

FEASIBILITY REPORT

For The Issuance of

**Not to Exceed
\$2,012,500 Principal Amount**

OF

**CADENCE
COMMUNITY FACILITIES DISTRICT
(CITY OF MESA, ARIZONA)**

**ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS**

Public Hearing Date: May 24, 2018

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SECTION ONE

INTRODUCTION; PURPOSE OF FEASIBILITY REPORT; GENERAL DESCRIPTION OF DISTRICT

INTRODUCTION

This Feasibility Report (this "Report") has been prepared for presentation to the Board of Directors of the Cadence Community Facilities District (City of Mesa, Arizona) (the "District") in connection with the proposed issuance by the District of its Assessment District No. 1 Special Assessment Revenue Bonds, Series 2018 (the "Bonds") in a principal amount of not to exceed \$2,012,500, pursuant to the Community Facilities District Act of 1988, Title 48, Chapter 4, Article 6 of Arizona Revised Statutes ("A.R.S.").

PURPOSE OF FEASIBILITY REPORT

This Report has been prepared for consideration of the feasibility and benefits of the Public Infrastructure (as defined in A.R.S. Section 48-701) to be financed by the Bonds (the "Public Infrastructure") and of the plan for financing such Public Infrastructure in accordance with the provisions of A.R.S. Section 48-715. Pursuant to A.R.S. Section 48-715, this Report includes (i) a description of the Public Infrastructure to be financed - Section Two; (ii) a map showing, in general, the area to be benefitted by the Public Infrastructure - Section Three; (iii) an estimate of the cost to acquire, operate and maintain the Public Infrastructure and a timetable for the acquisition of the Public Infrastructure - Section Four; and (iv) a plan for financing the Public Infrastructure - Section Five.

This Report has been prepared for the consideration of the Board of Directors of the District only. It is not intended or anticipated that this Report will be relied upon by other persons, including, but not limited to, purchasers of the Bonds. This Report does not attempt to address the quality of the Bonds as investments or the likelihood of repayment of the Bonds. In preparing this Report, financial advisors, appraisers, counsel, engineers, City staff and other experts have been consulted as deemed appropriate.

GENERAL DESCRIPTION OF THE DISTRICT

Pursuant to a Purchase and Sale Agreement dated December 1, 2010 (the "PSA") with Pacific Proving, LLC, as Seller, the Buyer's interest in which was assigned to PPGN Holdings, LLLP (the "Developer") on September 18, 2012, the Landowners (as defined below), by designation of the Developer, acquired fee title to real property consisting of approximately 461 acres of the former General Motors Proving Grounds (the "Project" or "Cadence").

The Project is subject to a Pre-Annexation and Development Agreement with the City of Mesa, Arizona ("City"), dated September 5, 2012, and recorded on October 2, 2012, in the official records of Maricopa County as Instrument No. 2012-0894682 (the "Development Agreement"), the "Developer" interest in which was assigned to, and is held by, Developer. The Development Agreement addresses the conditions, terms, restrictions and requirements for the annexation of the Project by the City and for the construction and installation of public infrastructure improvements by the Developer.

Formation of the District was approved by the City on November 12, 2015 upon the petition of PPGN-Core, LLLP, PPGN-Crismon, LLLP, PPGN-Ellsworth, LLLP, PPGN-Ray, LLLP, and PPGN-Williams, LLLP (collectively, the "Landowners"). The District consists of approximately 403 acres of the approximately 461-acre Project. The Project is located east of the 202 freeway generally bounded by Ray Road to the north, State Route 24 to the south, Ellsworth Road to the west, and one-quarter mile east of Crismon Road to the east. Construction on the Project commenced in April 2017. Single family residential units represent approximately 322 acres within the Project. Non-residential development comprises approximately 81 acres within the Project and will include government services such as a school, parks and open space and a variety of commercial development such as office and retail.

