-1461, njoyce@cityofsacramento.org; Department of Utilities.

#### Presenter: None

#### Attachments:

1-Description/Analysis2-Resolution3-Exhibit A-SAFCA 2024 ULOP Adequate Progress Annual Report4-Transmittal Cover Letter from SAFCA's Board

## Description/Analysis

**Issue Detail:** On June 21, 2016, the City Council passed a resolution accepting the Sacramento Area Flood Control Agency's (SAFCA) Urban Level of Flood Protection (ULOP) Plan, prepared pursuant to Senate Bill 5 (SB 5) and related legislation. The ULOP Plan identifies flood improvement projects, cost estimates, anticipated funding sources, and a schedule to complete them by 2025, which would result in 200-year flood protection for the city.

When considering development within a flood hazard zone, the City has relied on the 2016 ULOP Plan and the subsequent 2017 through 2023 ULOP annual reports as substantial pieces of evidence that SAFCA has made adequate progress on the construction of a 200-year flood protection system.

The purpose of the ULOP annual report is to provide an additional piece of the substantial evidence

File	ID:	2024-01776

10/22/2024

necessary to support the "adequate progress finding" in the approval of new development within a flood hazard zone. Attached is SAFCA's eighth annual report, the 2024 ULOP Adequate Progress Annual Report intended to serve that purpose (Attachment 3). The annual report concludes that SAFCA is meeting State standards for adequate progress on achieving a 200-year urban level of flood protection. Staff recommends that Council adopt a resolution accepting the SAFCA 2024 ULOP Adequate Progress Annual Report.

**Policy Considerations:** The 2040 General Plan includes the following goals and policies related to flood protection:

# GOAL Environmental Resources and Constraints (ERC-6) Protection of life and property from flooding hazards.

**ERC-6.6 Flood Regulations.** The City shall continue to regulate new development in accordance with State requirements for 200-year level of flood protection and federal requirements for 100-year level of flood protection.

**ERC-6.8 Interagency Levee Management.** The City shall coordinate with local, regional, State, and federal agencies to ensure new and existing levees are adequate in providing flood protection and coordinate to achieve local certification of levees for 200-year flood protection by 2025.

Economic Impacts: Not applicable.

**Environmental Considerations:** Policies to achieve a 200-year level of flood protection were included in the 2040 General Plan and evaluated in the certified Master Environmental Impact Report. Acceptance of the SAFCA 2024 ULOP Adequate Progress Annual Report will enable the City to use this document for future flood-related findings in compliance with state law. Acceptance of this document constitutes an administrative action that will not result in direct or indirect physical changes in the environment, and the action is not a project that requires environmental review under the California Environmental Quality Act (CEQA). See CEQA Guidelines section 15378(b)(5); 15060 (c)(3).

**Sustainability:** The proposed resolution will reduce flood risk by strengthening the linkage between local land use planning decisions and flood management practices. This resolution would also support the City's efforts to promote urban infill and redevelopment.

## Commission/Committee Action: None.

**Rationale for Recommendation:** Approval of this resolution will achieve compliance with state law (SB 5 and subsequent amendments) thereby allowing the City to make the required findings related

to flood protection for approval of developments projects.

Financial Considerations: Not applicable.

Local Business Enterprise (LBE): Not applicable.

**Background:** In 2007, the California Legislature enacted SB 5 and other interrelated bills in effort to strengthen the link between flood management and local land use planning decisions. Per the new state law, effective on July 1, 2016, cities and counties within the Central Valley have been required to make one of the following findings before approving development agreements, tentative maps, discretionary permits, and ministerial permits for new residences:

- 1. The existing flood management facilities protect the property to an urban level of flood prote ction, or
- 2. The city has imposed conditions that will protect the property to an urban level of flood protection, or
- 3. The local flood management agency has made *adequate progress* on the construction of a flood protection system to provide an urban level of flood protection by 2025, or
- 4. The property is in an undetermined risk area.

In most cases the ULOP is defined as protection against a 200-year flood. In the Sacramento region, major improvements to levee systems are ongoing which will provide 200-year flood protection by 2025. In 2016 the City's Local Flood Management Agency - SAFCA - prepared an ULOP Plan which has aided the City in making the "adequate progress finding" (No. 3 above). SAFCA's ULOP plan highlights key planned improvements that will provide Sacramento with a 200-year level of flood protection, their costs, revenues to fund them, and a schedule to complete them by 2025. On June 27, 2016, the City Council accepted SAFCA's ULOP plan (Resolution No. 2016-0226).

In order for the City to continue to rely on making the "adequate progress finding", the California Government Code § 65007(a)(5) further requires the City to annually report to the Central Valley Flood Protection Board on its efforts in working towards completion of the 200-year flood protection system. Accordingly, SAFCA staff and consultants have prepared the 2024 ULOP: Adequate Progress Annual Report for the City to fulfill Government code requirements which document the following:

- The total project scope, schedule, and cost of the flood protection system have been developed to meet 200-year flood protection.
- That 90% of the required revenues scheduled to be received by that year have been appropriated and is being expended;
- Critical features of the Flood Protection System are under construction and progressing based upon the actual expenditures of the construction budget; and

• The City has not been responsible for a significant delay in the completion of the system.

In summary the 2024 ULOP adequate progress annual report demonstrates that:

- Over 100% of the revenue scheduled to be received has been appropriated and are currently being expended;
- Critical features of the flood protection system are under construction and progressing based upon the actual expenditures of the construction budget in that:

*All Protected Areas* - All of the SAFCA protected basins benefit from the Folsom Dam Modifications. The first element of the modifications, the JFP, was largely completed in 2016.Since then the completed project has been turned over to the U.S. Bureau of Reclamation and the Water Control Manual has been formally executed.

Natomas - SAFCA has largely completed its Natomas Levee Improvement Program (NLIP), which improved levees on the north and part of the west perimeter of the basin. The ARCF 2014 Natomas Basin Project is improving the basin's remaining levees and drainage infrastructure, which are referred to in sequential reaches starting with Reach A from the American River confluence to San Juan Road and moving around the basin in a clockwise direction (USACE, 2022b). Levee construction is underway in Reach A on the SREL. Work on the drained stability berm from City Sump 160 to Gateway Oaks Boulevard will likely be completed in 2026. Work at the RD 1000 Pump Plant 1B should be completed in 2026. ULOP conformance in 2025 will require obtaining a set of record drawings as of 2025 and engineer confirmation that the interim construction condition meets ULDC. USACE Reach B (along the SREL north of San Juan Road to Elverta Road) construction is essentially complete. Construction of Riverside Pumping Plant in this reach is underway. Levee construction is essentially complete in Reach C (from Elverta Road to the Natomas Cross Canal) with Pritchard Pumping Plant construction scheduled for 2025. Levee construction in Reach D (Natomas Cross Canal South Levee) is complete except at Highway 99. Work continues at Pumping Plant 4, where the remaining electrical equipment is expected to be installed by the end of 2024. The construction contract for Reach E (Pleasant Grove Creek Canal West Levee) was awarded in April 2023. Reaches F and G (Natomas East Main Drainage Canal West Levee) are currently being designed. Construction award is expected in 2025 and completion in 2028. A ULDC exception for freeboard deficiencies may be required in the northern part of Reach F and would require slope hardening features. At this point, it's unclear whether this will be constructed by the USACE. If not, then SAFCA will need to design and construct, and completion would occur in 2030. Seepage cutoff wells, levee slope flattening, and improvements to two stormwater pumping stations are essentially complete on USACE Reach H (along the NEMDC West Levee from Dry Creek to the Arden Garden Connector). Reach I Contract 1 (American River North Levee west of Northgate Boulevard) included a blanket

File ID: 2024-01776

10/22/2024

Consent Item 5.

drain constructed under the I-5 overpass and a cutoff wall to the west along the Garden Highway. Both of these components are now complete. Reach I contract 2 will begin construction in 2024. Natomas benefits from the Folsom Dam Modifications discussed above.

*Dry Creek North Levee System* - No construction projects are required for the Dry Creek North Levee.

*Robla Creek to Arcade Creek* - In 2017, fourteen relief wells were constructed along the Arcade Creek North Levee. Construction of cutoff walls under SAFCA construction Contract 4355 is now substantially complete. Improvements to the Magpie Creek Diversion Channel as part of ARCF 2016 are known as the Magpie Creek Project. The project is being designed now and will be constructed after 2025. A short reach of the Robla Creek south levee downstream of Dry Creek Road does not meet freeboard, but affects a small area and flooding would be less than three feet deep.

American River North Levee - Cutoff walls along the Arcade Creek South Levee and NEMDC East Levee and were completed by USACE in 2015.

American River South and Sacramento River East Levee - Structural improvements to the Sacramento River East Levee have been designed, and USACE has retained a construction contractor. Contract 1 included work in the Pocket area and a seepage berm near Front Street and Miller Park that is now complete (USACE, 2022a). The second contract along the Sacramento River East Levee in the Pocket area, includes cutoff wall construction, now complete, and relief wells to address seepage and stability issues. Construction Contract 3 is complete. SREL Contract 4 was awarded in 2023 and should be complete in 2024.

Work is also planned north of Miller Park near U.S. Highway 50. Encroachments in the construction footprint were removed by SAFCA. Under its "levee modernization" project, SAFCA acquired a property adjoining the levee and removed encroachments on it preparatory to splitting the property under the flood easement and conveying fee title to the State or City. A voluntary encroachment removal program has been initiated for other affected properties. The Morrison Creek and Beach Lake Levee Resiliency Project 65% design is complete. In 2019, SAFCA also constructed an oak woodland mitigation project to provide a wind-wave buffer for the levee.

*South Sacramento Streams Group* - Upstream of the UPRR, construction is complete on the Florin Creek channel improvements and the Florin Creek Multi-Use Basin project. This project was intended to meet FEMA 100 year criteria but was not designed to meet ULDC requirements. The Federal Emergency Management Agency (FEMA) issued a LOMR for that work that became effective on March 25, 2019. The City or County may choose to

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investigate whether some areas where 200-year flood depths are below 3 feet may be newly eligible for a ULOP finding based on the project providing 100-year protection.

• The City of Sacramento has not been responsible for a significant delay in the completion of the flood protection system.

The annual report shows that SAFCA is meeting State standards for adequate progress on achieving the 200-year Urban Level of Flood Protection (ULOP). On July 18, 2024, this report was reviewed and approved by the SAFCA Board for distribution to and use by local agencies.

Staff recommends the Council pass a resolution accepting SAFCA's 2024 ULOP Adequate Progress Annual Report. When considering development within a flood hazard zone, the City will rely on SAFCA's 2016 ULOP Plan and the most recent 2024 annual report as important pieces of substantial evidence in making the "adequate progress finding".

#### **RESOLUTION NO. 2024-**

#### Adopted by the Sacramento City Council Date Adopted

#### ACCEPTING THE SACRAMENTO AREA FLOOD CONTROL AGENCY 2024 URBAN LEVEL OF FLOOD PROTECTION ADEQUATE PROGRESS ANNUAL REPORT

#### BACKGROUND

- A. The Central Valley Flood Protection Act of 2008 (the "Act") prohibits cities and counties, beginning July 1, 2016, from entering into development agreements, approving discretionary permits or ministerial permits that would result in the construction of a new residence, or approving tentative or parcel maps for areas located within a flood hazard zone unless the city or county makes one of the findings set forth in the legislation. (See Government Code sections 65865.5, 65962, and 66474.5.)
- B. On March 1, 2016, the City Council adopted Ordinance No. 2016-0012, which makes various changes to the City Code to conform to the Act.
- C. One of the Act's required findings—the "adequate-progress finding"—allows development to proceed within a flood hazard zone if the city or county finds the local flood management agency has made adequate progress (as defined in Government Code section 65007) on the construction of a flood protection system that will result in flood protection equal to or greater than the urban level of flood protection ("ULOP") in urban or urbanizing areas or the national Federal Emergency Management Agency ("FEMA") standard of flood protection in nonurbanized areas intended to be protected by the system.
- D. The California Department of Water Resources has declared that the adequate-progress finding must be based on the following: a report prepared by the applicable local flood management agency demonstrating adequate progress; a report prepared by a professional civil engineer that documents the data and analysis for demonstrating the property, development project, or subdivision will have an urban level of flood protection at the time when the flood protection system is completed; a report by an independent panel of experts on the review of the report prepared by the professional civil engineer; a response by the professional civil engineer to the comments from the independent panel of experts; the most recent annual report prepared by local flood management agency that was submitted to the Central Valley Protection Board documenting the efforts in working toward completion of the flood protection system; and any additional data and information that cities or counties use to make the finding. (See California Department of Water Resources, Urban Level of Flood Protection Criteria, page 2-10.)
- E. In 2016, consistent with these mandates, the City of Sacramento's (City) local flood management agency—the Sacramento Area Flood Control Agency (SAFCA)—prepared documents to support the adequate-progress. On June 21, 2016, the City Council adopted

Resolution No. 2016-0226 accepting SAFCA's urban level of flood protection plan and adequate progress baseline report and adequate progress towards an urban level of flood protection engineer's report.

- F. On November 7, 2017, the City Council adopted Resolution No. 2017-0418 accepting SAFCA's ULOP Adequate Progress Annual Report.
- G. On November 20, 2018, the City Council adopted Resolution No. 2018-0445 accepting SAFCA's ULOP Adequate Progress Annual Report.
- H. On October 22, 2019, the City Council adopted Resolution No. 2019-0398 accepting SAFCA's ULOP Adequate Progress Annual Report.
- I. On October 13, 2020, the City Council adopted Resolution No. 2020-0326 accepting SAFCA's ULOP Adequate Progress Annual Report.
- J. On November 9, 2021, the City Council adopted Resolution No. 2021-0328 accepting SAFCA's ULOP Adequate Progress Annual Report.
- K. On October 11, 2022, the City Council adopted Resolution No. 2022-0313 accepting SAFCA's ULOP Adequate Progress Annual Report.
- L. On October 24, 2023, the City Council adopted Resolution No. 2023-0337 accepting SAFCA's ULOP Adequate Progress Annual Report
- M. In 2024, SAFCA has prepared the following to support the adequate-progress finding: the Urban Level of Flood Protection Adequate Progress Annual Report. This document concludes that the levees that protect much of the City do not currently meet ULOP requirements, but SAFCA is meeting the State standards in demonstrating adequate progress towards achieving ULOP in urban or urbanizing areas or the national Federal Emergency Management Agency standard of flood protection in nonurbanized areas for property located within a flood hazard zone, intended to be protected by the system, by 2025.
- N. On July 18, 2024, the SAFCA Board of Directors approved the ULOP Adequate Progress Annual Report for distribution to and use by the City and other agencies.
- O. The 2024 ULOP Adequate Progress Annual Report is an informational document that describes actions already being undertaken or planned by SAFCA and is not subject to the California Environmental Quality Act (CEQA). The environmental effects of the projects have been addressed at a program level by the 2016 Updated Local Funding Mechanisms for Sacramento Area Flood Control Improvements Subsequent Environmental Impact Report (EIR) and the underlying 2007 Program EIR. Policies to achieve a 200-year level of flood protection were included in the 2040 General Plan and evaluated in the certified Master Environmental Impact Report. The City's acceptance of the SAFCA 2024 Urban Level of Flood Protection Adequate Progress Annual Report will enable the City to use that document and the ULOP and Engineer's Report for flood related findings in compliance with State law. Acceptance of these

documents constitutes an administrative action that will not result in direct or indirect physical changes in the environment, and the action is not a project that requires environmental review under the California Environmental Quality Act (CEQA). See CEQA Guidelines sections 15378(b)(5) and 15060(c)(3). The need for additional CEQA compliance for individual projects will need to be considered at the time those projects are advanced.

# BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Council accepts SAFCA's 2024 ULOP Adequate Progress Annual Report, attached as Exhibit A and by this reference made a part of this resolution
- Section 2. When considering development within a flood hazard zone, the City may rely on the 2024 ULOP Adequate Progress Annual Report, the ULOP and the Engineer's report referenced in Resolution No. 2016-0226, as substantial evidence that SAFCA has made adequate progress (as defined in Government Code section 65007) on the construction of a flood protection system that will result in flood protection equal to or greater than the urban level of flood protection in urban or urbanizing areas or the national Federal Emergency Management Agency standard of flood protection in nonurbanized areas for property located within a flood hazard zone, intended to be protected by the system.

## Table of Contents: Exhibit A – SAFCA's 2024 ULOP Adequate Progress Annual Report

## 2024

## Urban Level of Flood Protection

## Annual Report

Final – August 2024



1325 J Street Suite 1700 Sacramento, CA 95814

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## 1. INTRODUCTION

California Government Code (CGC) Section 65007(a)(5) requires local agencies to "annually report to the Central Valley Flood Protection Board on the efforts in working toward completion of the flood protection system." State requirements are further described in the Urban Level of Flood Protection Criteria (ULOP Criteria; DWR, 2013).

This report describes Sacramento Area Flood Control Agency (SAFCA)'s efforts in improving the regional flood protection system over the fiscal year ending on June 30, 2024. Section 5 of the SAFCA Final Urban Level of Flood Protection Plan and Adequate Progress Baseline Report (ULOP Plan) noted that the majority of funding for SAFCA's projects comes from State and Federal agencies over which SAFCA has no control (SAFCA, 2016).

This annual report only addresses the State Plan of Flood Control (SPFC) facilities. The local land use agencies, acting as floodplain managers, must consider this plan along with their own data to determine whether residual risks, including interior drainage and flood sources not managed by SPFC facilities, affect development projects to such a degree that the projects would be subject to flood protection findings under state law. If a land use agency is required to make a flood protection finding must be selected from one of those summarized below:

(1) Existing facilities provide ULOP in urban areas or meet the Federal Emergency Management Agency (FEMA) standard in nonurbanized areas;

(2) Conditions on the project will protect it to the applicable standard;

(3) The local flood management agency has made adequate progress on a flood system providing the applicable level of protection. For urban and urbanizing areas protected by project levees, ULOP will be achieved by 2025; or

(4) The property in an undetermined risk area has met ULOP based on substantial evidence in the record.

Development in areas dependent on flood risk reduction projects that are still under construction typically relies on the third finding listed above. In the event that ULOP has not been or cannot be achieved by 2025 under one of the possible findings, the local agency may not approve certain development activities within the affected area. This report is not intended to be a substitute for the independent judgment of the local agencies in adopting their findings.

## 2. PLANNED SCOPE, SCHEDULE, AND COST

CGC Section 65007(a)(1) requires the local flood management agency to report "the total project scope, schedule, and cost" of meeting ULOP with the agency's flood protection system. This information was detailed in the ULOP Plan and is summarized here.

## 2.1 Project Scope

The following projects, illustrated in Figure 1, will help attain the Urban Level of Flood Protection in SAFCA's protected areas.

*Folsom Dam Modifications* – Folsom Dam Modifications include three related projects: the Folsom Joint Federal Project (JFP), the Folsom Dam Raise Project, and the Folsom Dam Water Control Manual Update.

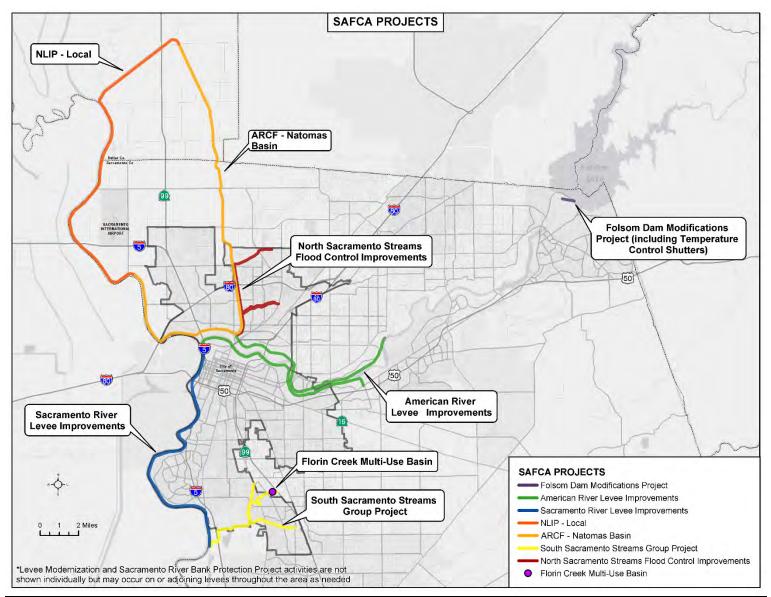
The JFP is a joint project of the US Bureau of Reclamation, US Army Corps of Engineers (USACE), DWR, and SAFCA. The JFP created a new, gated auxiliary spillway on the east abutment of the dam, enabling the dam to be operated to accommodate a 200-year flood with a discharge of about 115,000 cubic feet per second (cfs) into the lower American River. The design flow accommodated by full use of the dam's river outlets and the auxiliary spillway is 160,000 cfs.

The Folsom Dam Raise Project is increasing the height of the main dam, wing dams, and dikes that contain Folsom Reservoir. Congress has authorized raising the height of the wing dams and dikes by 3.5 feet. This will allow flood operators to store more flood water when forecasted inflows are decreasing (resulting in no imminent threat to the dam) and the additional storage is required to maintain releases from the dam at a level that can be safely contained by the downstream levee system. The project also includes improving the flood gates on the main dam (USACE, 2017).

The Folsom Dam Water Control Manual was updated in 2019 to optimize operations at the dam with the JFP improvements. Once the Folsom Dam Raise Project is completed, the manual will be adjusted again to reflect the increased reservoir storage capacity created by that project.

American River Common Features (ARCF) 2014 Natomas Basin Project (formerly called the Natomas Basin USACE Project) – The Natomas levees are being improved in two phases. Physical construction of the Natomas Levee Improvement Program (NLIP) Local Project, led by SAFCA, is complete and comprised eighteen miles of improvements to the Natomas Cross Canal south levee and the Sacramento River East Levee. The ARCF 2014 Natomas Basin Project consists of levee improvements around the remainder of the 42-mile Natomas Basin perimeter. The USACE is planning and implementing the remaining elements (USACE, 2015):

- American River North Levee adjacent to Natomas Basin widen 2 miles of levee in place and install a seepage cutoff wall through the levee and foundation.
- Sacramento River East Levee adjacent to Natomas Basin construct 5 miles of adjacent levee, 3.3 miles of deep seepage cutoff walls, and 4.3 miles of seepage berms
- Pleasant Grove Creek Canal adjacent to Natomas Basin Widen 3.3 miles of levee in place and install a soil bentonite cutoff wall on the Pleasant Grove Creek Canal West Levee.
- Natomas East Main Drainage Canal (NEMDC)/Steelhead Creek West Levee widen 12.8 miles of existing levee and install 10.7 miles of cutoff wall.



## **Figure 1: SAFCA Projects**

• Natomas Cross Canal (NCC) South Levee – complete construction at gaps not remediated as part of NLIP at Bennett and Northern pumping plants and at the State Route 99 closure structure.

ARCF 2016 (formerly called American River Common Features General Reevaluation Report (GRR)) – The ARCF GRR was authorized by Congress in the Water Resources Development Act (WRDA) 2016 and is now known as ARCF 2016. ARCF 2016 features include additional bank protection along the American and Sacramento Rivers; levee height and seepage improvements along Arcade Creek; levee improvements, levee extension, purchase of flowage easements, and channel widening on the Magpie Creek Diversion Channel (MCDC); and changes to the Sacramento Weir and Bypass. On the Sacramento River East Levee downstream of the American River, ARCF 2016 is improving deficient sites with features like the following:

- Slurry cutoff walls to address levee seepage and stability
- Rock bank protection to address erosion
- Geotextile slope stabilization to address levee stability
- Slope flattening to address levee stability
- Levee raise to address freeboard deficiency

Bank protection along the American River consists of rock revetment with planting berms where feasible. In some cases "launchable rock" trenches, when undermined by erosion, are designed to release rocks onto the erosion surface.

*Levee Accreditation Project (LAP)* – The LAP is a locally-led construction project that advanced portions of the ARCF 2016 prior to congressional authorization and funding. The LAP includes slurry cutoff walls along the Arcade Creek North Levee, the NEMDC East Levee, and the Arcade Creek South Levee (AECOM, 2015). SAFCA also began design along the Sacramento River East Levee (SREL) downstream of the American River. SAFCA's design project included stability berms, relief wells, relief well improvements, cutoff walls, and toe drains. The project also included erosion repairs. The USACE took over design efforts along the Sacramento River in 2018 and is leading construction. Structures and vegetation encroaching on the levees will be removed if necessary to meet National Flood Insurance Program (NFIP) standards and the State's Urban Levee Design Criteria (ULDC).

The southernmost reach of the SREL at its junction with the Beach Lake Levee was evaluated in 2018 (MBK, 2018). MBK recommended improving the Beach Lake Levee and the Sacramento River East Levee downstream of the Beach Lake Levee. The recommendations included raising the Beach Lake Levee to meet ULDC requirements, possibly in conjunction with a riparian wind-wave buffer and DWR improvements to the levees of the McCormack-Williamson Tract. These improvements can provide ULOP. SAFCA has proceeded with the wind-wave buffer and is designing potential levee improvements consistent with ULDC known as the Morrison Creek and Beach Lake Levee Resiliency Project. In 2022 SAFCA submitted a grant request to FEMA to complete the levee raise with additional nature-based features for resiliency. The grant was awarded in 2024.

*South Sacramento County Streams Group (SSSG) Project* – USACE was the lead agency on this completed project, which consisted of improvements to the Beach Levee, levees and channels along Morrison Creek and its tributaries in South Sacramento, including Florin Creek, Elder Creek, and Unionhouse Creek. Physical work is now complete.

*Florin Creek Multi-Use Basin Project* – In moderate and larger flood events, the completed Florin Creek Multi-Use Basin Project can store up to 30 acre-feet of Florin Creek flows at Florin Creek Park on the north bank of Florin Creek (ESA, 2014). It provides at least 100-year flood protection within its floodplain in conjunction with the Florin Creek capacity improvements constructed by USACE as part of the South Sacramento County Streams Group Project.

*Non-Structural Actions* – The state's ULDC (DWR, 2012) are incorporated by reference in the ULOP Criteria and require many actions that are good practices for the effective operation and maintenance of levee systems to sustain system performance. These actions include such measures as engineering evaluation and documentation, development of security and safety plans, and other items. The non-structural actions and their necessity are described in greater detail in the Adequate Progress Engineer's Report (MBK, 2016). Ongoing operation, maintenance, repair, and rehabilitation may be considered ongoing non-structural actions that to the extent required are funded by SAFCA and its land use agency and local maintaining agency partners. Progress on these actions is not reported here unless the actions are "critical features" under the meaning of CGC Section 65007(a)(3).

## 2.2 Schedule

The Urban Level of Flood Protection must be achieved by the year 2025 in order for land use agencies, in approving new development, to make a finding that adequate progress is being made on the construction of a flood protection system (CGC §65865.5, §65962, and §66474.5). Table 1 on the next page lists the schedule for SAFCA projects. Table 2 provides additional detail on the ARCF 2014 Natomas Basin Project, Table 3 provides additional detail on the ARCF 2016 Project, and Table 4 provides additional detail on the Morrison Creek and Beach Lake Levee Resiliency Project.

Project	Natomas Levee System	Dry Creek Levee System	Robla Creek – Arcade Creek Levee System	American River North Levee System	American River South and Sacramento River East Levee System	South Sacramento Streams Levee System	Construction Status
Folsom Dam Modifications - JFP	JFP required for ULOP	Not required	JFP required for ULOP	JFP required for ULOP	JFP required for ULOP	JFP required for ULOP	JFP complete.
Folsom Dam Modifications - Raise	Not required for ULOP	Not required for ULOP	Not required for ULOP	Not required for ULOP	Not required for ULOP	Not required for ULOP	Not required for ULOP
ARCF 2014 Natomas Basin Project	Required for ULOP (Table 2)	Not required	Not required	Not required	Not required	Not required	See detail in Table 2
NLIP Local Project	Required for ULOP	Not required	Not required	Not required	Not required	Not required	Complete
ARCF 2016 (elements required for 200-year protection)	Provides resiliency (lowers water surface)	Not required	Provides resiliency	Some elements required for ULOP (Table 3)	Some elements required for ULOP (Table 3)	Provides resiliency	See detail in Table 3
LAP	Not required	Not required	Required for ULOP	Required for ULOP	Not required	Not required	Complete by 2023
SSSG	Not required	Not required	Not required	Not required	Not required	Site specific*	Complete
Florin Creek Multi-Use Basin	Not required	Not required	Not required	Not required	Not required	Site specific*	Complete
Additional South Sacramento SPFC Project(s) at Beach Lake Levee	Not required	Not required	Not required	Not required	Some elements required for ULOP (Table 4)	Not Required	See detail in Table 4

## **Table 1: Timeline for Projects**

\*This plan provides 200-year design flood risk reduction in the South Sacramento Streams area downstream of the Union Pacific Railroad (UPRR), subject to the evaluation of additional south Sacramento SPFC projects. Upstream of UPRR, the land use agency's determination of whether ULOP is attained will depend on the specific site and development proposal as some areas of residual flooding over 3 feet deep remain. At some sites, the listed projects will help attain ULOP.

Element	Status	Elements Required for ULOP	ULOP Ready for Engineer's Report*
Reach A Gateway Oaks Dr to Farm Rd	Cutoff wall work upstream of I-80 to be completed in 2024, with the full adjacent levee to be completed in 2025. Pumping Plant 1B and drained stability berm from Sump 160 to Gateway Oaks Drive to be finished in 2026.	All	Complete by 2025**
Reach B San Juan Rd to W. Elverta Rd	Levee construction complete. Pumping Plant #3, and I-5 window complete. Riverside Pumping Plant underway. Elkhorn Pumping Plant to begin in 2025.	All	Complete by 2025**
Reach C W. Elverta Rd to Sankey Rd	Levee construction completed by SAFCA. Pritchard Pumping Plant to begin construction in 2025.	All	Complete by 2025**
Reach D Sankey Rd to Howsley Rd	Levee construction completed by SAFCA. Highway 99 window work begins 2024. Pumping Plant #4 to be completed 2024.	All	Complete by 2025
Reach E Howsley Rd to Sankey Rd	Levee construction began Spring 2023 and continues in 2024.	All	Complete by 2025
Reaches F&G Sankey Rd to NEMDC Pumping Station	Levee construction and slope improvements to start in 2025 and be completed in 2028 (2030 if landside slope hardening features aren't contracted by USACE). Pumping Plant #6 to begin Summer 2024.	All	Construction underway by 2025.***
Reach H NEMDC Pumping Station to Northgate Blvd	Contract 1 - NEMDC Pump Station to Arden-Garden: Work has been completed. Contract 2 - Arden-Garden to Northgate: Landside levee work and installation of maintenance road to begin 2024.	All	Complete by 2025
Reach I Northgate Blvd to Gateway Oaks Dr	Contract 2: Landside levee improvements and installation of maintenance road to begin 2024.	All	Complete by 2025

Table 2: ARCF Natomas Basin Project Status Detail

\*Reflects status at the time of this report based on the substantial completion of construction features sufficient to complete an Engineer's Report showing attainment of ULOP. Estimates are subject to change. SAFCA cannot control the schedule of projects led by other agencies.

\*\*Construction is expected to be substantially complete by the end of 2025. Final completion and documentation may go into 2026.

\*\*\*The schedule for reaches F&G is contingent on continued full funding from the federal government and continued actions by the SAFCA Board of Directors authorizing necessary real estate purchases as well as the USACE constructing the landside slope hardening.

Element	Status	<b>Elements Required</b>	ULOP
Liement	Status	for ULOP	Attainment*
Sacramento River East Levee – Seepage, Stability, & Overtopping	Contracts C1 and C2 complete. Contract C3 complete. SREL C4 under construction.	All	Complete by 2025
Sacramento River East Levee – Erosion	Contract C1 complete. C2 to be constructed in 2023 and 2024.	Only C1 and C2 are required for ULOP.	Contracts C1 and C2 complete by 2025.
Magpie Creek	Construction will begin after 2025.	Areas where flood depths are greater than 3 feet and buildings cannot be elevated.	Attainment will be after 2025.
North Area Streams	Work on Arcade Creek is complete except for utility remediation at NEMDC to be completed by 2025. A short reach of the Robla Creek South Levee does not meet freeboard but the area protected is below the applicable 3-foot flood depth criterion LOC-1 in the ULOP Criteria.	All	Complete by 2025. An isolated floodplain with insufficient freeboard on Robla Creek South levee may remain.
American River – Erosion	Contract C1 under construction. C2 – under construction. C3A – under construction in 2024	Only C1 and C2 are required for ULOP.	Complete by 2025.
*Attainment status re	22c, USACE 2022d, SAFCA eflects the most current information at the AFCA cannot control the schedule of pro-		

## Table 3: ARCF 2016 Project Status Detail

Element	Status	Elements Required for ULOP	ULOP Attainment*
Up to 1.7 Foot Levee and Floodwall Raise, Seepage berm and Pump Station Improvements	Major pump station maintenance is planned to start in 2024. Backwater freeboard will be provided under an emergency management plan in the event of a rural levee failure on the Sacramento River downstream of Beach Lake Levee.	Required for ULOP.	SAFCA is investigating whether a ULDC exception is feasible allowing interim findings to be made under the Urban Level of Flood Protection
Source: SAFCA			Criteria until completion of construction within five years.

#### Table 4: Morrison Creek and Beach Lake Levee Resiliency Project Status Detail

subject to change. SAFCA cannot control the schedule of projects led by other agencies.

## 2.3 Costs, Revenues, and Appropriations

System improvement costs, or planned expenditures, were shown in the ULOP Plan as required by CGC Section 65007(a)(1). Revenues to fund those expenditures were also identified pursuant to CGC 65007(a)(2)(A). Table 5 shows combined planned expenditures for all agencies along with actual expenditures. Table 5 demonstrates that expenditures are keeping pace with or exceeding the planned level.

Fiscal Year	2015- 2016	2016- 2017	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026
Original ULOP Plan Costs*	\$171.6	\$141.0	\$111.3	\$149.9	\$125.5	\$125.5	\$163.6	\$126.6	\$126.6	\$108.8	\$53.9
Actual Spent**	\$167.8	\$114.3	\$123.1	\$171.3	\$428.3	\$644.5	\$608.3	\$242.7	\$199.0	N/A	N/A

 Table 5: Planned Expenditures (\$millions, all sources)

\* Original ULOP Plan Costs include capital projects and levee modernization. Values in the 2016 ULOP Plan included system operations and maintenance (O&M) which are no longer shown.

\*\* Actual expenditures are SAFCA actuals plus estimates of other agency expenditures based on funding agreements and/or the progress of the projects.

SAFCA, State, and Federal appropriations also remain consistent with the plan, as shown in Table 6. CGC Section 65007(a)(2)(A) specifies that adequate progress means that 90 percent of the revenues scheduled to be received by that year have been appropriated and are currently

being expended. Table 6 shows this requirement has been met with over 100 percent of scheduled revenues appropriated to date. The Federal and State appropriations reflect Congressional authorizations and executed funding agreements. SAFCA appropriations reflect past spending and current year appropriations. Section 3 of this report will describe how these appropriations are being expended.

Agency	Planned Expenditures*	Actual Appropriations**	Actual Expenditures***	Percent Appropriated Versus Planned Expenditures****
Federal	\$1,489.9	\$2,736.8	\$2,801.5	>100%
State	\$870.0	\$1,056.6	\$867.1	>100%
Local	\$47.5	\$47.4	\$47.5	100%
SAFCA	\$388.7	\$538.73	\$548.3	>100%
Total	\$2,796.1	\$4,379.53	\$4,264.4	>100%

# Table 6: Cumulative Planned Expenditures, Actual Appropriations and ActualExpenditures Through 2023-2024 (\$millions, all sources)

Notes:

\*Planned expenses are the planned cumulative capital project expenses from Fiscal Year 2006-2007 through Fiscal Year 2021-2022 as shown in the 2016 ULOP report.

\*\* For purposes of this report, State appropriations represent the amount of executed State funding agreements with SAFCA. Amounts listed as SAFCA appropriations include past spending plus current year appropriations to avoid double-counting unspent appropriations from prior years.

\*\*\* Actual expenditures are SAFCA actuals plus estimates of other agency expenditures based on funding agreements and/or the progress of the projects. June 2024 expenditures projected and subject to revision.

\*\*\*\* The federal and total percent appropriated exceed 100% because the federal Bipartisan Budget Act of 2018 (Public Law 115-123) included full funding for the American River Common Features and Folsom Dam Raise.

## 3. CONSTRUCTION OF CRITICAL FEATURES

Pursuant to Government Code Section 65007(a)(3), adequate progress on construction of a flood protection system means that critical features of the system are under construction and progress is indicated by the expenditure of the budgeted construction funds. The preceding section documented that SAFCA expenditures are on track. This section provides a brief summary of the construction progress in each of the SAFCA protected areas. This report does not distinguish between expenditures for physical construction and those for pre-construction permitting, engineering, and design because the cash flow and planned expenditures in the ULOP Plan do not provide line items for construction alone; and the pre-construction work is a planned and necessary component of ULOP Plan implementation.

*All Protected Areas* – All of the SAFCA protected basins benefit from the Folsom Dam Modifications. The first element of the modifications, the JFP, was largely completed in 2016.

Since then the completed project has been turned over to the U.S. Bureau of Reclamation and the Water Control Manual has been formally executed.

Natomas – SAFCA has largely completed its Natomas Levee Improvement Program (NLIP), which improved levees on the north and part of the west perimeter of the basin. The ARCF 2014 Natomas Basin Project is improving the basin's remaining levees and drainage infrastructure, which are referred to in sequential reaches starting with Reach A from the American River confluence to San Juan Road and moving around the basin in a clockwise direction (USACE, 2022b). Levee construction is underway in Reach A on the SREL. Work on the drained stability berm from City Sump 160 to Gateway Oaks Boulevard will likely be completed in 2026. Work at the RD 1000 Pump Plant 1B should be completed in 2026. ULOP conformance in 2025 will require obtaining a set of record drawings as of 2025 and engineer confirmation that the interim construction condition meets ULDC. USACE Reach B (along the SREL north of San Juan Road to Elverta Road) construction is essentially complete. Construction of Riverside Pumping Plant in this reach is underway. Levee construction is essentially complete in Reach C (from Elverta Road to the Natomas Cross Canal) with Pritchard Pumping Plant construction scheduled for 2025. Levee construction in Reach D (Natomas Cross Canal South Levee) is complete except at Highway 99. Work continues at Pumping Plant 4, where the remaining electrical equipment is expected to be installed by the end of 2024. The construction contract for Reach E (Pleasant Grove Creek Canal West Levee) was awarded in April 2023. Reaches F and G (Natomas East Main Drainage Canal West Levee) are currently being designed. Construction award is expected in 2025 and completion in 2028. A ULDC exception for freeboard deficiencies may be required in the northern part of Reach F and would require slope hardening features. At this point, it's unclear whether this will be constructed by the USACE. If not, then SAFCA will need to design and construct, and completion would occur in 2030. Seepage cutoff wells, levee slope flattening, and improvements to two stormwater pumping stations are essentially complete on USACE Reach H (along the NEMDC West Levee from Dry Creek to the Arden Garden Connector). Reach I Contract 1 (American River North Levee west of Northgate Boulevard) included a blanket drain constructed under the I-5 overpass and a cutoff wall to the west along the Garden Highway. Both of these components are now complete. Reach I contract 2 will begin construction in 2024. Natomas benefits from the Folsom Dam Modifications discussed above.

*Dry Creek North Levee System* – No construction projects are required for the Dry Creek North Levee.

*Robla Creek South Levee, NEMDC East Levee, and Arcade Creek North Levee* – In 2017, fourteen relief wells were constructed along the Arcade Creek North Levee. Construction of cutoff walls under SAFCA construction Contract 4355 is now substantially complete. Improvements to the Magpie Creek Diversion Channel as part of ARCF 2016 are known as the Magpie Creek Project. The project is being designed now and will be constructed after 2025. A short reach of the Robla Creek south levee downstream of Dry Creek Road does not meet freeboard, but affects a small area and flooding would be less than three feet deep.

*American River North Levee* – Cutoff walls along the Arcade Creek South Levee and NEMDC East Levee and were completed by USACE in 2015.

*American River South and Sacramento River East Levee* – Structural improvements to the Sacramento River East Levee have been designed, and USACE has retained a construction contractor. Contract 1 included work in the Pocket area and a seepage berm near Front Street and Miller Park that is now complete (USACE, 2022a). The second contract along the Sacramento River East Levee in the Pocket area, includes cutoff wall construction, now complete, and relief wells to address seepage and stability issues. Construction Contract 3 is complete. SREL Contract 4 was awarded in 2023 and should be complete in 2024.

Work is also planned north of Miller Park near U.S. Highway 50. Encroachments in the construction footprint were removed by SAFCA. Under its "levee modernization" project, SAFCA acquired a property adjoining the levee and removed encroachments on it preparatory to splitting the property under the flood easement and conveying fee title to the State or City. A voluntary encroachment removal program has been initiated for other affected properties. The Morrison Creek and Beach Lake Levee Resiliency Project 65% design is complete. In 2019, SAFCA also constructed an oak woodland mitigation project to provide a wind-wave buffer for the levee.

*South Sacramento Streams Group* – Upstream of the UPRR, construction is complete on the Florin Creek channel improvements and the Florin Creek Multi-Use Basin project. This project was intended to meet FEMA 100 year criteria but was not designed to meet ULDC requirements. The Federal Emergency Management Agency (FEMA) issued a LOMR for that work that became effective on March 25, 2019. The City or County may choose to investigate whether some areas where 200-year flood depths are below 3 feet may be newly eligible for a ULOP finding based on the project providing 100-year protection.

## 4. DELAYS

Adequate progress towards achieving an Urban Level of Flood Protection means, according to Government Code section 65007(a)(4), that "the city or county has not been responsible for a significant delay," among other things. In SAFCA's flood protected areas, this standard has been achieved. As Table 6 demonstrated, to date local agencies have exceeded 100% of their planned expenditures for flood protection.

The ULOP Criteria recommend that annual progress reports address "any delay in State funding appropriation consistent with an agreement between a State agency and a local flood management agency." As demonstrated earlier, State appropriations to date exceed their planned level.

As the December 31, 2025 deadline for ULOP attainment draws near, it is evident that new delays to remaining scheduled construction activities could constrain attainment for affected portions of the subject basins. Should such a delay arise, the affected jurisdiction or jurisdictions would need to choose whether to temporarily suspend development approvals as required by current ULOP legislation, or to seek a legislative extension that may entail the assumption of some liability for future flood damage to any developments approved without ULOP.

## 5. REFERENCES FOR DATA USED

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https://www.spk.usace.army.mil/Missions/Civil-Works/Sacramento-Levee-Upgrades/. Accessed 5/18/2022.

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USACE. 2022c. Unpublished schedule information on American River Common Features 2016. May 19.

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August 22, 2024

Mr. Remi Mendoza Planning Division City of Sacramento 300 Richards Blvd, 3rd Floor Sacramento, CA 95811-0218

Mr. David Tomm Public Works County of Sutter 1130 Civic Center Blvd. Yuba City, CA 95993 Mr. Kevin Siu Department of Water Resources County of Sacramento 827 Seventh St, Room 301 Sacramento, CA 95814

#### Subject: URBAN LEVEL OF FLOOD PROTECTION ADEQUATE PROGRESS ANNUAL REPORT

Dear Sirs:

Enclosed please find the Sacramento Area Flood Control Agency (SAFCA) 2024 Urban Level of Flood Protection Annual Report. This report identifies SAFCA's progress on achieving the Urban Level of Flood Protection (ULOP) for State Plan of Flood Control (SPFC) facilities within our jurisdiction. On July 18, 2024, the SAFCA Board of Directors approved Resolution No. 2024-056 approving distribution of this report. Because this progress is germane to the authorities vested in your agency, I encourage your agency to use the information provided herein in conjunction with your own data and judgment in reporting annual progress to the Central Valley Flood Board prior to September 30.