The real property comprising Assessment District No. 1 consists of approximately 575 lots (the "Assessed Lots") on approximately 81 acres. The following chart characterizes the approximate acreage within the District as well as the acreage within Assessment District No. 1, which is fully within the boundaries of the District including associated common area tracts and right of within each subdivision.

| <u>Total Project</u> | <u>Approximate District Acres</u> | <u>Approximate Assessment District No. 1 Acres</u> |
|---------------------------|---------------------------------------|--|
| Single Family Residential | 322 | 81 |
| Non-Residential | <u>81</u> | <u>47</u> |
| Total | 403 | 128 |

The District was created to assist with financing the acquisition of public infrastructure, including the Public Infrastructure, within the District. See Section Two for a description of the Public Infrastructure to be financed with a portion of the proceeds of the Bonds. Legal descriptions of the District and of Assessment District No. 1 are included in Appendix 1. Maps of the District and Assessment District No. 1 are included in Section Three. The proposed acquisition of the Public Infrastructure as defined in this Report is consistent with the City's and the District's approved General Plan for the Project.

SECTION TWO

DESCRIPTION OF PUBLIC INFRASTRUCTURE

DESCRIPTION OF PUBLIC INFRASTRUCTURE

The Public Infrastructure subject to this Report has been publicly bid pursuant to State statutes and District guidelines and will be financed by the Bonds and/or subsequent bond issues and other sources, if necessary. It is expected that the Public Infrastructure listed below will be acquired from the Developer with estimated cost and construction timing as noted.

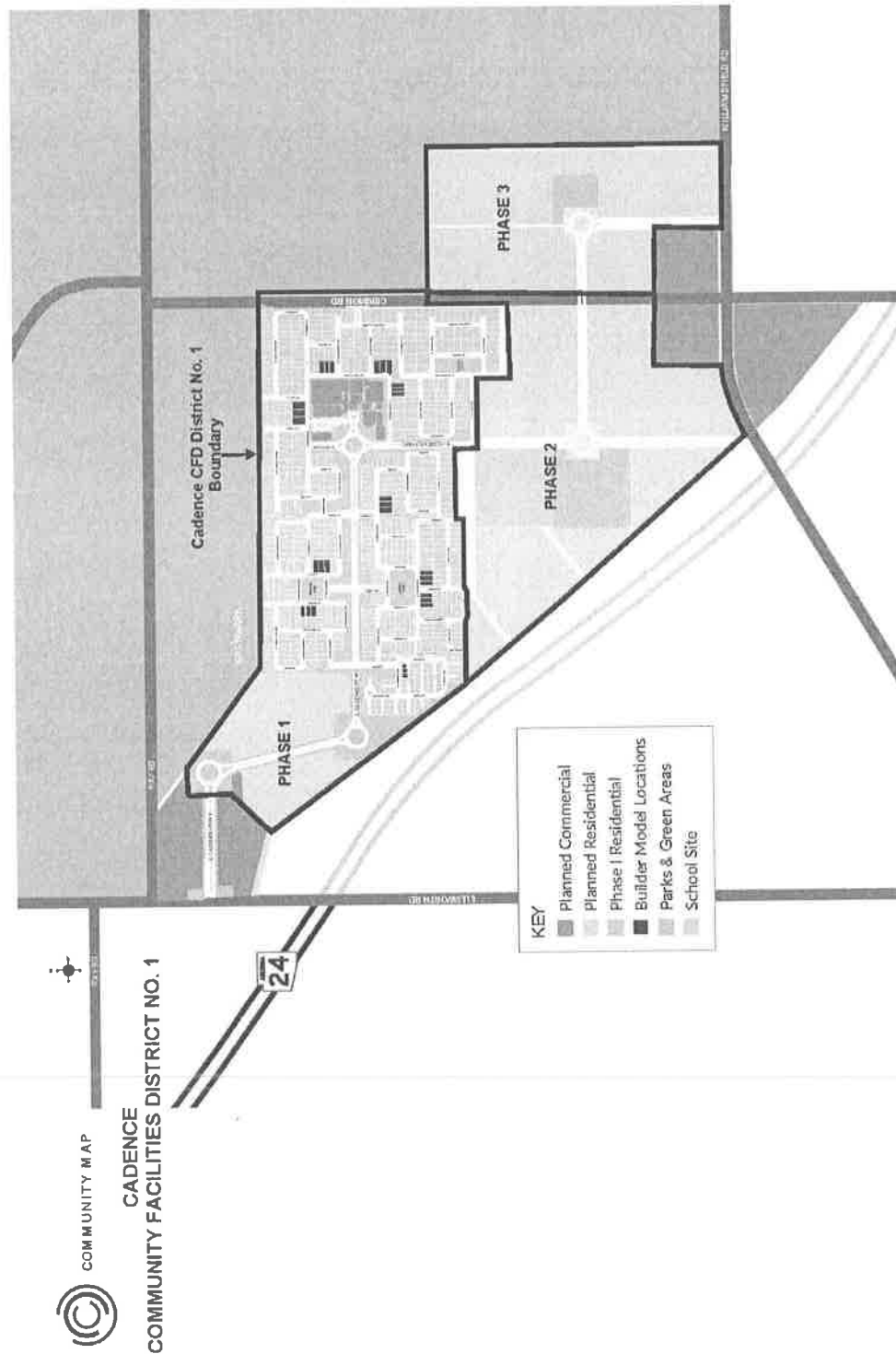
| DESCRIPTION | ESTIMATED COST | COMPLETION* |
|---|-------------------|-------------|
| 1. Cadence Parkway Phase 2 | \$ 2,796,868.00 | June 2018 |
| Construction of a new roadway within the District consisting of approximately 4,300 linear feet of full street improvements. These improvements include sewer, sewer manholes, water, water valves, fire hydrants, storm drain, storm drain manholes, concrete catch basins, storm drain bleed lines, concrete curb, concrete sidewalk, concrete ramps with truncated domes, paving, striping, street lights, public signage, hardscape, landscape and irrigation. The roadway consists of two paved driving lanes of 3 1/2 inches of asphaltic concrete over 6 inches of aggregate base course and a raised divided landscaped median. All improvements are shown on the approved plans dated February 24, 2017 by the City of Mesa. | | |
| TOTAL | \$ 2,796,868.00 | |

* Completion represents the estimated date by which the Developer expects the Public Infrastructure to be constructed, which may differ from the date that it was accepted by the District/City.

SECTION THREE

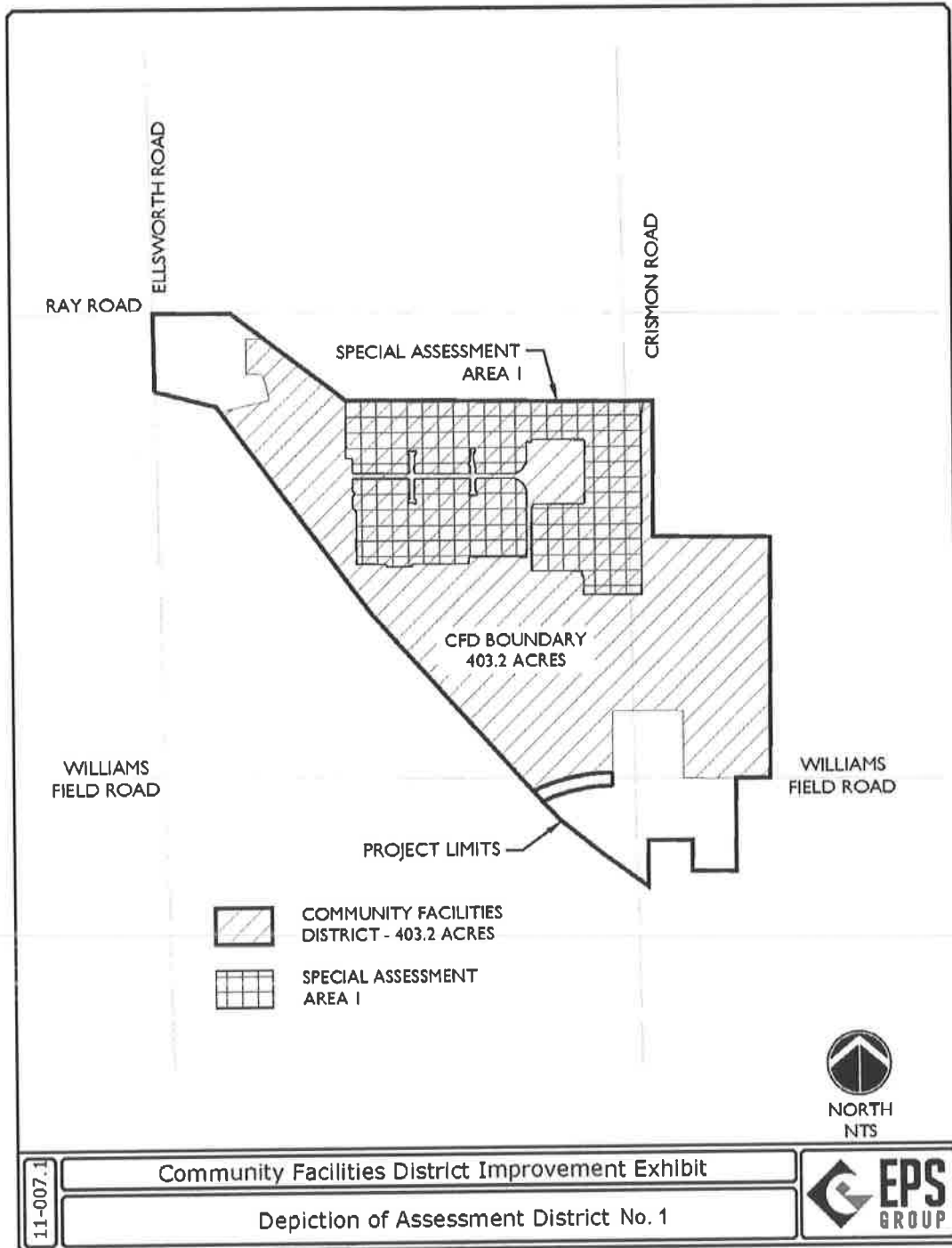
MAP OF THE DISTRICT AND MAP OF ASSESSMENT DISTRICT NO. 1

The District



Assessment District No. 1

CADENCE CFD - SPECIAL ASSESSMENT DISTRICT NO. 1



SECTION FOUR

ESTIMATE OF COST AND TIMETABLE FOR ACQUISITION OF PUBLIC INFRASTRUCTURE

**ESTIMATE OF COST AND TIMETABLE
FOR ACQUISITION OF PUBLIC INFRASTRUCTURE**

The table in Section Two outlines the cost estimate and completion dates for the construction of the Public Infrastructure. Proceeds of the Bonds, after payment of the costs of issuance, will be used to finance the acquisition of all or a portion of the Public Infrastructure projects listed in Section Two.

Listed below is an estimated draw schedule of the proceeds of the Bonds for the acquisition of the Public Infrastructure.

| Public Infrastructure Project | Estimated Acquisition Price | Completion Date * | Funds Draw Date |
|--------------------------------------|--|------------------------------|----------------------------|
| 1. Cadence Parkway Phase 2 | \$2,796,868.00 | June 2018 | August 2018 |
| Total | <u>\$2,796,868.00</u> | | |

- * Completion represents the estimated date by which the Developer expects the Public Infrastructure to be constructed, which may differ from the date that it is accepted by the District/City.

SECTION FIVE
PLAN OF FINANCE

PLAN OF FINANCE

Below is a financing plan that describes the process for financing a portion of the Public Infrastructure benefiting the property within Assessment District No. 1. This Plan of Finance is subject to modification to accommodate market conditions at the time of the actual sale of the Bonds and to the extent necessary to comply with federal and State law.

(i) Formation and Authorization.

In response to a petition from the Developer, the City Council formed the District on November 12, 2015. As contemplated by the District Development, Financing Participation, Waiver and Intergovernmental Agreement, the District has the authority to issue the Bonds.

(ii) Proposed Debt.

The estimated debt service schedule for the Bonds is attached in this section as Table One. It is anticipated that the Bonds will be sold and delivered in August 2018. The Bonds will not be rated by any rating agency.

(iii) Per Lot Assessment Amount.