SAFCA staff recommend a close reading of the enclosed report. No local or state delays in ULOP funding have occurred, and SAFCA, State, and Federal appropriations remain consistent with the ULOP plan. SAFCA is working diligently with our state and federal partners to have major ULOP projects substantially complete by the December 2025 deadline and will continue to coordinate with you, especially as we begin work on an interim Engineer's report in early 2025.

Office 916-874-7606 Fax 916-874-8289 1325 J Street, Suite 1700 Sacramento, CA 95814 2024 ULOP Annual Report Page 2

SAFCA appreciates the opportunity to work with your agency on flood matters of mutual interest and looks forward to continued cooperation in achieving adequate progress in this and future years.

Sincerely,

Jary Barden

Gary Bardini, P.E. Director of Planning

Enclosure

cc (w/o enclosure): Jason Campbell Melanie Saucier Mick Klasson [THIS PAGE INTENTIONALLY LEFT BLANK]

#### APPENDIX C

#### APPRAISAL REVIEW REPORT

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### **Appraisal Review**

Delta Shores CFD No. 2019-01 (Improvement Area No. 1) SWQ of Interstate 5 and Cosumnes River Boulevard Sacramento, California 95832

BBG File #0124021152

Prepared For Mr. Bill Sinclair Real Property Agent City of Sacramento, Department of Public Works 915 "I" Street, 2nd Floor Sacramento, CA 95814

> Appraisal Review Report Date November 14, 2024

Prepared By BBG, Inc., Northern California Sacramento Office 1708 Q Street Sacramento, CA 95811 Client Manager: Scott Beebe, MAI Ph: (916) 949-7360

BBG Website

Valuation + Assessment

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November 14, 2024

Mr. Bill Sinclair Real Property Agent City of Sacramento, Department of Public Works 915 "I" Street, 2nd Floor Sacramento, CA 95814

Re: Appraisal Review Delta Shores CFD No. 2019-01 (Improvement Area No. 1) SWQ of Interstate 5 and Cosumnes River Boulevard Sacramento, California 95832

> Prepared by John E. Carrothers, MAI BBG File #0124021152

Dear Mr. Sinclair:

BBG is pleased to provide this appraisal review of the appraisal report prepared completed by John Carrothers, MAI of Smith & Associates pertaining to the Delta Shores CFD No. 2019-01 (Improvement Area No. 1) commonly referred to as the CFD. The appraisal report date is November 14, 2024, with a date of value of September 25, 2024. The attached review report incorporates by reference the entire appraisal (152 pages, plus the Addenda), referred to as "the Report".

The purpose of the attached appraisal review is to provide my opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of salient aspects of the written appraisal report in compliance with Review Standards 3 and 4 of the Uniform Standards of Professional Appraisal Practice (USPAP 2024). I assessed the appraisal's compliance with Standards 1 and 2 of the USPAP and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission (CDIAC).

#### **Summary Observations and Conclusions**

After my review of the Report, it is my opinion the report under review complies with Standards 1 and 2 of USPAP and the appraisal regulations issued in connection with CDIAC. Further, the market value opinions are consistent with the relevant market conditions and the market data presented in the report as of the date of value.

My opinions are summarized as follows:

- The material under review is complete.
- The data used is adequate and relevant.





- The methods and techniques used are appropriate.
- The value opinions stated in the Report are adequately supported and are credible, given the data and analyses presented. However, I express no opinions of value of the subject properties.
- In my judgment, the Report complies with the Uniform Standards of Professional Appraisal Practice.

I limited my review work solely to a review of the Report. I did not gather any substantial additional data. I inspected the subject property on September 27, 2024, including the market data. Further, I did not complete any independent verification of the market data or market information.

Thank you for the opportunity to provide this appraisal review. Please contact me should you have questions.

Respectfully submitted,

BBG

Scott Beebe, MAI Certified General Real Estate Appraiser California License #AG015266



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#### TRANSMITTAL LETTER

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- A Assumptions and Limiting Conditions
- B Certification
- C Standard Assumptions and Limiting Conditions
- D Qualifications of Reviewer



#### **INTRODUCTION**

#### **REVIEWER IDENTIFICATION**

Company:	BBG 1708 Q Street Sacramento, CA 95811
Reviewer:	Scott Beebe, MAI California Certified General Real Estate Appraiser, AG 015266 Expires February 10, 2025 916-949-7360 sbeebe@bbgres.com
Date of Appraisal Review:	November 14, 2024
CLIENT AND INTENDED UERS OF THE REVIEW:	
Review Client:	Bill Sinclair, City of Sacramento
Review Intended Users:	City of Sacramento, CFD finance team and prospective bond investors. No other users are intended.
INTENDED USE AND PURPOSE OF THE REVIEW	
Intended Use:	The intended use of this appraisal review is to assist the client's reliance on the Report for underwriting the bond financing secured by the subject property described in the Report. No other uses are intended.
Purpose of the Review:	The purpose of the appraisal review is to develop and report a credible opinion of the quality of another appraiser's work while considering the completeness, accuracy, adequacy, relevance, and reasonableness of the conclusions in the Report. This review is to determine if the results of the work under review are credible for the intended users' intended use.
	I also assessed the appraisal's compliance with Standards 1 and 2 of the Uniform Standards of Professional Appraisal Practice (USPAP) and the appraisal regulations issued in connection with CDIAC. I inspected the subject property on September 27, 2024 including the market data. Further, no independent



	verification of the market data or market information was made. This review report was completed and written in conformance with Standards 3 and 4 of USPAP, respectively.
APPRAISER	
Company:	Smith & Associates 111 Woodmere Road, Suite 140 Folsom, CA 95630
Appraiser:	John E. Caruthers, MAI State Certified General Real Estate Appraiser, California AG 014187 Expiration April 11, 2025 916-357-5860 jcarrothers@smithassociatesinc.com

#### SUBJECT PROPERTY IDENTIFICATION

The real property in the appraisal report under review is:

The subject property is located along the southwest quadrant of Interstate 5 and Cosumnes River Boulevard in the City of Sacramento. The property includes a total land area of 107.22 acres generally allocated among 77.46 acres for 348 lots, south of Cosumnes River Boulevard, as well as a development site of 8.851 acres, respectively, north of Cosumnes River Boulevard. The current zoning for the development site north of Cosumnes River Boulevard includes both HDR and MDR. The remaining land area represents acreages for non-revenue generating land uses including Parks, Detention Basin, and Open Space.

**Property Address:** 

SWQ of Interstate 5 and Cosumnes River Boulevard Sacramento, CA 95832



#### Assessor's Parcel Numbers and Owners:

PROJECT AREA/OWNER	# LOTS	APNs
MDR-1	110	053-0220-019 thru 128
KB Home		
LDR-1	81	053-0220-001 thru 018
KB Home		053-0230-015 thru 077
LDR-2	77	053-0250-001 thru 004,
Meritage Homes		053-0250-047 thru 092,
		053-0240-001 thru 008,
		053-0240-045 thru 051
		053-0230-001 thru 004
LDR-2	80	053-0250-005 thru 046,
M&H Realty		053-0240-009 thru 022,
		053-0240-031 thru 044,
		053-0230-005 thru 014
HDR & MDR SITE	8.851 AC	119-0010-026
M&H Realty		(portion)

The description above includes all of the taxable parcels within the boundaries of the Delta Shores CFD No. 2019-1, Improvement Area 1. In addition, there are non-revenue parcels included in the district.

#### Land Area:

The subject property includes 348 residential lots and 8.851 acres of HDR/MDR acres. Site development is nearly completed for this project as of the effective date of value. In addition, home development has commenced including the completion of 5 model homes (Portion of MDR-1 and LDR-1).

Improvements:

The property has 5 model homes under construction (Portion of MDR-1 and LDR-1). The homes range in size from 1,685 to 2,693 SF. The proposed base pricing ranges from \$605,000 to \$755,990.



#### APPRAISAL REPORT INFORMATION AND CONCLUSIONS

Date of the Report:	November 14, 2024
Date of Inspection:	September 27, 2024
Effective Date of Market Value:	September 27, 2024
Interest Appraised:	Fee simple estate
Report Type:	The appraisal report is identified as an Appraisal Report in accordance with Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice.
Valuation Approaches:	Sales Comparison Approach, Subdivision Development Method, Land Residual Analysis and Valuation per declared cost reported under the permit for the model homes.
Market Value Descriptions:	The market values estimated for the subject properties as of the date of inspection.
Opinions of Market Value:	Ownership/ Description/ Value by Ownership
	KB Home, MDR-1, 107 lots and 3 models: \$22,150,000
	KB Home, LDR-1, 79 lots and 2 models: \$20,636,000
	Meritage Homes, 77 lots: \$19,700,000
	M & H Realty, 80 lots: \$19,615,000
	M & H Realty, 8.851 acres MDR/HDR: \$6,550,000
	Total: \$88,651,000
Appraisal Client:	Mr. Bill Sinclair, City of Sacramento
Appraisal Intended User:	City of Sacramento, CFD finance team and prospective bond investors.
Appraisal Intended Use:	The intended use of this report is to reasonably validate the estimated value-to-lien coverage for purposes for a land-secured bond financing. The appraisal is not intended for any other use or users.



#### SCOPE OF WORK

The Client/Reviewer agreed upon Scope of Work for this review assignment outlined as follows:

- I read the submitted appraisal report in its entirety.
- I determined the report's compliance with Standards 1 and 2 of the Uniform Standards of Professional Appraisal Practice (USPAP) and compliance with CDIAC appraisal requirements.
- I developed opinions as to the completeness, accuracy, adequacy, relevance, and reasonableness of various salient aspects of the written report.
- I did not provide my own market value opinion but during the review period I did provide comments and questions based on the draft reports provided by the Client prepared by the appraiser.
- I determined the reliability of the market values reported in the appraisal based solely on the contents of the appraisal report under review and generally accepted appraisal methodology and valuation techniques.
- I inspected the subject property. I reviewed the market data. Further, no independent verification of the market data or market information was made.
- I completed this written review report in compliance with Standard 4 of the Uniform Standards of Professional Appraisal Practice (USPAP).



#### APPRAISAL REVIEW CHECKLIST

INTRODUCTION AND FACTUAL DESCRIPTIONS		<u>YES</u>	<u>NO</u>	<u>N/A</u>
1.	Letter of transmittal accurately reflects the contents of the report?	x		
2.	Is the property adequately identified through legal description, parcel number(s), parcel map, etc.?	x		
3.	Does the appraisal correctly define and identify the real property interest appraised?	x		
4.	Are the dates of inspection, date of report and effective date of value stated? If applicable, are retrospective and prospective values properly identified per USPAP?	x		
5.	Does the appraisal provide a correct definition of market value and cite the source of the definition?	x		
6.	Are the intended use(s), client/intended user(s) and scope of work of the appraisal identified, including a description of the extent of collecting, confirming, and reporting data?	x		
7.	Are all applicable extraordinary assumptions and/or hypothetical conditions disclosed and presented in a clear and conspicuous manner in the report?	х		
8.	Is a statement of ownership history of the subject property provided, and is any listing, option, or pending contract disclosed and discussed?	x		
9.	Are the discussion and analyses of regional and neighborhood data and trends relevant and adequate considering the scope of the assignment?	x		

#### **Comments:**

The introduction and factual descriptions in the General Information section sufficiently present the subject identification, history, current ownership and sale history, the facilities and costs the City will finance by way of bonds issued on behalf of a CFD, and the purpose and use of the appraisal. The correct property rights appraised, and the market value definitions are provided. Additionally, a separate section reports the developer's marketing and development strategy (refer to report page 106).

The Report provides a detailed Scope of Work section. The Report employs Extraordinary Assumptions (EAs) and Hypothetical Conditions (HC). Given the stated scope of work and the intended use, the assumptions and conditions are appropriate. I recommend that appraisal user carefully review the assumptions and conditions that are premises for the valuation.

The Regional and Neighborhood analyses are detailed and relevant. A history of the subject is included. The approved entitlements as of September 25, 2024 are reported and analyzed.



SUBJECT PROPERTY DESCRIPTIONS		<u>YES</u>	<u>NO</u>	<u>N/A</u>
1.	Is the site description adequate, including size, shape, frontage, drainage, and discussion of surrounding properties?	x		
2.	Are easements, flood plain, wetlands, earthquake zone, and/or other encumbrances adequately identified and addressed?	x		
3.	Are environmental hazards identified and addressed or standard disclaimer included?	x		
4.	Are zoning and tax analysis adequately addressed?	Х		
5.	Is the description of improvements adequate, including photographs, site plan and drawings of improvements?	x		
6.	Is improvement conformance with zoning considered?	х		

**Comments:** The appraisal included detailed description and analysis of the physical, legal, environmental characteristics of the site and improvements. This description as reported beginning on page 30 was adequately reported.

MARKE	T ANALYSIS AND HIGHEST AND BEST USE	YES	<u>NO</u>	N/A
1.	Is the historical performance of the market presented and analyzed?	Х		
2.	Is the position (such as design of the project or the marketing efforts) of the subject property within the market considered?	x		
3.	Is the level of market analysis compliant with the terms of the engagement and the size and complexity of the subject property?	х		
4.	Does the appraisal follow the four criteria of highest and best use analysis?	Х		
5.	Is highest and best use as vacant analyzed?	Х		
6.	Is highest and best use as improved (proposed) analyzed?	х		
7.	Are any probable physical, legal, or external changes considered, such as a pending change in zoning that may impact property value?	x		
8.	Does the appraisal provide an adequate discussion of the potential for an expansion of, or changes to, the existing improvements?	x		

**Comments:** The appraisal beginning on page 78 included detailed market analysis including pricing, absorption, market capture, real estate supply and demand factors and trends. The subject pricing and absorption conclusions were consistent with the Market Study report prepared by John Burns Real Estate dated July 23, 2024 (located in addenda).



VALUATION METHODOLOGY		<u>YES</u>	NO	<u>N/A</u>
1.	Are exclusions of one or more of the three traditional approaches to value properly disclosed?	х		
2.	Is the rationale for the exclusion of one or more of the three traditional approaches to value reasonable?	x		
COST A	PPROACH	YES	NO	<u>N/A</u>
1.	Are land sales current, comparable, and appropriately adjusted?			Х
2.	Is the land value conclusion logical and reasonable?			Х
3.	Is basis for the replacement cost estimate properly documented?			Х
4.	Does the estimated cost to complete proposed improvements include leasing expenses and/or holding cost during construction?			
5.	Are all forms of accrued depreciation considered and supported?			Х
6.	Does the appraisal account for and adequately support entrepreneurial profit obtained from non-confidential or proprietary sources?			х
7.	Is the cost approach conclusion logical and reasonable?			х

**Comments:** The report deemed the cost approach to not be applicable to the development of credible assignment results for the valuation analyses. Nevertheless, parts of the appraisal utilize cost estimates that have support and appear credible (supported by developer's budgets and costs, cost comparables, and a cost service) for the cost estimates for development of the land residuals/extraction analysis. The costs used appear reasonable and supported.



SALES COMPARISON APPROACH (SCA)		<u>YES</u>	<u>NO</u>	<u>N/A</u>
1.	Are the land sales current and reasonably comparable?	Х		
2.	Are the land sales sufficiently identified and the descriptions adequate?	Х		
3.	Is the appropriate unit of comparison analyzed?	Х		
4.	Is the reasoning and analysis employed adequate and are the sales properly adjusted?	x		
5.	Is the final value conclusion of the sales comparison approach logical and reasonable?	х		

CommentsThe appraisal utilized nine land sale comparables to arrive at finished lot values. The quality of<br/>the comparable land sale data was good. The sales has unadjusted prices from \$189,536 to<br/>\$470,000 per lot. Appropriate adjustments were applied to the sales with final adjusted prices<br/>from \$292,734 to \$340,200 per lot with an average of \$316,297 and a median of \$312,985. A<br/>Benchmark Value of \$310,000 was concluded which included building permit fees. Refinements<br/>were applied to the Benchmark Value to arrive at finished lot values for each product type.<br/>These conclusions were as follows from this approach:

<u>LDR -1 lots</u>: The 81 LDR lots were valued at \$250,000 per lot from this approach. This value is reasonable for the minimum lot size of 5,700 SF.

<u>LDR -2 lots</u>: The 77 LDR lots were valued at \$260,000 per lot from this approach. This value is reasonable for the minimum lot size of 6,825 SF.

<u>MDR lots</u>: The 110 MDR lots were valued at \$186,000 per lot from this approach. This value is reasonable for the minimum lot size of 3,230 SF.

CommentsThe 8.851 acres (two parcels) of medium and high density acreage was valued at \$50,000 per(SCA)achievable unit. The estimated achievable units for these sites was 131 units. The quality of the<br/>comparable land sale data was good. This valuation was based on three comparable land sales. The<br/>sales has prices from \$44,555 to \$52,291 per unit. square foot. Appropriate analysis was performed<br/>to arrive at the per unit value conclusion. The valuation of this land type was supported and<br/>reasonable.



INCOME APPROACH		YES	NO	<u>N/A</u>
1.	If Income Approach excluded, was proper justification provided?			x
2.	Is Income Approach methodology adequately summarized?	Х		
3.	Is Subject Revenue analyzed and estimated?	Х		
4.	Is Lot absorption analyzed and estimated?	Х		
5.	Are remaining lot development construction costs analyzed and estimated?	x		
6.	Are Holding and Sales costs detailed and analyzed?	х		
7.	Is the Discount Rate and Profit supported and analyzed?	Х		
8.	Were inputs to the discounted cash flow reasonable?	Х		
9.	Were all calculations in Income Approach model mathematically correct?	x		
10.	Were appropriate deductions and discounts applied or accounted for in the analysis?	x		
11.	Is the final value estimates consistent with the data presented?	x		

Comments An Extraction and Discounted Cash Flow analyses were performed to supplement the Sales (LDR & MDR Comparison Approach in the valuation of the finished lots. The inputs, quality of data and SFR lots): assumptions regarding the above referenced factors were adequately considered. These conclusions were as follows from this approach:

> LDR -1 lots: The Extraction and Discounted Cash Flow methods arrived at finished lot value of \$235,000 per lot for these 81 lots. This was reconciled with the Sales Comparison Approach \$250,000 per lot) to arrive at a final lot value of \$240,000.

> LDR -2 lots: The Extraction and Discounted Cash Flow methods arrived at finished lot value of \$258,000 per lot for these 77 lots. This was reconciled with the Sales Comparison Approach \$260,000 per lot) to arrive at a final lot value of \$260,000.

> MDR lots: The Extraction and Discounted Cash Flow methods arrived at finished lot value of \$190,000 per lot for these 110 lots. This was reconciled with the Sales Comparison Approach \$186,000 per lot) to arrive at a final lot value of \$188,000.



RECONCILIATION, FINAL VALUE CONCLUSIONS		YES	NO	N/A
1.	Is the estimated exposure time disclosed and reasonable?	X		
2.	Is the final value appropriately divided between realty and non-realty items? Is the impact of their inclusion/exclusion on the estimate of value discussed?	x		
3.	Are final value estimates consistent with the data presented, and sufficient documentation included to assess the appraisal's logic, reasoning, judgment, and analysis?	х		
4.	Is the as-is value appropriately analyzed?	x		

Comments (KBKB has 107 MDR-1 lots valued at \$188,000 per lot and 70 LDR-1 lots valued at \$240,000 perHome lots &<br/>Homes):Iot. Adjustments to the valuation included the deduction of the remaining construction<br/>cost and addition of the permits paid. The model homes were valued separately using the<br/>lot value plus cost valuation declared with the building permit. The following was concluded<br/>for the KB ownership:

Market Value (KB Home – MDR-1)					
MDR-1 - 107 Lots	\$188,000/lot	\$20,116,000			
Less: Remaining Offsite	S	-\$460,693			
Plus Permits		<u>\$1,017,069</u>			
Indicated Value		\$20,672,376			
Rounded		\$20,670,000			
Plus:					
Lot 323 Home		\$455,000			
Lot 324 Home		\$505,000			
Lot 325 Home		<u>\$520,000</u>			
Aggregate Value		\$22,150,000			

Market Value (KB Home - LDR-1)				
LDR-1 - 79 Lots	\$240,000/lot	\$18,960,000		
Less: Remaining Offsites		-\$339,238		
Plus: Permits		<u>\$908,461</u>		
Indicated Value		\$19,529,223		
Rounded		\$19,530,000		
Plus:				
Lot 226 Home		\$620,000		
Lot 227 Home		<u>\$486,000</u>		
Aggregate Value		\$20,636,000		



CommentsMeritage Homes has 77 LDR-2 lots valued at \$260,000 per lot. Adjustments to the valuation(Meritageincluded the deduction of the remaining construction cost. The following was concluded forHomes lots):the Meritage Homes ownership:

Market Value (Meritage Homes - LDR-2)					
LDR-2 - 77 Lots	\$260,000/lot	\$20,020,000			
Less: Remaining Offsites		<u>-\$322,485</u>			
Indicated Lot Value		\$19,697,515			
Aggregate Value		\$19,700,000			

#### Comments (M&H Realty lots):

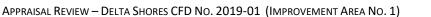
M&H Realty has 80 LDR-2 lots valued at \$260,000 per lot. Adjustments to the valuation included the deduction of the remaining construction cost. The following was concluded for the M&H Realty ownership:

Market Value (M&H Realty - LDR-2)						
LDR-2 - 80 Lots	\$260,000/lot	\$20,800,000				
Less: Remaining Offsites	<u>-\$1,184,619</u>					
Indicated Value	\$19,615,381					
Aggregate Value \$19,615,000						

Market Value (M&H Realty - HDR & MDR)					
8.851 acre - 131 Units	\$50,000/lot	\$6,550,000			

#### **REVIEWER'S CONCLUSIONS**

Summary Comments:The appraisal appropriately valued the subject based on the intended use and<br/>methods peers would use and users of the service would expect.The aggregate or cumulative conclusion of \$88,651,000 appears reasonably<br/>supported by the market data and analyses included within the appraisal.The reported extraordinary assumptions applied in the appraisal were<br/>reasonable.





	IONAL USPAP & FIRREA REPORTING REQUIRMENTS	<u>YES</u>	<u>NO</u>	<u>N/A</u>
1.	Are general assumptions and limiting conditions reasonable?	х		
2.	Are the extraordinary assumptions and hypothetical conditions reasonable and prominently disclosed?	x		
3.	Is certification signed by appraiser(s) who prepared the report?	х		
4.	Are qualifications included in the report for all appraisers providing a significant contribution to the completion of the appraisal assignment?	x		
5.	Does the appraisal conform to generally accepted appraisal standards as evidenced by the USPAP and the appraisal regulations of CDIAC?	x		
6.	Is appraisal written with sufficient information and analysis to support the institution's decision to engage in the transaction?	х		
7.	Does the appraisal analyze and report appropriate deductions and discounts for proposed construction or renovation, partially leased buildings, non-market lease terms, and tract developments with unsold units?	x		
8.	Did state licensed or certified appraisers prepare the appraisal?	х		
9.	If information was unavailable, is that fact disclosed and explained in the report?	x		
10.	Are engagement instructions and other appraiser correspondence included in the report?	х		
11.	Are third party studies well supported, incorporated into the appraisal or are the conclusions of the third-party studies modified with supporting data by the appraiser to justify the changes?			
	the appraiser to justify the changes:	Х		

**Comments:** In my opinion, given the reasons put forth previously in this review, the appraisal report complies with USPAP and the CDIAC appraisal requirements.

This review is subject to the Assumptions and Limiting Conditions contained in this report. The reviewer's compensation is not contingent on an action or event result from the analysis, opinions, or conclusions in or the use of this report.



## Certification

We certify that, to the best of our knowledge and belief:

- 1. The statements of fact contained in this report are true and correct.
- 2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- 3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- 4. We have performed prior services, as an appraiser regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- 5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- 8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
- 9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- 10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 11. Scott Beebe did not inspect the subject property.
- 12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
- 13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
- 14. As of the date of this report, Scott Beebe, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.

Scott Beebe, MAI Certified General Real Estate Appraiser California License #AG01526



## STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions:

- Notwithstanding that Appraiser may comment on, analyze or assume certain conditions in the appraisal, BBG, Inc. shall have no monetary liability or responsibility for alleged claims or damages pertaining to: (a) title defects, liens or encumbrances affecting the property; (b) the property's compliance with local, state or federal zoning, planning, building, disability access and environmental laws, regulations and standards; (c) building permits and planning approvals for improvements on the property; (d) structural or mechanical soundness or safety; (e) contamination, mold, pollution, storage tanks, animal infestations or other hazardous conditions affecting the property; and (f) other conditions and matters for which licensed real estate appraisers are not customarily deemed to have professional expertise. Accordingly:
  - a) The Appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the Appraiser or the Appraiser's staff or was obtained or taken from referenced sources and is considered reliable. The Appraiser and BBG, Inc. shall not be monetarily liable or responsible for or assume the costs of preparation or arrangement of geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
  - b) Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment. Further, unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Further, unless otherwise stated, it is assumed that there are no rights associated with extraction or exploration of such elements considered. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
  - c) Any legal description or plats reported in the appraisal are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. BBG, Inc. has made no survey of the property and assumes no monetary liability or responsibility in connection with such matters.
  - d) Title is assumed to be good and marketable, and in fee simple, unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated. Further, BBG, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.
  - e) The appraisal report is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the appraisal report; additionally, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the appraisal report. Further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value opinion. Moreover, unless otherwise stated herein, it is assumed that there are no encroachments or violations of any zoning or other regulations affecting the subject property, that the utilization of the land and improvements is within the boundaries or property lines of the property described, and that there are no trespasses or encroachments.



- f) The American Disabilities Act (ADA) became effective January 26, 1992. The Appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative impact upon the value of the property. Since the Appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.
- g) No monetary liability or responsibility is assumed for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.
- h) It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein. Further, it is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.
- Unless otherwise stated within the appraisal report, the depiction of the physical condition of the improvements described therein is based on visual inspection. No monetary liability or responsibility is assumed for (a) the soundness of structural members since no engineering tests were conducted; (b) the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made; and (c) hidden, unapparent or masked property conditions or characteristics that were not clearly apparent during the Appraiser's inspection.
- J) If building improvements are present on the site, it is assumed that no significant evidence of termite damage or infestation was observed during physical inspection, unless so stated in the appraisal report.
   Further, unless so stated in the appraisal report, no termite inspection report was available. No monetary liability or responsibility is assumed for hidden damages or infestation.
- k) Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No monetary liability or responsibility is assumed for such conditions or for engineering which may be required to discover them.
- I) BBG, Inc., excepting employees of BBG Assessment, Inc.,\_and the appraiser(s) are not experts in determining the presence or absence of hazardous substances toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. BBG, Inc. and the appraiser(s) assume no monetary liability or responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. The Client is free to retain an expert on such matters in this field; however, Client retains such expert at Client's own discretion, and any costs and/or expenses associated with such retention are the responsibility of Client.
- m) BBG, Inc. is not an expert in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. BBG, Inc. assumes no monetary liability or responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The Appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions contained within the appraisal repot based upon any subsequent endangered species impact studies, research, and investigation that may be provided. However, it is assumed that no environmental impact studies were either requested or made in conjunction with this analysis, unless otherwise stated within the appraisal report.



- 2) If the Client instructions to the Appraiser were to inspect only the exterior of the improvements in the appraisal process, the physical attributes of the property were observed from the street(s) as of the inspection date of the appraisal. Physical characteristics of the property were obtained from tax assessment records, available plans, if any, descriptive information, and interviewing the client and other knowledgeable persons. It is assumed the interior of the subject property is consistent with the exterior conditions as observed and that other information relied upon is accurate.
- 3) If provided, the estimated insurable value is included at the request of the Client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable value purposes. The Appraiser is not familiar with the definition of insurable value from the insurance provider, the local governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The Appraiser is not a cost expert in cost estimating for insurance purposes.
- 4) The dollar amount of any value opinion herein rendered is based upon the purchasing power and price of the United States Dollar as of the effective date of value. This appraisal is based on market conditions existing as of the date of this appraisal.
- 5) The value opinions reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value opinions, unless such proration or division of interests is set forth in the report. Any division of the land and improvement values stated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.
- 6) Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are BBG, Inc.'s best estimate of current market thinking of what future trends will be. No warranty or representation is made that such projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
- 7) The Appraiser assumes no monetary liability or responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.
- 8) Any proposed or incomplete improvements included in the appraisal report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.
- 9) If the appraisal report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the Appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- 10) Although the Appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the Appraiser either by the Client or others. If for any reason, future investigations



should prove any data to be in substantial variance with that presented in this report, the Appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or opinions of value.

- 11) The right is reserved by the Appraiser to make adjustments to the analyses, opinions, and conclusions set forth in the appraisal report as may be required by consideration of additional or more reliable data that may become available. No change of this report shall be made by anyone other than the Appraiser. The Appraiser shall have no monetary liability or responsibility for any unauthorized change(s) to the report.
- 12) The submission of the appraisal report constitutes completion of the services authorized and agreed upon. Such appraisal report is submitted on the condition the Client will provide reasonable notice and customary compensation, including expert witness fees, relating to any subsequent required attendance at conferences, depositions, or judicial or administrative proceedings. In the event the Appraiser is subpoenaed for either an appearance or a request to produce documents, a best effort will be made to notify the Client immediately. The Client has the sole responsibility for obtaining a protective order, providing legal instruction not to appear with the appraisal report and related work files, and will answer all questions pertaining to the assignment, the preparation of the report, and the reasoning used to formulate the opinion of value. Unless paid in whole or in part by the party issuing the subpoena or by another party of interest in the matter, the Client is responsible for all unpaid fees resulting from the appearance or production of documents regardless of who orders the work.
- 13) Client shall not disseminate, distribute, make available or otherwise provide any Appraisal Report prepared hereunder to any third party (including without limitation, incorporating or referencing the Appraisal Report, in whole or in part, in any offering or other material intended for review by other parties) except to (a) any third party expressly acknowledged in a signed writing by Appraiser as an "Intended User" of the Appraisal Report provided that either Appraiser has received an acceptable release from such third party with respect to such Appraisal Report or Client provides acceptable indemnity protections to Appraiser against any claims resulting from the distribution of the Appraisal Report to such third party, (b) any third party service provider (including rating agencies and auditors) using the Appraisal Report in the course of providing services for the sole benefit of an Intended User, or (c) as required by statute, government regulation, legal process, or judicial decree. In the event Appraiser consents, in writing, to Client incorporating or referencing the Appraisal Report in any offering or other materials intended for review by other parties, Client shall not distribute, file, or otherwise make such materials available to any such parties unless and until Client has provided Appraiser with complete copies of such materials and Appraiser has approved all such materials in writing. Client shall not modify any such materials once approved by Appraiser. In the absence of satisfying the conditions of this paragraph with respect to a party who is not designated as an Intended User, the receipt of an Appraisal Report by such party shall not confer any right upon such party to use or rely upon such report, and Appraiser shall have no liability for such unauthorized use or reliance upon such report. In the event Client breaches the provisions of this paragraph, Client shall indemnify, defend and hold Appraiser, and its affiliates and their officers, directors, employees, contractors, agents and other representatives (Appraiser and each of the foregoing an "Indemnified Party" and collectively the "Indemnified Parties"), fully harmless from and against all losses, liabilities, damages and expenses (collectively, "Damages") claimed against, sustained or incurred by any Indemnified Party arising out of or in connection with such breach, regardless of any negligence on the part of any Indemnified Party in preparing the Appraisal Report.



# BBG

Scott Beebe, MAI Senior Managing Director Work: 916-949-7360 sbeebe@bbgres.com

#### PROFILE

Scott Beebe is a Senior Managing Director at BBG in the Sacramento office. Mr. Beebe has over 30 years of experience in the valuation and analysis of commercial real estate including multi-family, retail, industrial, office, mixed-use and development land. Prior to BBG, Scott was one of the founding partners of Integra Realty Resources in 1999. Specialized property types include all types of lodging facilities, affordable housing, senior apartment communities, sports and health club facilities, golf course properties, automobile dealerships, manufactured home parks, self-storage facilities, regional malls and power centers and others.

Mr. Beebe has provided valuation and consulting services for condemnation purposes, estate, financing, equity participation and due diligence support. Specialized services include portfolio valuations, institutionalgrade property valuations, market feasibility studies and acquisition/disposition counseling. Mr. Beebe has testified as an expert witness in superior and municipal courts. Clients served include life insurance companies, pension funds and pension fund advisors, banks and financial institutions, conduits, developers and investors, law firms, businesses/ corporations and government.

#### **PROFESSIONAL AFFILIATIONS & LICENCES**

Appraisal Institute, Member (MAI) Lambda Alpha International – Honorary Land Economics Society

General Certified Appraiser:

State of California (License # AG 015266)

#### EDUCATION

B.B.A. Degree, Business Administration, University of Texas, Austin, Texas, 1988

Successfully completed numerous real estate related courses and seminars sponsored by the Appraisal Institute, accredited universities and others.

Currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.





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

### Michael S. Beebe

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

"Certified General Real Estate Appraiser"

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 015266

Effective Date: Date Expires: February 11, 2023 February 10, 2025

Angela Jemmott, Bureau Chief, BREA

3069663

IS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE "CHAIN LINK"

#### **APPENDIX D**

#### PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

City Council City of Sacramento Sacramento, California

> City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds, Series 2024 (Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Sacramento (the "City") in connection with issuance of \$14,480,000 aggregate principal amount of City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds, Series 2024 (the "Bonds"). The Bonds are being issued pursuant to a Master Indenture, dated as of December 1, 2024 (the "Master Indenture"), as supplemented by a First Supplemental Indenture, dated as of December 1, 2024 (the "First Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), each between the City and Zions Bancorporation, National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture; the Tax Certificate, dated the date hereof (the "Tax Certificate"), executed by the City; opinions of counsel to the City and the Trustee; certificates of the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of

equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the City in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the property described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. We express no opinion with respect to the plans, specifications, maps, financial report or other engineering or financial details of the proceedings, or upon the rate and method of apportionment of the Special Tax or the validity of the Special Tax levied upon any individual parcel. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding special tax obligations of the City, payable solely from the Net Special Tax Revenues and certain funds held under the Indenture.

2. The Master Indenture has been duly executed and delivered by, and constitutes the valid and binding agreement of, the City.

3. The First Supplemental Indenture has been duly executed and delivered by, and constitutes the valid and binding agreement of, the City.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

#### **APPENDIX E**

## GENERAL INFORMATION ABOUT THE CITY OF SACRAMENTO AND THE COUNTY OF SACRAMENTO

The following information is included only for the purpose of supplying general information regarding the City of Sacramento (the "City") and the County of Sacramento (the "County"). This information is provided only for general informational purposes and provides prospective investors limited information about the City and the County and their economic base. The Bonds are not a debt of the County or the State or any of its political subdivisions, and the County, and the State and its political subdivisions are not liable therefor. The Bonds are special limited obligations of the City payable solely from the Net Special Tax Revenues (as defined in the Official Statement) and other amounts as set forth in the Indenture.

#### General

The City is located at the confluence of the Sacramento and American Rivers in the south-central portion of the Sacramento Valley, a part of the State's Central Valley. Although the City is approximately 75 air miles northeast of San Francisco, its temperature range is more extreme than that of most Northern California coastal cities, ranging from a daily average of 45 degrees Fahrenheit in January to 85 degrees Fahrenheit in July. Average elevation of the City is 30 feet above sea level.

#### Population

The following table lists population figures for the City, the County and the State as of January 1 for 2020 through 2024.

	ı		
Calendar Year	City of Sacramento	County of Sacramento	State of California
2020	513,626	1,553,157	39,648,938
2021	518,067	1,580,120	39,327,868
2022	516,529	1,572,254	39,114,785
2023	519,466	1,576,639	39,061,058
2024	520,407	1,578,938	39,128,162

#### CITY AND COUNTY OF SACRAMENTO Population Estimates

Source: State Department of Finance estimates (as of January 1).

#### **Industry and Employment**

The unemployment rate in the Sacramento—Arden-Arcade—Roseville, CA Metropolitan Statistical Area ("Sacramento MSA"), which includes Sacramento, Placer, El Dorado, and Yolo Counties, was 4.3% in 2023. The table below provides information about employment rates and employment by industry type for the Sacramento MSA for calendar years 2019 through 2023. As of September 2024, the unemployment rate in the Sacramento MSA was 4.7%.

#### SACRAMENTO MSA Civilian Labor Force, Employment and Unemployment Calendar Years 2019 through 2023 Annual Averages

	2019	2020	2021	2022	2023
Civilian Labor Force <sup>(1)</sup>	1,100,800	1,091,700	1,099,300	1,112,100	1,129,200
Employment	1,060,300	994,000	1,028,800	1,069,700	1,080,500
Unemployment	40,500	97,700	70,500	42,400	48,600
Unemployment Rate	3.7%	9.0%	6.4%	3.8%	4.3%
Wage and Salary Employment <sup>(2)</sup>					
Agriculture	8,700	8,300	9,000	8,600	9,100
Natural Resources and Mining	500	600	700	500	500
Construction	69,400	70,200	74,100	77,100	74,700
Manufacturing	36,800	36,100	37,500	40,600	40,500
Wholesale Trade	28,600	26,500	26,400	28,300	28,500
Retail Trade	100,500	95,200	101,100	100,300	99,000
Transportation, Warehousing and	32,200	34,300	37,100	40,800	41,600
Utilities					
Information	11,900	10,200	10,000	10,500	9,900
Finance and Insurance	35,200	34,800	34,300	33,000	30,500
Real Estate and Rental and Leasing	17,300	16,900	17,400	18,800	18,400
Professional and Business Services	137,400	132,500	136,700	139,700	134,400
Educational and Health Services	166,600	164,000	168,400	175,600	188,700
Leisure and Hospitality	109,600	83,900	92,900	108,700	112,500
Other Services	35,400	31,000	32,600	36,100	38,300
Federal Government	14,200	14,800	14,500	14,400	14,500
State Government	121,900	121,700	126,800	129,800	134,400
Local Government	105,300	98,900	98,000	102,700	107,400
Total, All Industries	1,031,400	979,700	1,017,200	1,065,400	1,083,000

<sup>(1)</sup> Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(2)</sup> Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: State of California Employment Development Department.

#### **Major Employers**

The following table shows the largest employers located in the County as of fiscal year 2023.

#### COUNTY OF SACRAMENTO PRINCIPAL EMPLOYERS As of June 30, 2023

Rank	Name of Company	Number of Employees	Percentage of Total City Employment
1.	UC Davis Health System	16,075	2.30%
2.	Kaiser Permanente	10,934	1.56
3.	Sutter/California Health Services	9,350	1.33
4.	Dignity/Mercy Healthcare	7,353	1.05
5.	Intel Corporation	5,000	0.71
6.	Raley's Inc./Bel Air	2,756	0.39
7.	Siemens Mobility Inc.	2,500	0.36
8.	Safeway	1,874	0.27
9.	Golden 1 Credit Union	1,776	0.25
10.	Pacific Gas and Electric Co.	1,370	0.20

Source: County of Sacramento Annual Comprehensive Financial Report for the year ending June 30, 2023.

The following table shows the largest employers located in the City as of fiscal year 2023.

#### CITY OF SACRAMENTO PRINCIPAL EMPLOYERS As of June 30, 2023

n

Name of Company	Number of Employees	Percentage of Total City Employment
State of California	107,876	15.34%
UC Davis Health System	16,075	2.29
Sacramento County	13,252	1.88
Kaiser Permanente	10,934	1.56
U.S. Government	10,507	1.49
Sutter Health	9,350	1.33
Dignity Health	7,353	1.05
Intel Corporation	5,000	0.71
San Juan Unified School District	4,801	0.68
Los Rios Community College District	3,049	0.43
	State of California UC Davis Health System Sacramento County Kaiser Permanente U.S. Government Sutter Health Dignity Health Intel Corporation San Juan Unified School District	Name of CompanyEmployeesState of California107,876UC Davis Health System16,075Sacramento County13,252Kaiser Permanente10,934U.S. Government10,507Sutter Health9,350Dignity Health7,353Intel Corporation5,000San Juan Unified School District4,801

Source: City of Sacramento Annual Comprehensive Financial Report for the year ending June 30, 2023.

#### **Personal Income**

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

The following table summarizes the personal income for the County of Sacramento, the State and the United States for the period 2018 through 2022.

#### COUNTY OF SACRAMENTO Personal Income 2017 through 2022

Year	Sacramento County	California	<b>United States</b>
2018	\$78,804,776	\$2,431,821,953	\$17,671,054,000
2019	82,669,864	2,567,425,600	18,575,467,000
2020	90,908,707	2,790,523,500	19,812,171,000
2021	98,105,641	3,006,183,900	21,288,709,000
2022	97,517,936	3,006,647,281	21,820,248,000

Note: Dollars in Thousands.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The following table summarizes per capita personal income for the County of Sacramento, the State and the United States for 2018-2022. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

#### PER CAPITA PERSONAL INCOME County of Sacramento, State of California and the United States 2018 Through 2022

Year	Sacramento County	California	United States
2018	\$51,187	\$61,508	\$53,786
2019	53,278	64,919	56,250
2020	58,307	70,647	59,765
2021	61,775	76,614	64,143
2022	61,558	77,036	65,470

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

#### **Commercial Activity**

A summary of historic taxable sales within the City for 2019-2023 is shown in the following table.

#### CITY OF SACRAMENTO Taxable Transactions (dollars in thousands)

	Retail Stores		Total All Outlets		
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions	
2019	10,006	\$4,999,470	15,970	\$7,463,634	
2020	11,088	4,430,901	17,722	6,839,199	
2021	10,362	5,401,724	16,793	8,118,898	
2022	10,527	5,763,861	17,452	9,054,662	
2023	10,371	5,683,785	17,208	8,815,975	

Source: State Board of Equalization.

A summary of historic taxable sales within the County for 2019-2023 is shown in the following table.

#### COUNTY OF SACRAMENTO Taxable Transactions (dollars in thousands)

	<b>Retail Stores</b>		Total All Outlets		
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions	
2019	25,530	\$18,195,302	40,858	\$26,836,365	
2020	28,055	18,488,106	45,361	27,173,406	
2021	25,936	23,700,364	42,482	33,783,460	
2022	26,589	24,679,703	44,158	36,511,260	
2023	25,913	24,289,157	43,252	35,778,877	

Source: State Board of Equalization.

#### **Building and Construction**

Provided below are the building permits and valuations for the City and the County for calendar years 2019 through 2023.

#### CITY OF SACRAMENTO Total Building Permit Valuations (valuations in thousands)

	2019	2020	2021	2022	2023
Permit Valuation					
New Single-family	\$ 400,648.4	\$ 254,127.0	\$ 359,957.8	\$ 278,041.4	\$ 305,689.5
New Multi-family	176,862.7	465,623.0	284,928.5	211,378.2	199,279.2
Res. Alterations/Additions	140,240.6	174,415.1	171,615.1	151,297.8	164,471.7
Total Residential	\$ 717,751.7	\$ 894,165.1	\$ 816,501.4	\$ 640,717.4	\$ 669,440.4
New Commercial	\$ 540,144.9	\$ 154,484.2	\$ 152,871.0	\$ 73,271.9	\$ 170,884.5
New Industrial	31,485.4	31,155.0	83,171.4	11,349.9	-
New Other	427,661.2	302,114.6	55,183.7	40,926.1	139,361.0
Com. Alterations/Additions	491,148.7	230,448.0	163,431.5	177,804.2	371,033.1
Total Nonresidential	\$1,490,440.2	\$ 718,201.8	\$ 454,657.6	\$ 303,352.1	\$ 681,278.6
New Dwelling Units					
Single-Family	1,552	956	1,150	952	951
Multiple Family	1,487	2,855	1,193	1,619	2,682
TOTAL	3,039	3,811	2,343	2,571	3,633

Source: Construction Industry Research Board, Building Permit Summary.