The per lot assessment amount is expected to be no more than \$3,500 at the time of issuance of the Bonds. The Developer currently expects that at the time of sale of a home to the buyer, this amount will be assumed by the homebuyer and the assessment payments made over time. The approximate \$3,500 per home assessment results in an annual assessment payment of approximately \$250.00 per home, or approximately \$21.00 per month. The special assessments will be collected on behalf of the District by the Maricopa County Treasurer's Office.

(iv) Estimated Sources and Uses of Funds.

The proceeds of the Bonds will be applied by the District to finance all or a portion of the Public Infrastructure listed in Section Two of this Report. The estimated sources and uses of funds related to the sale of the Bonds is:

SOURCES:

| | |
|---------------------------|--------------------|
| Principal Amount of Bonds | <u>\$2,012,000</u> |
| Total | <u>\$2,012,000</u> |

USES:

| | |
|---|--------------------|
| Cost of Public Infrastructure | \$1,576,813 |
| Debt Service Reserve Fund | 148,250 |
| Deposit to Debt Service Fund (Representing Capitalized Interest) | 91,937 |
| Underwriter's Discount and Counsel | 70,000 |
| Costs of Issuance * | <u>125,000</u> |
| Total | <u>\$2,012,000</u> |

*** Estimated Costs of Issuance:**

| | |
|--------------------------|---------------------|
| Underwriter's Discount | \$50,000.00 |
| Bond Counsel | 77,000.00 |
| Underwriter's Counsel | 20,000.00 |
| Financial Advisor | 30,000.00 |
| Appraisal Fee | 7,500.00 |
| Registrar & Paying Agent | 700.00 |
| Printing | 2,000.00 |
| Miscellaneous | 7,800.00 |
| Total | <u>\$195,000.00</u> |

(v) Value to Lien Ratio.

Included as Appendix 2 is a summary of the appraisal relating to the parcels to be included in Assesment District No. 1, prepared by Schnepf Ellsworth Appraisal Group, LLC on April 18, 2018. The appraisal demonstrates a value-to-lien ratio of a per lot basis in excess of 18-to-1. A complete copy of the appraisal report is available upon request.

(vi) Disclosure of Assessment Payments.

A.R.S. Section 32-2181 *et seq.* requires the disclosure of all property taxes and assessments to be paid by a homeowner in the Arizona Department of Real Estate Subdivision Public Report (the "Public Report"). Each homebuyer must be supplied a Public Report and, prior to any home sale, the homebuyer must acknowledge by signature that they have read and accepted the Public Report.

In addition, homebuilders within the Project will require the homebuyer to sign an additional form that highlights and discloses the additional assessment payments as a result of District financing.

(vii) Operation and Maintenance of the Public Infrastructure.

All infrastructure financed by the District will be dedicated to and accepted by the City. The obligations pertaining to the operation and maintenance of the Public Infrastructure have been negotiated between the City, the District and the Developer and are set forth in the various development agreements among the parties. The administrative costs of the District and those costs associated with the operation and maintenance of the Public Infrastructure which are not the obligation of the City will be provided by several sources of funds: the levy of a \$0.30 per \$100 of net assessed limited property valuation ad valorem tax in the District, Homeowner's Association fees and Developer contributions.

(viii) Other District Information.

Shown in the table below is the District's overlapping general obligation bonded indebtedness including a breakdown of each overlapping jurisdiction's applicable general obligation bonded indebtedness, net assessed valuation and combined tax rate per \$100 assessed valuation.

| Jurisdiction | 2017/18 Net Assessed Limited Property Valuation | General Obligation Bonded Debt Outstanding (a) | Portion Applicable to the District (b) | | Combined Tax Rate Per \$100 Assessed Valuation (c) |
|--|---|---|---|--------------------------|--|
| | | | Percent | Net Debt Amount | |
| State of Arizona | \$59,404,007,785 | None | 0.00001% | None | \$0.0000 |
| Maricopa County (d) | 38,251,891,249 | None | 0.00001% | None | 2.1334 |
| Maricopa County Community College District | 38,251,891,249 | \$445,570,000 | 0.00001% | \$ 34.81 | 1.4096 |
| Maricopa County Special Health Care District | 38,251,891,249 | 112,000,000 | 0.00001% | 8.75 | 0.2851 |
| East Valley Institute of Technology District No. 401 (EVIT) | 16,979,449,217 | None | 0.00002% | None | 0.0500 |
| Queen Creek Unified School District No. 95 | 396,986,120 | 100,485,000 | 0.00075% | 756.32 | 7.5680 |
| City of Mesa (e) | 3,048,893,359 | 390,875,000 | 0.00010% | 383.07 | 1.0968 |
| Cadence Community Facilities District No. 1 (f) | 2,988 | None | 100.00% | None | 0.0000 |
| Total Net Direct and Overlapping General Obligation Bonded Debt | | | | <u>\$1,182.95</u> | |

- (a) Includes total stated principal amount of general obligation bonds outstanding. Does not include outstanding principal amounts of certificates of participation or revenue obligations outstanding for the jurisdictions listed above. Also does not include outstanding principal amounts of bonds of various assessment districts or areas as the obligations of these districts are presently being paid from special assessments against property within the various districts.

Also does not include the obligation of the Central Arizona Water Conservation District ("CAWCD") to the United States of America, Department of the Interior, for repayment of certain capital costs for construction of the Central Arizona Project ("CAP"), a major reclamation project that has been substantially completed by the U.S. Department of the Interior to deliver Colorado River water to central Arizona and Tucson. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. CAWCD was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment of Arizona's portion of the costs reimbursable to the federal government. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. The tax levy is limited to 14 cents per \$100 of Net Assessed Limited Property Value, of which 14 cents is being currently levied. (See A.R.S. Section 48-3715 *et seq.*) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract. CAWCD is a multi-county water conservation district having boundaries coterminous with the exterior boundaries of Arizona's Maricopa, Pima and Pinal Counties.

This table also does not include the obligation of the Flood Control District of Maricopa County (the "County Flood Control District") to contribute \$80 million to CAP. The County Flood Control District's sole source of revenue to pay the contribution will be raised from ad valorem taxes.

- (b) Proportion applicable to the Assessed Lots is not available. Proportion applicable to the District was used instead. The proportion applicable to the District is computed on the ratio of Net Assessed Limited Property Valuation for 2017/18. Because the area that encompasses the Assessed Lots only encompasses the area shown on the map on page 3-1 which is a smaller area than the area of the District, these amounts are greater than what actually overlaps such area. If the assessed value within

the District increases at a faster rate than the overlapping jurisdictions, the amount of overlapping debt allocated for payment within the District will increase.

- (c) The combined tax rate includes the tax rate for debt service payments and the tax rate for all other purposes such as maintenance and operation and capital outlay.
- (d) The County's tax rate includes the \$0.1792 tax rate of the County Flood Control District, the \$0.0556 tax rate of the Maricopa County Free Library, the \$0.0102 tax rate for the contribution to the Maricopa County Fire District, the \$0.4875 tax rate of the Maricopa County Education Equalization and the \$1.4009 tax rate of the County. It should be noted that the County Flood Control District does not levy taxes on personal property.
- (e) Includes debt planned to be issued by the City in fiscal year 2017/18.
- (f) Does not include the District's General Obligation Bonds, Series 2018, in an estimated original principal amount of \$200,000 and expected to be issued in October 2018. Does not include special assessment revenue bonds expected to be issued by the District, including the Bonds. Does not include the *ad valorem* property tax of \$0.30 per \$100 of net assessed limited property valuation for administrative, operational and maintenance costs of the District, which is anticipated to be collected starting in property tax year 2018. Combined Tax Rate Per \$100 Assessed Valuation is anticipated to be \$4.15 after debt planned to be issued by the District in fiscal year 2017/18.

Source: Except as otherwise indicated, individual jurisdictions. 2017/18 Net Assessed Limited Property Valuations sourced from the Finance Department of the County and *State and County 2017 Abstract of the Assessment Roll*, Arizona Department of Revenue.