#### COUNTY OF SACRAMENTO Total Building Permit Valuations (valuations in thousands)

	2019	2020	2021	2022	2023
Permit Valuation					
New Single-family	\$1,108,399.8	\$ 1,088,390.6	\$ 1,310,379.5	\$ 1,183,213.4	\$ 1,408,893.4
New Multi-family	265,188.8	467,418.7	323,462.5	413,368.8	436,365.8
Res. Alterations/Additions	293,210.5	262,864.6	276,570.3	373,409.6	332,233.2
Total Residential	\$1,666,799.1	\$ 1,818,673.9	\$ 1,910,412.3	\$ 1,969,991.8	\$ 2,177,492.4
New Commercial	\$ 639,170.3	\$ 411,058.0	\$ 152,871.0	\$ 203,314.1	\$ 256,310.9
New Industrial	31,851.4	31,155.0	83,171.4	38,163.3	-
New Other	131,286.6	113,793.0	150,008.7	220,339.3	294,989.6
Com. Alterations/Additions	700,603.9	335,458.0	320,3447.6	432,950.0	569,570.4
Total Nonresidential	\$1,502,912.2	\$ 891,464.0	\$ 3,589,498.7	\$ 894,766.7	\$ 1,120,870.9
New Dwelling Units					
Single-Family	3,981	3,588	4,205	3,832	4,181
Multiple Family	2,008	2,868	2,266	3,419	6,290
TOTAL	5,989	6,456	6,471	7,251	10,471

Source: Construction Industry Research Board, Building Permit Summary.

#### Transportation

Sacramento's strategic location and broad transportation network have contributed to the City's economic growth. The City is traversed by the main east-west and north-south freeways serving northern and central California. Interstate 80 connects Sacramento with the San Francisco Bay Area, Reno, Nevada, and points east. U.S. 50 carries traffic from Sacramento to the Lake Tahoe area. Interstate 5 is the main north-south route through the interior of California, running from Mexico to Canada. State Route 99 parallels Interstate 5 through central California and passes through Sacramento.

The Union Pacific Railroad, a transcontinental line, has junctions in Sacramento and is connected to the Burlington Northern Santa Fe Railway via the Central California Traction Company. Passenger rail service is provided by AMTRAK. Bus lines offering intercity as well as local service include Greyhound and the Sacramento Regional Transit District. The Sacramento Regional Transit District also provides light-rail service within the City. The Port of Sacramento, located 79 nautical miles northeast of San Francisco, provides direct ocean-freight service to all major United States and world ports. Via a deep-water channel, ships can reach Sacramento from San Francisco in less than eight hours. The major rail links serving Sacramento connect with the port, and Interstate 80 and Interstate 5 are immediately adjacent to it.

Trucking services are offered through facilities of interstate common carriers operating terminals in the area and by contract carriers of general commodities. Greyhound Bus Lines also has passenger and package-service stations in the City.

Sacramento International Airport, about 12 miles northwest of the City's downtown, is served by 13 major carriers and 1 commuter carrier. Sacramento Executive Airport, about 6 miles south of the City's downtown, is a full-service, 540-acre facility serving general aviation and providing a wide array of facilities and services.

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#### **APPENDIX F**

#### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

#### Definitions

Except as otherwise defined in this Summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this Summary:

"Accountant's Report" means a report signed by an Independent Certified Public Accountant.

"Acquisition and Construction Fund" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds Acquisition and Construction Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

"Act" means collectively the Mello-Roos Community Facilities Act of 1982, as amended (being Sections 53311 et seq. of the Government Code of the State of California), and all laws amendatory thereof or supplemental thereto.

"Bond Redemption Fund" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds Bond Redemption Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

"Bond Reserve Fund" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds Bond Reserve Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

"Bond Year" means the twelve-month period ending on September 1 of each year; <u>provided</u>, that the first Bond Year shall commence on the date of the execution, authentication and initial delivery of the first Series issued under the Master Indenture.

"Bonds" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds at any time Outstanding under the Master Indenture that are executed, authenticated and delivered in accordance with the provisions of the Master Indenture. "Serial Bonds" means Bonds for which no Sinking Fund Account Payments are established. "Term Bonds" means Bonds which are redeemable or payable on or before their specified maturity date or dates from Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their specified maturity date or dates.

"Business Day" means any day (other than a Saturday or a Sunday) on which the Trustee is open for business at its Principal Corporate Trust Office.

"City" means the City of Sacramento, a California municipal corporation.

"City Council" means the City Council of the City.

"Code" means the Internal Revenue Code of 1986 and all regulations of the United States Department of the Treasury issued thereunder from time to time to the extent that such regulations are, at the time, applicable and in effect, and in this regard reference to any particular section of the Code shall include reference to any successor to such section of the Code.

"Community Facilities District" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California, a community facilities district duly organized and existing in the City under and by virtue of the Act.

"Community Facilities Fund" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds Community Facilities Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

"Costs of Issuance Fund" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds Costs of Issuance Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

"Debt Service" means, for any Bond Year, the sum of (1) the interest payable during such Bond Year on all Outstanding Bonds, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid as scheduled at the times of and in amounts equal to the sum of all Sinking Fund Account Payments (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), plus (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, plus (3) the Sinking Fund Account Payments required to be deposited in the Sinking Fund Account in such Bond Year.

"Event of Default" means an event described as such in the Master Indenture.

"Expense Fund" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds Expense Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

"Expenses" means all expenses paid or incurred by the City for the cost of planning and designing the Facilities, including the cost of environmental evaluations, and all costs associated with the determination of the amount of the Special Tax, the collection of the Special Tax and the payment of the Special Tax, together with all costs otherwise incurred in order to carry out the authorized purposes of the Community Facilities District, and any other expenses incidental to the acquisition, construction, completion and inspection of the Facilities; all as determined in accordance with Generally Accepted Accounting Principles.

"Facilities" means the public facilities authorized to be acquired and constructed in and for the Community Facilities District under and pursuant to the Act at the special elections held in the Improvement Area on September 25, 2019 and January 25, 2022.

"Federal Securities" means (a) any securities now or hereafter authorized both the interest on and principal of which are guaranteed by the full faith and credit of the United States of America, and (b) any of the following obligations of federal agencies not guaranteed by the full faith and credit of the United States of America: (1) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation, (2) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act and bonds of any federal home loan bank established under such act, and (3) stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation, to the extent that such securities or obligations are eligible for the legal investment of City funds, together with any repurchase agreements which are secured by any of such securities or obligations that (1) have a fair market value (determined at least daily) at least equal to one hundred two percent (102%) of the amount invested in the repurchase agreement, (2) are in the possession of the Trustee or a third party acting solely as custodian for the Trustee who holds a perfected first lien therein, and (3) are free from all third party claims.

"First Supplemental Indenture" means the First Supplemental Indenture, dated as of December 1, 2024, between the City and the Trustee supplemental to the Master Indenture.

"Fiscal Year" means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the City as its Fiscal Year in accordance with applicable law.

"Fitch" means Fitch, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

"Holder" means any person who shall be the registered owner of any Outstanding Bond, as shown on the registration books maintained by the Trustee pursuant to the Master Indenture.

"Improvement Area" means Improvement Area No. 1 of the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California, a portion of the Community Facilities District designated as such improvement area pursuant to the Act.

"Independent Certified Public Accountant" means any nationally recognized certified public accountant or firm of such accountants, appointed and paid by the City, and who, or each of whom --

(1) is in fact independent and not under the domination of the City;

(2 City; and

(2) does not have a substantial financial interest, direct or indirect, in the operations of the

(3) is not connected with the City as an officer or employee of the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the City.

"MAI" means the designation assigned by the Appraisal Institute of professionals who adhere to ethical professional practice, continuing education, and best practices and industry trends with respect to real property valuation.

"Master Indenture" means the Master Indenture, dated as of December 1, 2024, between the City and the Trustee, entered into under and pursuant to the Act and as may be amended and supplemented pursuant to its terms.

"Maximum Annual Debt Service" means, as of any date of calculation, the largest Debt Service in any Bond Year during the period from the date of such calculation through the final maturity date of all Outstanding Bonds.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Net Special Tax Revenues" means the proceeds of the Special Tax, less the Priority Administrative Expenses.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Master Indenture) all Bonds except --

(1) Bonds cancelled and destroyed by the Trustee or delivered to the Trustee for cancellation and destruction;

(2) Bonds paid or deemed to have been paid within the meaning of the Master Indenture; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the City and authenticated and delivered by the Trustee pursuant to the Master Indenture.

"Principal Corporate Trust Office" means the corporate trust office of the Trustee in Los Angeles, California, at which at any particular time its corporate trust business is being administered, except that with respect to presentation of Bonds for registration, payment, redemption, transfer or exchange, such term shall mean the corporate trust operations office of the Trustee in Salt Lake City, Utah, or such other office designated by the Trustee from time to time as its Principal Corporate Trust Office.

"Priority Administrative Expenses" means (i) for the Fiscal Year 2025-26, \$20,000, and (ii) for each subsequent Fiscal Year, an amount equal to the Priority Administrative Expenses for the preceding Fiscal Year plus 3% of such amount.

"Rebate Fund" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds Rebate Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

"Required Bond Reserve" means, as of any date of calculation, the least of (a) ten percent (10%) of the principal amount of the Outstanding Bonds, or (b) Maximum Annual Debt Service, or (c) one hundred twenty-five percent (125%) of the average Debt Service payable under the Master Indenture in the current and in all future Bond Years, all as determined by the City under the Code and specified in writing to the Trustee; provided, that such requirement (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have at least one rating at the time of issuance of such policy or surety bond or letter of credit equal to "A" or higher assigned by Fitch or "A" or higher assigned by Standard & Poor's, in each case without regard to any numerical modifier or plus or minus sign; and provided further, that the amount of the Required Bond Reserve shall not increase at any time except upon the issuance of a new Series of Bonds; and provided further, that, with respect to the issuance of any issue of Bonds, if the amount on deposit in the Bond Reserve Fund would have to be increased by an amount greater than ten percent (10%) of the stated principal amount of such issue of Bonds (or, if the issue has more than a de minimis amount of original issue discount or premium, of the issue price of such issue of Bonds) then the Required Bond Reserve shall be such lesser amount as is determined by a deposit of such 10%.

"Series" means any series of the Bonds authorized, executed and authenticated pursuant to the Master Indenture and pursuant to one or more Supplemental Indentures as constituting a single series and delivered on initial issuance in a simultaneous transaction pursuant to the Master Indenture, and any Bonds thereafter executed, authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Master Indenture.

"Series 2024 Bonds" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds, Series 2024.

"Sinking Fund Account" means the account in the Bond Redemption Fund referred to by that name established pursuant to the Master Indenture.

"Sinking Fund Account Payments" means the payments required by all Supplemental Indentures to be deposited in the Sinking Fund Account for the payment of the Term Bonds.

"Special Tax" means the special tax authorized to be levied and collected annually on all Taxable Land in the Improvement Area under and pursuant to the Act at the special election held in the Improvement Area on January 25, 2022.

"Special Tax Formula" means the Amended and Restated Rate and Method of Apportionment of Special Tax approved at the election held in the Improvement Area on January 25, 2022.

"Special Tax Fund" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds Special Tax Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

"Standard & Poor's" means Standard & Poor's Rating Services, a division of The McGraw Hill-Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Supplemental Indenture" means any indenture then in full force and effect that has been made and entered into by the City and the Trustee, amendatory of or supplemental to the Master Indenture; but only to the extent that such Supplemental Indenture is specifically authorized under the Master Indenture.

"Tax Certificate" means any certificate delivered upon the original issuance of a Series relating to Section 148 of the Code, or any functionally similar replacement certificate.

"Taxable Land" means all land within the Improvement Area taxable under the Act in accordance with the proceedings for the authorization of the issuance of the Bonds and the levy and collection of the Special Tax.

"Treasurer" means the City Treasurer of the City.

"Trustee" means Zions Bancorporation, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character set forth in the Master Indenture, at its Principal Corporate Trust Office, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in the Master Indenture.

"Unimproved Property" means all parcels of Taxable Land for which a building permit has not been issued.

#### **Conditions for the Issuance of Bonds**

The City may at any time issue a Series payable from the Net Special Tax Revenues as provided in the Master Indenture on parity with all other Series theretofore issued under the Master Indenture, but only subject to the following conditions, which are made conditions precedent to the issuance of any such Series other than the Series 2024 Bonds:

(a) The issuance of such Series shall have been authorized pursuant to the Act and pursuant to the Master Indenture and shall have been provided for by a Supplemental Indenture which shall specify the following:

(1) The purpose for which such Series is to be issued;

(2) The principal amount and designation of such Series and the denomination or denominations of the Bonds of such Series;

(3) The date, the maturity date or dates, the interest payment dates and the dates on which Sinking Fund Account Payments are due, if any, for such Series; provided, that (i) the Serial Bonds of such Series shall be payable as to principal on September 1 of each year in which principal of such Series falls due, and the Term Bonds of such Series shall be subject to mandatory redemption on September 1 of each year in which Sinking Fund Account Payments for such Series are due; (ii) the Bonds of such Series shall be payable as to interest semiannually on March 1 and September 1 of each year, except that the first installment of interest may be payable on either March 1 or September 1 and shall be for a period of not longer than twelve (12) months and the interest shall be payable thereafter semiannually on March 1 and September 1, (iii) all the Bonds of such Series of like maturity shall be identical in all respects, except

as to number or denomination, and (iv) serial maturities of Serial Bonds of such Series or Sinking Fund Account Payments for Term Bonds of such Series, or any combination thereof, shall be established to provide for the redemption or payment of the Bonds of such Series on or before their respective maturity dates;

(4) The redemption premiums and redemption terms, if any, for such Series;

(5) The form of the Bonds of such Series;

(6) The amount, if any, to be deposited from the proceeds of sale of such Series in the Bond Redemption Fund, and its use to pay interest on the Bonds of such Series;

(7) The amount, if any, to be deposited from the proceeds of sale of such Series in the Bond Reserve Fund; <u>provided</u>, that the Required Bond Reserve shall be satisfied at the time that such Series becomes Outstanding;

(8) The amount, if any, to be deposited from the proceeds of sale of such Series in the separate account for such Series to be maintained in the Costs of Issuance Fund; and

(9) Such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Master Indenture;

(b) No Event of Default under the Master Indenture or under any Supplemental Indenture shall have occurred and shall be then continuing;

(c) The Net Special Tax Revenues expected to be available to the City if the Special Tax were to be levied and collected at its maximum rate and amount on all Taxable Land in the Improvement Area during each Fiscal Year that any Bonds of such Series will be Outstanding, as shown by a written certificate of a special tax consultant selected by the City on file with the Trustee, would have produced a sum equal to at least 110% of the annual Debt Service during the Bond Year that begins in such Fiscal Year; and

(d) The Aggregate Value-to-Lien Ratio of all Taxable Land (excluding the Value of any parcels of Taxable Land then delinquent in the payment of any Special Tax) shall be at least 3:1, and the Allocable Value-to-Lien Ratio of all Unimproved Property (excluding the Value of any parcels of Taxable Land then delinquent in the payment of any Special Tax) shall be at least 3:1; and, for the purposes of this subparagraph (d), the term "Value" means either the current assessed valuation of a parcel of Taxable Land or the appraised value of a parcel of Taxable Land determined by an MAI appraiser, the term "Aggregate Value-to-Lien Ratio" means the ratio of the Value of all Taxable Land to the aggregate principal amount of all Bonds Outstanding and the Series proposed to be issued plus the aggregate principal amount of all Bonds Outstanding and the Series proposed to be issued and reasonably allocable to such Taxable Property, and the term "Allocable Value-to-Lien Ratio" means the ratio of the Value of all Unimproved Property to the principal amount of all Bonds Outstanding and the Series proposed to be issued and reasonably allocable to such Unimproved Property, plus the principal amount of all other assessment bonds of the Series proposed to be issued and reasonably allocable to such Unimproved Property, plus the principal amount of all other assessment bonds and bonds issued under the Act and reasonably allocable to such Unimproved Property, plus the principal amount of all other assessment bonds and bonds issued under the Act and reasonably allocable to such Unimproved Property, plus the principal amount of all other assessment bonds and bonds issued under the Act and reasonably allocable to such Unimproved Property, plus the principal amount of all other assessment bonds and bonds issued under the Act and reasonably allocable to such Unimproved Property.

Notwithstanding subparagraphs (c) and (d) described above, nothing contained in the Master Indenture shall limit the issuance of any Series payable from the Net Special Tax Revenues as provided therein if, after the issuance and delivery of such Series, either (i) none of the Bonds theretofore issued under the Master Indenture will be Outstanding or (ii) the Debt Service in each Bond Year that begins after the issuance of such Series is not increased by reason of the issuance of such Series.

## Deposit of Proceeds of the Special Tax in the Special Tax Fund; Pledge of Net Special Tax Revenues and Other Amounts

The City agrees and covenants that all proceeds of the Special Tax, when and as received, will be received and held by it in trust under the Master Indenture, and will be deposited as and when received in the "City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds Special Tax Fund," which fund is established in the treasury of the City and which fund the City agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding under the Master Indenture, and all such money in the Special Tax Fund shall be accounted for separately and apart from all other accounts, funds, money or other resources of the City, and shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Master Indenture. Subject only to the provisions of the Master Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, there are pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Master Indenture, all of the Net Special Tax Revenues received by or on behalf of the City and any other amounts held in the Special Tax Fund, the Bond Redemption Fund, and the Bond Reserve Fund. Such pledge constitutes a lien on and security interest in such assets and will attach, be perfected, and be valid and binding without any physical delivery or further act.

Notwithstanding anything to the contrary in the Master Indenture, as soon as practicable after the receipt by the City of any prepayment of the Special Tax, the Treasurer shall (i) deposit any component thereof representing the "Future Facilities Amount" (as defined in the Special Tax Formula) in the Acquisition and Construction Fund, (ii) deposit any component thereof representing the "Administrative Fees and Expenses" (as defined in the Special Tax Formula) in the Expense Fund, and (iii) transfer to the Trustee for deposit in the Bond Redemption Fund, any remaining amounts, for the extraordinary redemption of Bonds pursuant to the terms of any Supplemental Indenture. The respective amounts of the deposits and transfers described in clauses (i), (ii) and (iii) will be determined by the Treasurer.

#### Allocation of Money in the Special Tax Fund

All money in the Special Tax Fund shall be set aside by the Treasurer in the following respective funds and accounts (each of which funds and accounts the City agrees and covenants to maintain with the Treasurer or the Trustee, as the case may be, so long as any Bonds are Outstanding under the Master Indenture) in the following order of priority, and all money in each of such funds and accounts shall be applied, used and withdrawn only for the purposes authorized in the Master Indenture, namely:

(1) <u>City of Sacramento Delta Shores Community Facilities District No. 2019-01</u> (Improvements) Improvement Area No. 1 Special Tax Bonds Expense Fund (maintained by the Treasurer) (Priority Administrative Expenses Deposit). Promptly after the receipt of any proceeds of the Special Tax in a Fiscal Year, the Treasurer shall, from the money in the Special Tax Fund, transfer to and deposit in the Expense Fund a sum equal to the Priority Administrative Expenses for such Fiscal Year.

City of Sacramento Delta Shores Community Facilities District No. 2019-01 (2)(Improvements) Improvement Area No. 1 Special Tax Bonds Bond Redemption Fund (maintained by the <u>Trustee</u>). At least one Business Day prior to the first  $(1^{st})$  day in each March and September, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such March 1 or September 1, as the case may be, and at least one Business Day prior to the first (1<sup>st</sup>) day in September 1 in each year, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on such September 1 plus the Sinking Fund Account Payments required to be made on such September 1 into the Sinking Fund Account; provided, that all of the aforesaid payments shall be made without priority of any payment over any other payment, and in the event that the money in the Bond Redemption Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all Bonds on such date, or in the event that the money in the Bond Redemption Fund on any September 1 is not equal to the amount of principal of the Bonds becoming due on such date plus the amount of the Sinking Fund Account Payments becoming due on such date, as the case may be, then such money shall be applied pro rata in such proportion as such interest and principal and Sinking Fund Account Payments bear to each other; and provided further, that no deposit need be made into the Bond Redemption Fund on any such date to the extent of the amount of money contained therein and available to be used for the payment of interest and principal or Sinking Fund Account Payments due on such March 1 or September 1, as the case may be.

All money in the Bond Redemption Fund shall be used and withdrawn by the Trustee solely to pay the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity) plus the principal of and redemption premiums, if any, on the Bonds as they shall mature or upon the prior redemption thereof, except that any money in the Sinking Fund Account shall be used only to purchase or redeem or retire Term Bonds and any money deposited in the Bond Redemption Fund from the proceeds of a Series of Bonds to be used to pay interest on that Series of Bonds shall, subject to the terms of the Supplemental Indenture providing for the issuance of such Series of Bonds, be used only to pay interest on that Series of Bonds as provided in the Supplemental Indenture providing for the issuance of such Series of Bonds.

City of Sacramento Delta Shores Community Facilities District No. 2019-01 (3)(Improvements) Improvement Area No. 1 Special Tax Bonds Bond Reserve Fund (maintained by the <u>Trustee</u>). On or before the first  $(1^{st})$  day in September in each year, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Reserve Fund such amount of money as shall be required to restore the Bond Reserve Fund to an amount equal to the Required Bond Reserve; and for this purpose all investments in the Bond Reserve Fund shall be valued on or before September 1 of each year at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than twelve (12) months after the date of valuation, at the lesser of (i) the par value of such investments, or (ii) the price at which such investments are redeemable by the holder at his or her option, if so redeemable, or if not so redeemable, at the lesser of (i) the par value of such investments, or (ii) the market value of such investments; provided, that no deposit need be made into the Bond Reserve Fund if the amount contained therein is at least equal to the Required Bond Reserve. In making any valuations under the Master Indenture, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system and rely thereon.

Any money in the Bond Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of (i) paying the interest on or principal of the Bonds in the event there is insufficient money in the Bond Redemption Fund available for this purpose; (ii) reinstating the amount available under any municipal bond insurance policy, surety bond, or letter of credit held in satisfaction of all or a portion of the Required Bond Reserve (each a "Reserve Fund Credit Instrument"); or (iii) retiring Bonds, in whole or in part, to the extent that the amount on deposit in the Bond Reserve Fund exceeds the Required Bond Reserve due to a redemption or defeasance of Bonds; <u>provided</u>, that if as a result of any of the valuations required by the paragraph immediately above it is determined that the amount of money in the Bond Reserve Fund exceeds the Required Bond Reserve, the Trustee shall withdraw the amount of money representing such excess from such fund and shall deposit such amount of money in the Bond Redemption Fund.

(4) <u>City of Sacramento Delta Shores Community Facilities District No. 2019-01</u> (Improvements) Improvement Area No. 1 Special Tax Bonds Expense Fund (maintained by the Treasurer). On September 1 in each year, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Expense Fund a sum equal to the amount required by the City for the payment of budgeted Expenses during the twelve-month period beginning on such date, or to reimburse the City for the payment of unbudgeted Expenses during the prior twelve-month period, in each case, to the extent such Expenses were not already funded or reimbursed by a deposit of Priority Administrative Expenses as set out in subparagraph (1) above. All money in the Expense Fund shall be used and withdrawn by the Treasurer only for transfer to or for the account of the City to pay budgeted Expenses as provided in the Master Indenture, or to reimburse the City for the payment of unbudgeted Expenses as provided in the Master Indenture, or, at the option of the City, to pay interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money is available therefor.

All money remaining in the Special Tax Fund on September 1 of each year, after transferring all of the sums required to be transferred therefrom on or prior to such date by the provisions of the Master

Indenture as described above in paragraphs (1), (2), (3), and (4) of this section, shall be withdrawn from the Special Tax Fund by the Treasurer for and deposited in the "City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds Community Facilities Fund," which fund the City agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding under the Master Indenture, and all money in the Community Facilities Fund shall be used and withdrawn by the City solely for the benefit of the Community Facilities District in accordance with the Act; provided, that the Treasurer shall not make any such withdrawal of money in the Special Tax Fund if and when (to the Treasurer's actual knowledge) an Event of Default is then existing under the Master Indenture.

### **Covenants of the City**

<u>Punctual Payment and Performance</u>. The City will punctually pay the interest on and principal of and redemption premium, if any, to become due on every Bond issued under the Master Indenture in strict conformity with the terms of the Act and of the Master Indenture and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Master Indenture and in all Supplemental Indentures and in the Bonds required to be observed and performed by it.

<u>Against Indebtedness and Encumbrances</u>. The City will not issue any evidences of indebtedness payable from the Net Special Tax Revenues except as provided in the Master Indenture, and will not create, nor permit the creation of, any pledge, lien, charge or other encumbrance upon any money in the Special Tax Fund other than as provided in the Master Indenture; <u>provided</u>, that the City may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose of the Community Facilities District which are payable from any money in the Community Facilities Fund as may from time to time be deposited therein so long as any payments due thereunder shall be subordinate in all respects to the use of the Net Special Tax Revenues as provided in the Master Indenture.

#### Against Federal Income Taxation.

The City will not take any action, or fail to take any action, if such action or failure to (a) take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the City will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the City or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the City, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code; provided, that if the City shall obtain an opinion of nationally recognized bond counsel to the effect that any action required under the Master Indenture as described in this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the City may rely conclusively on such opinion in complying with the provisions of the Master Indenture. In the event that at any time the City is of the opinion that for purposes of the Master Indenture described in this section it is necessary to restrict or limit the yield on the investment of any money held by the Treasurer under the Master Indenture or otherwise the City shall so instruct the Treasurer in writing, and the Treasurer shall take such action as may be necessary in accordance with such instructions.

(b) Without limiting the generality of the foregoing, the City will pay from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect, which obligation shall survive payment in full or defeasance of the Bonds, and to that end, there is established in the treasury of the City a fund to be known as the "City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds Rebate Fund" to be held in trust and administered by the Treasurer. The City will comply with the provisions of each Tax Certificate with respect to making deposits in the Rebate Fund, and all money held in the Rebate Fund is pledged to provide payments to the United States of America as provided in each Tax Certificate.

(c) In connection with the issuance of a Series of Bonds, the City may exclude the application of the covenants contained in the Master Indenture as described under this caption to such Series of Bonds.

<u>Payment of Claims</u>. The City will pay and discharge any and all lawful claims which, if unpaid, might become payable from the Net Special Tax Revenues or any part thereof or upon any funds in the hands of the Treasurer or the Trustee allocated to the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, or which might impair the security of the Bonds.

<u>Protection of Security and Rights of Holders</u>. The City will preserve and protect the security of the Bonds and the rights of the Holders and will warrant and defend their rights against all claims and demands of all persons.

Levy and Collection of the Special Tax. The City, so long as any Bonds are Outstanding, will annually levy the Special Tax against all Taxable Land in the Improvement Area in accordance with the Special Tax Formula and, subject to the limitations in the Special Tax Formula and the Act, make provision for the collection of the Special Tax in amounts which will be sufficient, together with the money then on deposit in the Bond Redemption Fund or on deposit with the Trustee for transfer to the Bond Redemption Fund, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Master Indenture, and which in any event will be sufficient to pay the interest on and principal of and Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Fund (including reinstating the amount available under any Reserve Fund Credit Instrument, as contemplated in the Master Indenture) and to pay all current Expenses as they become due and payable in accordance with the provisions and terms of the Master Indenture. The Special Tax shall be collected in the same manner as ordinary ad valorem property taxes for the County of Sacramento are collected and, except as otherwise provided in the Master Indenture or by the Act, shall be subject to the same penalties and the same collection procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes.

<u>Foreclosure of Special Tax Liens</u>. The City will annually on or before October 1 of each year review the public records of the County of Sacramento relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against (a) all parcels that are delinquent in the payment of two installments of such Special Tax in such Fiscal Year and (b) all parcels that are delinquent in the payment of such Special Tax if the total amount so collected is less than ninety-five percent (95%) of the total amount of the Special Tax and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; <u>provided</u>, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Government Code of the State of California; and <u>provided further</u>, that the City shall not be obligated to enforce the lien of any delinquent installment from the County of Sacramento pursuant to the so-called "Teeter Plan."

<u>Continuing Disclosure</u>. The City will comply with and carry out all of the provisions of each continuing disclosure certificate or continuing disclosure agreement executed by the City in connection with the issuance of a Series of Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and notwithstanding any other provision hereof, failure of the City to comply with any continuing disclosure certificate or continuing disclosure agreement shall not be considered an Event of Default under the Master Indenture; <u>provided</u>, that any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Master Indenture as described in this paragraph.

<u>Further Assurances</u>. The City will adopt, deliver, execute, make and file any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Master Indenture and for the better assuring and confirming unto the Holders of the rights and benefits provided in the Master Indenture, including without limitation the filing of all financing statements, agreements, instruments or other documents in the forms and in the locations necessary to perfect and protect, and to

continue the perfection of, the pledge of the Net Special Tax Revenues provided in the Master Indenture to the fullest extent possible under applicable law of the State of California.

### Amendment of or Supplement to the Master Indenture

### Procedure for Amendment of or Supplement to the Master Indenture.

Amendment or Supplement With Consent of Holders. The Master Indenture and the (a) rights and obligations of the City and of the Holders may be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the City and the Trustee, which Supplemental Indenture shall become binding when the written consents of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Master Indenture, shall have been filed with the Trustee; provided, that no such amendment or supplement shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the City to pay the interest on or principal of or Sinking Fund Account Payment for or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency and from the funds provided in the Master Indenture without the express written consent of the Holder of such Bond, or (2) permit the issuance by the City of any obligations payable from the Net Special Tax Revenues on a parity with the Bonds other than as provided in the Master Indenture, or jeopardize the ability of the City to levy and collect the Special Tax, or (3) reduce the percentage of Bonds required for the written consent to any such amendment or supplement, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto. The written consent of the Holders of a Series of Bonds may be effected (a) through a consent by the underwriter of such Series of Bonds at the time of the issuance of such Series of Bonds and (b) through a provision of a Supplemental Indenture that deems any Holder purchasing such Series of Bonds to consent for purposes of the provisions of the Master Indenture described in this paragraph by virtue of its purchase of such Series of Bonds.

(b) <u>Amendment or Supplement Without Consent of Holders</u>. The Master Indenture and the rights and obligations of the City and of the Holders may also be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the City and the Trustee, which Supplemental Indenture shall become binding upon execution without the prior written consent of any Holders, but only for any one or more of the following purposes –

(i) To add to the agreements and covenants required in the Master Indenture to be performed by the City other agreements and covenants thereafter to be performed by the City which shall not (in the opinion of the City) adversely affect the interests of the Holders, or to surrender any right or power reserved in the Master Indenture to or conferred in the Master Indenture upon the City which shall not (in the opinion of the City) materially adversely affect the interests of the Holders;

(ii) To make such provisions for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained in the Master Indenture or in regard to questions arising under the Master Indenture which the City may deem desirable or necessary and not inconsistent with the Master Indenture and which shall not (in the opinion of the City) materially adversely affect the interests of the Holders;

(iii) To authorize the issuance under the Act and under the Master Indenture of a Series and to provide the conditions and terms under which such Series may be issued, subject to and in accordance with the provisions of the Master Indenture;

(iv) To authorize the issuance under and subject to the Act of any refunding bonds for any of the Bonds and to provide the conditions and terms under which such refunding bonds may be issued, subject to and in accordance with the provisions of the Master Indenture;

(v) To make such additions, deletions or modifications as may be necessary or appropriate to insure compliance with Section 148(f) of the Code relating to the required rebate of excess investment earnings to the United States of America, or otherwise as may be necessary to insure the exclusion from

gross income for purposes of federal income taxation of the interest on the Bonds or the exemption of such interest from State of California personal income taxes;

(vi) To make such additions, deletions or modifications as may be necessary or appropriate to maintain any then current rating on the Bonds;

(vii) To permit the qualification of the Master Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by that act or similar federal statute and which shall not (in the opinion of the City) materially adversely affect the interests of the Holders; and

(viii) For any other purpose that does not (in the opinion of the City) materially adversely affect the interests of the Holders.

<u>Disqualified Bonds</u>. Bonds owned or held for the account of the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in the Master Indenture, and shall not be entitled to consent to or take any other action provided therein.

Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as provided in the Master Indenture, the City may determine that the Bonds may bear a notation by endorsement in form approved by it as to such action, and in that case upon demand of the Holder of any Bond Outstanding on such effective date and presentation of his Bond for such purpose at the Principal Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the City shall so determine, new Bonds so modified as, in the opinion of the City, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Bond Outstanding on such effective date such new Bonds shall, upon surrender of such Outstanding Bonds, be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Holder, for Bonds then Outstanding.

<u>Amendment or Supplement by Mutual Consent</u>. The provisions of the Master Indenture shall not prevent any Holder from accepting any amendment or supplement as to any particular Bonds held by him; <u>provided</u>, that due notation thereof is made on such Bonds.

### **Events of Default and Remedies**

Events of Default and Remedies of Holders. If one or more of the following events (herein "Events of Default") shall happen, that is to say --

(a) if default shall be made by the City in the due and punctual payment of any interest on or principal of or Sinking Fund Account Payment for any of the Bonds when and as the same shall become due and payable, whether at maturity, by proceedings for redemption or otherwise;

(b) if default shall be made by the City in the observance or performance of any of the other agreements or covenants contained in the Master Indenture required to be observed or performed by it, and such default shall have continued for a period of thirty (30) days after the City shall have been given notice in writing of such default by the Trustee; or

(c) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then in each and every such case during the continuance of such Event of Default the Trustee may take the following remedial steps --

(a) by mandamus or other suit or proceeding at law or in equity to compel the City Council or the City or any of the officers or employees of the City to perform each and every term, provision and covenant contained in the Master Indenture and in the Bonds and carry out their duties under the Act and the agreements and covenants with the Holders contained in the Master Indenture;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Holders; or

(c) by suit in equity upon the nonpayment of the Bonds to require the City Council or the City or its officers and employees to account as the trustee of an express trust.

<u>Application of Net Special Tax Revenues After Default</u>. If an Event of Default shall occur and be continuing, all Net Special Tax Revenues thereafter received by the City shall be immediately transferred to the Trustee and the Trustee shall apply all Net Special Tax Revenues and any other funds thereafter received by the Trustee under any of the provisions of the Master Indenture as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds, including the costs and expenses of the Trustee and the Holders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Master Indenture.

(b) To the payment of the principal of and interest and premium, if any, then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Master Indenture, as follows:

<u>First</u>: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the persons entitled thereto of the unpaid principal (including Sinking Fund Account Payments) of and redemption premium, if any, on the Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal of and premium, if any, due on such date to the persons entitled thereto, without any discrimination or preference.

(c) Any remaining amounts shall be transferred by the Trustee to the City for deposit in the Special Tax Fund.

<u>Trustee to Represent Holders</u>. The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Master Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Holders, the Trustee in its discretion may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Master Indenture, or in aid of the execution

of any power granted in the Master Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Master Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Net Special Tax Revenues and other amounts and assets pledged under the Master Indenture, pending such proceedings. All rights of action under the Master Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Master Indenture.

<u>Holders' Direction of Proceedings</u>. Anything in the Master Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnifying the Trustee to its satisfaction therefor, to direct the method of conducting all remedial proceedings taken by the Trustee under the Master Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Master Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction.

Limitation on Holders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Master Indenture, the Act or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Master Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Master Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by such Holder's or Holders' action to affect, disturb or prejudice the security of the Master Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Master Indenture, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Master Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Master Indenture and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Master Indenture.

<u>Absolute Obligation of the City</u>. Nothing in the Master Indenture, or in the Bonds, contained shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and redemption premium, if any, and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Master Indenture, but only out of the Net Special Tax Revenues and other assets pledged in the Master Indenture therefor, and not otherwise, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

<u>Termination of Proceedings</u>. In case any proceedings taken by the Trustee or any one or more Holders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Holders, then in every such case the City, the Trustee and the Holders, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Master Indenture, severally and respectively, and all rights, remedies, powers and duties of the City, the Trustee and the Holders shall continue as though no such proceedings had been taken.

<u>Remedies Not Exclusive</u>. No remedy conferred in the Master Indenture upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such

remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Master Indenture or now or hereafter existing at law or in equity or otherwise.

<u>No Waiver of Default</u>. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Master Indenture to the Trustee or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

### Defeasance

### Discharge of the Bonds.

(a) If the City shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated therein and in the Master Indenture, then all agreements, covenants and other obligations of the City to the Holders of such Bonds under the Master Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the City for deposit in the Community Facilities Fund all money or securities held by it pursuant to the Master Indenture which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall on the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the immediately preceding paragraph if there shall be on deposit with the Trustee money which is sufficient to pay the interest due on such Bonds on such date and the principal and redemption premiums, if any, due on such Bonds on such date.

Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be (c) deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, notice of redemption shall have been given as provided in the Master Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, (2) there shall have been deposited with an escrow agent or the Trustee either (x) money in an amount which shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be or (y) Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with such escrow agent or the Trustee at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by an Accountant's Report on file with the City and the Trustee in the case of a deposit pursuant to the Master Indenture as described in clause (y) of this paragraph, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have instructed the Trustee to mail pursuant to the Master Indenture a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with such escrow agent or the Trustee and that such Bonds are deemed to have been paid in accordance with the provisions of the Master Indenture described in this section and stating the maturity dates or redemption dates, as the case may be, upon which money will be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

### Miscellaneous

Liability of City Limited to Net Special Tax Revenues and Certain Other Funds. Notwithstanding anything contained in the Master Indenture, the City shall not be required to advance any money derived from any source of

income other than the Net Special Tax Revenues and the other funds provided in the Master Indenture for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds.

<u>Waiver of Personal Liability</u>. No member of the City Council or officer or employee of the City shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, but nothing in the Master Indenture shall relieve any member of the City Council or officer or employee of the City from the performance of any official duty provided by the Master Indenture or by the Act or by any other applicable provisions of law.

Execution in Counterparts; Electronic Signatures. The Master Indenture and the First Supplemental Indenture may each be executed in several counterparts, each of which shall be deemed an original, and all of which, for each respective document, shall constitute but one and the same instrument. Each of the parties to the Master Indenture and the First Supplemental Indenture agrees that the transaction consisting of such agreement may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent, that if such party signs such agreement using an electronic signature, it is signing, adopting, and accepting that agreement and that signing such agreement on paper. Each party acknowledges that it is being provided with an electronic or paper copy of such agreement in a usable format.

<u>Governing Law</u>. The Master Indenture shall be governed by and construed and interpreted in accordance with the laws of the State of California.

## **APPENDIX G**

### FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE CITY

This Continuing-Disclosure Certificate, dated as of December 1, 2024 (this "Certificate"), is executed and delivered by the City of Sacramento, a California municipal corporation (the "Issuer"), in connection with the issuance of the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds, Series 2024 (the "Bonds"). The Bonds are being issued under Resolution No. 2024-0338 adopted by the Sacramento City Council on November 19, 2024, and a Master Indenture, dated as of December 1, 2024, as supplemented by a First Supplemental Indenture dated as of December 1, 2024 (collectively, the "Indenture"), each between the Issuer and Zions Bancorporation, National Association, as trustee (the "Trustee").

The Issuer hereby covenants as follows:

- 1. **Purpose of this Certificate**. This Certificate is being executed and delivered for the benefit of the Holders and Beneficial Owners of the Bonds and to assist the Participating Underwriter in complying with the Rule.
- 2. **Definitions.** In addition to the definitions set forth in the Indenture and the Rate and Method of Apportionment, which apply to any capitalized term used in this Certificate unless otherwise defined in this section 2, the following capitalized terms have the following meanings:
  - "Annual Report" means any annual report that meets the criteria in section 4 and is provided by the Issuer under section 3.
  - "*Beneficial Owner*" means any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including a person holding Bond through a nominee, depository, or other intermediary); or (b) is treated as the owner of any Bond for federal income-tax purposes.
  - "Business Day" means any day the Issuer's offices at 915 I Street, Sacramento, California, are open to the public.
  - "*Dissemination Agent*" initially means the Issuer, and thereafter it means any successor Dissemination Agent the Issuer designates in writing.
  - "*District*" means the Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California.
  - "*EMMA*" means the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at emma.msrb.org, or any other repository of disclosure information the Securities and Exchange Commission may designate in the future.
  - *"Fiscal Year"* means the Issuer's fiscal year, which begins on July 1 and ends the following June 30.
  - "Improvement Area No. 1" means Improvement Area No. 1 of the District.
  - *"Listed Events*" means any of the events listed in section 5(a) below.
  - "*MSRB*" means the Municipal Securities Rulemaking Board.

- "Official Statement" means the Issuer's official statement with respect to the Bonds.
- "Participating Underwriter" means Stifel, Nicolaus & Company, Incorporated.
- "*Rate and Method of Apportionment*" means the Amended and Restated Rate and Method of Apportionment of Special Tax for Improvement Area No. 1 approved by the Resolution of Formation.
- "*Resolution of Formation*" means the Resolution adopted by the Sacramento City Council on September 24, 2019, and designated as Resolution No. 2019-0371, the Resolution of Change adopted by the Sacramento City Council on February 1, 2022, and designated as Resolution No. 2022-0036 by which the City undertook change proceedings with respect to the District and Improvement Area No. 1 of the District, and the Resolution Interpreting the Rate and Method of Apportionment adopted by the Sacramento City Council on February 7, 2023, and designated as Resolution No. 2023-0030, by which the City made certain interpretations and corrections to Exhibit 1 of the Rate and Method of Apportionment.
- *"Rule"* means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.
- "*Tax-exempt*" means that interest on the Bonds is excluded from gross income for federal income-tax purposes, whether or not the interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

# 3. **Provision of Annual Reports**.

- (a) Beginning with the Fiscal Year ending June 30, 2024, the Issuer shall provide to EMMA, or shall cause the Dissemination Agent to provide to EMMA, not later than March 31 after the end of the Fiscal Year, an Annual Report that is consistent with the requirements of section 4 of this Certificate. If the Dissemination Agent is other than the Issuer, then the Issuer shall provide the Annual Report to the Dissemination Agent, in a form suitable for filing with EMMA, not later than 15 business days before the date specified in the prior sentence for providing the Annual Report to EMMA. The Annual Report may be submitted as a single document or as separate documents composing a package and may include by reference other information as provided in section 4 of this Certificate, except that the Issuer's audited financial statements may be submitted separately from, and later than, the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.
- (b) If the Dissemination Agent is an entity other than the Issuer, then the provisions of this section 3(b) will apply. The Issuer shall provide the Annual Report to the Dissemination Agent not later than 15 Business Days before the date specified in section 3(a) for providing the Annual Report to EMMA. If the Dissemination Agent has not received a copy of the Annual Report by the 15<sup>th</sup> Business Day before the date for providing the Annual Report, then the Dissemination Agent shall contact the Issuer to determine if the Issuer will be filing the Annual Report in compliance with section 3(a). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that the Annual Report constitutes the Annual Report required to be furnished by it under this Certificate. The Dissemination Agent may conclusively rely upon the Issuer's certification and will have no duty or obligation to review the Annual Report.