The estimated net full cash value and the net assessed limited property value of taxable property within the boundaries of the District for the indicated tax years are shown in the table below:

Property Valuations for Fiscal Year 2017/18 and 2018/19

| Fiscal Year | Estimated Net Full Cash Value (a) | Net Assessed Limited Property Value |
|--------------------|--|--|
| 2018/19 (b) | \$5,835,318 | \$543,189 |
| 2017/18 | 24,193 | \$2,988 |

- (a) Full Cash Value net of the estimated value of property exempt from taxation, if any exempt property.
- (b) Estimated valuations for Fiscal Year 2018/19 provided by the Arizona Department of Revenue. Valuations for Fiscal Year 2018/19 are not official until approved by the Board of Supervisors of the County on the third Monday in August for the following fiscal year. Although the final official valuations are not expected to differ materially from the estimated valuations, they are subject to positive or negative adjustments until approved by the Board of Supervisors of the County.

Source: *Abstract by Tax Authority*, Maricopa County Assessor's Office.

TABLE ONE
ESTIMATED DEBT SERVICE SCHEDULE*

| Period Ending (July 1) | Principal | Interest (a) | Total Annual Debt Service Requirements |
|---------------------------------------|------------------|-----------------------|---|
| 2019 | - | \$ 91,937.22 | \$ 91,937.22 |
| 2020 | \$ 45,000 | 100,600.00 | 145,600.00 |
| 2021 | 47,000 | 98,350.00 | 145,350.00 |
| 2022 | 50,000 | 96,000.00 | 146,000.00 |
| 2023 | 50,000 | 93,500.00 | 143,500.00 |
| 2024 | 55,000 | 91,000.00 | 146,000.00 |
| 2025 | 60,000 | 88,250.00 | 148,250.00 |
| 2026 | 60,000 | 85,250.00 | 145,250.00 |
| 2027 | 65,000 | 82,250.00 | 147,250.00 |
| 2028 | 65,000 | 79,000.00 | 144,000.00 |
| 2029 | 70,000 | 75,750.00 | 145,750.00 |
| 2030 | 75,000 | 72,250.00 | 147,250.00 |
| 2031 | 75,000 | 68,500.00 | 143,500.00 |
| 2032 | 80,000 | 64,750.00 | 144,750.00 |
| 2033 | 85,000 | 60,750.00 | 145,750.00 |
| 2034 | 90,000 | 56,500.00 | 146,500.00 |
| 2035 | 95,000 | 52,000.00 | 147,000.00 |
| 2036 | 100,000 | 47,250.00 | 147,250.00 |
| 2037 | 105,000 | 42,250.00 | 147,250.00 |
| 2038 | 110,000 | 37,000.00 | 147,000.00 |
| 2039 | 115,000 | 31,500.00 | 146,500.00 |
| 2040 | 120,000 | 25,750.00 | 145,750.00 |
| 2041 | 125,000 | 19,750.00 | 144,750.00 |
| 2042 | 130,000 | 13,500.00 | 143,500.00 |
| 2043 | 140,000 | 7,000.00 | 147,000.00 |
| Total | 2,012,000 | \$1,580,637.22 | \$3,592,637.22 |

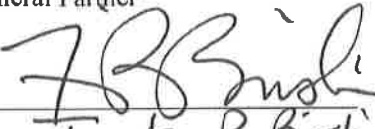
- (a) Interest column reflects total interest payments for each fiscal year; interest will be paid semi-annually on January 1 and July 1 commencing on January 1, 2019. Interest will be capitalized through July 1, 2019.

* Subject to change.

Reviewed and accepted by:
PPGN Holdings, LLLP,
a Delaware limited liability limited partnership

By: HVI-Pacific, LLLP,
an Arizona limited liability limited partnership
Its General Partner

By: Harvard Ventures, Inc.,
a Nevada corporation,
Its General Partner

By: 
Name: Timothy P. Breslin
Title: Vice President

APPENDIX 1

LEGAL DESCRIPTION FOR CADENCE COMMUNITY FACILITIES DISTRICT NO. 1 ASSESSMENT DISTRICT NO. 1

EXHIBIT A

LEGAL DESCRIPTION

PARCEL A:

Pulte Home Company, LLC as to LOTS 1 THROUGH 81, INCLUSIVE OF FINAL PLAT PARCEL A AT PPGN, ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE COUNTY RECORDER OF MARICOPA COUNT, ARIZONA, RECORDED IN BOOK 1315 OF MAPS, PAGE 30; AND THEREAFTER AFFIDAVIT OF CORRECTION RECORDED JULY 24, 2017 AS 2017-0537866 OF OFFICIAL RECORDS.