- (c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in section 3(a), then the Dissemination Agent shall send a notice in a timely manner to EMMA, in the form required by EMMA.
- (d) If the Dissemination Agent is other than the Issuer, then the Dissemination Agent shall—
  - (1) determine each year, before the date for providing the Annual Report, the name and address of the repository if other than the MSRB through EMMA; and
  - (2) file a report with the Issuer, promptly after receipt of the Annual Report, certifying that the Annual Report has been provided to EMMA and the date it was provided.
- (e) Notwithstanding any other provision of this Certificate, all filings must be made in accordance with the EMMA system or in another manner approved under the Rule.
- 4. **Content of Annual Reports.** The first Annual Report due on March 31, 2025 shall consist of the Official Statement and the Issuer's audited financial statements as described in Section 4(a) below. Thereafter, the Annual Reports shall contain or incorporate by reference the following:
  - (a) *Financial Statements*. The Issuer's audited financial statements for the most recent Fiscal Year then ended. If audited financial statements are not available by the time the Annual Report is required to be filed by Section 3, then the Annual Report must contain unaudited financial statements, and the audited financial statements must be filed in the same manner as the Annual Report when they become available.
  - (b) *Financial and Operating Data*. The Annual Report must contain or incorporate by reference the following information except to the extent the information is included in the Issuer's audited financial statements or in a report to the California Debt and Investment Advisory Commission that has been uploaded to EMMA:
    - (1) Balances in each of the following funds established under the Indenture as of the close of the prior fiscal year:
      - (A) The Bond Redemption Fund (with a statement of the debt-service requirement to be discharged by the fund before the receipt of expected additional Special Tax revenue, *i.e.*, the Debt Service due on the following September 1).
      - (B) The Bond Reserve Fund.
    - (2) The aggregate land assessed valuation and the aggregate improvement assessed valuation of the Taxable Property within Improvement Area No. 1 for the current Fiscal Year.
    - (3) A statement of the actual Special Tax collections and delinquencies for Improvement Area No. 1 for the prior Fiscal Year.
    - (4) An update of the information in Table 3 of the Official Statement based on the assessed valuation of the Taxable Property within Improvement Area No. 1 for the current Fiscal Year, except that the information with respect to overlapping land-secured debt need not be included.
    - (5) The following information (to the extent that it is no longer reported in the City's annual filings with the California Debt and Investment Advisory Commission regarding the Bonds):

- (A) The Required Bond Reserve for the prior Fiscal Year.
- (B) A statement as to the status of any foreclosure actions with respect to delinquent payments of the Special Tax.
- (C) A statement of any discontinuance of the County's Teeter Plan with respect to any Taxable Parcel.
- (c) Any or all of the items listed in section 4(a) or 4(b) may be included by specific reference to other documents (including official statements of debt issues of the Issuer or related public entities) that have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available through EMMA. The Issuer shall clearly identify each document included by reference.

## 5. **Reporting of Significant Events**.

- (a) The Issuer shall give or cause the Dissemination Agent to give notice to the MSRB, through EMMA, not more than ten Business Days after the occurrence of any of the following events with respect to the Bonds:
  - (1) Principal and interest payment delinquencies.
  - (2) Unscheduled draws on debt-service reserves reflecting financial difficulties.
  - (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
  - (4) Substitution of credit or liquidity providers, or their failure to perform.
  - (5) Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds.
  - (6) Defeasances.
  - (7) Tender offers.
  - (8) Bankruptcy, insolvency, receivership, or similar proceedings.
  - Note: For the purposes of the event identified in section 5(a)(8), the event is considered to occur when any of the following occur: if a receiver, fiscal agent, or similar officer is appointed for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer; or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority; or if an order confirming a plan of reorganization, arrangement, or liquidation is entered by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.
  - (9) Ratings changes.

- (10) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.
- (b) Additionally, the Issuer shall give or cause the Dissemination Agent to give notice to the MSRB, through EMMA, not more than ten Business Days after the occurrence of any of the following events with respect to the Bonds, if material:
  - (1) Unless described in section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds.
  - (2) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business; the entry into a definitive agreement to undertake such an action; or the termination of a definitive agreement relating to any such actions, other than under its terms.
  - (3) Appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent.
  - (4) Nonpayment related defaults.
  - (5) Modifications to the rights of Bondholders.
  - (6) Bond calls.
  - (7) Release, substitution, or sale of property securing repayment of the Bonds.
  - (8) Incurrence of a financial obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect Bondholders.
- (c) For purposes of the events identified in section 5(a)(10) or 5(b)(8), "financial obligation" means a (1) debt obligation; (2) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (1) or (2). "Financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.
- (d) If the Issuer's Fiscal Year changes, then the Issuer shall report or shall instruct the Dissemination Agent to report the change in the same manner and to the same parties as Listed Event would be reported under this section 5.
- (e) The undertaking set forth in this Certificate is the Issuer's responsibility. The Dissemination Agent, if other than the Issuer, is not responsible for determining whether the Issuer's instructions to the Dissemination Agent under this section 5 comply with the Rule.
- 6. **Termination of Reporting Obligation.** The obligations of the Issuer and the Dissemination Agent under this Certificate terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If termination occurs before the final maturity of the Bonds, then the Issuer shall give notice of the termination in the same manner as for a Listed Event under section 5.

7. **Dissemination Agent.** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Issuer will be the initial Dissemination Agent. The Dissemination Agent may resign by providing 30-days' advance written notice to the Issuer, with the resignation effective upon appointment of a new Dissemination Agent.

# 8. Amendment.

- (a) The parties may amend this Certificate by written agreement of the parties without the consent of the Holders, and any provision of this Certificate may be waived, if all of the following conditions are satisfied:
  - (1) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature, or status of the Issuer or the type of business the Issuer conducts.
  - (2) The undertakings in this Certificate as so amended or waived would have complied, in the opinion of a nationally recognized bond counsel, with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule as well as any change in circumstances.
  - (3) The amendment or waiver either (A) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders or (B) does not, in the determination of the Issuer, materially impair the interests of the Holders or Beneficial Owners of the Bonds.
- (b) To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided under this Certificate, the first Annual Report provided after the change must include a narrative explanation of the reasons for the amendment and the effect of the change on the type of operating data or financial information being provided.
- (c) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made must present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison must include both a quantitative discussion and, to the extent reasonably feasible, a qualitative discussion of the differences in the accounting principles and the effect of the change in the accounting principles on the presentation of the financial information.
- 9. Additional Information. This Certificate does not prevent the Issuer (a) from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication; or (b) from including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that required by this Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that specifically required by this Certificate, then the Issuer will have no obligation under this Certificate to update the information or include it in any future Annual Report or notice of occurrence of a Listed Event.
- 10. **Default.** If the Issuer or the Dissemination Agent fails to comply with any provision of this Certificate, then any Holder or Beneficial Owner of the Bonds may take any necessary and appropriate actions, including seeking mandate or specific performance by court order, to cause the Issuer and the Dissemination Agent to comply with their obligations under this Certificate. A default under this Certificate will not be an Event of Default under the Indenture, and the sole remedy under this Certificate

in the event of any failure of the Issuer or the Dissemination Agent to comply with this Certificate is an action to compel performance.

# 11. Duties, Immunities, and Liabilities of Dissemination Agent.

- (a) Where an entity other than the Issuer is acting as the Dissemination Agent, the Dissemination Agent will have only the duties expressly set forth in this Certificate, and the Issuer shall indemnify and save the Dissemination Agent and its officers, directors, employees, and agents harmless against all losses, expenses, and liabilities that arise out of, or in the exercise or performance of, their powers and duties under this Certificate, including reasonable attorney's fees and other expenses of defending against any claim of liability, but excluding losses, expenses, and liabilities due to the Dissemination Agent's negligence or willful misconduct.
- (b) Except as provided in section 11(a), the Issuer shall pay any Dissemination Agent (1) compensation for its services provided under this Certificate in accordance with an agreed-upon schedule of fees; and (2) all expenses, legal fees, and advances made or incurred by the Dissemination Agent in the performance of its duties under this Certificate.
- (c) The Dissemination Agent has no duty or obligation to review any information the Issuer provides to it under this Certificate. The Issuer's obligations under this section 11 will survive the Dissemination Agent's resignation or removal and payment of the Bonds. No person has any right to commence any action against the Dissemination Agent for any remedy other than specific performance of this Certificate. The Dissemination Agent is not liable under any circumstances for monetary damages to any person for any breach under this Certificate.
- 12. **Beneficiaries.** This Certificate inures solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, and Holders and Beneficial Owners from time to time of the Bonds, and it creates no rights in any other person or entity.
- 13. **Merger.** Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business will be the successor Dissemination Agent without the filing of any paper or any further act.
- 14. Effective Date. This Certificate is effective as of the date and year set forth above in the preamble.

CITY OF SACRAMENTO

By:\_\_\_

John P. Colville Jr., City Treasurer

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## **APPENDIX H**

## FORM OF CONTINUING DISCLOSURE CERTIFICATES OF THE DEVELOPERS

# CONTINUING DISCLOSURE CERTIFICATE (M&H Realty Partners VI, L.P.)

This Continuing Disclosure Certificate (M&H Realty Partners VI, L.P.) (this "Disclosure Certificate") is executed and delivered by M&H Realty Partners VI, L.P., a California limited partnership (the "Property Owner"), in connection with the issuance by the City of Sacramento (the "City") of the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds, Series 2024 (the "Bonds"). The Bonds are being issued pursuant to Resolution No. 2024-0338 adopted by the Sacramento City Council on November 19, 2024, and a Master Indenture, dated as of December 1, 2024 as supplemented by a First Supplemental Indenture dated as of December 1, 2024, each by and between the City and Zions Bancorporation, National Association, as trustee (the "Trustee") (collectively, the "Indenture"). The Property Owner covenants and agrees as follows:

Section 1. <u>Purpose of the Disclosure Certificate</u>. This Disclosure Certificate is being executed and delivered by the Property Owner for the benefit of the holders and beneficial owners of the Bonds.

Section 2. <u>Definitions</u>. In addition to the definitions set forth above and herein, and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

*"Affiliate"* means any person presently directly (or indirectly through one or more intermediaries) under managerial control of the Property Owner, and about whom information could be material to potential investors in their investment decision regarding the Bonds (including without limitation information relevant to the proposed development of the Property or to the Property Owner's ability to pay the Special Taxes levied on the Property prior to delinquency).

"Dissemination Agent" means the Property Owner or an entity experienced in providing dissemination agent services such as those required under this Disclosure Certificate designated by the Property Owner to serve as the Dissemination Agent hereunder and who has accepted such obligation in writing, and for which the Property Owner has filed with the City and the Participating Underwriter notice of such designation and acceptance.

"*District*" means City of Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California.

"Improvement Area No. 1" means Improvement Area No. 1 of the District.

"Listed Events" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"*Official Statement*" means the final Official Statement dated December 4, 2024, executed by the City in connection with the issuance of the Bonds.

"Participating Underwriter" means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds.

"*Property*" means, as of the date of determination, the property owned by the Property Owner or any Affiliate in Improvement Area No. 1 of the District.

"*Report Date*" means (a) March 31 of each year, and (b) September 30 of each year.

"Semi-Annual Report" means any Semi-Annual Report provided by the Property Owner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Special Taxes" means the special taxes of the District levied by the City on the Property in Improvement Area No. 1.

## Section 3. <u>Provision of Semi-Annual Reports.</u>

(a) Until such obligations are terminated pursuant to Section 7 herein, the Property Owner shall, or upon written direction of the Property Owner the Dissemination Agent shall, not later than the Report Date, commencing March 31, 2025, provide to the MSRB, in an electronic format as prescribed by the MSRB, a Semi-Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Participating Underwriter and the City. Not later than 15 calendar days prior to the Report Date, the Property Owner shall provide the Semi-Annual Report to the Dissemination Agent (if different from the Property Owner). The Property Owner shall provide a written certification with (or included as a part of) each Semi-Annual Report furnished to the Dissemination Agent (if different from the Property Owner), the Participating Underwriter and the City to the effect that such Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Participating Underwriter, and the City may conclusively rely upon such certification of the Property Owner and shall have no duty or obligation to review the Semi-Annual Report. The Semi-Annual Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent is not the Property Owner and it does not receive a Semi-Annual Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Owner that the Semi-Annual Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Owner to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 7 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Property Owner does not provide, or cause the Dissemination Agent to provide, a Semi-Annual Report to the MSRB by the Report Date as required in subsection (a) above, the Dissemination Agent shall provide a notice to the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the City and the Participating Underwriter.

(c) The Dissemination Agent shall:

(i) determine prior to each Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of continuing disclosure reports; and

(ii) to the extent the Semi-Annual Report has been furnished to it, file a report with the Property Owner (if the Dissemination Agent is other than the Property Owner), the City, and the Participating Underwriter certifying that the Semi-Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. <u>Content of Semi-Annual Reports</u>. Each Semi-Annual Report shall contain or incorporate by reference the information required under this Section 4, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Property Owner or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The Property Owner shall clearly identify each such other document so included by reference:

(a) An update, if any, of the status of acquisition of property in Village LDR-2 by Meritage Homes of California, Inc., a California corporation.

(b) An update, if any, of the remaining infrastructure to be completed by the Property Owner within Improvement Area No. 1.

(c) An update of the proposed development of the property in Improvement Area No. 1, that is located north of Cosumnes River Boulevard, including, but not limited to, any pending or actual sale of such property or any agreement entered into by the Property Owner to develop such property.

In addition to any of the information expressly required to be provided in this Section 4, each Semi-Annual Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. <u>Reporting of Significant Events</u>.

(a) Until such obligations are terminated pursuant to Section 7 herein, the Property Owner shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to itself or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Property Owner and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Owner;

(ii) failure to pay any Special Taxes due with respect to the Property prior to the delinquency date, to the extent such failure is not promptly cured by the Property Owner upon discovery thereof;

(iii) filing of a lawsuit against the Property Owner or, if known, an Affiliate of the Property Owner, seeking damages which, if successful, could have a material and adverse impact on the Property Owner's ability to pay Special Taxes prior to delinquency or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property; and

(v) any payment default or other material default by the Property Owner that continues to exist beyond any applicable notice and cure periods on any loan with respect to the construction of improvements on the Property.

(b) Whenever the Property Owner obtains knowledge of the occurrence of a Listed Event, the Property Owner shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Property Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Property Owner shall, or shall cause the Dissemination

Agent to, within 10 business days file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the City and the Participating Underwriter.

Section 6. <u>Identifying Information for Filings with the MSRB</u>. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. <u>Duration of Reporting Obligation</u>. All of the Property Owner's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 12) on the earliest to occur of the following:

(a) upon the legal defeasance, prior redemption or payment in full of all the Bonds, or

(b) the date on which the property in Improvement Area No. 1 that is located north of Cosumnes River Boulevard has either been conveyed to a third-party or, if the Property Owner has entered into an agreement with a third-party to develop such property, the date on which a building permit for vertical construction on such property has been obtained, or

(c) the date on which all of the Special Taxes attributable to the Property are prepaid in

The Property Owner shall give notice of the termination of its obligations under this Disclosure Certificate in the same manner as for a Listed Event under Section 5.

full.

Section 8. <u>Dissemination Agent</u>. The Property Owner may, from time to time, with the written consent of the City, appoint or engage a Dissemination Agent to assist the Property Owner in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with the written consent of the City, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Property Owner. The Dissemination Agent may resign by providing 30 days' written notice to the District, the Property Owner, the City, and the Participating Underwriter.

Section 9. <u>Amendment; Waiver</u>. Notwithstanding any other provision of this Disclosure Certificate, the Property Owner may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(a) if the amendment or waiver relates to the provisions of sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, or change in law;

(b) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

Section 10. <u>Additional Information</u>. Nothing in this Disclosure Certificate shall be deemed to prevent the Property Owner from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Semi-Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Property Owner chooses to include any information in any Semi-Annual Report or notice of a Listed Event in addition to that which is possible vertice.

Certificate, the Property Owner shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semi-Annual Report or notice of occurrence of a Listed Event.

Section 11. <u>Default</u>. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Certificate, the Participating Underwriter, the City, and any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Property Owner to comply with its obligations under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Property Owner to comply with this Disclosure Certificate shall be an action to compel performance.

Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Section 12. Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Property Owner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding any loss, expense and liabilities due to the Dissemination Agent's negligence or willful misconduct or failure to perform its duties hereunder. If the Dissemination Agent is not the Property Owner, the Dissemination Agent shall be paid compensation for its services provided hereunder by the Property Owner in accordance with the Dissemination Agent's schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Property Owner, the Participating Underwriter, the Bond owners, or any other party. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. <u>Notices</u>. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given by regular, overnight, or electronic mail as follows:

To the issuer:	City of Sacramento
	Historic City Hall
	915 I Street, 3rd Floor
	Sacramento, California 95814
	Attn: City Treasurer
	Email: CTO_Debt@cityofsacramento.org
	Email: bwong@cityofsacramento.org
To the Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated
	One Montgomery Street, Suite 3700
	San Francisco, CA 94014
	Attn: Eileen Gallagher
	Email: egallagher@stifel.com
To the Property Owner:	M&H Realty Partners VI, L.P.
	425 California Street, 10th Floor
	San Francisco, CA 94104
	Attention: Managing Partner (301)

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. <u>Beneficiaries</u>. This Disclosure Certificate shall inure solely to the benefit of the City, the Property Owner (its successors and assigns), the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Property Owner hereunder shall be assumed by any legal successor to the obligations of the Property Owner as a result of a sale, merger, consolidation or other reorganization.

Date: December 19, 2024

M&H REALTY PARTNERS, VI, L.P., a California limited partnership

By:

Name:

Title:

## CONTINUING DISCLOSURE CERTIFICATE (KB HOME Sacramento Inc.)

This Continuing Disclosure Certificate (KB HOME Sacramento Inc.) (this "**Disclosure Certificate**") is executed and delivered by KB HOME Sacramento Inc., a California corporation (the "**Property Owner**"), in connection with the issuance by the City of Sacramento (the "**City**") of the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds, Series 2024 (the "**Bonds**"). The Bonds are being issued pursuant to Resolution No. 2024-0338 adopted by the Sacramento City Council on November 19, 2024, and a Master Indenture, dated as of December 1, 2024 as supplemented by a First Supplemental Indenture dated as of December 1, 2024, each by and between the City and Zions Bancorporation, National Association, as trustee (the "**Trustee**") (collectively, the "**Indenture**"). The Property Owner covenants and agrees as follows:

Section 1. <u>Purpose of the Disclosure Certificate</u>. This Disclosure Certificate is being executed and delivered by the Property Owner for the benefit of the holders and beneficial owners of the Bonds.

Section 2. <u>Definitions</u>. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

*"Affiliate"* means any person presently directly (or indirectly through one or more intermediaries) under managerial control of the Property Owner, and about whom information could be material to potential investors in their investment decision regarding the Bonds (including without limitation information relevant to the proposed development of the Property or to the Property Owner's ability to pay the Special Taxes levied on the Property prior to delinquency). For purposes of this Disclosure Certificate, any entities formed by the Property Owner for purposes of development of property in Improvement Area No. 1 shall be an Affiliate.

"Dissemination Agent" means the Property Owner or an entity experienced in providing dissemination agent services such as those required under this Disclosure Certificate designated by the Property Owner to serve as the Dissemination Agent hereunder and who has accepted such obligation in writing, and for which the Property Owner has filed with the City and the Participating Underwriter notice of such designation and acceptance.

"District" means City of Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California.

"Improvement Area No. 1" means Improvement Area No. 1 of the District.

"Listed Events" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"*Official Statement*" means the final Official Statement dated December 4, 2024, executed by the City in connection with the issuance of the Bonds.

"Participating Underwriter" means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds.

"*Property*" means (i) the property owned by the Property Owner or any Affiliate in Improvement Area No. 1 of the District.

"*Report Date*" means (a) June 15 of each year, and (b) December 15 of each year.

"Semi-Annual Report" means any Semi-Annual Report provided by the Property Owner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Special Taxes" means the special taxes of the District levied by the City on the Property.

## Section 3. Provision of Semi-Annual Reports.

(a) Until such obligations are terminated pursuant to Section 7 herein, the Property Owner shall, or upon written direction of the Property Owner the Dissemination Agent shall, not later than the Report Date, commencing June 15, 2025, provide to the MSRB, in an electronic format as prescribed by the MSRB, a Semi-Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Participating Underwriter and the City. Not later than 15 calendar days prior to the Report Date, the Property Owner shall provide the Semi-Annual Report to the Dissemination Agent (if different from the Property Owner). The Property Owner shall provide a written certification with (or included as a part of) each Semi-Annual Report furnished to the Dissemination Agent (if different from the Property Owner), the Participating Underwriter and the City to the effect that such Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Participating Underwriter, and the City may conclusively rely upon such certification of the Property Owner and shall have no duty or obligation to review the Semi-Annual Report. The Semi-Annual Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent is not the Property Owner and it does not receive a Semi-Annual Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Owner that the Semi-Annual Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Owner to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 7 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Property Owner does not provide, or cause the Dissemination Agent to provide, a Semi-Annual Report to the MSRB by the Report Date as required in subsection (a) above, the Dissemination Agent shall provide a notice to the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the City and the Participating Underwriter.

(c) The Dissemination Agent shall:

(i) determine prior to each Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of continuing disclosure reports; and

(ii) to the extent the Semi-Annual Report has been furnished to it, file a report with the Property Owner (if the Dissemination Agent is other than the Property Owner), the City, and the Participating Underwriter certifying that the Semi-Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. <u>Content of Semi-Annual Reports</u>. Each Semi-Annual Report shall contain or incorporate by reference the information required under this Section 4, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Property Owner or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities

and Exchange Commission. The Property Owner shall clearly identify each such other document so included by reference:

(a) An update to the information in Tables 1 and 2 of the Official Statement, which for purposes of the Semi-Annual Reports, such tables may be combined into a single table for the Property Owner's product lines in the Improvement Area.

In addition to any of the information expressly required to be provided in this Section 4, each Semi-Annual Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

## Section 5. <u>Reporting of Significant Events</u>.

(a) Until such obligations are terminated pursuant to Section 7 herein, the Property Owner shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to itself or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Property Owner and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Owner;

(ii) failure to pay any Special Taxes due with respect to the Property prior to the delinquency date, to the extent such failure is not promptly cured by the Property Owner upon discovery thereof;

(iii) filing of a lawsuit against the Property Owner or, if known, an Affiliate of the Property Owner, seeking damages which, if successful, could have a material and adverse impact on the Property Owner's ability to pay Special Taxes prior to delinquency or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property; and

(v) any payment default or other material default by the Property Owner that continues to exist beyond any applicable notice and cure periods on any loan with respect to the construction of improvements on the Property.

(b) Whenever the Property Owner obtains knowledge of the occurrence of a Listed Event, the Property Owner shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Property Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Property Owner shall, or shall cause the Dissemination Agent to, within 10 business days file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the City and the Participating Underwriter.

Section 6. <u>Identifying Information for Filings with the MSRB</u>. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. <u>Duration of Reporting Obligation</u>. All of the Property Owner's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 12) on the earliest to occur of the following:

(a) upon the legal defeasance, prior redemption or payment in full of all the Bonds, or

(b) at such time as the Property in Improvement Area No. 1 of the District owned by the Property Owner or any Affiliate is fewer than 38 residential lots (or property intended to be subdivided into fewer than 38 residential lots) in Improvement Area No. 1, or

(c) the date on which the Property Owner prepays in full all of the Special Taxes attributable to the Property.

The Property Owner shall give notice of the termination of its obligations under this Disclosure Certificate in the same manner as for a Listed Event under Section 5.

Section 8. <u>Dissemination Agent</u>. The Property Owner may, from time to time, with the written consent of the City, appoint or engage a Dissemination Agent to assist the Property Owner in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with the written consent of the City, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Property Owner. The Dissemination Agent may resign by providing 30 days' written notice to the District, the Property Owner, the City, and the Participating Underwriter.

Section 9. <u>Amendment; Waiver</u>. Notwithstanding any other provision of this Disclosure Certificate, the Property Owner may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(a) if the amendment or waiver relates to the provisions of sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, or change in law;

(b) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

Section 10. <u>Additional Information</u>. Nothing in this Disclosure Certificate shall be deemed to prevent the Property Owner from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Semi-Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Property Owner chooses to include any information in any Semi-Annual Report or notice of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Property Owner shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semi-Annual Report or notice of a Listed Event.

Section 11. <u>Default</u>. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Certificate, the Participating Underwriter, the City, and any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Property Owner to comply with its obligations under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Property Owner to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. <u>Duties, Immunities and Liabilities of Dissemination Agent</u>. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Property Owner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees) of

defending against any claim of liability, but excluding any loss, expense and liabilities due to the Dissemination Agent's negligence or willful misconduct or failure to perform its duties hereunder. If the Dissemination Agent is not the Property Owner, the Dissemination Agent shall be paid compensation for its services provided hereunder by the Property Owner in accordance with the Dissemination Agent's schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Property Owner, the Participating Underwriter, the Bond owners, or any other party. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. <u>Notices</u>. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given by regular, overnight, or electronic mail as follows:

To the issuer:	City of Sacramento Historic City Hall 915 I Street, 3rd Floor Sacramento, California 95814 Attn: City Treasurer Email: CTO_Debt@cityofsacramento.org Email: bwong@cityofsacramento.org
To the Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, Suite 3700 San Francisco, CA 94014 Attn: Eileen Gallagher Email: egallagher@stifel.com
To the Property Owner:	KB HOME Sacramento Inc. 3005 Douglas Blvd., Suite 250 Roseville, CA. 95661 Attention: Leo Pantoja Email: lpantoja@kbhome.com

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. <u>Beneficiaries</u>. This Disclosure Certificate shall inure solely to the benefit of the City, the Property Owner (its successors and assigns), the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Property Owner hereunder shall be assumed by any legal successor to the obligations of the Property Owner as a result of a sale, merger, consolidation or other reorganization.

Date: December 19, 2024

KB HOME SACRAMENTO INC., a California corporation

By:\_\_\_\_\_

Name:

Title:

## CONTINUING DISCLOSURE CERTIFICATE (Meritage Homes of California, Inc.)

This Continuing Disclosure Certificate (Meritage Homes of California, Inc.) (this "Disclosure Certificate") is executed and delivered by Meritage Homes of California, Inc., a California corporation (the "Property Owner"), in connection with the issuance by the City of Sacramento (the "City") of the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 1 Special Tax Bonds, Series 2024 (the "Bonds"). The Bonds are being issued pursuant to Resolution No. 2024-0338 adopted by the Sacramento City Council on November 19, 2024, and a Master Indenture, dated as of December 1, 2024 as supplemented by a First Supplemental Indenture dated as of December 1, 2024, each by and between the City and Zions Bancorporation, National Association, as trustee (the "Trustee") (collectively, the "Indenture"). The Property Owner covenants and agrees as follows:

Section 1. <u>Purpose of the Disclosure Certificate</u>. This Disclosure Certificate is being executed and delivered by the Property Owner for the benefit of the holders and beneficial owners of the Bonds.

Section 2. <u>Definitions</u>. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

*"Affiliate*" means any person presently directly (or indirectly through one or more intermediaries) under managerial control of the Property Owner, and about whom information could be material to potential investors in their investment decision regarding the Bonds (including without limitation information relevant to the proposed development of the Property or to the Property Owner's ability to pay the Special Taxes levied on the Property prior to delinquency). For purposes of this Disclosure Certificate, any entities formed by the Property Owner for purposes of development of property in Improvement Area No. 1 shall be an Affiliate.

"Dissemination Agent" means the Property Owner or an entity experienced in providing dissemination agent services such as those required under this Disclosure Certificate designated by the Property Owner to serve as the Dissemination Agent hereunder and who has accepted such obligation in writing, and for which the Property Owner has filed with the City and the Participating Underwriter notice of such designation and acceptance.

"District" means City of Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California.

"Improvement Area No. 1" means Improvement Area No. 1 of the District.

"Listed Events" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"*Official Statement*" means the final Official Statement dated December 4, 2024, executed by the City in connection with the issuance of the Bonds.

"Participating Underwriter" means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds.

"*Property*" means (i) the property owned by the Property Owner or any Affiliate in Improvement Area No. 1 of the District.

"*Report Date*" means (a) June 15 of each year, and (b) December 15 of each year.

"Semi-Annual Report" means any Semi-Annual Report provided by the Property Owner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Special Taxes" means the special taxes of the District levied by the City on the Property.

## Section 3. Provision of Semi-Annual Reports.

(a) Until such obligations are terminated pursuant to Section 7 herein, the Property Owner shall, or upon written direction of the Property Owner the Dissemination Agent shall, not later than the Report Date, commencing June 15, 2025, provide to the MSRB, in an electronic format as prescribed by the MSRB, a Semi-Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Participating Underwriter and the City. Not later than 15 calendar days prior to the Report Date, the Property Owner shall provide the Semi-Annual Report to the Dissemination Agent (if different from the Property Owner). The Property Owner shall provide a written certification with (or included as a part of) each Semi-Annual Report furnished to the Dissemination Agent (if different from the Property Owner), the Participating Underwriter and the City to the effect that such Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Participating Underwriter, and the City may conclusively rely upon such certification of the Property Owner and shall have no duty or obligation to review the Semi-Annual Report. The Semi-Annual Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent is not the Property Owner and it does not receive a Semi-Annual Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Owner that the Semi-Annual Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Owner to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 7 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Property Owner does not provide, or cause the Dissemination Agent to provide, a Semi-Annual Report to the MSRB by the Report Date as required in subsection (a) above, the Dissemination Agent shall provide a notice to the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the City and the Participating Underwriter.

(c) The Dissemination Agent shall:

(i) determine prior to each Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of continuing disclosure reports; and

(ii) to the extent the Semi-Annual Report has been furnished to it, file a report with the Property Owner (if the Dissemination Agent is other than the Property Owner), the City, and the Participating Underwriter certifying that the Semi-Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. <u>Content of Semi-Annual Reports</u>. Each Semi-Annual Report shall contain or incorporate by reference the information required under this Section 4, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Property Owner or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities

and Exchange Commission. The Property Owner shall clearly identify each such other document so included by reference:

(a) An update to the information in Table 3 of the Official Statement.

In addition to any of the information expressly required to be provided in this Section 4, each Semi-Annual Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

# Section 5. <u>Reporting of Significant Events</u>.

(a) Until such obligations are terminated pursuant to Section 7 herein, the Property Owner shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to itself or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Property Owner and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Owner;

(ii) failure to pay any Special Taxes due with respect to the Property prior to the delinquency date, to the extent such failure is not promptly cured by the Property Owner upon discovery thereof;

(iii) filing of a lawsuit against the Property Owner or, if known, an Affiliate of the Property Owner, seeking damages which, if successful, could have a material and adverse impact on the Property Owner's ability to pay Special Taxes prior to delinquency or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property; and

(v) any payment default or other material default by the Property Owner that continues to exist beyond any applicable notice and cure periods on any loan with respect to the construction of improvements on the Property.

(b) Whenever the Property Owner obtains knowledge of the occurrence of a Listed Event, the Property Owner shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Property Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Property Owner shall, or shall cause the Dissemination Agent to, within 10 business days file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the City and the Participating Underwriter.

Section 6. <u>Identifying Information for Filings with the MSRB</u>. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. <u>Duration of Reporting Obligation</u>. All of the Property Owner's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 12) on the earliest to occur of the following:

(a) upon the legal defeasance, prior redemption or payment in full of all the Bonds, or

(b) at such time as the Property in Improvement Area No. 1 of the District owned by the Property Owner or any Affiliate is fewer than 31 residential lots (or property intended to be subdivided into fewer than 31 residential lots) in Improvement Area No. 1, or

(c) the date on which the Property Owner prepays in full all of the Special Taxes attributable to the Property.

The Property Owner shall give notice of the termination of its obligations under this Disclosure Certificate in the same manner as for a Listed Event under Section 5.

Section 8. <u>Dissemination Agent</u>. The Property Owner may, from time to time, with the written consent of the City, appoint or engage a Dissemination Agent to assist the Property Owner in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with the written consent of the City, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Property Owner. The Dissemination Agent may resign by providing 30 days' written notice to the District, the Property Owner, the City, and the Participating Underwriter.

Section 9. <u>Amendment; Waiver</u>. Notwithstanding any other provision of this Disclosure Certificate, the Property Owner may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(a) if the amendment or waiver relates to the provisions of sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, or change in law;

(b) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

Section 10. <u>Additional Information</u>. Nothing in this Disclosure Certificate shall be deemed to prevent the Property Owner from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Semi-Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Property Owner chooses to include any information in any Semi-Annual Report or notice of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Property Owner shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semi-Annual Report or notice of a Listed Event.

Section 11. <u>Default</u>. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Certificate, the Participating Underwriter, the City, and any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Property Owner to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Property Owner to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. <u>Duties, Immunities and Liabilities of Dissemination Agent</u>. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Property Owner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding any loss, expense and liabilities due to the Dissemination Agent's negligence or willful misconduct or failure to perform its duties hereunder. If the Dissemination Agent is not the Property Owner, the Dissemination Agent shall be paid compensation for its

services provided hereunder by the Property Owner in accordance with the Dissemination Agent's schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Property Owner, the Participating Underwriter, the Bond owners, or any other party. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. <u>Notices</u>. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given by regular, overnight, or electronic mail as follows:

To the issuer:	City of Sacramento Historic City Hall 915 I Street, 3rd Floor Sacramento, California 95814 Attn: City Treasurer Email: CTO_Debt@cityofsacramento.org Email: bwong@cityofsacramento.org
To the Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, Suite 3700 San Francisco, CA 94014 Attn: Eileen Gallagher Email: egallagher@stifel.com
To the Property Owner:	Meritage Homes of California, Inc. 1000 Burnett Ave., Suite 440 Oakley, CA 94520 Attn: Director of Forward Planning E-mail: paul.manyisha@mlcholdings.net

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. <u>Beneficiaries</u>. This Disclosure Certificate shall inure solely to the benefit of the City, the Property Owner (its successors and assigns), the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Property Owner hereunder shall be assumed by any legal successor to the obligations of the Property Owner as a result of a sale, merger, consolidation or other reorganization.

Date: December 19, 2024

MERITAGE HOMES OF CALIFORNIA, INC., a California corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title:

### **APPENDIX I**

#### **BOOK-ENTRY ONLY SYSTEM**

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the City believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC to the City which the City believes to be reliable, but the City and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized bookentry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts

such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of DTC.

A Bond Holder shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

THE PAYING AGENT, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

### APPENDIX J

### MARKET ABSORPTION REPORT

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# **Absorption Analysis**

Delta Shores Improvement Area 1 Sacramento, CA for the City of Sacramento



May 24, 2024 Revised June 27, 2024 Revised July 23. 2024

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### Introduction

### **Project Details**

Client	The City of Sacramento
Subject	The Subject is the Improvement Area 1 portion of the Delta Shores master- planned community ("MPC"). It encompasses the portion of Delta Shores west of Interstate 5. The Subject includes for-rent and for-sale product types.
Location	Mainly south of Cosumnes River Blvd. and west of Interstate 5 in southwestern Sacramento, Sacramento County, Sacramento MSA, CA
Study Period	May 2024

### Objective

Provide relevant market data to support sales / lease rates and resulting build-out (absorption) schedules for for-sale, apartment, and build-to-rent product components.

### Methodology

Review Subject information and visit the site. Collect and analyze information on actively selling new home and rental projects in the Competitive Market Area ("CMA"). The CMA is defined as Sacramento south of approximately Highway 50 and west of Highway 99, as well as the northern portion of western Elk Grove (roughly west of Highway 99). Compile and analyze macroeconomic, housing market, and demographic data and trends.



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Consultant

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Dean Wehrli

Principal

dwehrli@jbrec.com

### Introduction

### Assumptions

#### We assume the Subject will have:

- home sizes and types as described for the Subject in this report;
- property taxes and HOA fees as stated in this report;
- homes of the same general quality and appeal as described in this report;
- "market-appropriate" community entrance, monumentation, and landscaping of the same general appeal as nearby new home and rental projects;
- community amenities as described in this report, with substantial completion of amenities coinciding with first units' completion;
- advertising and marketing generating qualified shopper traffic commensurate with communities achieving absorption similar to that projected for the Subject;
- a community website with floorplans, accurate pricing, and an Internet sales / leasing consultant;
- fully decorated and furnished model homes / rental units available and amenities at least under construction at market entry; and
- experienced sales and leasing agent(s) familiar with the local market.

Failure to meet these conditions could adversely impact achievable prices and/or sales rates.

#### Level of Competition

Our pricing and absorption recommendations assume competition during the Subject's sales period will be similar to today's competition. <u>Limiting Conditions</u>



#### **Objectives**

- The primary task of this analysis was to assess the residential absorption potential for Improvement Area 1 of the Delta Shores master plan ("Subject" or "Subject Development") in Sacramento, CA. Though there are no formal approvals for the two Subject parcels north of Cosumnes River Blvd., in keeping with past analyses and Developer input we have assumed these parcels would be developed either as Build-to-Rent (BTR) homes or as garden-style apartments. The Subject will include either 435 total residential units if those parcels are developed as a Build-to-Rent (BTR) community or 609 residential units if those parcels are developed as a garden-style apartment complex. These two parcels could also be eventually developed as for-sale housing as well. The three parcels south of Cosumnes River Blvd. will be developed as 348 for-sale units in the form of single-family homes across three distinct neighborhoods/product types.
- To accomplish this objective, we:
  - > Assessed the Subject in terms of planned product, location, orientation, place in the market, etc.
  - > Estimated market size relevant to the Subject's residential uses
  - Examined relevant for-sale comparables in the CMA and examined historical for-sale pricing and sales trends to discern market appropriateness of the Subject product and pricing and estimate achievable absorption rates
  - Developed market-appropriate product and pricing for Subject housing product. However, note that the three for-sale neighborhoods all have planned products currently in the market or soon to open by the two builders (KB Home and Meritage Homes) that will be building and selling those homes. One neighborhood (LDR 1 South) also has pricing in place by its builder, KB Home. We developed product and pricing for all uses to assess potential absorption rates for each proposed product type.
  - > Estimated logical build-out schedules of Subject units, both for-sale and for-rent, based on estimated rational absorption rates
  - > Assessed these build-out schedules against our estimates of market size to discern if they are achievable
  - Examined historical rental market trends in the Subject Area and the surrounding region. We surveyed apartment comparables and stand-alone single-family rentals in the CMA, and also regional BTR communities to assess the validity of the Subject rental product, pricing, and absorption potential.
  - > Gathered information on relevant potential future residential supply in the Subject Area
  - Examined relevant regional and local economic, housing market, and demographic trends that could impact the absorption potential of the Subject

#### Subject Development

- The Subject is part of Delta Shores, a cohesive mixed-use master plan of over 780 acres, 5,200+ planned new residential units, 1.3+ million square feet of retail, two new elementary schools, parks, extensive open space, and wetlands. The Subject is near a planned rail commuter station. A major bike trail that passes through Delta Shores will go all the way to the Old Town area of Sacramento near major employment centers. Delta Shores is situated along Interstate 5, which has immediate access to this key north-south transportation corridor throughout the region.
- The Subject is Improvement Area 1 of Delta Shores, sometimes called Delta Shores West. This portion of Delta Shores was planned to have 348 for-sale units south of Cosumnes River Blvd. The two parcels to the north can accommodate 106 apartment units and 52 units leased as build-to-rent (BTR) small-lot detached homes. In consultation with the Client, however, for this analysis, we have assumed that both parcels would be merged and developed as either a BTR community or an apartment complex. This alters the potential unit counts for the north part of the Subject, and those unit counts are reflected in this analysis. The for-sale homes include alley- and front-loaded product. We assume the apartment complex would be a conventional three-story, multi-building community with surface parking and Class A amenities. We assume a BTR development would offer small lot detached homes and some modest amenity package.
- KB Home will build and market the alley-loaded (minimum lots 2,975 SF) and front-loaded (minimum lots 5,000 SF) product on MDR-1-South and LDR-1-South, while Meritage Homes will build the larger lot neighborhood (LDR-2-South). We have product and pricing for LDR-1-South, product and starting pricing for MDR-1-South (both KB Home), and product for LDR-2-South. We have assumed pricing for the latter neighborhood. We assessed absorption potential on a per-project basis (i.e., each for-sale neighborhood and each rental community scenario) and on a cumulative basis (annual community-wide absorption levels).
- The map to the right shows the Subject outlined, consisting of all residential parcels west of Interstate 5. The commercial uses immediately east of the freeway have mostly been completed and are active (though note that they are not within the Delta Shores Community Facilities District [CFD]).
- The Subject will include extensive park and open space both south of and north of Cosumnes River Blvd. (called Stonecrest Ave. in this map). There will be a bike lane along the soundwall on the site's eastern edge. The park space north of the two northern parcels will buffer the Subject from a low-impact Verizon office center to its immediate north. Some residential and light office uses are also west of the southern parcels along Freeport Blvd.





### **Market Factors**

- Regional and Competitive Market Area For-Sale Housing Market. For-sale housing market conditions weakened considerably in 2022 when mortgage rates shot up, putting downward pressure on pricing, heightening builder incentives, and depressing sales albeit from enhanced sales during the Covid pandemic. The market stabilized last year as mortgage rates eased and have held steady even as rates again pushed modestly upward in recent months. The economy has performed solidly, new home builders face far more limited resale competition, and buyers have acclimated to higher mortgage rates. We expect slower price growth this year than 2023 but forecast positive year-over-year housing market price change through at least 2027. Note that our Subject pricing is given current market conditions, but we assume these prices would shift with regional price movement between now and the absorption of the Subject.
- Apartment Market. Apartment market conditions have remained strong for the better part of a decade before beginning to flatten in the spring of 2022. Effective rent rates regionally and in Sacramento County dipped slightly in the latter part of 2022 and the first part of 2023, but since then have remained reasonably stable to modestly increasing and at a historically high level. Occupancies followed the same pattern as pricing and as of April 2024 have shifted slightly upward from recent months to a regional average of 94.7% (per Real Page, a national rental market data aggregator and property management software firm). Concessions are not unheard of but are relatively modest when offered (e.g., one month of free rent with a 12-month lease). We project continued solid annual appreciation for both apartments and single-family rentals (a useful proxy for BTR developments) through 2027.
- Future Supply. The potential future residential supply most relevant to the Subject appears manageable. Though continuing development in southern Elk Grove could be partially competitive with the Subject's for-sale homes, this will build-out at a reasonable rate over the next several years. Elk Grove has long been a very active submarket, often with more activity than at present. South Sacramento has limited new home developments on the horizon other than the Subject due to a lack of developable land. There will be occasional infill projects. More proximate to the Subject, the Stone Beetland master plan may enter the market during the Subject's marketing period, but this development is still in its early stages. The same developer has also purchased future phases of Delta Shores north of Cosumnes River Blvd. and east of Interstate 5, so is likely to limit supply so as not to compete with the Subject. We expect new apartment projects to open in 2023-24 regionally. However, the most likely direct potential competition to the Subject apartments would be any apartment activity in the Delta Shores master plan on the multifamily pads east of Interstate 5.
- Economic Trends. The region rebounded strongly following the first weeks of the COVID-19 pandemic with above-average job growth and income growth. Generally, we project continued solid growth in the region's jobs, incomes, and population for the next few years. Multifamily permits have ticked up over the last five years but from muted levels. Critically, the employment growth to permit ratio (E/P Ratio) that measures demand and supply has been extraordinarily positive for several years, indicating pent-up demand. We expect this metric to soften in the coming years, but to remain positive.



### Market Factors cont'd

- Mortgage Rates: We project mortgage rates to finish 2024 at an average rate of 6.9% (entire calendar-year average). This is roughly in line with where rates are at present, but slightly higher than they were earlier in the year. Though this diminishes affordability, it also "locks in" many would-be sellers, a dynamic that limits resale supply and directly benefits new home sales. Most economists do not envisage interest rate easing from the Federal Reserve until at least late this year due to continued inflation above 3% annualized. Still, builder incentives, households acclimating to higher rates, and limited resale supply have all bolstered the new home market. JBREC projects mortgage rates to ease modestly through 2027, coming in at full-year averages of 6.5%, 5.9%, and 6.0%, respectively (2025, 2026, and 2027).
- **Demographic Trends**. We project modest population and household growth in the region that is slower than the long-term norm. The remote work migration to more affordable markets has dissipated since earlier in the Covid period. Still, Sacramento's relative affordability has long attracted those employed in the Bay Area who can work remotely all or some of the time. Countering this are households moving out of California altogether for employment or, far more likely, more affordable housing.

#### Key Conclusions

- The immediate area around the Subject and the city of Sacramento more generally (outside of the Natomas area to the north) has long been constrained, by a lack of available land, in terms of new residential development. For this reason, we have assessed market size mainly on a county-wide level and at the Metropolitan Statistical Area (MSA) level. The Sacramento MSA includes Sacramento, Placer, El Dorado, and Yolo Counties.
- Single-family permit data relevant to the for-sale market shows market size estimates ranging from about 1,300 to over 8,600 new units annually based on city-wide, county-wide, and MSA-wide data. Multifamily permit data relevant to the rental market shows market-size estimates of about 925 to 2,500 annually across the same areas.
- Given market size estimates and corresponding capture rates, as well as long-term market norms and the more recent performance of comparable new home projects, we believe absorption levels of 3.5 to 4.0 per month for for-sale neighborhoods, 18.0 leases per month for an apartment complex, and 6.0 leases per month for a BTR community at the Subject are realistic and achievable.
- These absorption rates lead to a build-out by 2028 for the for-sale component. A BTR community would reach equilibrium in 2026, while an apartment complex would reach equilibrium in 2027. Equilibrium is defined as achieving 95% occupancy. Given our market size estimates, these build-out scenarios' necessary market capture rates are reasonable for both the for-sale and for-rent components. Market conditions for either use are projected to remain stable through 2027, the latest year JBREC currently forecasts trends.

# Subject Development and Planned Product

JOHN BURNS

### Subject Development



#### **Subject Development Overview**

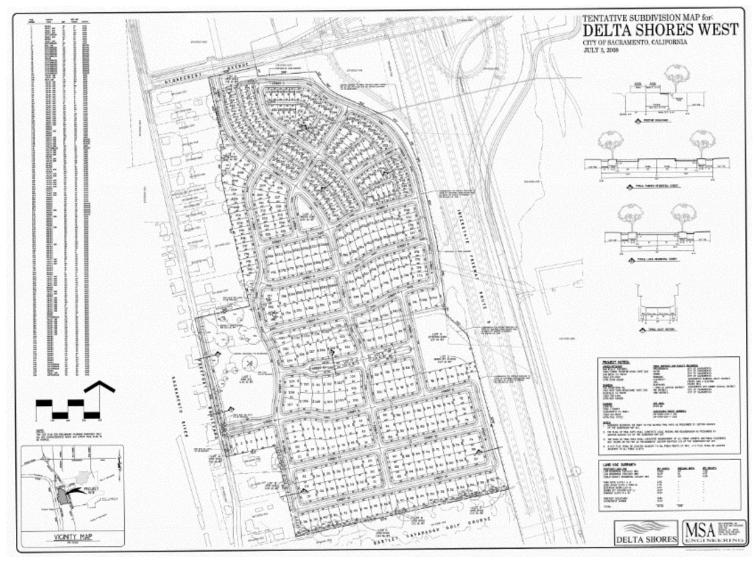
- Delta Shores is a 782-acre master-planned community in southwest Sacramento, immediately south of the Pocket and Meadowview
  areas of the City and north of the western portion of the City of Elk Grove. It has already opened much of its total planned +/- 1.3 million
  square feet of commercial space situated on the eastern side of Interstate 5 south of the new Cosumnes River Blvd. interchange. (Note
  that this retail space is not part of the Delta Shores CFD.) At build-out per current planning, Delta Shores will encompass over 5,200
  residential units, about 144 acres of open space, and a +/- 20-acre mixed-use town center. There will be school uses, parks,
  interconnecting trails, and thematic landscaping to provide a sense of community cohesion.
- Improvement Area 1 is the subject of this analysis. It is shown in the map below as an inset to illustrate its location within the overall master plan and is also shown on the next page.



# Subject (Improvement Area 1) Site Plan



There are two additional Subject parcels located north of Cosumnes River Blvd. (previously named Stonecrest Avenue.).



### Subject Development





- The planned product array for the Subject is summarized below with two options. The top table displays the total product array (609 units) if the north parcels were developed as an apartment complex, and the bottom table (435 units) assumes those parcels will be developed as a BTR community. For-sale parcels are the same in both scenarios.
- The "% Mix" reflects the percent of <u>all</u> residential units, rental and for-sale. "North" in planning area names indicate the parcel's location is north of Cosumnes River Blvd., and "South" refers to parcels south of Cosumnes River Blvd. Both scenarios combined the north parcels into a single developable parcel. The apartment scenario on the top table assumes maximum density to arrive at 261 units. The BTR scenario assumes small lot detached homes at about nine units to the acre to translate into 87 units. All South parcels are actual unit counts per Landowner.

Planning Area	Acreage	Dens. Rng	Density	Units	% Mix	Product	Market Entry
HDR -1 + MDR -2 - North	9.66	15-27 du/ac.	27.0	261	43%	3-Story Garden Apts	2Q 2026
MDR-1 - South	17.87	8-14 du/ac.	6.2	110	18%	Alley SFD 35' x 85'	Q2 2024
LDR-1 - South	17.38	4-7 du/ac.	4.7	81	13%	SFD 50' x 100'	Q2 2024
LDR-2 - South	42.21	4-7 du/ac.	3.7	157	26%	SFD 65' x 100'	Q4 2024
Totals	87.12			609	100%		

#### Delta Shores Improvement Area 1 Product Array - North Parcels Apartment Scenario

Notes: LDR = Low Density Residential. MDR = Medium Density Residential. HDR = High Density Residential. Densities are ranges and expressed as dwelling units per acre (du/ac).

### Delta Shores Improvement Area 1 Product Array - North Parcels Build-to-Rent Scenario

Planning Area	Acreage	Dens. Rng	Density	Units	% Mix	Product	Market Entry
HDR -1 + MDR -2 - North	9.66	8-14 du/ac.	9.0	87	20%	Small Lot Det. BTR	4Q 2025
MDR-1 - South	17.87	8-14 du/ac.	6.2	110	25%	Alley SFD 35' x 85'	Q2 2024
LDR-1 - South	17.38	4-7 du/ac.	4.7	81	19%	SFD 50' x 100'	Q2 2024
LDR-2 - South	42.21	4-7 du/ac.	3.7	157	36%	SFD 65' x 100'	Q4 2024
Totals	87.12			435	100%		

Notes: LDR = Low Density Residential. MDR = Medium Density Residential. HDR = High Density Residential. Densities are ranges and expressed as dwelling units per acre (du/ac).

### **For-Sale Product and Pricing**



#### For-Sale Product and Pricing Summary – Detail

Note that lot sizes, total unit counts, and home sizes are per Landowner and their Builder partners (KB Home for the MDR-1 – South and LDR-1 South and Meritage for LDR-2 – South). LDR-1 – South is active and marketed as "Edgewater." Product (sizes, bed/bath, floors/parking) and pricing reflect actuals. The MDR-1 – South product will soon open as "Riva." Product is per KB Home as is their approximate starting base price. Overall pricing is per JBREC and in view of Edgewater pricing. Meritage Homes will build LDR-2 – South and reflects product and JBREC pricing to position them rationally in the market. Note that lot sizes are minimums. In actuality, the vast bulk of lot sizes are larger than each minimum. Incentives for the two KB Home neighborhoods are per KB Home. We have assumed slightly higher incentives for Meritage given absolute price points and their history.

Delta Shores		Sacr	amento			F	loor Plan	1			Ta	IX & HOA	۸		JB	REC Price	Recomm	endations			Cost	o Own
					Unit						Base				Incentives	Net	Options		Net	Total	90%	35%
					Size						Tax	Add'l		Base	Closing	Base	Ttl Bldr	Average	Total	Price/	7.15%	Income
				Mix	(SqFt)	Bed	Other	Bath	Levels	Pkg	Rate	Taxes	HOA	Price	Costs	Price	& Buyer	Premium	Price	SqFt	Total Price	to Qualify
Delta Shores I	4-1 MDR-1 - S	outh	KB Home																			
Product	Alley SFD	Sales Start	Jun-24	37	1,795	4		3.0	2	2	1.15%	\$5,220	\$190	\$605,000	(\$5,000)	\$600,000	\$33,275	\$2,000	\$635,275	\$354	\$5,405	\$185,000
		Total Units	110	36	2,102	4	Loft	2.5	2	2	1.15%	\$5,220	\$190	\$635,000	(\$5,000)	\$630,000	\$34,925	\$2,000	\$666,925	\$317	\$5,643	\$193,000
Min Lot/Density	2,975	Target Sales Rate	4.0	37	2,236	5	Loft	3.0	2	2	1.15%	\$5,220	\$190	\$648,000	(\$5,000)	\$643,000	\$35,640	\$2,000	\$680,640	\$304	\$5,746	\$197,000
Dimens/Config	35' x 85'	Sell-Out (months)	28																			
			Total/Avg	110	2,044						1.15%	\$5.220	\$190	\$629.282	(\$5,000)	\$624.282	\$34.611	\$2.000	\$660.892	\$323	\$5.598	\$191,655
			Ū																			. ,
Delta Shores I	A-1 LDR-1 - S	outh	KB Home																			
Product	SFD	Sales Started	May-24	20	1,685	3	Den	2.0	1	2	1.15%	\$5,220	\$190	\$665,990	(\$5,000)	\$660,990	\$38,294	\$3,000	\$702,284	\$417	\$5,909	\$203,000
		Total Units	81	20	2,188	3	Den	2.0	1	2	1.15%	\$5,220	\$190	\$715,990	(\$5,000)	\$710,990	\$41,169	\$3,000	\$755,159	\$345	\$6,307	\$216,000
Configuration	5,000	Target Sales Rate	4.0	21	2,391	4	Loft	3.0	2	2	1.15%	\$5,220	\$190	\$725,990	(\$5,000)	\$720,990	\$41,744	\$3,000	\$765,734	\$320	\$6,387	\$219,000
Dimens/Config	50' x 100'	Sell-Out (months)	20	20	2,693	5	Flex	3.0	2	2	1.15%	\$5,220	\$190	\$755,990	(\$5,000)	\$750,990	\$43,469	\$3,000	\$797,459	\$296	\$6,625	\$227,000
			Total/Avg	81	2,241						1.15%	\$5,220	\$190	\$716,113	(\$5,000)	\$711,113	\$41,177	\$3,000	\$755,290	\$337	\$6,308	\$216,284
Delta Shores I	A-1 LDR-2 - S	outh	Meritage																			
Product	SFD	Sales Start	Nov-24	31	2.339	4	Flex	2.0	1	2	1.15%	\$5.220	\$190	\$750.000	(\$15,000)	\$735,000	\$45,000	\$15,000	\$795,000	\$340	\$6.607	\$227,000
		Total Units	157	32	2,515	4	Flex	3.0	2	2	1.15%	\$5.220	\$190	\$767.000	(\$15,340)	\$751,660	\$46,020	\$15,340	\$813,020	\$323	\$6,743	\$231,000
Min Lot/Densitv	6.500	Target Sales Rate	3.50	31	2.698	4	Flex	3.0	2	3T	1.15%	\$5.220	\$190	\$785.000	(\$15,700)	\$769,300	\$47.100	\$15,700	\$832,100	\$308	\$6,886	\$236,000
Dimens/Config	65' x 100'	Sell-Out (months)	45	32	2,916	4	Flx/Lft	3.0	2	3T	1.15%	\$5.220	\$190	\$807,000	(\$16,140)	\$790,860	\$48,420	\$16,140	\$855,420	\$293	\$7,062	\$242,000
Dimensi Comig	00 X 100		40	31	3,127	5	Flx/Lft	3.5	2	3T	1.15%	\$5,220	\$190	\$828,000	(\$16,560)	\$811,440	\$49,680	\$16,560	\$877,680	\$281	\$7,229	\$248,000
				01	5,121	0	. 17/ Lit	0.0	-	01	1.1070	Ψ <b>0</b> , <b>22</b> 0	ψισσ	4020,000	(\$10,000)	Ψ <b>0</b> 11, <del>11</del> 0	φ-10,000	ψ10,000	<i>4011,000</i>	ψ <u>2</u> 01	ψι,223	φ <u>2</u> −0,000
			Total/Avg	157	2,719						1.15%	\$5,220	\$190	\$787,395	(\$15,748)	\$771,647	\$47,244	\$15,748	\$834,639	\$307	\$6,905	\$236,796
												,					. ,		. ,		,	. ,
		Overall Totals/	Averages:	348	2,394						1.15%	\$5,220	\$190	\$720,825	(\$9,849)	\$710,976	\$41,838	\$8,435	\$761,250	\$318	\$6,353	\$217,753



### For-Sale Product and Pricing Summary

Delta Shores																	
	Product Type	Min Lot/ Density	Dimens/ Config	Units	% of Total	Unit Size Range (SqFt)	Unit Size Avg (SqFt)			Average Base Price	PS Incentive	Net Base Price	TTI Bldr & Buyer Options	Average Premium	Avg Net Total Price		Sales/ Month
Delta Shores IA-1 MDR-1 - South	Alley SFD	2,975 SqFt	35' x 85'	110	32%	1,795 - 2,236	2,044	1.15%	\$190	\$629,282	(\$5,000)	\$624,282	\$34,611	\$2,000	\$660,892	\$323	4.00
Delta Shores IA-1 LDR-1 - South	SFD	5,000 SqFt	50' x 100'	81	23%	1,685 - 2,693	2,241	1.15%	\$190	\$716,113	(\$5,000)	\$711,113	\$41,177	\$3,000	\$755,290	\$337	4.00
Delta Shores IA-1 LDR-2 - South	SFD	6,500 SqFt	65' x 100'	157	45%	2,339 - 3,127	2,719	1.15%	\$190	\$787,395	(\$15,748)	\$771,647	\$47,244	\$15,748	\$834,639	\$307	3.50
Total/Weighted Average:			348	100%	1,685 - 3,127	2,394	1.15%	\$190	\$720,825	(\$9,849)	\$710,976	\$41,838	\$8,435	\$761,250	\$318	11.50	

#### For-Sale Product and Pricing Summary – Discussion

Regarding the for-sale product outlined above, note the following:

- We assessed product characteristics for the Subject for-sale neighborhoods as well as the Subject location, master plan setting, schools, etc., to determine how these factors might impact sales rates at the Subject.
- Lot sizes are all market-appropriate and result in a well-segmented product array. Smaller lot detached for-sale options in the region have not been the norm but have been increasingly more common and can provide relative affordability and a lower maintenance living environment. The alley-loaded condition of the smallest lot type is also not common, but not unheard of and that neighborhood's comparative affordability will widen its potential buyer pool. Minimum 6,500 SF lots such as the largest lot type will offer have become increasingly uncommon in the wider market. This parcel also abuts a golf course to its south and should be considered the best location among the three villages.
- We expect key buyer segments to include younger couples and families with some older couples or single-parent families for the small lot alley-loaded product type. These buyers will be motivated by comparative affordability as well as a lower-maintenance opportunity. We expect a broad combination of professional couples, empty nesters, and mature families for the two more conventional product types. Buyers will generally originate from the Sacramento area, mainly working Downtown but also in Elk Grove, augmented by some buyers working remotely with jobs for employers based in the Bay Area.
- **Tax rate** and **HOA** fees are per Landowner / Builder. Note that there is some leeway in the ultimate tax rate for the for-sale parcels. The tax rate and HOA we used are per KB Home. We assume Meritage would use this same approximate tax rate when they enter the market, scheduled for late this year. HOAS may differ for Riva and / or Meritage.

### For-Rent Product and Pricing

Total/Avg

87



#### For-Rent Product and Pricing Summary - Detail

- Both potential rental uses in the Subject parcels north of Cosumnes River Blvd. are theoretical. JBREC provided rational product and pricing for an apartment use and a BTR use based on the assumption that either use would merge the two north parcels into a single development. Unit counts seen below reflect that.
- We assume a Class A garden-style three-story apartment complex for the apartment scenario. This complex would feature a normal amenity package for such an offering (e.g., pool, clubhouse, fitness room, lounge).
- The BTR community assumes very small lots and a modest amenity package (e.g., small clubhouse and pool, common area landscaping). Price point assumptions are based on our market analysis.

Delta Shores						F	loor	Plan			Rental Recommendations (Monthly)						Variation	5							
				М	ix Pla	Size n (SqFt)	Bed	Bath	Level	Pkg Sp	Base	\$/SF	Avg Prem	Total Stabilized	Concessio Direct		Total Concess.	Total Eff. Rent	\$/SF	Mand. Fees	Total Eff. Rent + M. Fees	\$/SF	Base + M. Fees	Stabl'zd + Fees \$/SF	33% Inc. to Qualify
Delta Shores IA-1	Apartments																								
Product Type Floors Parking Elevator	Stacked Flats 3-Story UC/CP No	Leasing Starts Total Units Target Abs. Rate Stabilization Projected	95% Aug-26	30% 54% 16%	42	750 1,000 1,200	1 2 3	1.0 2.0 2.0	1 1 1	1 2 2	\$2,080 \$2,400 \$2,640	\$2.77 \$2.40 \$2.20	\$0 \$0 \$0	\$2,080 \$2,400 \$2,640	\$0 \$0 \$0	\$0 \$0 \$0	\$0 \$0 \$0	\$2,080 \$2,400 \$2,640	\$2.77 \$2.40 \$2.20	\$0 \$0 \$0	\$2,080 \$2,400 \$2,640	\$2.77 \$2.40 \$2.20	\$2,080 \$2,400 \$2,640	\$2,640 \$2.20	\$96,000
			Total/Avg	3	261	957					\$2,343	\$2.45	\$0	\$2,343	\$0	\$0	\$0	\$2,343	\$2.45	\$0	\$2,343	\$2.45	\$2,343	\$2,343 \$2.45	\$85,200
Delta Shores IA-1	BTR																								
Product Type Min Lot/Density Floors Parking Elevator	Small Lot SFD 2,500 SqFt 2-Story DAG No	Leasing Starts Total Units Target Abs. Rate Stabilization Projected	Jul-24 87 6.0/mo 95% Aug-25	31% 37% 32%	27 32 28	1,250 1,450 1,650	3 3 3	2.0 2.0 2.5	2 2 2	2 2 2	\$2,750 \$2,950 \$3,150	\$2.20 \$2.03 \$1.91	\$0 \$0 \$0	\$2,750 \$2,950 \$3,150	\$0 \$0 \$0	\$0 \$0 \$0	\$0 \$0 \$0	\$2,750 \$2,950 \$3,150	\$2.20 \$2.03 \$1.91	\$0 \$0 \$0	\$2,750 \$2,950 \$3,150	\$2.20 \$2.03 \$1.91	\$2,750 \$2,950 \$3,150	\$2,750 \$2.20 \$2,950 \$2.03 \$3,150 \$1.91	\$107,273

\$2,952 \$2.03 \$0

\$2,952

\$0 \$0 **\$2,952 \$2.03 \$0 \$2,952 \$2.03 \$2,952 \$2,952 \$2,952 \$2.03 \$107,356** 

## **For-Rent Absorption**



#### **For-Rent Absorption Conclusions**

#### Depending on the scenario chosen for the north parcels of the Subject our recommendations are as follows:

- As noted at the beginning of this report, the uses of the two north of Cosumnes parcels are uncertain. We have presented two potential rental uses in this analysis per past analyses on this Subject and given the current zoning / density of these parcels. The latter factor makes rental uses more likely than for-sale, but these parcels could ultimately be for-sale.
- We estimate a monthly lease-up (absorption) rate of 18.0 units per month during the initial lease-up phase of an apartment complex is reasonable and achievable. This is informed by our experience in this and other markets, rates at apartment complexes currently or recently in their initial lease-up phase, and the specific characteristics of the Subject (location, accessibility, master plan setting, schools, etc.). Critically, Solasta, not far north of the Subject, has leased up at 19 units per month during its leasing phase, but even these rates mask higher velocities. Effectively, Solasta has leased in phases, and the leasing manager indicated that leases were signed closer to 30 per month when phases were released. Solasta features superior product than the Subject with its mid-rise elevator-serviced offering, but we believe its experience strongly supports our absorption estimate for a Subject apartment complex.
- We estimate a monthly lease-up rate of 6.0 homes for a BTR community. This is slightly below national norms in the BTR space but in line with lease-up rates at BTR communities within the region and is roughly in line with that achieved by the two BTR communities in the CMA. See further discussion on page 20.
- We assume the Subject apartments will be introduced in mid-2026 and the BTR in late 2025. There is no clear buyer for these parcels at present, so this schedule should be considered highly approximate but achievable given the rapid development of other parts of Delta Shores and the expectation that multifamily capital access will gradually improve. We assume land sales will be in 2Q 2025 for both scenarios. We assume 12-18 months to complete apartment construction (midpoint 15 months), yielding an absorption start date of 2Q 2026. The BTR community would have a shorter construction period for detached homes of 4-6 months, which implies a leasing start date of late 2025.
- Renters will include young couples, professional couples, single professionals, and some families for the apartment product. BTR units will attract younger couples (often pre-families), as well as young and mature families.
- Overall, Delta Shores IA-1 would have 348 for-sale units in the neighborhoods with readily acceptable and reasonably segmented product types. This would represent 57% of all residential units in the apartment scenario and 80% of all units in the BTR scenario. All rental units would be separated from the for-sale neighborhoods to the south by Cosumnes River Blvd. All developments would have freeway visibility, helpful for marketing any development, but particularly for an apartment complex. This seems to be a reasonable overall product offering appropriate for this location and market.

### **Opportunities & Challenges**

### Opportunities

- Master plan community setting with a variety of product lines and attractive amenities.
- Immediately south of the highly-regarded Pocket area to the north and desirable Elk Grove to the south.
- Clarksburg area wineries a few miles southwest of the site are a major regional draw.
- The subject's substantial size and scope should allow it to differentiate itself from the Meadowview and South Sacramento areas to the northeast.
- Product will appeal to couples, younger families, empty nesters, and professional couples.
- Excellent accessibility to Interstate 5 and very near commuter rail station.
- Near huge Downtown Sacramento employment hub and proximate to Downtown / Midtown amenities.
- Walkable to major retail center (across Interstate 5) with a wide variety of venues to the immediate west.
- There is a potential Kaiser health facility northeast of the site that would be walkable for residents (this will only impact marketing if there is certainty during the marketing period, which seems unlikely at present).
- Minimal new home competition in the immediate area.
- More affordable than Elk Grove and competitive with Natomas.
- Potential youth sports complex northeast of the Subject.

### Challenges

- Adjacency to Interstate 5 on the east side of the site will concern some buyers (rental communities more buffered by off-ramp).
- Subject schools are generally inferior, which will deter some family buyers or renters. However, buyers at nearby active new home communities have experienced limited impact from schools. Parents are either keeping children in current schools, choosing charter or private options, or registering children in Elk Grove schools. In addition, two new schools will be built in Delta Shores.
- Although access to retail is only via a bridge over the freeway, the proximity to retail is still a major net positive.
- Though proximity to the Pocket area will be a plus, the Meadowview neighborhood northeast of the site has a poor residential reputation. However, this is similar to Pocket's condition, and the freeway buffering has helped Pocket maintain a strong residential reputation.
- Similarly there are some less desirable uses in Freeport along the western edge of the site (e.g., RV park). However, we expect most residents (and buyer traffic) to access the site from Cosumnes Parkway and not through Freeport.
- Mortgage rates have risen since earlier in the year and continue fluctuating, leaving buyers uncertain about this critical factor.
- The Stone Beetland development northeast of the Subject may eventually add residential supply to the immediate area (see fuller discussion later in this report).
- The area northeast of the Subject that could include a youth sports park may also eventually include affordable housing, commercial, and homeless services components. This would likely have a minimal impact on the Subject, and, regardless, any development on this 102-acre site is highly uncertain.



## Absorption Rates



### Absorption Rate Estimates

- We believe the Subject's for-sale offerings would absorb approximately 3.5 to 4.0 units per month per product given their characteristics, market timing expectations per developer and market conditions. These absorption estimates are based on Subject product, pricing, location and master plan setting, regional supply, the performance of new home comparables we surveyed, our experience in the CMA and the wider market, and longer-term new home per project norms in the region. We assume decorated models will be open at (or very near) the inception of sales, that there will be a strong marketing effort with a cohesive MPC brand, and that experienced on-site sales staff will sell Subject homes. The alley homes and minimum 5,000 SF lot SFD neighborhoods will be built and sold by KB Home, a major national builder with proven experience and expertise in the market. Meritage Homes will build the minimum 6,500 SF lot SFD neighborhood, another major public builder with a significant regional presence and the ability to conduct a substantial marketing campaign. There is upside potential for the alley-loaded neighborhood absorption rate given its relative affordability, but the product's density may offset this.
- Though absolute sales levels have decreased over the last two years given an increase in mortgage rates, the resulting minimal resale inventory has increased new home market share. Consequently, new home communities are generally absorbing reasonably well throughout the region and pricing remains stable to rising modestly over the last year or so. We forecast modest slowing over the next year, but we project that home prices will remain positive through 2027 in the nation and the Sacramento region.
- KB Home has only recently begun pre-sales at Edgewater, the minimum 5,000 SF lot SFD product (LDR-1-South). The initial reaction has been positive with eight sales before the official grand opening (though models are open and viewable). Signature has experienced solid sales at Delta Shores on the east side of Interstate 5 with its Coronado and Catalina projects. Both KB Home and Meritage Homes are larger public builders (Signature is a regional private builder) with access to public capital that enables them to be more aggressive in incentivizing when market conditions demand this to maintain sales rates. This factor further supports our estimated for-sales absorption levels.
- We estimate that the Subject **apartment** complex on both parcels north of Cosumnes River Blvd. could absorb **18.0 leases per month** during their lease-up phase. A lease-up phase is usually defined as the start of leasing until the point at which equilibrium is reached (about 90-95% of units are leased). This absorption estimate is based on our experience in this and other markets, the characteristics of the Subject, and the performance of currently or very recently leasing apartment developments in the wider Sacramento market. Critically, we have also looked to Solasta, a new complex north of the Subject, which has absorbed very strongly.
- We estimate the **BTR** component could absorb **6.0 units per month** given our wide experience with this sector across the nation and the performance of recently active and still actively leasing BTR communities in the region. Though existing BTR communities are located in South Placer County and Rancho Cordova, they provide a rational indicator of absorption at a Subject BTR community. Our estimate is very similar to absorptions at these comparables.
- We assume the Subject rental communities would be amenitized as noted in this report, and that concessions during the lease-up phase for each Subject rental scenario would be appropriate. New apartment developments often offer concessions during lease-up to achieve stabilized occupancy of +/- 95% more quickly.

John Burns Real Estate Consulting

### Market Size



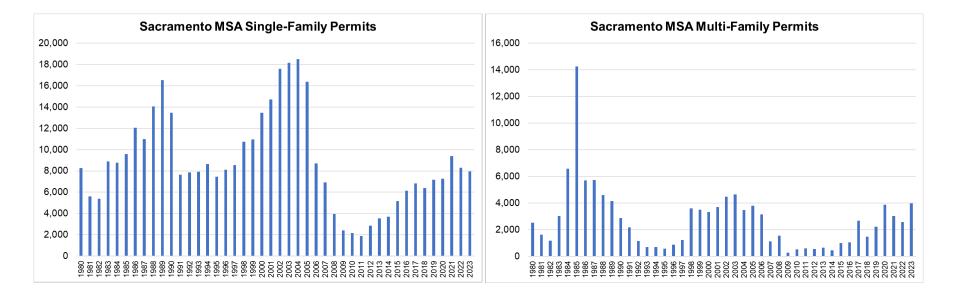
#### Market Size Estimates

- To test the validity of our absorption assumptions and build-outs seen later in this report, we must estimate market size for the for-sale and for-rent markets. This is necessary so we can apply our absorption assumptions and test them for validity in terms of the market capture rates our annual absorption figures imply.
- To estimate market size for the for-sale market, we gathered data on single-family residential (SFR) permits and new home sales. It would be unfair to use data from only the local area around the Subject since this area, and the City of Sacramento more generally (except the Natomas area) has been supply-constrained for many years. Also, buyers will come from throughout the region (and beyond), so it is fair to test Subject for-sale absorption against market size and capture rate estimates based on data from a wider area. In this case, we will focus on data from the Sacramento MSA (Sacramento, Placer, El Dorado, and Yolo Counties) and the Sacramento County levels.
- For the rental sector we have focused on multifamily residential (MFR) permit activity at the regional, county, and city level. As with for-sale
  activity, MFR activity has been somewhat constrained in the City of Sacramento and so we emphasize MSA and county-level data, though
  include city-level data. MFR permit data is most reliable as a test of market size. Note that though MFR permit data include both apartments
  and attached for-sale units, the latter category is uncommon enough in the Sacramento market to render the MFR permit figures usable for
  assessing the size of the rental market.
- The SFR permit data for the three relevant geographies Sacramento MSA, Sacramento County, and City of Sacramento are displayed visually on the next two pages. See further discussion below, but the results for the for-sale market size show almost 4,500 county-wide and about 8,600 MSA-wide annual units of demand as a rational permit-based measure of the market size for the for-sale sector. Even the city-level data show +/- 1,300 units annually.
- We show data from new home sales later in this report. The City has averaged 1,067 annual sales from 2012 through 2023, Sacramento County has averaged 2,617, and Sacramento MSA (including Sacramento, Placer, El Dorado, and Yolo Counties) has averaged 5,158. The area immediately surrounding the Subject has experienced relatively modest annual new home sales levels over the last decade (data not shown), but this reflects limited supply. Permit data are typically more complete than third-party sales data, but we will use both permit and sales data to judge the achievability of expected Subject absorption when we examine market capture rates later in this report.
- In terms of the Subject rental component, from the analysis on the next two pages, we estimate a relevant market size based on MFR
  permits of about 925 annually for the City of Sacramento, +/- 1,650 at the county level, and +/- 2,500 at the MSA level. We use these permit
  figures as our market size measure when we assess a logical capture rate for the Subject's annual rental absorption.

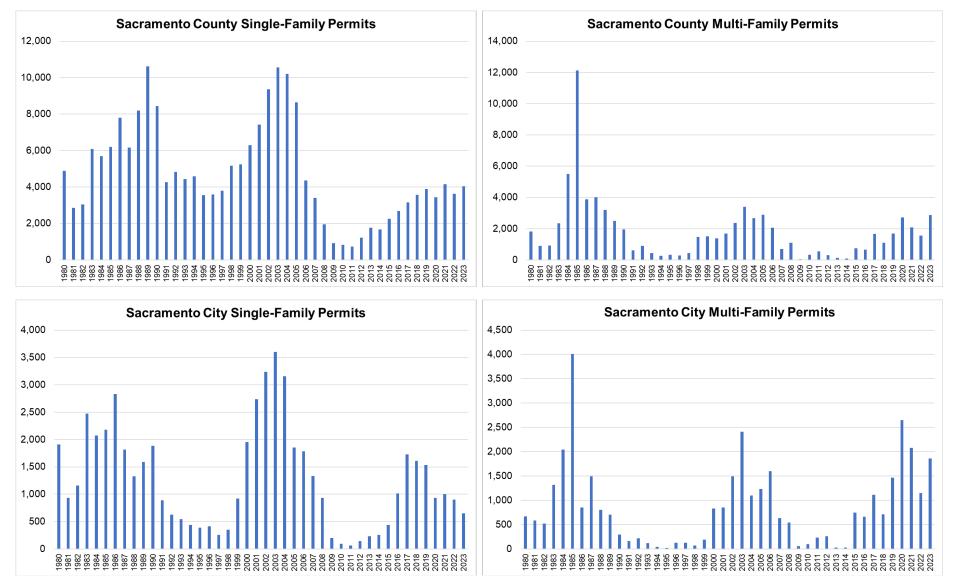
### Sacramento MSA, County and City Historic Permit Activity

- The table below summarizes single-family and multifamily permit averages from a longer-term (1980-2023) and more recent time period (2000-2023) spans for the Sacramento MSA, Sacramento County, and Sacramento City. The data are displayed in charts at the bottom of this page and on the succeeding page.
- These figures are reasonably similar and both have drawbacks. The longer period includes the 1980s with permit figures that are unachievable today. The shorter period includes some extraordinary lows during the Great Recession that are also unlikely to be repeated. For these reasons, we have used the "approximate norms" seen in the table below as our permit-based measures of market size.

		Averages S	<u>SFR</u>		Averages N	IFR
Area	1980-2023	2000-2023	Approx. Norm	1980-2023	2000-2023	Approx. Norm
Sacramento MSA	8,888	8,317	8,600	2,759	2,268	2,500
Sacramento County	4,766	4,177	4,475	1,825	1,452	1,650
Sacramento City	1,283	1,309	1,300	869	994	925



### Sacramento MSA, County and City Historic Permit Activity



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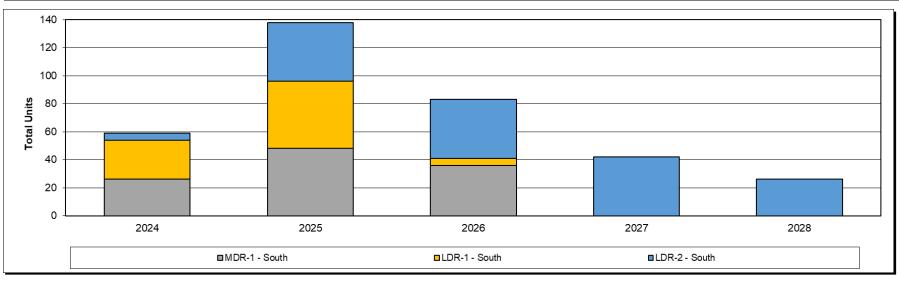
Source: Bureau of Labor Statistics 23

## Subject Build-Out

### **Build-Out – For-Sale**

- Per the discussion earlier in this report, LDR-1 South just began sales, MDR-1 South will soon, and LDR-2 South will start sales in the fourth guarter of this year (we assumed 1.5 months of sales in 4Q 2024 and is per a discussion with Meritage personnel).
- The absorption schedule shown below assumes continuous development of all neighborhoods until units are exhausted. We believe this build-out scenario is prudent and achievable given the market conditions and expectations outlined in this report and the Subject being consistently price positioned as seen in this report.
- The resulting build-out does leave a "tail" of solely SFD 6,500 SF lots selling from 2027 into 2028. This is due to the relatively high unit count of this parcel and the slightly slower estimated monthly absorption rate due to higher price points. We assume Meritage Homes will price and market this neighborhood adequately to maintain sales throughout the marketing life of this community.

#### Min. Lot Size (SF) PRODUCT Product Sales/Mo Total 2024 2025 2026 2027 2028 Alley SFD 35' x 85' 36 MDR-1 - South 2,975 4.00 110 26 48 LDR-1 - South SFD 50' x 100' 5,000 4.00 81 28 48 5 LDR-2 - South 5 SFD 65' x 100' 6,500 3.50 157 42 42 42 26 TOTALS 348 59 138 83 42 26



**ANNUAL PROJECTED ABSORPTION - FOR-SALE** 



## Subject Build-Out

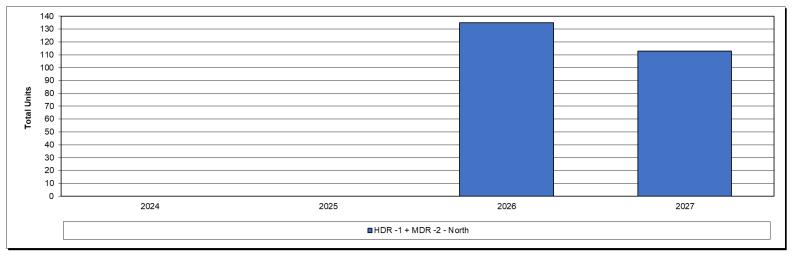


### Build-Out - For-Rent

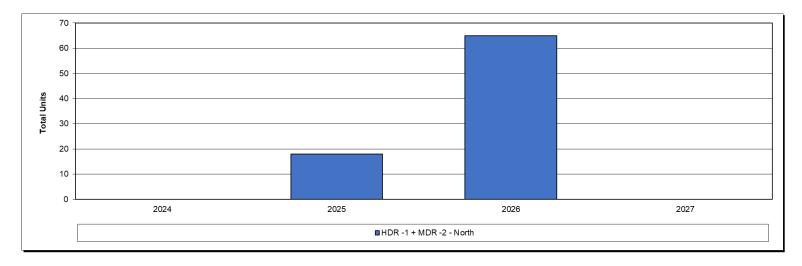
- As outlined earlier in this report, we assume the two parcels at the northern end of the Subject will be merged and developed as either an apartment complex or a BTR community. Below, we illustrate the lease-up period for both uses. We assume an apartment complex would begin leasing approximately 15 months after the purchase of the land, that is, in the second quarter of 2026 (we assume 1.5 months of leasing activity in that initial quarter). A BTR community would come onto the market more rapidly. For that use we assume leasing would start at the beginning of the fourth quarter of 2025.
- We estimate 18.0 leases per month as an achievable absorption rate during the initial lease-up period for the apartments and 6.0/mo. for the BTR. Note that since +/-95% occupancy is considered stable we absorb only 95% of the units for each rental community. Thus, the number of absorbed rental units in the following charts and tables equals 95% of total rental units for either scenario. Given market entry timing, unit counts, and estimated absorption rates, an apartment complex would reach equilibrium in very early 3Q 2027 while a BTR community would do so in Q4 2026.
- The build-outs seen on the next page lead to reasonable capture levels for either Subject rental scenario (see capture analysis later in this report). The subsequent page details sales of multifamily lots to an apartment or BTR developer and displays absorptions on a quarterly basis.

# Subject Build-Outs





### **Rental Build-Out Annually – BTR**



## Subject Build-Out

#### **Quarterly Apartment Lot Sales and Absorption – Apartments**

#### ANNUAL PROJECTED ABSORPTION - FOR-RENT - APARTMENT SCENARIO

PRODUCT	Leases / Mo.	Total	Q1 '24	Q2 '24	Q3 '24	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Q1 '26	Q2 '26	Q3 '26	Q4 '26	Q1 '27	Q2 '27	Q3 '27	Q4 '27
HDR-1 / MDR - 2 - North Lot Sale		261						261										
HDR-1 / MDR - 2 - North Market Abs.	18.0	261										27	54	54	54	54	5	

### **Quarterly Apartment Lot Sales and Absorption – BTR**

#### ANNUAL PROJECTED ABSORPTION - FOR-RENT - BTR SCENARIO

PRODUCT	Leases / Mo.	Total	Q1 '24	Q2 '24	Q3 '24	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Q1 '26	Q2 '26	Q3 '26	Q4 '26
HDR-1 / MDR - 2 - North Lot Sale		87						87						
HDR-1 / MDR - 2 - North Market Abs.	6.0	87								18	18	18	18	11

5

### Market Capture



#### Capture Analysis - For-Sale

• The table below shows the percentage of the relevant market the Subject would capture assuming the sales numbers shown previously. Even at the level of city-wide SFR permit activity, the Subject would require capture rates of at most 11% at peak. Other measures yield lower necessary capture rates. These capture rates appear achievable, particularly considering typically limited city-wide new for-sale residential activity (e.g., only Natomas has been a consistent major supply node and even that has become relatively constricted in recent years). Note that the two new home sales measures reflect annual averages for 2012-23 while the permit figures are from the "approximate norms" figures discussed in the historical permit discussion earlier in this report.

#### Subject Build Out and Capture - For-Sale

	Total	2024	2025	2026	2027	2028
SUBJECT TOTALS	348	59	138	83	42	26

#### **Annual Market Capture Rate**

#### % Capture of:

Annual New Home Sales - County	2%	5%	3%	2%	1%
Annual New Home Sales - MSA	1%	3%	2%	1%	1%
Annual SFR Permits - Sacramento City	5%	11%	6%	3%	2%
Annual SFR Permits - Sacramento County	1%	3%	2%	1%	1%

#### Subject Build Out and Capture - For-Sale

	Total	2023	2024	2025	2026	2027	2028
SUBJECT TOTALS	348	37	110	106	38	38	19
Annual Market Capture Rate % Capture of:							
Annual New Home Sales - County		1%	4%	4%	1%	1%	1%
Annual New Home Sales - MSA		1%	2%	2%	1%	1%	0%
Annual SFR Permits - Sacramento City		3%	8%	8%	3%	3%	1%
Annual SFR Permits - Sacramento County		1%	2%	2%	1%	1%	0%

### Market Capture



#### Capture Analysis – For-Rent

- The tables below show the absorption schedule for the Subject's two rental scenarios. Annual absorption levels are measured against the total estimated rental market size. We provide three estimates of rental market size at the city, county, and MSA-level. At the city-level, the apartments would need to capture about 12%-15% of the market in 2026-2027. At the more appropriate county level (since historical city-wide rental development has been somewhat supply-constrained), the apartments would need to capture about 7%-8% of the market. This would equate to it being one of about 13 actively leasing apartment complexes county-wide during its initial leasing period, while the MSA figure would equal about one of 20 leasing apartment complexes across the entire MSA. We believe this is an achievable market capture rate assuming even approximate normal market conditions. The necessary capture rates for a BTR scenario would be far less.
- Note that Delta Shores Improvement Area 2 (IA-2) on the east side of Interstate 5 is likely to have an apartment complex developed by Jackson Square that could coincide with the Subject apartment timing. Since our assessment of supply, absorption, and capture rate is based on data from large geographies (mainly the county and MSA level) this would not alter our conclusions. The differing locations will also act to differentiate the renter profiles to some degree, and we assume different operators, marketing efforts, etc. In sum, then, we believe the absorption levels for the Subject rental communities are reasonable and the resulting market capture levels are achievable given approximately normal market conditions in the region during the initial lease-up period.

Subject Build Out and Capture - Apartment Scenario

	Total	2025	2026	2027
SUBJECT TOTAL ANNUAL ABSORPTION	261	0	135	113

#### **Annual Market Capture Rate**

% Capture of:			
Annual MFR Permits - Sacramento City	0%	15%	12%
Annual MFR Permits - Sacramento County	0%	8%	7%
Annual MFR Permits - Sacramento MSA	0%	5%	5%

#### Subject Build Out and Capture - BTR Scenario

	Total	2025	2026
SUBJECT TOTAL ANNUAL ABSORPTION	87	18	65

#### **Annual Market Capture Rate**

#### % Capture of:

Annual MFR Permits - Sacramento City	2%	7%
Annual MFR Permits - Sacramento County	1%	4%
Annual MFR Permits - Sacramento MSA	1%	3%

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# **For-Sale Market Analysis**

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## Location of Subject & Surveyed Comparables



### New Home Comparables Summary



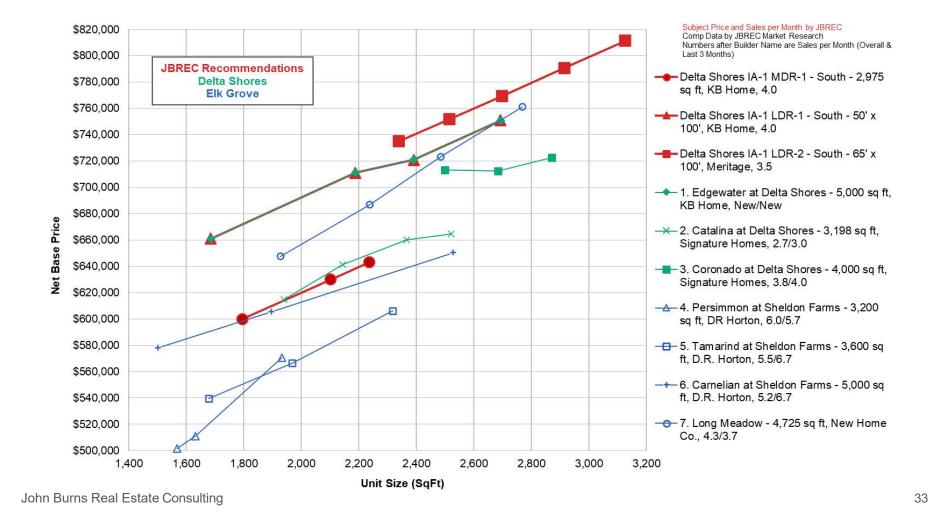
The table below displays summary details of the Subject for-sale product types and the key new home comparables we used to gauge relevant market dynamics. Comparables are located in Delta Shores, augmented by comparables from the nearer portions of Elk Grove. The latter is included for context since there are few active comparables near the Subject and some Subject buyers would likely also shop nearby Elk Grove.

Community	Builder	Location	Product Type	Min Lot / Density	Unit Size (SqFt)	Overall Abs	3-Mo Abs	Avg Base Price	Total Incentives	Ttl Bldr & Buyer Options	Premiums	Avg Net Total Price	Tota /SqF
Delta Shores IA-1 MDR-1 - South	KB Home	Sacramento	Alley SFD	2,975	2,044	4.0	n/ap	\$629,282	(\$5,000) -0.8%	\$34,611 5.5%	\$2,000 0.3%	\$660,892	\$323
Delta Shores IA-1 LDR-1 - South	KB Home	Sacramento	SFD	5,000	2,241	4.0	n/ap	\$716,113	(\$5,000) -0.7%	\$41,177 5.8%	\$3,000 0.4%	\$755,290	\$337
Delta Shores IA-1 LDR-2 - South	Meritage	Sacramento	SFD	6,500	2,719	3.5	n/ap	\$787,395	(\$15,748) -2.0%	\$47,244 6.0%	\$15,748 2.0%	\$834,639	\$307
Edgewater at Delta Shores	KB Home	Sacramento	SFD	5,000	2,239	New	New	\$715,990	<b>(\$5,000)</b> -0.7%	\$40,000 5.6%	\$3,000 0.4%	\$753,990	\$337
Catalina at Delta Shores	Signature Homes	Sacramento	SFD	3,198	2,243	2.7	3.0	\$670,136	(\$25,000) -3.7%	\$0 0.0%	\$2,000 0.3%	\$647,136	\$28
Coronado at Delta Shores	Signature Homes	Sacramento	SFD	4,000	2,685	3.8	4.0	\$735,973	(\$20,000) -2.7%	\$0 0.0%	\$2,000 0.3%	\$717,973	\$26
Persimmon at Sheldon Farms	DR Horton	Elk Grove	SFD	3,200	1,710	6.0	5.7	\$535,157	(\$7,500) -1.4%	\$0 0.0%	\$0 0.0%	\$527,657	\$30
Tamarind at Sheldon Farms	D.R. Horton	Elk Grove	SFD	3,600	1,988	5.5	6.7	\$578,157	(\$7,500) -1.3%	\$0 0.0%	\$0 0.0%	\$570,657	\$28
Carnelian at Sheldon Farms	D.R. Horton	Elk Grove	SFD	5,000	1,975	5.2	6.7	\$618,823	(\$7,500) -1.2%	\$0 0.0%	\$0 0.0%	\$611,323	\$31
Long Meadow	New Home Co.	Elk Grove	SFD	4,725	2,355	4.3	3.7	\$708,696	<b>(\$4,000)</b> -0.6%	<b>\$0</b> 0.0%	\$0 0.0%	\$704,696	\$29
	Compet	itor Median		2,239	4.8	4.8	\$670,136	<b>(\$7,500)</b> -1.3%	<b>\$0</b> 0.0%	<b>\$0</b> 0.0%	\$647,136	\$29	
	Competitor Average				2,171	4.6	4.9	\$651,847	(\$10,929) -1.7%	\$5,714 0.8%	\$1,000 0.1%	\$647,633	\$29

### Net Base Price Comparison



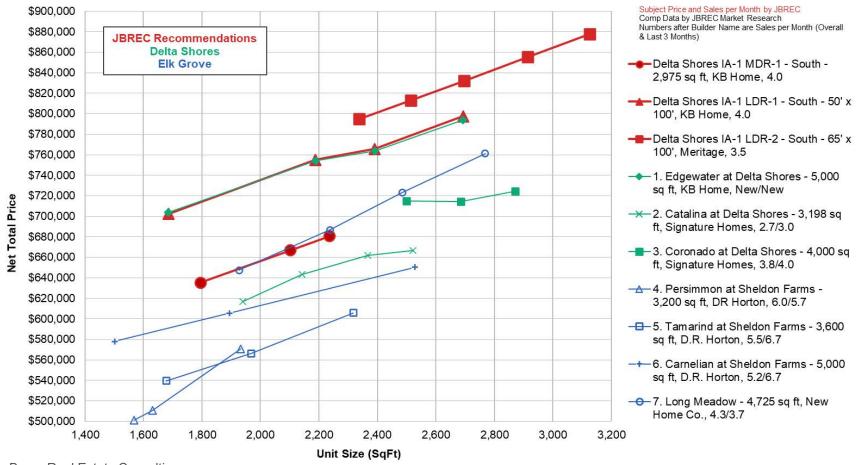
The chart below displays the Subject's proposed pricing against all new home comparables on a net base price basis. The Subject's Alley SFD is positioned toward the middle of the market, with the 5,000 and 6,500 lot SFD products toward the upper portion. However, builders commonly embed some or all options and premiums in advertised base pricing. This means net total price positioning on the following page provides a more accurate comparison.



### **Total Price Comparison**



On a total price comparison (base price + options + premiums - incentives) Subject price positioning is generally similar to its net base price positioning, though minimal upgrade spending at Sheldon Farms pushes those comparables downward. The Subject alley-loaded product is positioned competitively with similar lot size options by Signature in Delta Shores east of Interstate 5, while the Subject 5,000 lot SFD is actively selling (Edgewater) and we have mirrored that pricing. We have positioned the 6,500 lot SFD Subject lots rationally above Edgewater.

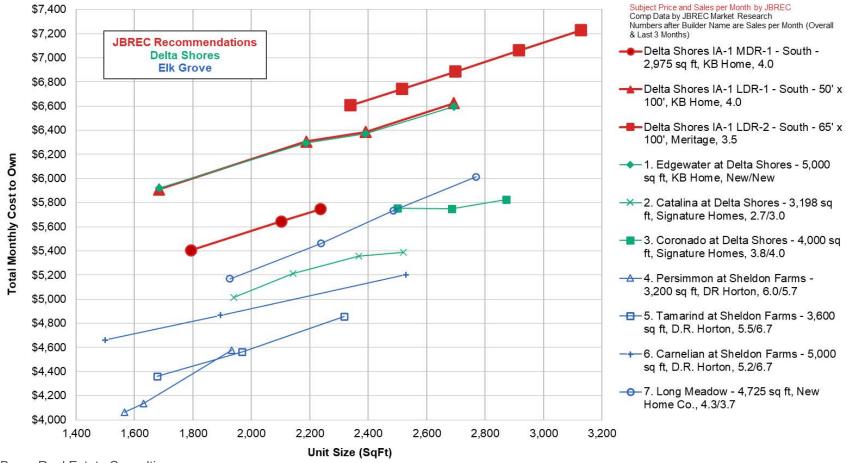


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### **Total Monthly Payment Comparison**



Applying tax rates and HOA fees of the comparables and Subject translates total pricing into net monthly payments. The Subject has a somewhat higher Tax/HOA profile than most surveyed new home projects, so Subject positioning on a monthly payment basis is elevated compared to total price positioning on the previous page. We have factored this into our pricing conclusions but note that the Subject location west of Interstate 5 and immediately south of the Pocket area is superior to Delta Shores east of Interstate 5.



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# New Home Comparables Detail



Community			Builder			Floor Pl	lan			T	ax & HC	A			Ma	rket Price				Cost t	o Own
Surveyed	May-24			Unit						Base		HOA		Incentives	Net	Ttl Bldr		Net	Total	90%	35%
				Size						Тах	Add'l	Fees	Base	Closing	Base	& Buyer	Average	Total	Price/	7.15%	Income
				(SqFt)	Bd	Other	Ba	Levels	Pkg	Rate	Taxes	(\$/Mo.)	Price	Costs	Price	Options	Premium	Price	SqFt	Total Price	to Qualif
Edgewater at D	elta Shores		KB Home																		
Product	SFD	Sales Started	May-24	1,685	3	Den	2.0	1	2	1.15%	\$5,220	\$190	\$665,990	(\$5,000)	\$660,990	\$40,000	\$3,000	\$703,990	\$418	\$5,920	\$203,0
		Total Units	80	2,188	3	Den	2.0	1	2	1.15%	\$5,220	\$190	\$715,990	(\$5,000)	\$710,990	\$40,000	\$3,000	\$753,990	\$345	\$6,297	\$216,0
Min Lot/Density	5,775	Units Sold	8	2,391	4	Loft	3.0	2	2	1.15%	\$5,220	\$190	\$725,990	(\$5,000)	\$720,990	\$40,000	\$3,000	\$763,990	\$320	\$6,372	\$218,0
Dimens/Config	55' x 105'	3 Mon. Sold	8	2,693	5	Flex	3.0	2	2	1.15%	\$5,220	\$190	\$755,990	(\$5,000)	\$750,990	\$40,000	\$3,000	\$793,990	\$295	\$6,597	\$226,0
Location	Saaramanta	Units Remaining % Remaining	72 90%																		
Location	Sacramento	Overall Sales Rate	90% New																		
		3-Mo. Sales Rate	New																		
		o mo. oulos rato	Now																		
			Total/Avg	2,239						1.15%	\$5,220	\$190	\$715,990	(\$5,000)	\$710,990	\$40,000	\$3,000	\$753,990	\$337	\$6,297	\$215,7
Catalina at Del	ta Shores	Signatu	ure Homes																		
Product	SFD	Sales Started	Jun-23	1,940	3	Loft	2.5	2	2		\$2,976		\$639,748	A	\$614,748	\$0	\$2,000	\$616,748	\$318	\$5,014	\$172,0
		Total Units	125	2,143	4		3.0	2	2	1.15%	\$2,976	\$125	\$666,227	(\$25,000)	\$641,227	\$0	\$2,000	\$643,227	\$300	\$5,213	\$179,0
Min Lot/Density		Units Sold	31	2,367	4	Tech	2.5	2	2	1.15%	\$2,976	\$125	\$685,062	(\$25,000)	\$660,062	\$0	\$2,000	\$662,062	\$280	\$5,355	\$184,0
Dimens/Config	41' x 78'	3 Mon. Sold Units Remaining	9 94	2,521	4	Loft	2.5	2	2	1.15%	\$2,976	\$125	\$689,507	(\$25,000)	\$664,507	\$0	\$2,000	\$666,507	\$264	\$5,388	\$185,
Location	Sacramento	% Remaining	94 75%																		
Location	Gaciamento	Overall Sales Rate	2.7																		
		3-Mo. Sales Rate	3.0																		
Commenda of D		0 investo	Total/Avg	2,243						1.15%	\$2,976	\$125	\$670,136	(\$25,000)	\$645,136	\$0	\$2,000	\$647,136	\$289	\$5,242	\$180,0
Coronado at De		-	are Homes		-					4.450/				(000.000)		••	** ***	A745.004	****	AF 750	A / A 7 A
Product	SFD	Sales Started	Jun-23	2,500	5	Loft Loft	3.0 3.5	2 2	2 2			\$125	\$733,034	A	\$713,034	\$0	\$2,000	\$715,034	\$286	\$5,753	\$197,0
Min Lot/Density	4 000 SaEt	Total Units Units Sold	87 43	2,685 2,871	4 4	Lon Loft, Flex	3.5 3.5	2	2	1.15% 1.15%	\$2,976 \$2,976	\$125 \$125	\$732,308 \$742,578	(\$20,000) (\$20,000)	\$712,308 \$722,578	\$0 \$0	\$2,000 \$2,000	\$714,308 \$724,578	\$266 \$252	\$5,748 \$5,825	\$197,0 \$200,0
Dimens/Config	50' x 80'	3 Mon. Sold	43	2,071	4	LUIL, TIEX	5.5	2	2	1.1570	φ2,970	φīzJ	<i>\$142,310</i>	(\$20,000)	φ122,510	φŪ	φ2,000	φ12 <del>4</del> ,510	φΖΟΖ	φ <b>0,02</b> 0	φ200,0
Dimens/Comig	00 x 00	Units Remaining	44																		
Location	Sacramento	% Remaining	51%																		
		Overall Sales Rate	3.8																		
		3-Mo. Sales Rate	4.0																		
			Total/Avg	2,685						1.15%	\$2,976	\$125	\$735,973	(\$20,000)	\$715,973	\$0	\$2,000	\$717,973	\$267	\$5,775	\$198,0
Persimmon at	Sheldon Farms		DR Horton																		
Product	SFD	Sales Started	Sep-22	1,567	3		2.5	2	2	1.05%	\$3,960	\$0	\$508,990	(\$7,500)	\$501,490	\$0	\$0	\$501,490	\$320	\$4,063	\$139,
		Total Units	148	1,631	4		2.5	2	2	1.05%	\$3,960	\$0	\$518,490	(\$7,500)	\$510,990	\$0	\$0	\$510,990	\$313	\$4,134	\$142,
Min Lot/Density	3,200	Units Sold	123	1,932	4	Loft	3.0	2	2	1.05%	\$3,960	\$0	\$577,990	(\$7,500)	\$570,490	\$0	\$0	\$570,490	\$295	\$4,577	\$157,
Dimens/Config	40' x 80'	3 Mon. Sold	17																		
1		Units Remaining	25																		
Location	Elk Grove	% Remaining	17%																		
		Overall Sales Rate	6.0 5.7																		
		3-Mo. Sales Rate	5.7																		
			Total/Avg	1,710						1.05%	\$3,960	\$0	\$535,157	(\$7,500)	\$527,657	\$0	\$0	\$527,657	\$309	\$4,258	\$146,
				.,							, . ,	+-		(+-,)	,,					+ -,===	֥,

# New Home Comparables Detail



Community			Builder			Floor F	lan			T	ax & HC	A			Ma	rket Price	:			Cost to	o Own
Surveyed	May-24			Unit						Base		HOA		Incentives	Net	Ttl Bldr		Net	Total	90%	35%
				Size						Тах	Add'l	Fees	Base	Closing	Base	& Buyer	Average	Total	Price/	7.15%	Income
				(SqFt)	Bd	Other	Ba	Levels	Pkg	Rate	Taxes	(\$/Mo.)	Price	Costs	Price	Options	Premium	Price	SqFt	Total Price	to Qualify*
5 Tamarind at SI	neldon Farms	D	.R. Horton																		
Product	SFD	Sales Started	Sep-22	1,678	4		2.5	2	2	1.05%	\$4,140	\$0	\$546,990	(\$7,500)	\$539,490	\$0	\$0	\$539,490	\$322	\$4,361	\$150,000
		Total Units	121	1,969	4		2.5	2	2	1.05%	\$4,140	\$0	\$573,990	(\$7,500)	\$566,490	\$0	\$0	\$566,490	\$288	\$4,562	\$156,000
Min Lot/Density	3,600	Units Sold	113	2,318	4	Den	3.0	2	2	1.05%	\$4,140	\$0	\$613,490	(\$7,500)	\$605,990	\$0	\$0	\$605,990	\$261	\$4,856	\$166,000
Dimens/Config	45' x 80'	3 Mon. Sold	20																		
		Units Remaining	8																		
Location	Elk Grove	% Remaining	7%																		
		Overall Sales Rate	5.5																		
		3-Mo. Sales Rate	6.7																		

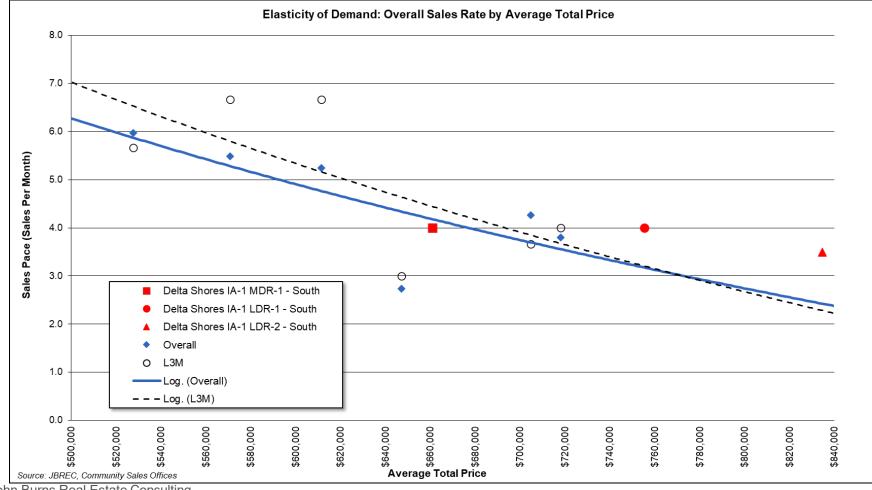
			Total/Avg	1,988						1.05%	\$4,140	\$0	\$578,157	(\$7,500)	\$570,657	\$0	\$0	\$570,657	\$287	\$4,593	\$157,333
6 Carnelian at SI	heldon Farms		D.R. Horton																		
Product	SFD	Sales Started	Sep-22	1,501	3	2	0	1	2	1.05%	\$4,320	\$0	\$585,490	(\$7,500)	\$577,990	\$0	\$0	\$577,990	\$385	\$4,662	\$160,000
		Total Units	122	1,895	4	2	0	1	2	1.05%	\$4,320	\$0	\$612,990	(\$7,500)	\$605,490	\$0	\$0	\$605,490	\$320	\$4,867	\$167,000
Min Lot/Density	5,000	Units Sold	108	2,529	5	3	0	2	2	1.05%	\$4,320	\$0	\$657,990	(\$7,500)	\$650,490	\$0	\$0	\$650,490	\$257	\$5,202	\$178,000
Dimens/Config	50' x 100'	3 Mon. Sold	20																		
		Units Remaining	14																		
Location	Elk Grove	% Remaining	11%																		
		Overall Sales Rate	e 5.2																		
		3-Mo. Sales Rate	6.7																		

			Total/Avg	1,975						1.05%	\$4,320	\$0	\$618,823	(\$7,500)	\$611,323	\$0	\$0	\$611,323	\$310	\$4,910	\$168,333
Long Meadow		New	Home Co.																		
Product	SFD	Sales Started	Aug-23	1,927	3		2.5	2	2	1.05%	\$3,852	\$28	\$651,494	(\$4,000)	\$647,494	\$0	\$0	\$647,494	\$336	\$5,169	\$177,000
		Total Units	122	2,238	3	Loft	2.5	2	2	1.05%	\$3,852	\$28	\$690,757	(\$4,000)	\$686,757	\$0	\$0	\$686,757	\$307	\$5,461	\$187,000
Min Lot/Density	4,725	Units Sold	39	2,486	4		3.0	2	2+	1.05%	\$3,852	\$28	\$727,383	(\$4,000)	\$723,383	\$0	\$0	\$723,383	\$291	\$5,734	\$197,000
Dimens/Config	45 x 105'	3 Mon. Sold	11	2,769	4	Workshop	3.0	2	2+	1.05%	\$3,852	\$28	\$765,150	(\$4,000)	\$761,150	\$0	\$0	\$761,150	\$275	\$6,015	\$206,000
		Units Remaining	83																		
Location	Elk Grove	% Remaining	68%																		
		Overall Sales Rate	4.3																		
		3-Mo. Sales Rate	3.7																		
			Total/Avg	2,355						1.05%		\$28	\$708,696	(\$4,000)	\$704,696	\$0	\$0	\$704,696	\$299	\$5,594	\$191,750

## **Elasticity Analysis**



An elasticity analysis measures the relationship between sales pace and pricing at comparable neighborhoods. Lower prices typically generate higher sales. Our estimated sales rates and pricing for the Subject position the Subject offerings roughly in-line with to above the overall and recent sales rate trend lines. Given the limited number of observations, the trendlines are skewed by Catalina at Delta Shores. Excluding this project, the Subject would be well in line with the trendline and other surveyed comparables. Overall, we believe Subject absorptions are achievable for the reasons stated earlier in this report.

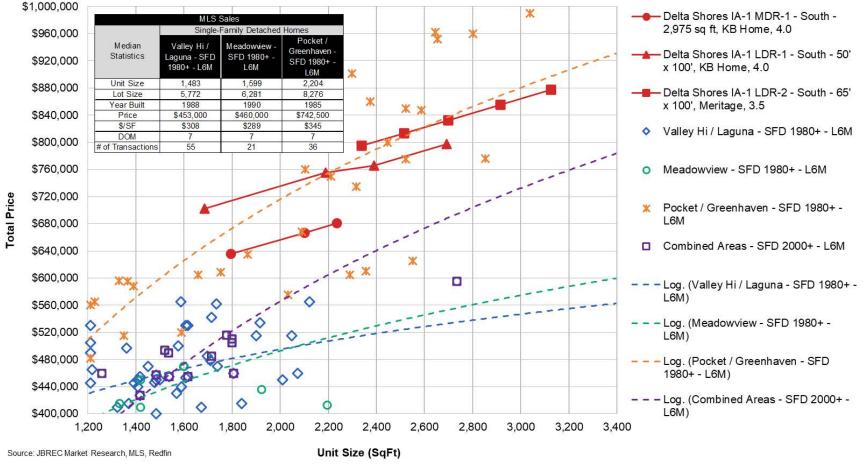


John Burns Real Estate Consulting

## Subject v. Area Resales



Given the limited number of new home competitors in the immediate area, the Subject will also compete against resales. The Subject's forsale product types can be positioned above resale transactions from the last six months from the surrounding areas due to new construction and a superior planned community setting. The Subject should be positioned more competitively with resales from the Pocket area to the immediate north despite these same advantages due to the well-established Pocket address and the larger lot sizes of those homes. Note that resale trendlines are typically skewed more steeply due to outlier transactions.

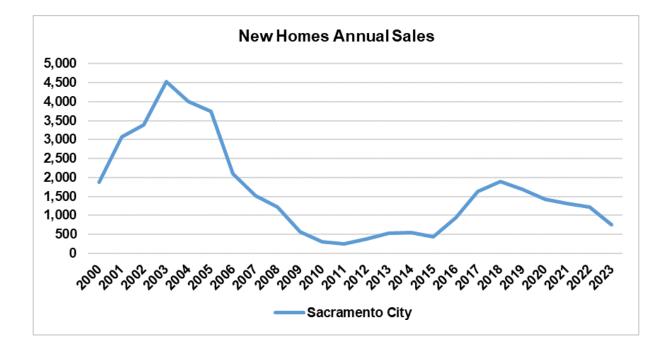


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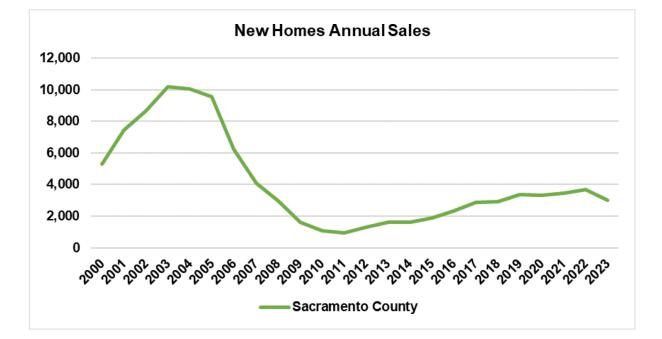
#### New Home Sales – City of Sacramento

In this section, we examine regional and local housing data for the Sacramento MSA, Sacramento County, and the City of Sacramento. All 2024 data is through April 2024. New home sales (which include both attached and detached) generally increased from 2012 to 2018. The COVID-19 pandemic unleashed huge demand but regional new home production is generally concentrated outside of the city of Sacramento. The dip in sales since 2018 is primarily due to a more limited supply than a lack of demand.



New Home	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Sacramento City	312	257	378	527	547	436	941	1,626	1,898	1,685	1,427	1,314	1,214	758	360
YOY % 🔺	-45%	-18%	47%	39%	4%	-20%	116%	73%	17%	-11%	-15%	-8%	-8%	-38%	-

Similar to the city, Sacramento County's new home sales bottomed out in 2011, then increased in the following years. New home sales hit a recent peak at 3,694 homes sold in 2022 then decreased last year but still at a solid sales level.



New Home	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Sacramento County	1,096	953	1,296	1,626	1,596	1,900	2,347	2,880	2,915	3,376	3,308	3,468	3,694	2,999	1,181
YOY % 🔺	-32%	-13%	36%	25%	-2%	19%	24%	23%	1%	16%	-2%	5%	7%	-19%	-

## New Home Sales – Sacramento MSA

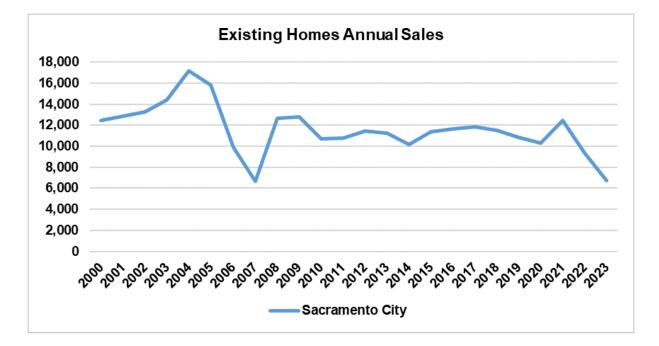
Sacramento MSA new home sales gradually increased from 2011 to 2022, peaking at nearly 7,500. Following the same trends as the city and county, MSA new home sales decreased nearly 20% in 2023.



New Home	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Sacramento MSA	2,448	1,932	2,565	3,222	3,139	3,890	4,999	5,811	5,503	5,650	6,242	7,151	7,426	6,297	2,236
<b>YOY %</b> ▲	-30%	-21%	33%	26%	-3%	24%	29%	16%	-5%	3%	10%	15%	4%	-15%	-

## Existing Home Sales – City of Sacramento

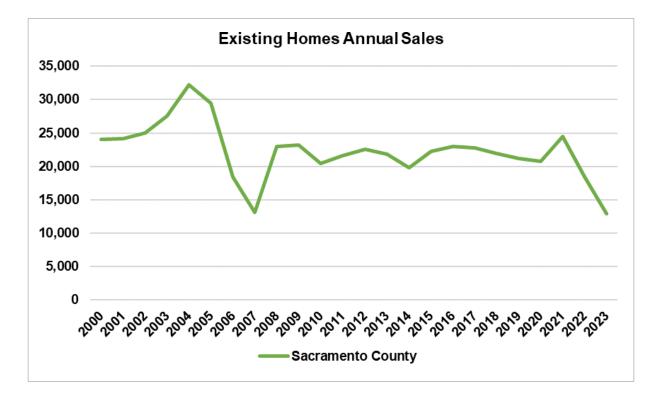
Existing home sales offer a reliable barometer of residential activity. Annual sales have fluctuated since 2012, peaked in 2021, and have since pulled back. Mortgage rate increases have dampened existing homeowners' willingness to sell due to their historically low mortgage rates.



Existing	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Sacramento City	10,703	10,793	11,454	11,213	10,189	11,376	11,663	11,831	11,518	10,833	10,318	12,460	9,362	6,706	2,146
YOY % 🔺	-16%	1%	6%	-2%	-9%	12%	3%	1%	-3%	-6%	-5%	21%	-25%	-28%	-

## Existing Home Sales – Sacramento County

Sacramento County's existing home sales have followed the same trends as the city, significantly decreasing over the last two years.



Existing	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Sacramento County	20,448	21,646	22,521	21,828	19,857	22,231	22,998	22,818	21,892	21,165	20,718	24,489	18,417	12,933	4,235
YOY % 🔺	-12%	1%	6%	-2%	-9%	12%	3%	1%	-3%	-6%	-5%	21%	-25%	-28%	-

## Existing Home Sales – Sacramento MSA

Existing home sales in the MSA have also decreased at a rapid rate over the past two years. 2023 existing home sales are down nearly 50% from 2021 levels. This trend has bolstered new home sales throughout the region and the nation as new homebuilders have captured enhanced market share.

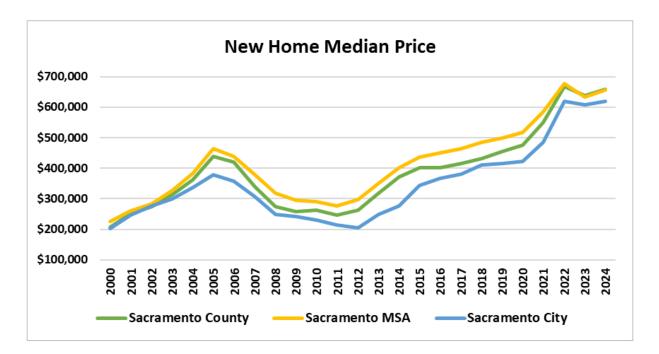


Existing	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Sacramento MSA	30,420	32,696	34,644	34,555	31,760	35,252	36,550	36,430	34,753	33,798	35,599	40,424	29,968	21,743	7,088
YOY% ▲	-5%	7%	6%	0%	-8%	11%	4%	0%	-5%	-3%	5%	14%	-26%	-27%	-

### New Home Price



From 2012 to 2022, new home prices increased in all three areas along similar trends. New home prices increased 22% YOY from 2021 to 2022 in Sacramento. However, incentives increased, and price cuts ensued in 2023 due to weakening market conditions. 2024 has seen a more stabilized market in terms of price, and at a level near historical highs.

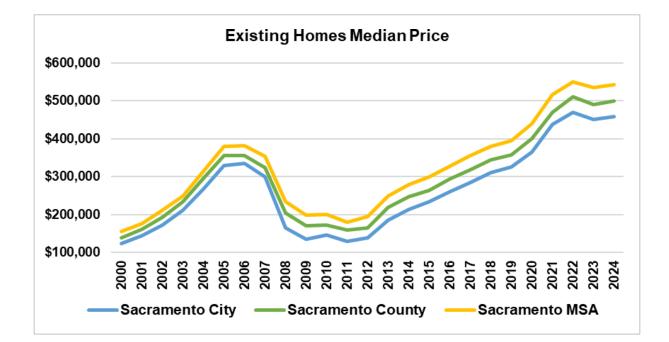


New Home	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Sacramento City	\$230,000	\$215,000	\$206,000	\$250,000	\$277,500	\$345,000	\$366,500	\$380,100	\$411,000	\$415,000	\$422,000	\$485,000	\$619,000	\$607,500	\$619,000
YOY % 🔺	-5%	-7%	-4%	21%	11%	24%	6%	4%	8%	1%	2%	15%	28%	-2%	2%
Sacramento County	\$263,000	\$246,500	\$262,500	\$319,500	\$372,000	\$402,000	\$402,500	\$415,500	\$433,100	\$454,500	\$476,000	\$551,000	\$667,500	\$637,000	\$659,500
YOY % 🔺	2%	-6%	6%	22%	16%	8%	0%	3%	4%	5%	5%	16%	21%	-5%	4%
Sacramento MSA	\$291,500	\$276,000	\$298,500	\$350,500	\$401,000	\$436,500	\$451,000	\$465,100	\$486,000	\$500,000	\$518,000	\$584,500	\$677,000	\$634,000	\$656,000
YOY % 🔺	-1%	-5%	8%	17%	14%	9%	3%	3%	4%	3%	4%	13%	16%	-6%	3%

## **Existing Home Price**



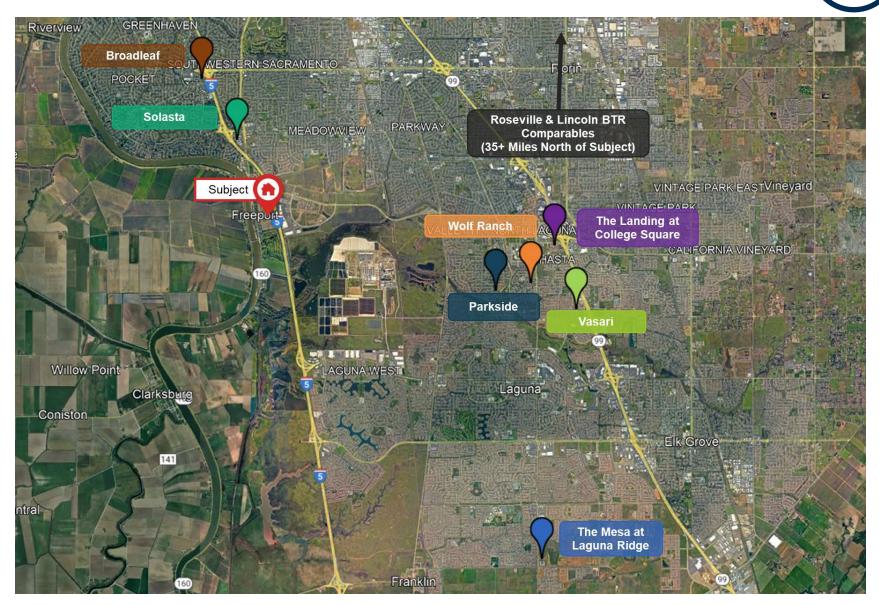
Existing SFD prices increased dramatically in all geographies from 2012 to 2022 and all geographies experienced double-digit price growth from 2020 to 2021. Following the same trends as new home prices, existing home prices decreased in 2023, and stabilized in 2024.



Existing	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Sacramento City	\$146,500	\$130,000	\$140,000	\$185,000	\$214,000	\$235,000	\$260,000	\$285,000	\$310,000	\$325,000	\$365,500	\$438,000	\$470,000	\$450,000	\$458,000
YOY % 🔺	8%	-11%	8%	32%	16%	10%	11%	10%	9%	5%	12%	20%	7%	-4%	2%
Sacramento County	\$173,000	\$159,000	\$166,000	\$220,000	\$246,600	\$265,000	\$294,500	\$318,500	\$345,000	\$357,500	\$400,000	\$470,000	\$510,000	\$490,000	\$500,000
YOY % 🔺	2%	-8%	4%	33%	12%	7%	11%	8%	8%	4%	12%	18%	9%	-4%	2%
Sacramento MSA	\$201,000	\$180,500	\$195,000	\$250,000	\$280,000	\$300,100	\$327,000	\$355,000	\$380,000	\$395,000	\$439,000	\$516,000	\$550,000	\$535,000	\$541,500
YOY % 🔺	1%	-10%	8%	28%	12%	7%	9%	9%	7%	4%	11%	18%	7%	-3%	1%



## Location of Subject & Rental Comparables



## **Rental Comparables Summary**

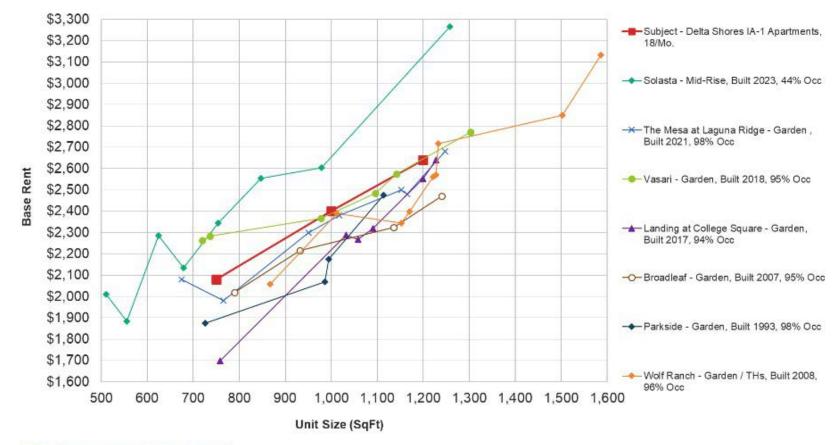


The table below summarizes rents at the Subject rental communities as well as apartment and BTR comparables. Note that there are no BTR comparables within the Subject CMA, so we surveyed six BTR communities in the wider Sacramento region. They are the only six open purpose-built BTR communities in the MSA and thus are useful given the far greater product similarities to the potential Subject BTR community. Stabilized (no longer in initial lease-up period) rental projects have a median occupancy of 95%.

Project Summary																		
Community	Product Type	Location	Year Built	Units	Unit Size (SqFt)	Leased /Mo	Leased	Occ.	Base	\$/SF	Avg Prem	Total Concess.	% of Base	Total Eff. Rent	\$/SF	Mand. Fees	Rent + M. Fees	\$/SF
- ,	21		Bailt	261	957	18.0	200000	0000.	\$2,343	\$2.45	\$0	\$0	0.0%	\$2,343	\$2.45	\$0	\$2,343	\$2.45
Delta Shores IA-1 BTR	Small Lot SFD	Sacramento		87	1,452	6.0			\$2,952	\$2.03	\$0	\$0	0.0%	\$2,952	\$2.03	\$0	\$2,952	\$2.03
Solasta	Mid-Rise	Sacramento	2023	266	782	19.1	60%	44%	\$2,378	\$3.04	\$56	(\$182)	(7.7%)	\$2,251	\$2.88	\$0	\$2,251	\$2.88
The Mesa at Laguna Ridge	Garden	Elk Grove	2021	55	951		98%	98%	\$2,281	\$2.40	\$0	\$0	0.0%	\$2,281	\$2.40	\$0	\$2,281	\$2.40
Vasari	Garden	Elk Grove	2018	324	1,004		98%	95%	\$2,467	\$2.46	\$25	(\$42)	(1.7%)	\$2,450	\$2.44	\$0	\$2,450	\$2.44
Landing at College Square	Garden	Sacramento	2017	270	932		95%	94%	\$2,041	\$2.19	\$30	\$0	0.0%	\$2,071	\$2.22	\$0	\$2,071	\$2.22
Broadleaf	Garden	Sacramento	2007	244	1,041		95%	95%	\$2,273	\$2.18	\$0	(\$174)	(7.7%)	\$2,099	\$2.02	\$0	\$2,099	\$2.02
Park side	Garden	Sacramento	1993	88	999		100%	98%	\$2,211	\$2.21	\$0	\$0	0.0%	\$2,211	\$2.21	\$0	\$2,211	\$2.21
Wolf Ranch	Garden / THs	Sacramento	2008	136	1,225		96%	96%	\$2,577	\$2.10	\$13	\$0	0.0%	\$2,589	\$2.11	\$0	\$2,589	\$2.11
Cyrene at Fiddyment	SFD	Roseville	2021	152	1,496		93%	93%	\$3,108	\$2.08	\$75	\$0	0.0%	\$3,183	\$2.13	\$0	\$3,183	\$2.13
Solstice at Fiddyment	SFD	Roseville	2023	189	1,437	6.1	47%	43%	\$2,989	\$2.08	\$0	(\$287)	(9.6%)	\$2,703	\$1.88	\$0	\$2,703	\$1.88
Isles	SFD	Roseville	2022	135	1,738	7.5	91%	91%	\$3,290	\$1.89	\$13	\$0	0.0%	\$3,303	\$1.90	\$0	\$3,303	\$1.90
Tricon Sunridge	SFD	Rancho Cordova	2023	114	1,631	4.2	5%	5%	\$3,206	\$1.97	\$19	(\$246)	(7.7%)	\$2,979	\$1.83	\$0	\$2,979	\$1.83
Tricon at Twelve Bridges	Duets/SFD	Lincoln	2023	161	1,562	4.6	42%	40%	\$3,170	\$2.03	\$38	(\$304)	(9.6%)	\$2,903	\$1.86	\$0	\$2,903	\$1.86
Cyrene at Meadowlands	SFD	Lincoln	2023	81	1,318	5.8	89%	89%	\$2,917	\$2.21	\$63	\$0	0.0%	\$2,979	\$2.26	\$0	\$2,979	\$2.26
		Competi	tor Median		1,225	6	93%	93%	\$2,577	\$2.18	\$19	\$0	0.0%	\$2,589	\$2.13	\$0	\$2,589	\$2.13
			or Average Stabilized*) Stabilized*)		1,240	7.9	78% 96% 96%	75% 95% 95%	\$2,685 \$2,374 \$2,531	\$2.22 \$2.19 \$2.19	\$25 \$13 \$19	(\$95) \$0 (\$27)	(3.4%) 0.0% (1.2%)	\$2,616 \$2,366 \$2,523	\$2.16 \$2.17 \$2.18	\$0 \$0 \$0	\$2,616 \$2,366 \$2,523	\$2.16 \$2.17 \$2.18

#### Base Rental Positioning Comparison – Apartments

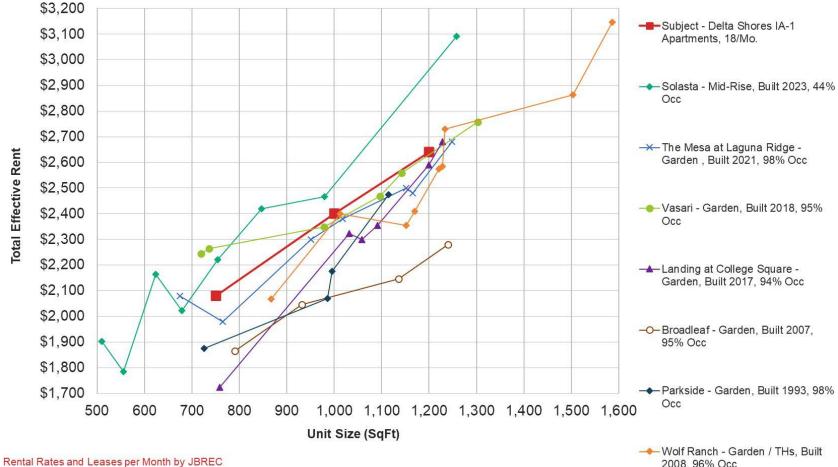
Base rents usually provide the most accurate sense of positioning among comparables since average rents can fluctuate markedly. Subject rents represent market-appropriate rents assuming stabilized occupancy. The Subject apartment product is appropriately positioned toward the top of the relevant market, given its MPC setting and new construction.



Rental Rates and Leases per Month by JBREC Comp Data by JBREC Market Research

### Total Effective Rent – Apartments

The graph shows the Subjects' positioning against rental communities on a total effective rent basis (Base Rent + Average Premiums -Concessions). Subject apartments are positioned below Solasta, a newly built elevator-serviced mid-rise apartment community, given its superior Greenhaven location closer to downtown Sacramento jobs and entertainment.

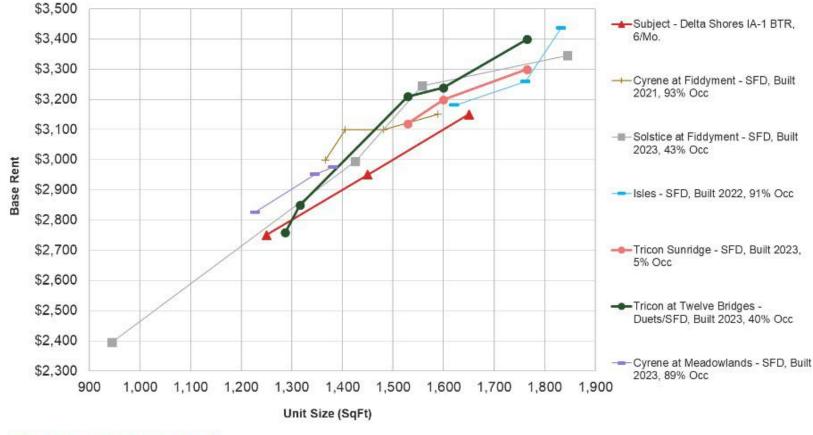


Comp Data by JBREC Market Research

2008. 96% Occ

## Base Rental Positioning Comparison – BTR

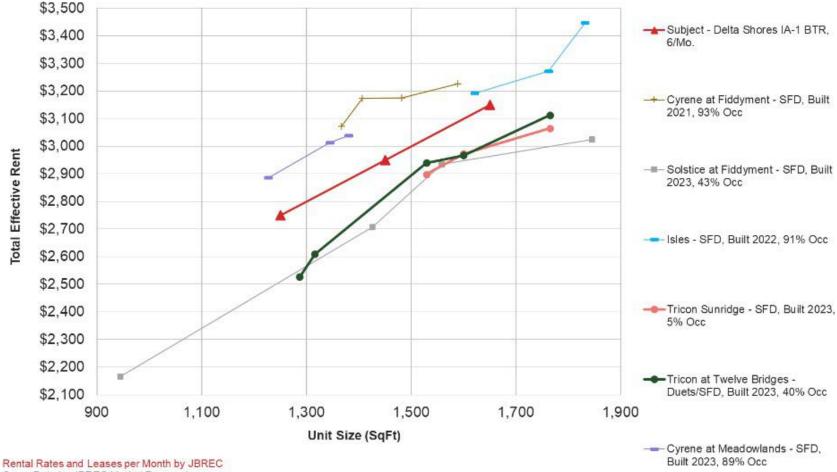
The graph shows Subject BTR base rent positioning against regional BTR communities. The Subject is positioned toward the bottom of the market given its slightly less desirable address compared to Roseville and Lincoln (and note that Tricon in Lincoln is in the highly appealing Twelve Bridges master plan). These factors are slightly offset at Cyrene and Isles due to a poor location within Roseville and minimal amenities.



Rental Rates and Leases per Month by JBREC Comp Data by JBREC Market Research

### Total Effective Rent Positioning Comparison – BTR

The graph shows Subject BTR positioning against regional BTR communities on a total effective rent basis (Base Rent + Average Premiums – Concessions). Given its location disadvantage, this comparison shows the Subject BTR community positioned below Cyrene at Fiddyment and Isles. Note that Tricon at Twelve Bridges and Solstice comparables also hold a location advantage over the Subject but offer considerable concessions while in lease-up; thus, their positioning is lower.





Community						Flo	or Pla	n		Ma	rket R	ents a	nd Fees	s (Month	ly)		
Surveyed	May-24				Size				Pkg			Avg.	Total	Total Eff.		Total	33% Inc
				Mix	(SqFt)	Bed	Bath	Level	Sp	Base	\$/SF	Prem.	Concess.	Rent	\$/SF	Stabl'zd*	to Qualif
Solasta			AG Spanos														
Туре	Mid-Rise	Began Lease-Up	Sep-23	18	510	1	1.0	1	1CP	\$2,010	\$3.94	\$48	(\$154)	\$1,903	\$3.73	\$2,058	\$74,820
		Finished Lease-Up	Leasing	36	555	1	1.0	1	1CP	\$1,885	\$3.40	\$45	(\$145)	\$1,785	\$3.22	\$1,930	\$70,16
Floors	4-Story	Total Units	266	26	624	1	1.0	1	1CP	\$2,285	\$3.66	\$54	(\$175)	\$2,164	\$3.47	\$2,339	\$85,05
Parking	CP/DG	Leased 16		48	679	1	1.0	1	1CP	\$2,135	\$3.14	\$51	(\$164)	\$2,022	\$2.98	\$2,186	\$79,47
Elevator	Yes	Occupied 11		6	754	2	1.0	1	1CP	\$2,345	\$3.11	\$55	(\$180)	\$2,221	\$2.95	\$2,400	\$87,29
Year Built	2023	Available 10	6	66	847	2	2.0	1	1CP	\$2,555	\$3.02	\$60	(\$196)	\$2,419	\$2.86	\$2,615	\$95,10
Location	Sacramento			48	979	2	2.0	1	1CP	\$2,605	\$2.66	\$62	(\$200)	\$2,467	\$2.52	\$2,667	\$96,96
		Leased/Mo. 19	.1	18	1,258	3	2.0	1	1CP	\$3,265	\$2.60	\$77	(\$250)	\$3,092	\$2.46	\$3,342	\$121,53
		Typical Premium	\$75														
Utilities in Rent	None	% w/ Premiums	75%														
Services in Rent	Trash	Avg. Premium 2.4	%														
Appliances in Rent	R/W/D																
			Ttl/Avg	266	782					\$2,378	\$3.04	\$56	(\$182)	\$2,251	\$2.88	\$2,434	\$88,50
The Mesa at Lagur	na Ridge																
Туре	Garden	Began Lease-Up	N/Av	9	675	1	1.0	1	2UC	\$2.080	\$3.08	\$0	\$0	\$2,080	\$3.08	\$2,080	\$75,63
Type	Garden	Finished Lease-Up	Leased	10	765	1	1.0	1	200 2UC	\$1,980	\$2.59	\$0	\$0	\$1,980	\$2.59	\$1,980	\$72,00
Floors	2-Story	Total Units	55	9	951	2	2.0	1	200 2UC	\$2,300	\$2.42	\$0	\$0	\$2,300	\$2.42	\$2,300	\$83,63
Parking	UC/AG	Leased 5		9	1,018	2	2.0	1	200 2UC	\$2,380	\$2.34	\$0	\$0	\$2,380	\$2.34	\$2,380	\$86,54
Elevator	No	Occupied 5		9	1,152	2	2.5	2	200 2UC	\$2,500	\$2.17	\$0	\$0	\$2,500 \$2,500	\$2.17	\$2,500	\$90,90
Year Built	2021	Available 1		9	1,165	2	1.5	2	20C 2UC	\$2,300 \$2,480	\$2.17	\$0	\$0 \$0	\$2,300 \$2,480	\$2.17	\$2,300 \$2,480	\$90,30
Location	Elk Grove	Available		3	1,248	2	2.5	2	20C 2UC	\$2,400 \$2,680	\$2.15	\$0 \$0	\$0 \$0	\$2,400 \$2,680	\$2.15	\$2,400 \$2,680	\$97,45
Location	LIK GIOVE	Leased/Mo.			1,240	2	2.5	2	200	φ2,000	φ2.13	φυ	φυ	φ2,000	φ2.13	φ2,000	φ97,4J
		Typical Premium	\$0														
Utilities in Rent	None	% w/ Premiums	0%														
Services in Rent	Trash	Avg. Premium 0.0															
	R/W/D	Avg. Fremium 0.0	170														
Appliances in Rent Phase 2 is under c			Ttl/Avg	55	951					\$2.281	\$2.40	\$0	\$0	\$2.281	\$2.40	\$2.281	\$82,94
Vasari		Gua	rdian Capital		••••					<i><b>v</b>_,_<b>v</b>.</i>			**	¥=,=0 :	+=	+_,	<i>vo_</i> , <i>o</i> .
	<b>a</b> i		•	~ 4					105	** ***			(* (*)	** ***	** **	** ***	
Туре	Garden	Began Lease-Up	N/Av	64	719	1	1.0	1	1CP	\$2,263	\$3.15	\$23	(\$42)	\$2,244	\$3.12	\$2,286	\$83,12
		Finished Lease-Up	Leased	42	736	1	1.0	1	1CP	\$2,283	\$3.10	\$23	(\$42)	\$2,264	\$3.08	\$2,306	\$83,86
Floors	2-Story	Total Units	324	42	978	2	2.0	1	1CP	\$2,367	\$2.42	\$24	(\$42)	\$2,349	\$2.40	\$2,391	\$86,94
Parking	CP/UC/DAG	Leased 31		56	1,096	2	2.0	1	1CP	\$2,485	\$2.27	\$25	(\$42)	\$2,469	\$2.25	\$2,510	\$91,27
Elevator	No	Occupied 30		64	1,142	2	2.0	1	1CP	\$2,575	\$2.25	\$26	(\$42)	\$2,559	\$2.24	\$2,601	\$94,58
Year Built	2018	Available 6	5	56	1,303	3	2.0	1	1CP	\$2,771	\$2.13	\$28	(\$42)	\$2,757	\$2.12	\$2,799	\$101,7
Location	Elk Grove																
		Leased/Mo.															
		Typical Premium	\$50														
Utilities in Rent	None	% w/ Premiums	50%														
Services in Rent	None	Avg. Premium 1.0	1%														
Appliances in Rent	R/W/D																
			Ttl/Avg	324	1,004					\$2,467	\$2.46	\$25	(\$42)	\$2,450	\$2.44	\$2,492	\$90,61

John Burns Real Estate Consulting



Community						Flo	or Pla	n		Ma	rket R	ents a	nd Fees	s (Month	ly)		
Surveyed	May-24				Size				Pkg			Avg.	Total	Total Eff.		Total	33% Inc
				Mix	(SqFt)	Bed	Bath	Level	Sp	Base	\$/SF	Prem.	Concess.	Rent	\$/SF	Stabl'zd*	to Qualif
Landing at College	Square	MG	Properties														
Туре	Garden	Began Lease-Up	Leased	126	758	1	1.0	1	1CP	\$1,698	\$2.24	\$25	\$0	\$1,723	\$2.27	\$1,723	\$62,65
		Finished Lease-Up	N/Av	42	1032	2	2.0	1	1CP	\$2,289	\$2.22	\$34	\$0	\$2,323	\$2.25	\$2,323	\$84,46
Floors	3-Story	Total Units	270	42	1058	2	2.0	1	1CP	\$2,267	\$2.14	\$33	\$0	\$2,300	\$2.17	\$2,300	\$83,64
Parking	CP/UC/DG	Leased 256	95%	36	1091	2	2.0	1	1CP	\$2,320	\$2.13	\$34	\$0	\$2,354	\$2.16	\$2,354	\$85,60
Elevator	No	Occupied 253	94%	12	1,199	3	2.0	1	1CP	\$2,552	\$2.13	\$38	\$0	\$2,590	\$2.16	\$2,590	\$94,16
Year Built	2017	Available 14		12	1,228	3	2.0	1	1CP	\$2,641	\$2.15	\$39	\$0	\$2,680	\$2.18	\$2,680	\$97,44
Location	Sacramento																
		Leased/Mo.															
		Typical Premium	\$100														
Utilities in Rent	None	% w/ Premiums	30%														
Services in Rent	Trash	Avg. Premium 1.5%															
Appliances in Rent	R/W/D		_														
			Ttl/Avg	270	932					\$2,041	\$2.19	\$30	\$0	\$2,071	\$2.22	\$2,071	\$75,31
Broadleaf		Security	Properties														
Туре	Garden	Began Lease-Up	N/Av	64	790	1	1.0	1	1CP	\$2,020	\$2.56		(\$155)	\$1,865	\$2.36	\$2,020	\$73,45
		Finished Lease-Up	Leased	48	932	2	1.0	1	1CP	\$2,215	\$2.38		(\$170)	\$2,045	\$2.19	\$2,215	\$80,54
Floors	3-Story	Total Units	244	48	1,136	2	2.0	1	1CP	\$2,325	\$2.05		(\$178)	\$2,147	\$1.89	\$2,325	\$84,5
Parking	CP/O/UC	Leased 232	95%	84	1,240	2	2.0	1	1CP	\$2,470	\$1.99		(\$189)	\$2,281	\$1.84	\$2,470	\$89,8
Elevator	None	Occupied 232	95%														
Year Built	2007	Available 12															
Location	Sacramento																
		Leased/Mo.															
		Typical Premium	\$100														
Utilities in Rent	None	% w/ Premiums	50%														
Services in Rent	None	Avg. Premium NAv															
Appliances in Rent	R/W/D																
			Ttl/Avg	244	1,041					\$2,273	\$2.18	\$0	(\$174)	\$2,099	\$2.02	\$2,273	\$82,66
Parkside			Entrata														
Туре	Garden	Began Lease-Up	N/Av	11	726	1	1.0	1	1CP	\$1,875	\$2.58	\$0	\$0	\$1,875	\$2.58	\$1,875	\$68,18
		Finished Lease-Up	Leased	24	986	2	2.0	1	1CP	\$2,070	\$2.10	\$0	\$0	\$2,070	\$2.10	\$2,070	\$75,27
Floors	2-Story	Total Units	88	23	995	2	2.0	1	1CP	\$2,175	\$2.19	\$0	\$0	\$2,175	\$2.19	\$2,175	\$79,09
Parking	CP/UC	Leased 88	100%	30	1,114	3	2.0	1	1CP	\$2,475	\$2.22	\$0	\$0	\$2,475	\$2.22	\$2,475	\$90,00
Elevator	None	Occupied 86	98%														
Year Built	1993	Available 0															
Location	Sacramento																
		Leased/Mo.															
		Typical Premium	\$0														
Utilities in Rent	None	% w/ Premiums	0%														
Services in Rent	None	Avg. Premium 0.0%															
Appliances in Rent	R/W/D																
			Ttl/Avg	88	999					\$2.211	\$2.21	\$0	\$0	\$2,211	\$2.21	\$2,211	\$80,40



Community						Flo	or Pla	n		Ma	rket Re	ents a	nd Fees	s (Month	ly)		
Surveyed	May-24				Size				Pkg			Avg.	Total	Total Eff.		Total	33% Ir
				Mix	(SqFt)	Bed	Bath	Level	Sp	Base	\$/SF	Prem.	Concess.	Rent	\$/SF	Stabl'zd*	to Qua
Wolf Ranch		S	equoia Equit	es													
Туре	Garden / THs	Began Lease-Up	N/Av	8	867	1	1.0	1	1CP	\$2,058	\$2.37	\$10	\$0	\$2,068	\$2.39	\$2,068	\$75,19
		Finished Lease-Up	Leased	16	1012	2	2.0	1	1CP	\$2,389	\$2.36	\$12	\$0	\$2,401	\$2.37	\$2,401	\$87,2
Floors	2 & 3-Story	Total Units	136	16	1152	2	2.0	1	1CP	\$2,344	\$2.03	\$11	\$0	\$2,355	\$2.04	\$2,355	\$85,6
Parking	CP/UC/DAG	Leased	131 96%	8	1,170	2	2.0	1	1CP	\$2,398	\$2.05	\$12	\$0	\$2,410	\$2.06	\$2,410	\$87,6
Elevator	None	Occupied	130 96%	20	1,221	2	2.0	1	1DAG	\$2,562	\$2.10	\$12	\$0	\$2,574	\$2.11	\$2,574	\$93,6
Year Built	2008	Available	5	24	1,228	2	2.0	1	1CP	\$2,571	\$2.09	\$12	\$0	\$2,583	\$2.10	\$2,583	\$93,
Location	Sacramento			20	1,233	3	2.0	1	1CP	\$2,716	\$2.20	\$13	\$0	\$2,729	\$2.21	\$2,729	\$99,
		Leased/Mo.		12	1,503	3	3.0	2	1DAG+1UC	\$2,850	\$1.90	\$14	\$0	\$2,864	\$1.91	\$2,864	\$104
		Typical Premium	\$50	12	1,586	3	3.0	2	1DAG+1UC	\$3,132	\$1.97	\$15	\$0	\$3,147	\$1.98	\$3,147	\$114,
Utilities in Rent	None	% w/ Premiums	25%														
Services in Rent	Trash	Avg. Premium	0.5%														
Appliances in Rent	R/W/D	5															
24 BMR units not in			Tti/A	vg 136	1,225					\$2,577	\$2.10	\$13	\$0	\$2,589	\$2.11	\$2,589	\$94,
Cyrene at Fiddymer	nt	Sar	es-Re gis Gro	a	,					. ,					·		. ,
Type	SFD	Began Lease-Up	Leased	. 15	1.367	3	2.5	2	2DAG	\$2.999	\$2.19	\$72	\$0	\$3.071	\$2.25	\$3,071	\$111
туре	3FD	Finished Lease-Up	Leased		1,406	3	2.5	2	2DAG 2DAG	\$3,099	\$2.19	\$75	\$0 \$0	\$3,174	\$2.25	\$3,071	\$115
	O Otem			29 52	,	3			2DAG 2DAG	. ,				. ,		. ,	
Floors	2-Story	Total Units	152 141 93%	52 56	1,482 1.589	3 4	2.5 2.5	2 2	2DAG 2DAG	\$3,100 \$3,150	\$2.09 \$1.98	\$75 \$76	\$0 \$0	\$3,175	\$2.14 \$2.03	\$3,175	\$115
Parking	Direct Acc. Gar.	Leased		00	1,569	4	2.5	2	ZDAG	<b>\$</b> 3, 150	\$1.90	\$10	<b>Ф</b> О	\$3,226	φ2.03	\$3,226	\$117
Elevator	None		141 93%														
Year Built	2021	Available	11														
Location	Roseville																
		Leased/Mo.	<b>*</b> - <b>= •</b>														
		Typical Premium	\$150														
Utilities in Rent	None	% w/ Premiums	50%														
Services in Rent	Landscaping	Avg. Premium	2.4%														
Appliances in Rent	R/W/D											·					• • • •
			Ttl/A	•	1,496					\$3,108	\$2.08	\$75	\$0	\$3,183	\$2.13	\$3,183	\$115
Solstice at Fiddyme	ent	Va	n Dael e Hom	es													
Туре	SFD	Began Lease-Up	Mar-23	48	945	2	2.0	1	1CP	\$2,395	\$2.53	\$0	(\$230)	\$2,165	\$2.29	\$2,395	\$87
		Finished Lease-Up	Leasin	48	1,426	3	2.5	2	2DAG	\$2,995	\$2.10	\$0	(\$287)	\$2,708	\$1.90	\$2,995	\$108
Floors	1 & 2-Story	Total Units	189	48	1,558	4	3.0	2	2DG	\$3,245	\$2.08	\$0	(\$311)	\$2,934	\$1.88	\$3,245	\$118
Parking	Surface/Garage	Leased	88 47%	45	1,845	4	3.0	2	2DG	\$3,345	\$1.81	\$0	(\$321)	\$3,024	\$1.64	\$3,345	\$121
Elevator	None	Occupied	82 43%														
Year Built	2023	Available	101														
_ocation	Roseville																
		Leased/Mo.	6.1														
		Typical Premium	\$0														
		~ .															
Utilities in Rent	None	% w/ Premiums	0%														
Utilities in Rent Services in Rent	None None		0% 0.0%														

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Community						Flo	or Pla	n		Ma	rket R	ents a	nd Fees	s (Month	ıly)		
Surveyed	May-24				Size				Pkg	_		Avg.	Total	Total Eff.		Total	33% In
				Mix	(SqFt)	Bed	Bath	Level	Sp	Base	\$/SF	Prem.	Concess.	Rent	\$/SF	Stabl'zd*	to Qua
Isles		Progress	Residential														
Туре	SFD	Began Lease-Up	Oct-22	45	1,621	3	2.5	2	2DAG	\$3,180	\$1.96	\$12	\$0	\$3,192	\$1.97	\$3,192	\$116,0
		Finished Lease-Up	Mar-24	46	1,762	4	2.5	2	2DAG	\$3,259	\$1.85	\$12	\$0	\$3,271	\$1.86	\$3,271	\$118,9
Floors	2-Story	Total Units	135	44	1,832	4	2.5	2	2DAG	\$3,435	\$1.88	\$13	\$0	\$3,448	\$1.88	\$3,448	\$125,
Parking	Direct Acc. Gar.	Leased 123	91%														
Elevator	None	Occupied 123	91%														
Year Built	2022 Deceville	Available 12															
Location	Roseville	Leased/Mo. 7.5															
			¢ЕО														
Utilities in Rent	None	Typical Premium % w/ Premiums	\$50 25%														
Services in Rent	None																
Appliances in Rent	R/W/D	Avg. Premium 0.4%															
Appliances in Rent	N/W/D		Ttl/Avg	135	1,738					\$3,290	\$1.89	\$13	\$0	\$3,303	\$1.90	\$3,303	\$120.
Tricon Sunridge		Tricon	Residential		,					,				,		,	,
	SFD	Began Lease-Up	Apr-24	38	1,529	3	2.5	2	2DAG	\$3,119	\$2.04	\$18	(\$239)	\$2,898	\$1.90	\$3,137	\$114,
Туре	350	Finished Lease-Up		38	1,600	3	2.5	2	2DAG 2DAG	. ,	\$2.04 \$2.00	\$10 \$19	(\$239) (\$245)	\$2,898 \$2,972	\$1.90 \$1.86	\$3,137	\$114,
Floors	2-Story	Total Units	Leasing 114	38	1,600	3 4	2.5 2.5	2	2DAG 2DAG	\$3,199 \$3,299	\$∠.00 \$1.87	\$19 \$19	(\$245) (\$253)	\$2,972 \$3,065	\$1.00 \$1.74	\$3,218 \$3,318	\$117,
	•			30	1,705	4	2.5	2	ZDAG	<b>\$</b> 3,299	φ1.0 <i>1</i>	φ19	(\$200)	<b>\$</b> 3,005	φ1.74	φ <b>3,310</b>	φ12U
Parking	Direct Acc. Gar.	Leased 6	5%														
Elevator	None	Occupied 6	5%														
Year Built	2023	Available 108															
Location	Rancho Cordova																
		Leased/Mo. 4.2															
		Typical Premium	\$75														
Utilities in Rent	None	% w/ Premiums	25%														
Services in Rent	Landscaping	Avg. Premium 0.6%															
Appliances in Rent	R/W/D																
			Ttl/Avg	114	1,631					\$3,206	\$1.97	\$19	(\$246)	\$2,979	\$1.83	\$3,224	\$117,
Tricon at Twelve B	ridges	Tricon	Residential														
Туре	Duets/SFD	Began Lease-Up	Feb-23	22	1,287	2	2.5	2	2DAG	\$2,759	\$2.14	\$33	(\$265)	\$2,527	\$1.96	\$2,792	\$101,
		Finished Lease-Up	Leasing	18	1,316	3	2.5	2	2DAG	\$2,849	\$2.16	\$34	(\$273)	\$2,610	\$1.98	\$2,883	\$104,
Floors	2-Story	Total Units	161	20	1,529	3	2.5	2	2DAG	\$3,209	\$2.10	\$38	(\$308)	\$2,939	\$1.92	\$3,247	\$118,
Parking	Direct Acc. Gar.	Leased 68	42%	57	1,600	3	2.5	2	2DAG	\$3,239	\$2.02	\$38	(\$311)	\$2,967	\$1.85	\$3,277	\$119,
Elevator	None	Occupied 65	40%	44	1,765	4	2.5	2	2DAG	\$3,399	\$1.93	\$40	(\$326)	\$3,113	\$1.76	\$3,439	\$125,
Year Built	2023	Available 93			,								() V	. ,		. ,	. ,
Location	Lincoln																
		Leased/Mo. 4.6															
		Typical Premium	\$75														
Utilities in Rent	None	% w/ Premiums	50%														
Services in Rent	Landscaping	Avg. Premium 1.2%															
Appliances in Rent	R/W/D																
	cludes \$50 solar and s		Ttl/Avg	161	1,562					\$3,170	\$2.03	\$38	(\$304)	\$2,903	\$1.86	\$3,207	

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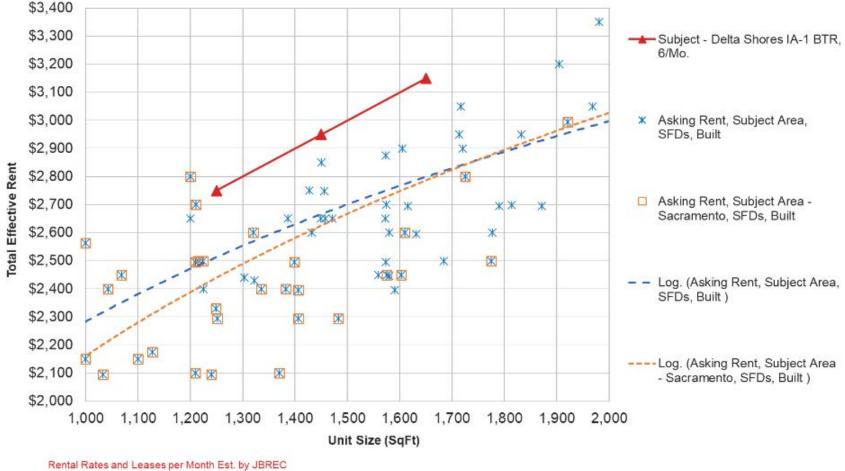
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Community							Flo	or Pla	n		Ма	rket Re	ents a	nd Fees	(Month	ly)		
Surveyed	May-24				Mix	Size (SqFt)	Bed	Bath	Level	Pkg Sp	Base	\$/SF	Avg. Prem.	Total Concess.	Total Eff. Rent	\$/SF	Total Stabl'zd*	33% Inc. to Qualify
Uyrene at meadowi	anas	56	ares-ĸe	gis Group														
Туре	SFD	Began Lease-Up Finished Lease-Up	p	May-23 Leasing	27 27	1,227 1,345	2 3	2.5 2.5	2 2	2DAG 2DAG	\$2,825 \$2,950	\$2.30 \$2.19	\$61 \$63	\$0 \$0	\$2,886 \$3,013	\$2.35 \$2.24	\$2,886 \$3,013	\$104,929 \$109,571
Floors Parking Elevator Year Built	2-Story Direct Acc. Gar. No 2023	Total Units Leased Occupied Available	72 72 9	81 89% 89%	27	1,381	3	2.5	2	2DAG	\$2,975	\$2.15	\$64	\$0	\$3,039	\$2.20	\$3,039	\$110,500
Location Utilities in Rent Services in Rent Appliances in Rent	Lincoln None R/W/D	Leased/Mo. Typical Premium % w/ Premiums Avg. Premium	5.8 2.1%	\$125 50%														
				Ttl/Avg	81	1,318					\$2,917	\$2.21	\$63	\$0	\$2,979	\$2.26	\$2,979	\$108,333

#### Subject Positioning vs. Stand-Alone Single-Family Detached Rentals

The graph below shows the positioning of the Subject BTR community against detached Single-Family Rental ("SFR") listings in the Subject Area. The Subject BTR is appropriately positioned above these trendlines given its premium for new construction, its master plan environment, and its assumed modest amenity package. These factors are somewhat offset by its smaller lot size. It is worth noting that SFR homes were built as for-sale homes and are often larger than is optimal for BTR. BTR communities generally enjoy a significant premium over local "Mom and Pop" single-family rentals.



Comp Data by JBREC Market Research



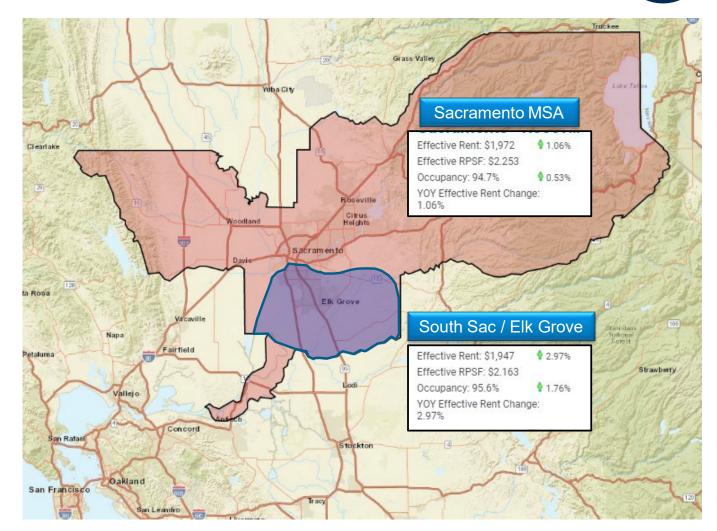
### Apartments Trends – Geographic Areas

We analyzed apartment trends at the following levels:

- Sacramento MSA
- South Sacramento/Elk
   Grove submarket

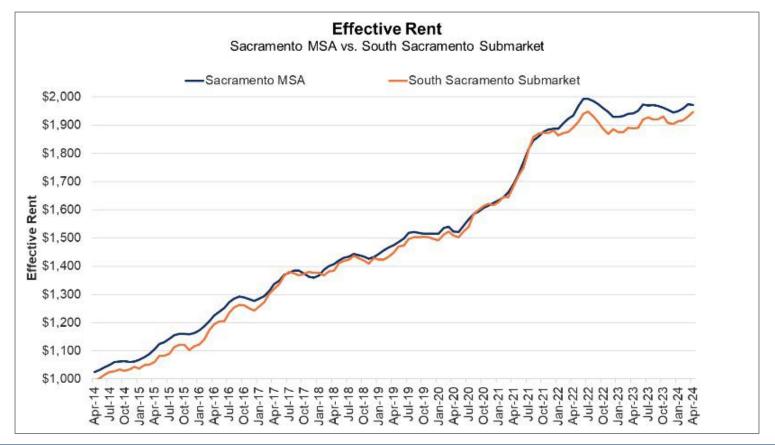
Apartment trend data in this section are per RealPage, which also defines these submarkets. The full Sacramento MSA includes the counties of Sacramento, Yolo, El Dorado, and Placer, while south Sacramento is defined by the purple area, where the Subject is located.

Note also that the data on the tables and chart that follow reflect all apartment unit types.



## **Effective Rents**

Effective rents have been increasing over the past decade, with the largest increase occurring from 2020 to 2022. Rents have vacillated over the last two years and sit just below \$2,000/month as of April 2024.

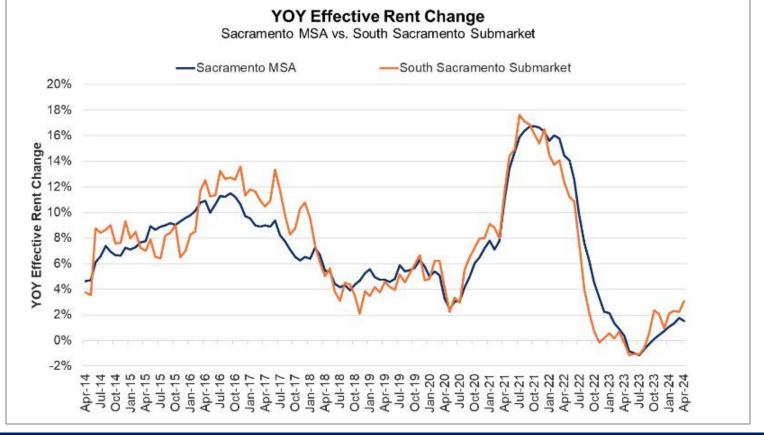


Effective Rent	Apr 2014	Apr 2015	Apr 2016	Apr 2017	Apr 2018	Apr 2019	Apr 2020	Apr 2021	Apr 2022	Apr 2023	Apr 2024
Sacramento MSA	\$1,025	\$1,105	\$1,226	\$1,336	\$1,408	\$1,475	\$1,523	\$1,691	\$1,935	\$1,942	\$1,972
South Sacramento	\$992	\$1,061	\$1,194	\$1,319	\$1,385	\$1,448	\$1,509	\$1,684	\$1,892	\$1,889	\$1,947

## YOY Effective Rent Change



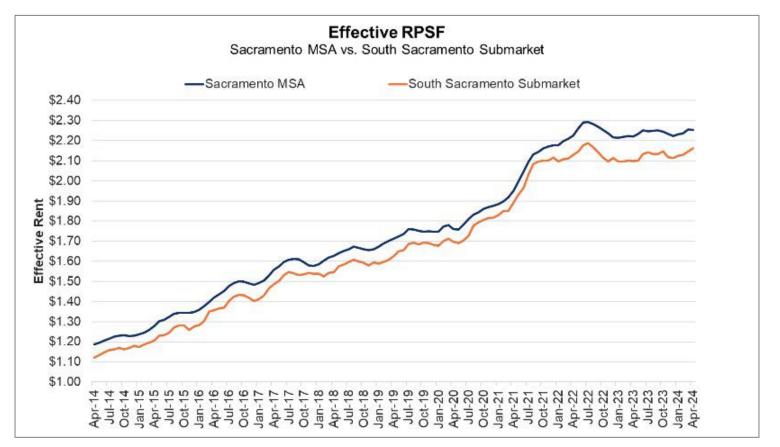
Effective rent change increased drastically from January 2021 through June 2022, where the MSA and submarket experienced over 8% YOY growth in asking rents, reaching over 16% in late 2021. Asking rent growth slowed drastically in the last quarter of 2022 and turned negative in the summer of 2023 with the market softening. Rent change returned to positive territory in late 2023 and is now at 3.1% YOY for the South Sacramento submarket.



Y	OY Effective Rent	Apr 2014	Apr 2015	Apr 2016	Apr 2017	Apr 2018	Apr 2019	Apr 2020	Apr 2021	Apr 2022	Apr 2023	Apr 2024
S	Sacramento MSA	4.6%	7.8%	10.9%	9.0%	5.4%	4.7%	3.3%	11.0%	14.5%	0.4%	1.5%
S	South Sacramento	3.8%	7.0%	12.5%	10.5%	5.0%	4.6%	4.2%	11.6%	12.3%	-0.2%	3.1%

## Effective Rent Per Square Foot

Similar to effective rents, the price per square foot of multifamily units has increased, particularly since 2020. The MSA has a slight premium over the South Sacramento submarket.

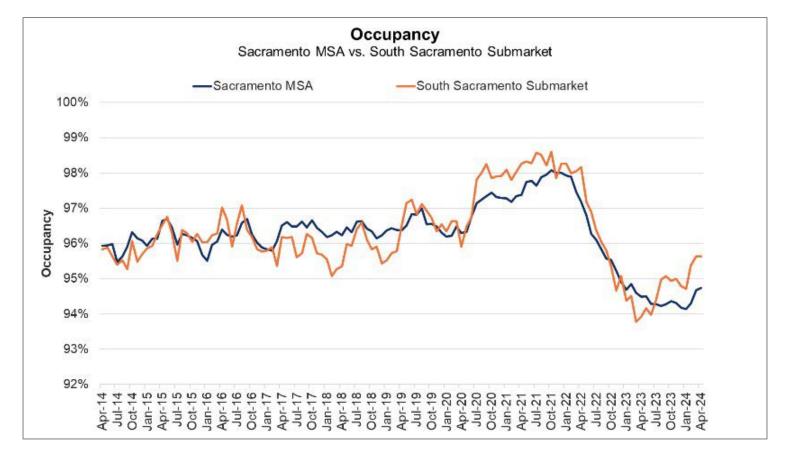


Effective RPSF	Apr 2014	Apr 2015	Apr 2016	Apr 2017	Apr 2018	Apr 2019	Apr 2020	Apr 2021	Apr 2022	Apr 2023	Apr 2024
Sacramento MSA	\$1.19	\$1.28	\$1.42	\$1.56	\$1.63	\$1.71	\$1.76	\$1.95	\$2.23	\$2.22	\$2.25
South Sacramento	\$1.12	\$1.21	\$1.36	\$1.49	\$1.55	\$1.63	\$1.70	\$1.89	\$2.13	\$2.10	\$2.16

## Occupancy



Occupancy has remained strong over the last ten years, though it dipped below 95% in early 2023. There have been fluctuations over the last decade from quarter to quarter, but both geographies have generally maintained high occupancies, though they are currently slightly below recent years.

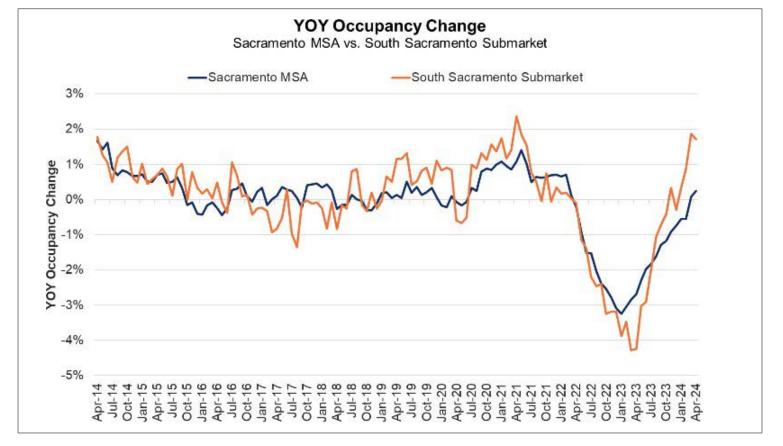


Occupancy	Apr 2014	Apr 2015	Apr 2016	Apr 2017	Apr 2018	Apr 2019	Apr 2020	Apr 2021	Apr 2022	Apr 2023	Apr 2024
Sacramento MSA	95.9%	96.6%	96.4%	96.5%	96.2%	96.4%	96.3%	97.4%	97.2%	94.5%	94.7%
South Sacramento	95.8%	96.5%	97.0%	96.2%	95.4%	96.5%	95.9%	98.3%	98.2%	93.9%	95.6%

# YOY Occupancy Change



For much of the last decade, year-over-year occupancy change has hovered between negative and positive 2%. As shown on the previous page, early 2023 saw outsized decreases in occupancy, resulting in a larger negative change than the norm. However, both the MSA and submarket are currently positive.



YOY Occupancy	Apr 2014	Apr 2015	Apr 2016	Apr 2017	Apr 2018	Apr 2019	Apr 2020	Apr 2021	Apr 2022	Apr 2023	Apr 2024
Sacramento MSA	1.7%	0.7%	-0.2%	0.1%	-0.3%	0.1%	-0.1%	1.1%	-0.2%	-2.7%	0.3%
South Sacramento	1.8%	0.7%	0.5%	-0.8%	-0.8%	1.2%	-0.6%	2.4%	-0.1%	-4.2%	1.7%

## **Rental Rate Trends & Projections**



The tables below show apartment and SFR rent trends and JBREC projections for the Sacramento MSA. BTR rents are not forecasted, but SFR represents a reasonable proxy. JBREC forecasts positive annual rent change through 2027 for both apartment and SFR rentals in the MSA.

	Apartment Rent	Apt. Rent YOY %
2015	\$1,226	10.4%
2016	\$1,350	10.1%
2017	\$1,438	6.5%
2018	\$1,510	5.0%
2019	\$1,579	4.6%
2020	\$1,694	7.3%
2021	\$1,947	14.9%
2022	\$1,961	0.7%
2023	\$1,954	-0.4%
Current	\$1,978	1.0%
2024P	\$1,976	1.1%
2025P	\$2,026	2.5%
2026P	\$2,094	3.4%
2027P	\$2,173	3.8%

	S.F. Rent, Entry-Level Home	S.F. Rent YOY %
2015	\$1,555	5.6%
2016	\$1,650	6.1%
2017	\$1,783	8.1%
2018	\$1,849	3.7%
2019	\$1,947	5.3%
2020	\$2,108	8.3%
2021	\$2,339	11.0%
2022	\$2,425	3.7%
2023	\$2,499	3.1%
Current	\$2,520	3.4%
2024P	\$2,591	3.7%
2025P	\$2,702	4.3%
2026P	\$2,825	4.6%
2027P	\$2,951	4.5%

Sacramento, CA

May 2024



### Sacramento Residential Pipeline



The table below summarizes all rental residential projects in the city of Sacramento development pipeline per RealPage. In terms of competitive rental projects, the Russell Square Developments in Improvement Area 2 of Delta Shores east of the Subject are expected to add 576 apartments to the market over three parcels. Per the Russell Square website, construction is slated to begin in the fall of 2024 and will be completed in late 2026. The only substantially sized for-sale residential project planned in the south Sacramento planning area (where the Subject is located) is Stone Beetland (see following pages). There will also occasionally be infill projects throughout the South Sacramento planning area, like Wickford Square by Next Generation (sold out in 2022).

SACRAMENTO FUTURE RENTAL SUPPLY								
Project Name	Location	City	Status	Build Year	Applicant/Developer/Builder	Product Type	Total Number of Units	
1600 Broadway	1600 Broadway	Sacramento	Under Construction	2025	CORE Commercial Real Estate	Garden	67	
ANOVA Aggie Square	Stockton Blvd & 2nd Ave	Sacramento	Under Construction	2025	GMH Communities	Wrap	141	
Cypress	1330 N St	Sacramento	Under Construction	2024	Capitol Area Development Authority	Tower	75	
Former Beers Books	905-915 S St	Sacramento	Under Construction	2025	Anthem Properties Group Ltd	Tower	225	
Leisure Lane	500 Leisure Ln	Sacramento	Under Construction	2024	AG Spanos Companies	Podium	121	
Luella	1208 Q St	Sacramento	Under Construction	2024	Urban Development + Partners	Garden	49	
Natomas Fountains	3801 Gateway Park Blvd	Sacramento	Under Construction	2026	Hines/TriCap Development	Garden	303	
Studio30	500 16th St	Sacramento	Under Construction	2024	SKK Developments	Garden	30	
Sutter Green 2.0	2450 Natomas Park Dr	Sacramento	Under Construction	2025	Demmon Partners	Podium	190	
The Eames	1542 Bartlett Ln	Sacramento	Under Construction	2025	DeBartolo Development	Garden	331	
The Hayley	571 Cannery Ave	Sacramento	Under Construction	2025	29th Street Capital	Garden	372	
The Richmond	1629 S St	Sacramento	Under Construction	2024	Sutter Capital Group	Podium	47	
Trinity House	2701 Capitol Ave	Sacramento	Under Construction	2025	HK3 Development LLC	Podium	62	
1023 J Street	1023 J St	Sacramento	Planned	2027	Privately Owned	Tower	256	
1121 I Street	1121 I St	Sacramento	Planned	2026	TA Group	Tower	206	
200 North 16th Street	200 N 16th St	Sacramento	Planned	2026	Bauen Capital	Podium	355	
201 N Street	201 N St	Sacramento	Planned	2026	Southern Land Company	Midrise/THs	438	
211 North 16th Street	211 N 16th St	Sacramento	Planned	2026	Bauen Capital	Garden	111	
215 North 16th Street	215 N 16th St	Sacramento	Planned	2025	Bauen Capital	Garden	70	
2730 Stockton Boulevard	2730 Stockton Blvd	Sacramento	Planned	2026	Sutter Capital Group	Podium	34	
Edgewater in Woodlake	1891 Royal Oaks Dr	Sacramento	Planned	2026	Privately Owned	Garden	269	
Homecoming at Creekside III	2631 Del Paso Rd	Sacramento	Planned	2026	Lewis Group of Companies	Duets/THs	184	
Independence at Natomas	Kankakee Dr & N Park Dr	Sacramento	Planned	2026	Lewis Group of Companies	Duets/THs	170	
Jefferson Block	1619 N St	Sacramento	Planned	2026	Cresleigh Homes	Tower	108	
Maven on 5th	2629 5th St	Sacramento	Planned	2026	29th Street Capital	Garden	252	
The Grace	620 & 628 15th St	Sacramento	Planned	2025	Urban Capital LLC	Garden	41	
The Telegrapher	5th St & Railyards Blvd	Sacramento	Planned	2026	LDK Ventures	Podium	337	
Russell Square Development I	8105 Delta Shores Cir.	Sacramento	Planned	2026	Merlone Geier/Russell Square	Garden	232	
Russell Square Development II	8105 Delta Shores Cir.	Sacramento	Planned	2026	Merlone Geier/Russell Square	Garden	344	
· ·					•	Total	5,420	

# Future Supply – Stone Beetland



One major development not included in the table on the previous page (as it is still conceptual) is Stone Beetland, a 111.2-acre property just east of Delta Shores Improvement Area 2. The developer, Taylor Builders, submitted a land-use map that indicates they plan about 1,160 residential units with densities that translate primarily into relatively dense detached product. This project is immediately west of the Morrison Creek light rail station and will have a transit-oriented village as part of the overall development. Stone Beetland will likely start development after the Subject, but it is possible that the marketing of both properties will coincide.

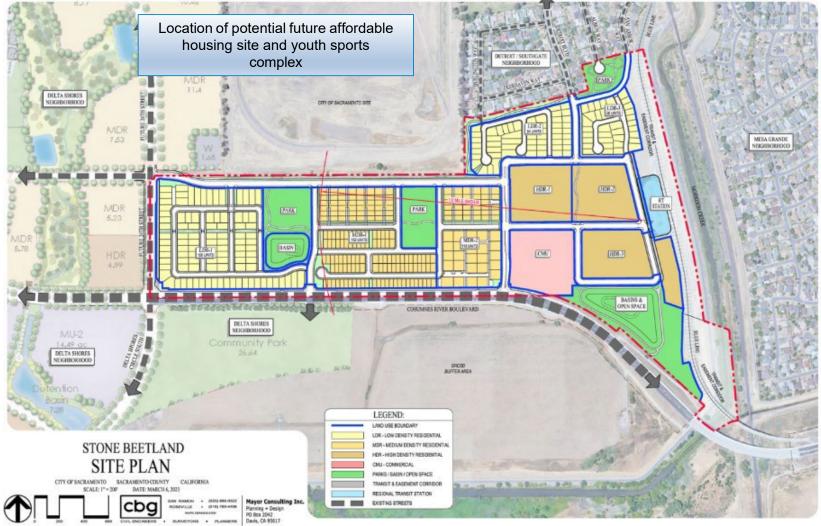


Source: City of Sacramento Planning Department John Burns Real Estate Consulting

## Future Supply – Stone Beetland



The graphic below displays the various land use densities at Stone Beetland.



Source: City of Sacramento Community Development Department

## Elk Grove Residential Pipeline



The table below summarizes all residential projects in the pipeline for Elk Grove per the City of Elk Grove Planning Department. The following page contains a map showing the locations of these projects (note that all items on the map not included in this table are non-residential). Note that color coding on the map on the next page indicates approval status.

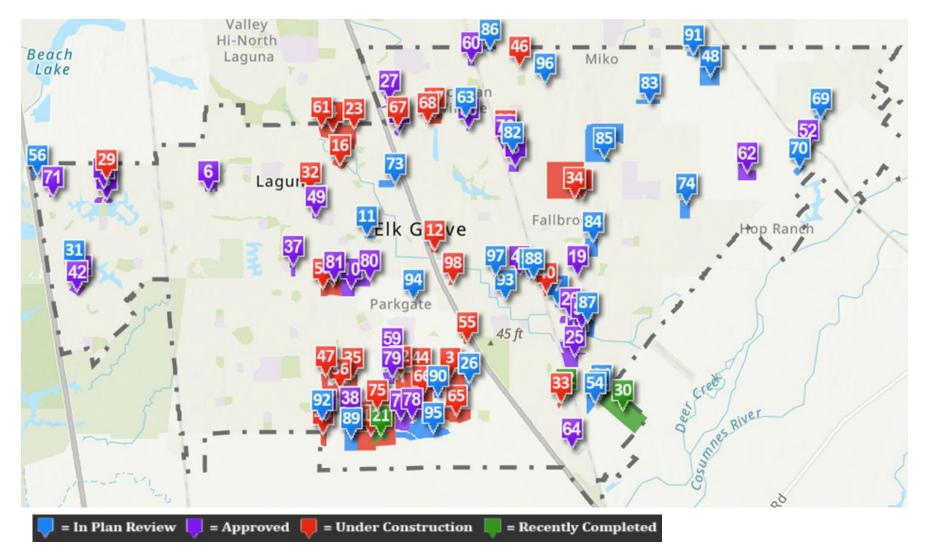
		ELK GROVE FUTURE RESIDENTIAL SUPPLY					
Map #	Project Name	Location	Approval Status	Product Type	For Sale	For Rent	Number of Units
3	Poppy Keys Southeast	South of Poppy Ridge Road, and East of Big Horn Blvd	Under Constr.	SFD	х		326
17	Long Meadow	NE corner of Sheldon Rd and Power Inn Rd	Approved	SFD	х		83
23	Sheldon Farms MHP	S of Sheldon Rd, between Bruceville Rd and Lewis Stein	Under Constr.	SFD	х		47
28	Telos Greens TSM and Rezone	S of Bilby Rd, just east of Montaria Way	Under Constr.	SFD	х		85
34	Elliot Springs	Bond Rd. and Waterman Rd.	Under Constr.	SFD	х		660
35	Tuscan Ridge West	South of Poppy Ridge Road and East of Bruceville Rd	Under Constr.	SFD	х		100
36	McGeary Ranch Village 2	East side of Bruceville Rd at Machado Ranch Dr	Under Constr.	SFD	х		241
39	Elk Grove Landing	Florin Rd and Sheldon Rd	Under Constr.	SFD	х		85
44	Poppy Keys Southwest	South of Poppy Ridge Road, and East of Big Horn Blvd	Approved	SFD	х		286
46	Hearthstone Master Homes Plans	8965 Brown Rd.	Under Constr.	SFD	х		22
60	Sage Glen Map	8694 Calvine Rd.	Approved	SFD	х		49
66	Souza Dairy Villages (Madeira Ranch)	East of Big Horn Blvd, South of Poppy Ridge Rd.	Under Constr.	SFD	х		66
73	Dunisch Site	9826 Bond Rd.	In Plan Review	SFD	х		111
76	Hamilton Park at Elk Grove Landing	8773 J Sheehan St	Under Constr.	SFD	х		85
85	Summer Villas at Sheldon Road	9350 Sheldon Road	In Plan Review	SFD	х		406
89	Madeira Greens MHP	Bilby Rd and Angsley Dr.	In Plan Review	SFD	х		85
						Total	2,737
Man #	Project Name	Location	Approval	Product	For	For	Number of
Map #	Project Name		Status	Туре	Sale	Rent	Units
8	Toscano Apartments	Laguna Court	Approved	APT		х	206
9	Laguna Main Street Apartments	Laguna Main Street (and south of Vaux)	Approved	APT		х	150
26	Mountain Elk Villas	S of Poppy Ridge Rd	In Plan Review	APT		х	174
27	Bow Stockton Apartments	8676 Bow Street and 8717 E Stockton Boulevard	Approved	APT		х	120
32	The Lyla	South Side of Quali Run Ln Bruceville Intersection	Under Constr.	APT		х	294
40	Elk Grove Railroad Courtyards	9686 Railroad St	Under Constr.	APT		х	34
42	Wellington Crossing	2804 Elk Grove Blvd.	Approved	TH		х	188
45	Bruceville Meadows Townhomes	Southeast corner of Bruceville Rd and Bilby Rd	Under Constr.	TH		х	157
47	Poppy Grove Apartments	Southeast corner of Bruceville Rd and Poppy Ridge Rd	Under Constr.	APT		х	387
49	Cornerstone Village	South of Laguna Blvd, West of Bruceville Rd, North of Seasons Dr	Approved	APT		х	84
57	Mesa at Laguna Ridge Phase 2	10371 Bruceville Rd.	Approved	APT		х	136
59	Big Horn Apartments	SE Corner of Big Horn Rd and Whitelock Blvd	Approved	APT		х	246
72	Pardes Apartments	Dunisch Rd. and West Stockton Blvd.	Under Constr.	APT		х	236
79	Guardian Madeira Apartments	Poppy Ridge and Big Horn Blvd.	Approved	APT		х	324
						Total	2,736

Source: City of Elk Grove Planning Department, The Ryness Report

### Elk Grove Residential Pipeline



See table on previous page to identify each numbered item in the map below.



Source: Elk Grove City Planning Department 75

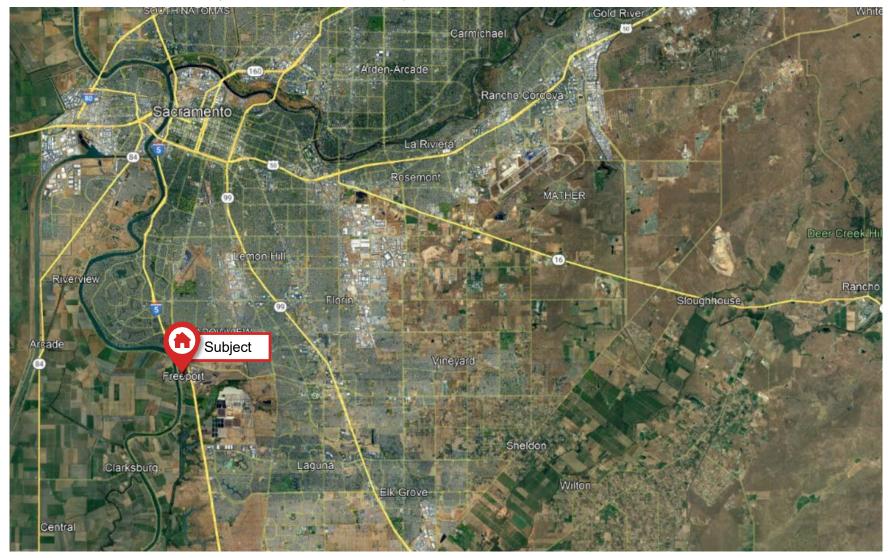
# Location and Property Analysis

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# **Regional Location**



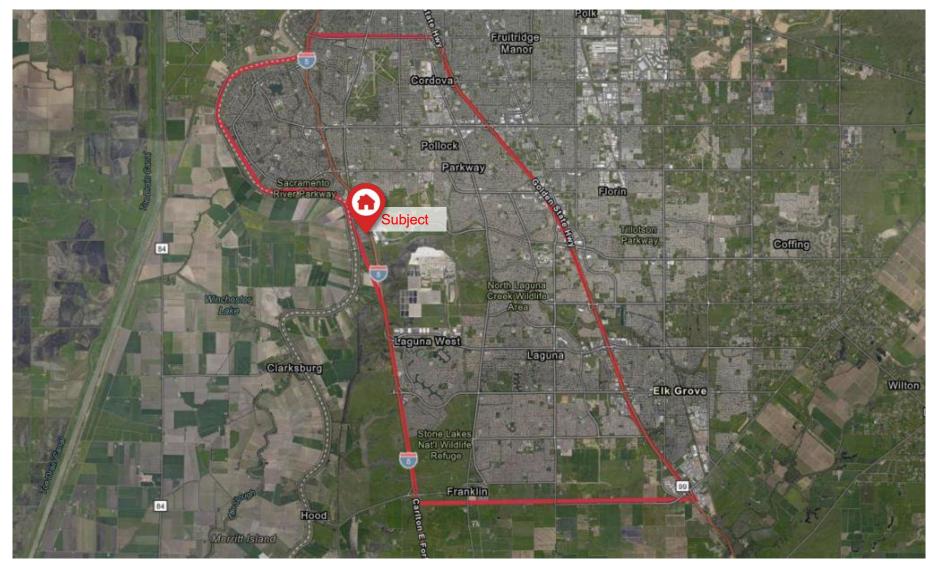
The Subject is in the City of Sacramento, in the far southwest of the city, historically considered the Freeport area. This location is about five miles north of West Elk Grove along Interstate 5 and immediately south of the Pocket area on the west side of Interstate 5.



# Subject Area



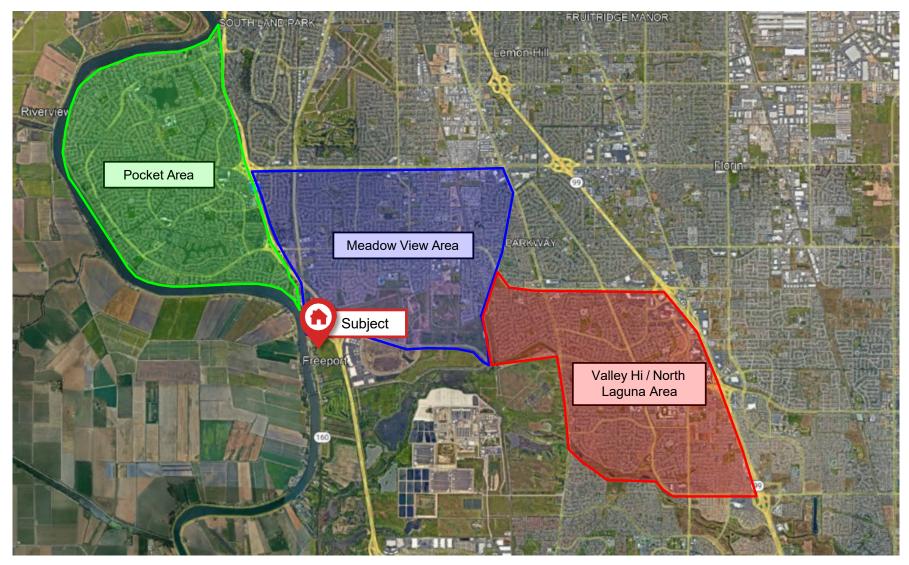
The Subject Area is displayed below. This area was used to gather Subject Area demographic data examined later in the report.



### Immediate Subject Areas



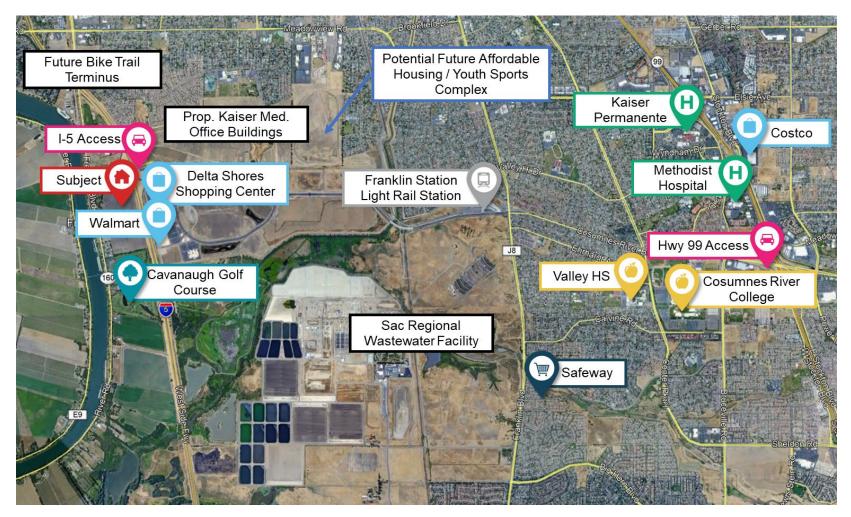
The Immediate Subject Areas displayed below were used to gather the most relevant resales for the Subject's for-sale product.



# Surrounding Area

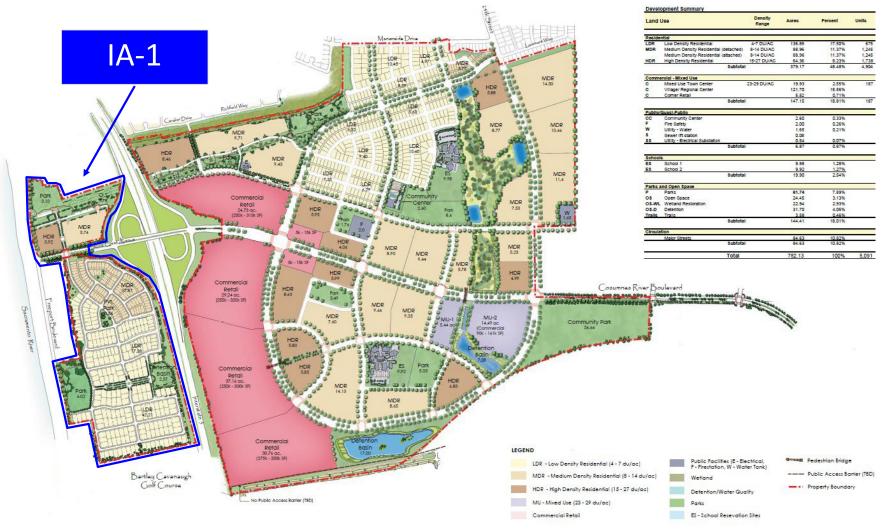


The Subject is 10 miles south of Downtown Sacramento and just west of Interstate 5. Daily retail and services in the Delta Shores Shopping Plaza are directly across Interstate 5 from the Subject. With Interstate 5 alongside the Subject, the area provides easy access to Sacramento for work and leisure.



# Site Map

### Subject outlined in blue below.



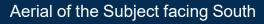
# Site Photography



### Aerial of the Subject facing North



Edgewater at Delta Shores Model





Riva at Delta Shores Models





### Schools

The Sacramento City Unified School District will serve the Subject. The Subject's schools, displayed to the right, are rated below average per GreatSchools and well below the Elk Grove comparable new home communities.

Discussions with active new home builders in Delta Shores indicate a combination of school strategies. Families from nearby (e.g., Pocket) keep their kids in those schools, while some opt for charter or private schools. Some families with connections to nearby Elk Grove are able to register their children in schools there. These strategies have significantly mitigated the relatively low ratings of the public schools that service the Subject.

**Grading Scales:** GreatSchools.org rates schools on a 1–10 scale.

**School assignment notes:** We used the assigned schools provided by builders and school districts where available. For communities where this info is not available, we used the assigned schools provided by GreatSchools.org. Residents can often select from more than one elementary school. School assignments subject to change. Ratings by GreatSchools.org Scale: 1 to 10 **Community Name** District Schoo Rating **Elementary Schools** Subject Sac City Unified John H. Still 4 Sac City Unified Edgewater at Delta Shores John H. Still 4 Sac City Unified 4 Catalina at Delta Shores John H. Still Coronado at Delta Shores Sac City Unified John H. Still 4 Elk Grove Unified Irene B. West 6 Persimmons at Sheldon Farms 6 Tamarind at Sheldon Farms Elk Grove Unified Irene B. West 6 Carnelian at Sheldon Farms Elk Grove Unified Irene B. West Long Meadow Elk Grove Unified Roy Herberger 6 **Elementary Schools Average** 5 Middle Schools Subject Sac City Unified John H. Still E

•••••	••••••••••	••••••	
Edgewater at Delta Shores	Sac City Unified	John H. Still	4
Catalina at Delta Shores	Sac City Unified	John H. Still	4
Coronado at Delta Shores	Sac City Unified	John H. Still	4
Persimmons at Sheldon Farms	Elk Grove Unified	Harriet G. Eddy	5
Tamarind at Sheldon Farms	Elk Grove Unified	Harriet G. Eddy	5
Carnelian at Sheldon Farms	Elk Grove Unified	Harriet G. Eddy	5
Long Meadow	Elk Grove Unified	Edward Harris Jr.	5

#### Middle Schools Average

High Schools			
Subject	Sac City Unified	Luther Burbank	3
Edgewater at Delta Shores	Sac City Unified	Luther Burbank	3
Catalina at Delta Shores	Sac City Unified	Luther Burbank	3
Coronado at Delta Shores	Sac City Unified	Luther Burbank	3
Persimmons at Sheldon Farms	Elk Grove Unified	Laguna Creek	7
Tamarind at Sheldon Farms	Elk Grove Unified	Laguna Creek	7
Carnelian at Sheldon Farms	Elk Grove Unified	Laguna Creek	7
Long Meadow	Elk Grove Unified	Monterey Trail	7

High Schools Average

Source: School district websites and Great Schools

# Economic and Housing Trends

40 420 800

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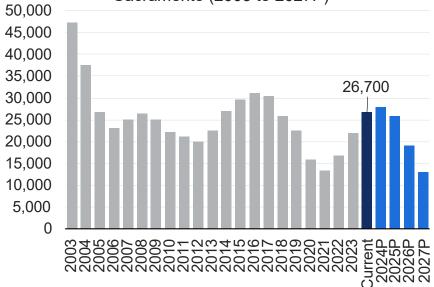
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### Population and Employment Change

The Sacramento MSA's population growth slid to a 20-year low in 2021 but has since begun to rebound. Net population growth increased year over year in 2023 and is forecasted to grow 1.0% per year through 2025, but growth rates slowing through 2027.

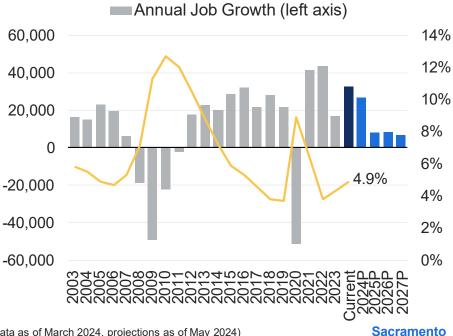
	Populatio	n Change	
2024P	2025P	2026P	2027P
27,900	25,800	19,000	13,000
1.1%	1.0%	0.8%	0.5%





Post-Covid employment growth has been strong but moderated in 2023 as pandemic spending impacts eased. The current unemployment rate is 4.9%, up from recent lows but still at a historically good level. We project modest job gains from 2025 to 2027.

Employment Change						
2024P	2025P	2026P	2027P			
26,700	7,900	8,500	6,800			
2.5%	0.7%	0.8%	0.6%			



Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics (BLS) with JBREC forecasts (Data as of March 2024, projections as of May 2024)

# Market Health: Employment Growth by Sector



The Education & Health Services (EHS) sector had the most job gains over the last year. Some of the high-income job sectors in the Sacramento MSA had YOY net job losses, impacted by tech layoffs throughout the region. The education and health sector, though, remains robust.

#### Financial Activities (FA) Government (Gov) Information (Info) Leisure & Hospitality (LH) Professional & Business Services (PBS) Manufacturing (Mfg) Construction (Cons) Other Servies (OS) Education & Health Services (EHS) Trade, Transp. and Utilities (TTU) 20.000 17,900 **High Income Sectors** 15.000 8,900 10,000 5,100 5.000 1,400 1,000 100 0 -100 -100 -700 -900 -5,000 Cons Ч Info PBS EHS Gov SO Mfg ЪГ Ξ

### **Current Employment Growth by Sector: Sacramento**

Sources: U.S. Bureau of Labor Statistics (BLS); John Burns Research and Consulting, LLC (Data as of March 2024, projections as of May 2024) John Burns Real Estate Consulting

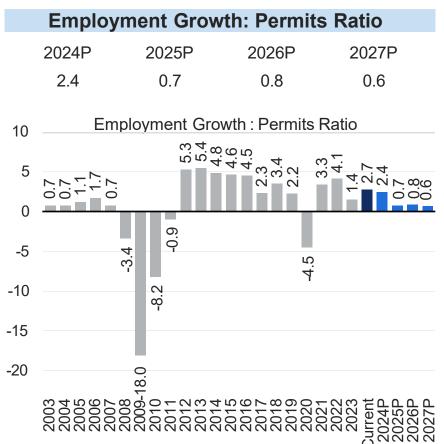
## **Residential Permits and Employment Relationship**

Permit levels (new construction) have been increasing for over a decade and are currently close to levels last seen in 2006. About 75% of current permits are single-family residential permits. We project the number of permits to dip in 2024, then slowly increase through 2027.

		Total P	ermits					
2024P		2025P	2026P	2027P				
11	,100	10,750	10,800	11,300				
	<ul><li>Single-Family Permits</li><li>Multifamily Permits</li></ul>							
25,000								
20,000	Нr.							
15,000	HI.							
10,000	118		1.11					
5,000		lost	niiiiii					
0	<u></u>	28005206	04000 4000 8000					
	00000 00000			000 2222				

The E/P Ratio (new jobs divided by permitted dwelling units) can be a leading indicator, as permits respond to job creation.

A ratio of +/-1.2:1 generally means healthy housing demand. The MSA ratio is currently 2.7:1. Though projected to decrease from 2024 to 2027, the ratios of the last several years indicate significant pent-up demand.

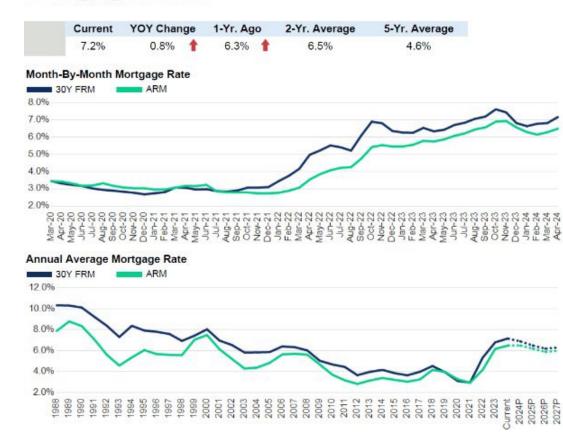


Sources: U.S. Census Bureau with JBREC forecasts (Data as of March 2024, projections as of May 2024)

Sacramento

# Mortgage Rates

### **Mortgage Rates**



### Sacramento, CA May 2024

Source: Freddie Mac with JBREC forecasts (Data as of March 2024, projections as of May 2024)

John Burns Real Estate Consulting



#### ARM rates assume 5/1 terms.

Ma	nthly De	to
	onthly Da	
Date	Fixed	ARM
Feb-22	3.8%	2.9%
Mar-22	4.2%	3.1%
Apr-22	5.0%	3.5%
May-22	5.2%	3.9%
Jun-22	5.5%	4.1%
Jul-22	5.4%	4.2%
Aug-22	5.2%	4.3%
Sep-22	6.1%	4.8%
Oct-22	6.9%	5.4%
Nov-22	6.8%	5.5%
Dec-22	6.4%	5.5%
Jan-23	6.3%	5.5%
Feb-23	6.3%	5.6%
Mar-23	6.5%	5.8%
Apr-23	6.3%	5.8%
May-23	6.4%	5.9%
Jun-23	6.7%	6.1%
Jul-23	6.8%	6.2%
Aug-23	7.1%	6.5%
Sep-23	7.2%	6.6%
Oct-23	7.6%	6.9%
Nov-23	7.4%	6.9%
Dec-23	6.8%	6.6%
Jan-24	6.6%	6.3%
Feb-24	6.8%	6.2%
Mar-24	6.8%	6.3%
Apr-24	7.2%	6.5%

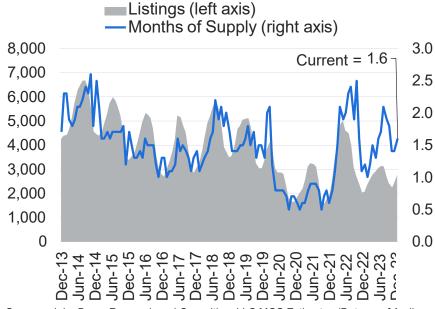
Note: The current rate is the last week of the month.

### **Resale Market**

Months of supply (ratio of homes listed for sale to average monthly sales) depict housing surpluses or shortages.

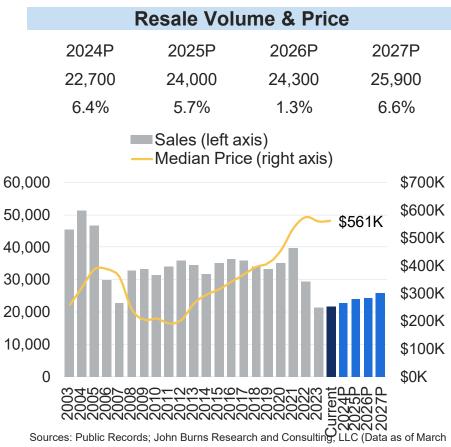
The Sacramento MSA has averaged 1.4 months of supply since January 2014. The current supply is 1.6 months, above May 2023's 1.2.

Resale L	istings	Months	Ionths of Supply			
Current	Year-Ago	Current	Year-Ago			
2,778	2,072	1.6	1.2			



Sources: John Burns Research and Consulting, LLC MOS Estimate: (Data as of April 2024, projections as of May 2024)

Due to the sharp uptick in mortgage rates, existing home sales volumes have declined rapidly since 2022. We project sales volume to increase from 2024 to 2027. The median existing home price is \$561K, down from 2022.

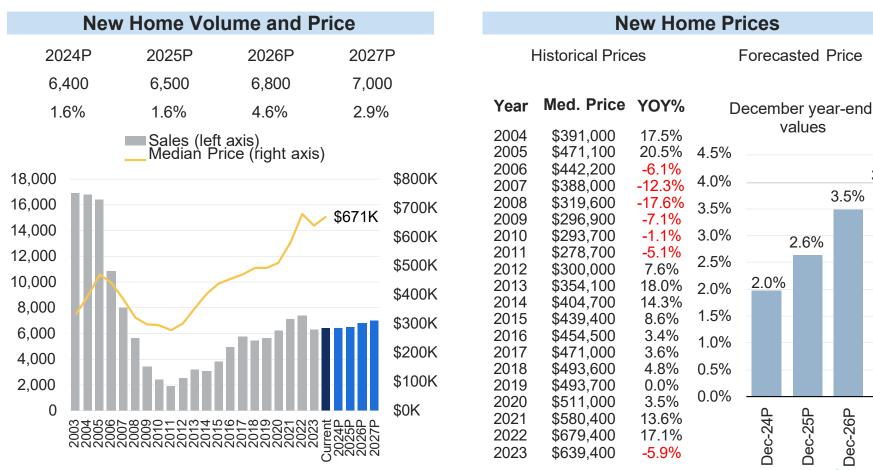


2024, projections as of May 2024)

### New Home Market

The volume of new home sales steadily increased for over a decade, though it dipped in 2023 in part due to limited supply and rising mortgage rates. We project that the volume will slowly increase through 2027.

New home prices reached their highest point in 2022, as there was a shortage of resale supply and a growing demand for new housing. The current median price of a new home is \$671K, down from 2022. We forecast a 2.0% increase in 2024 and continued increases in 2025-2027 as mortgage rates ease somewhat.



Sources: Public Records; John Burns Research and Consulting, LLC (Data as of March 2024, projections as of May 2024)

John Burns Real Estate Consulting

Dec-27P

Sacramento

3.9%

3.5%

Dec-26P

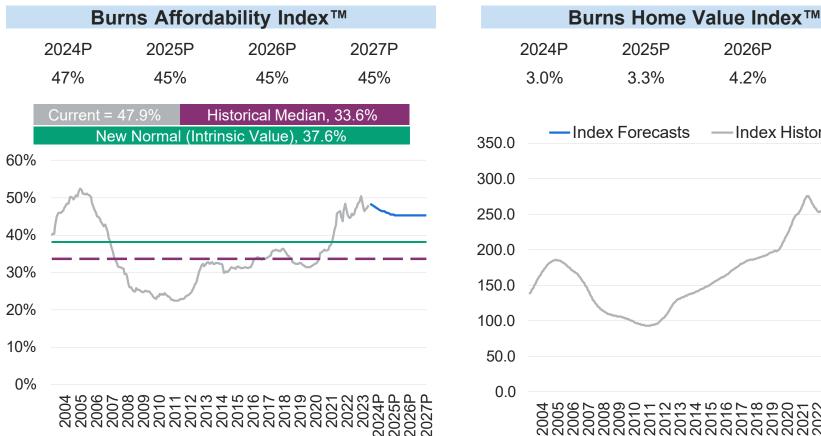
### Affordability and Value

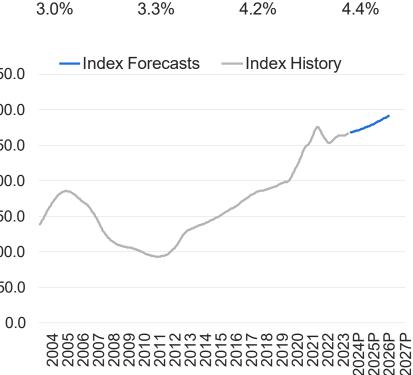
JBREC's Burns Affordability Index shows affordability in the Sacramento MSA at nearly 48%, above the new normal of 37%. We expect affordability to marginally improve in the coming year (lower percentages = increased affordability).

The Burns Home Value Index<sup>™</sup> (BHVI) measures home value trends for existing homes. We project positive price change from 2024 to 2027.

2026P

2025P





#### Sacramento

2027P

Sources: John Burns Research and Consulting, LLC (Data as of April 2024, projections as of May 2024)

\* HC/I ratio = median monthly housing costs (median priced home, 90% LTV, 30-yr fixed rate, PITI plus mortgage insurance) divided by 125% of median income. The "New Normal" reflects fundamental shifts in markets that we believe are now permanently more/less expensive due to increased/decreased demand or limited supply.

The Burns Home Value Index<sup>TM</sup>(BHVI) provides our view of home value trends in existing single-family homes. Each month's BHVI is based on an "electronic appraisal" of every home in the market, rather than just actual transactions, removing the influence of shifts in mix of home sales. BHVI Meth



## Demographic Snapshots



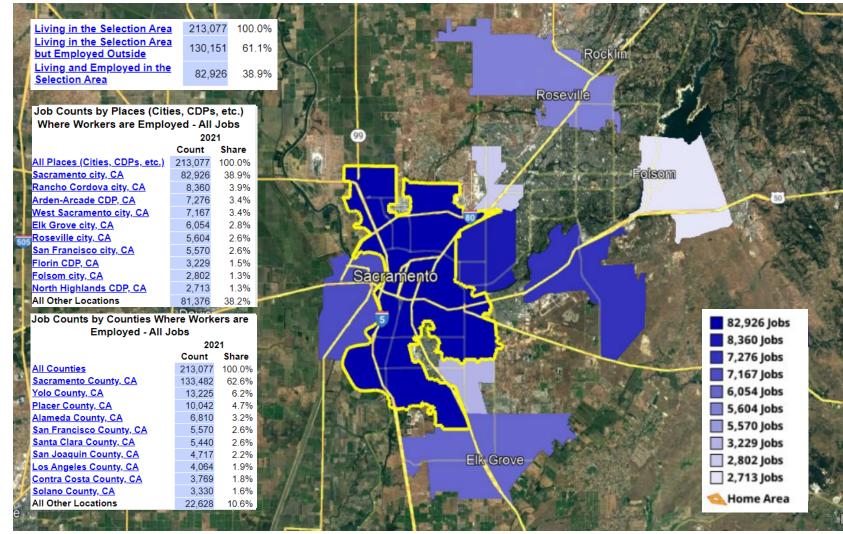
To analyze demographics, the table below highlights key metrics for the Sacramento MSA, Sacramento County, the City of Sacramento, and the Subject Area. (The source is ESRI, a major national demographic forecasting firm.) The Subject Area has a higher median income and net worth than the city and county.

	Sacramento MSA	Sacramento County	City of Sacramento	Subject Area
2023 Population	2,448,813	1,614,771	537,063	282,078
Proj. Annual % Increase (2023 to 2028)	0.36%	0.30%	0.59%	0.18%
2023 Households	890,070	576,145	197,512	92,523
Proj. Annual % Increase (2023 to 2028)	0.42%	0.29%	0.67%	0.12%
2023 Median Age	37.9	36.7	35.1	35.5
2023 Median HH Income	\$88,209	\$83,284	\$78,218	\$87,328
2023 Median Net Worth	\$182,755	\$145,027	\$93,210	\$164,025
2023 Median Home Value	\$574,783	\$514,900	\$501,834	\$508,041
2023 Avg. Household Size	2.70	2.74	2.63	3.03

# Employment

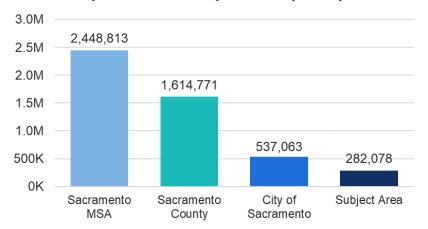


About 61% of employed Sacramento workers commute beyond the city. Most commuters travel into nearby areas such as unincorporated eastern Sacramento, Rancho Cordova, West Sacramento, and Elk Grove. *Note that this data is lagged about two years and so is somewhat dated.* 



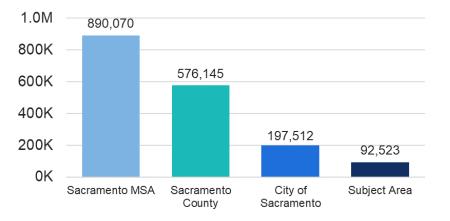
# Population and Household Trends

Population growth among the four areas is relatively similar from 2023 to 2028 with slightly higher rates slated for the city than the subject area. Note that projections are per ESRI.



### **Population Comparison (2023)**

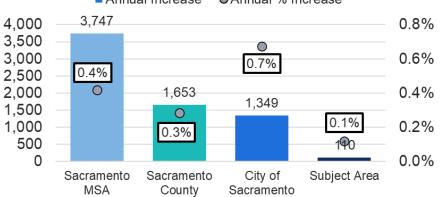
### Household Comparison (2023)



#### Annual Increase OAnnual % Increase 10K 0.8% 8,898 8K 0.6% 0 0.6% 6K 0.4% 4,793 0.4% 0 4K 3,210 0 0.2% 0.2% 0.3% 2K 511 0K 0.0% Sacramento Sacramento City of Subject Area MSA County Sacramento

Population Expected Annual Growth (2023-2028)

#### Household Expected Annual Growth (2023-2028)

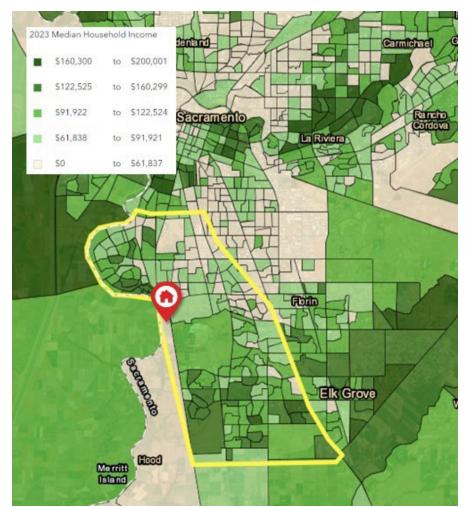


### Annual Increase OAnnual % Increase

# Median Income & Income Distribution

The Subject Area is outlined in yellow on the map below. The red pinpoint represents the location of the Subject. The Subject Area is a slightly more affluent area than the city of Sacramento and incomes are on par with the MSA as a whole.

\$0K





Sacramento MSA Sacramento County City of Sacramento

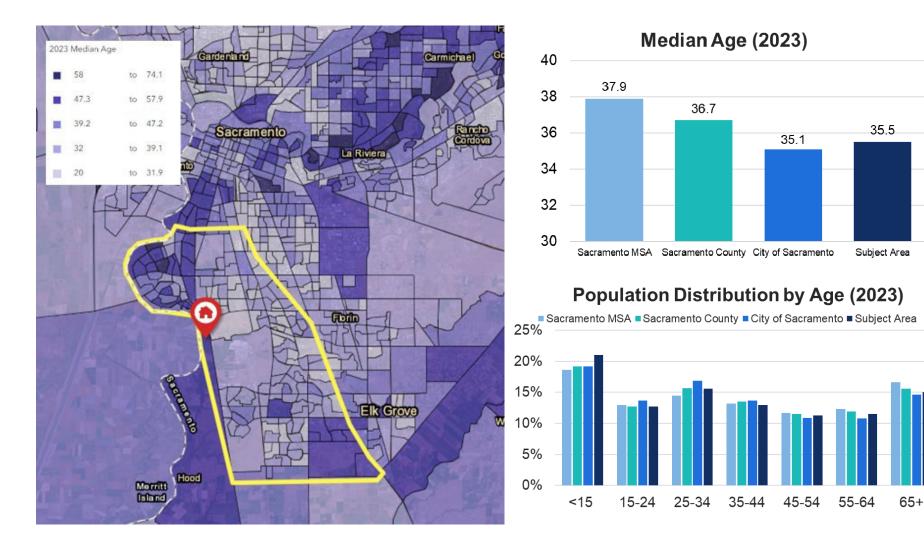
### Median Household Income (2023)



Subject Area

# Median Age & Age Distribution

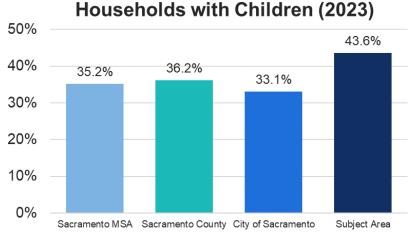
The Subject Area has a slightly younger skew than the MSA and the county. It has the highest concentration of people 15 years old or younger, indicative of family households.

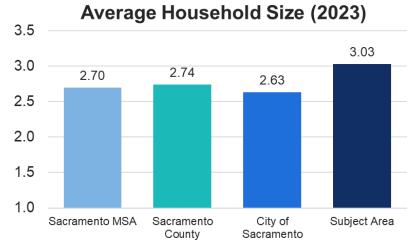


# Presence of Family

Also indicative of a family-oriented profile, about 44% of households in the Subject Area are households with children compared to about 33% of family households in the city of Sacramento.







# Top 3 Demographic Segments

ESRI Tapestry Segmentation classifies neighborhoods into 67 unique segments based on demographics and socioeconomic characteristics. The top 3 segments for the Subject Area represent 32% of households.

### Sprouting Explorers: Urban Edge Families



Located throughout the South and West, most Urban Edge Families residents own their own homes, primarily single-family housing—out of the city, where housing is more affordable. Median household income is slightly below average (Index 91). The majority of households include younger married-couple families with children and, frequently, grandparents. Many residents are foreign-born. Spending is focused more on the members of the household than the home. Entertainment includes multiple televisions, movie rentals, and video games at home or visits to theme parks and zoos. This market is connected and adept at accessing what they want from the Internet.



### **Sprouting Explorers: Up and Coming Families**



Up and Coming Families is a market in transition—residents are younger and more mobile than the previous generation. They are ambitious, working hard to get ahead, and willing to take some risks to achieve their goals. The recession has impacted their financial well-being, but they are optimistic. Their homes are new; their families are young. This is one of the fastest-growing markets in the country.



### **Affluent Estates: Boomburbs**



This is the new growth market, with a profile similar to the original: young professionals with families that have opted to trade up to the newest housing in the suburbs. The original Boomburbs neighborhoods began growing in the 1990s and continued through the peak of the housing boom. Most of those neighborhoods are fully developed now. This is an affluent market but with a higher proportion of mortgages. Rapid growth still distinguishes the Boomburbs neighborhoods, although the boom is more subdued now than it was 10 years ago. So is the housing market. Residents are well-educated professionals with a running start on prosperity.



# Appendix

### Limiting Conditions



This report's conclusions and recommendations are based on our analysis of the information available to us from our research and from the client as of the date of this report. We assume that the information is correct and reliable and that we have been informed about any issues that would affect project marketability or success potential.

Our conclusions and recommendations are based on current and expected performance of the national, and/or local economy and real estate market. Given that economic conditions can change and real estate markets are cyclical, it is critical to monitor the economy and real-estate market continuously and to revisit key project assumptions periodically to ensure that they are still justified.

Due to changes in market conditions, as well as changes in consumer psychology, projected and actual results will likely differ. Events and circumstances frequently do not occur as expected, and the differences may be material. We do not express any form of assurance on the achievability of any pricing or absorption estimates or reasonableness of the underlying assumptions. In general, for projects out in the future, we are assuming "normal" real estate market conditions and not a condition of either prolonged "boom" or "bust" market conditions. We do assume that economic, employment, and household growth will occur more or less in accordance with current expectations. We are not taking into account major shifts in the level of consumer confidence; in the ability of developers to secure needed project entitlements; in the cost of development or construction; in tax laws that favor or disfavor real estate markets; or in the availability and/or cost of capital and mortgage financing for real estate developers, owners and buyers. Should there be such major shifts affecting real estate markets, this analysis should be updated, with the conclusions and recommendations summarized herein reviewed and reevaluated under a potential range of buildout scenarios reflecting changed market conditions.

We have no responsibility to update our analysis for events and circumstances occurring after the date of our report.

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   Insight
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