PARCEL B:

Pulte Home Company, LLC as to LOTS 71 THROUGH 117, INCLUSIVE OF FINAL PLAT PARCEL B AT PPGN, ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE COUNTY RECORDER OF MARICOPA COUNT, ARIZONA, RECORDED IN BOOK 1315 OF MAPS, PAGE 32; AND THEREAFTER AFFIDAVIT OF CORRECTION RECORDED JULY 21, 2017 AS 2017-0534782 OF OFFICIAL RECORDS.

PARCEL C:

Lennar Arizona, Inc. as to LOTS 118 THROUGH 166, INCLUSIVE OF FINAL PLAT PARCEL C AT PPGN, ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE COUNTY RECORDER OF MARICOPA COUNT, ARIZONA, RECORDED IN BOOK 1315 OF MAPS, PAGE 26; AND THEREAFTER AFFIDAVIT OF CORRECTION RECORDED JULY 21, 2017 AS 2017-0534785 OF OFFICIAL RECORDS.

PARCEL D:

CalAtlantic Homes of Arizona, Inc. as to LOTS 167 THROUGH 248, INCLUSIVE OF FINAL PLAT PARCEL D AT PPGN, ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE COUNTY RECORDER OF MARICOPA COUNT, ARIZONA, RECORDED IN BOOK 1315 OF MAPS, PAGE 31.

PARCEL E:

CND-Cadence, LLC as to LOTS 249 THROUGH 320, INCLUSIVE OF FINAL PLAT PARCEL E AT PPGN, ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE COUNTY RECORDER OF MARICOPA COUNT, ARIZONA, RECORDED IN BOOK 1315 OF MAPS, PAGE 33.

PARCEL F:

CalAtlantic Homes of Arizona, Inc. as to LOTS 321 THROUGH 377, INCLUSIVE OF FINAL PLAT PARCEL F AT PPGN, ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE COUNTY RECORDER OF MARICOPA COUNT, ARIZONA, RECORDED IN BOOK 1315 OF MAPS, PAGE 22; AND THEREAFTER AFFIDAVIT OF CORRECTION RECORDED JULY 21, 2017 AS 2017-0534784 OF OFFICIAL RECORDS.

PARCEL G:

Gehan Homes of Arizona, L.L.C. as to LOTS 378 THROUGH 431, INCLUSIVE OF FINAL PLAT PARCEL G AT PPGN, ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE

COUNTY RECORDER OF MARICOPA COUNT, ARIZONA, RECORDED IN BOOK 1315 OF MAPS, PAGE 29; AND THEREAFTER AFFIDAVIT OF CORRECTION RECORDED JULY 21, 2017 AS 2017-0534786 OF OFFICIAL RECORDS.

PARCEL H:

Pulte Home Company, LLC as to LOTS 432 THROUGH 496, INCLUSIVE OF FINAL PLAT PARCEL H AT PPGN, ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE COUNTY RECORDER OF MARICOPA COUNT, ARIZONA, RECORDED IN BOOK 1315 OF MAPS, PAGE 24; AND THEREAFTER AFFIDAVIT OF CORRECTION RECORDED JULY 21, 2017 AS 2017-0534787 OF OFFICIAL RECORDS.

PARCEL I:

Lennar Arizona, Inc. as to LOTS 497 THROUGH 564, INCLUSIVE OF FINAL PLAT PARCEL I AT PPGN, ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE COUNTY RECORDER OF MARICOPA COUNT, ARIZONA, RECORDED IN BOOK 1315 OF MAPS, PAGE 23; AND THEREAFTER AFFIDAVIT OF CORRECTION RECORDED JULY 24, 2017 AS 2017-0534788 OF OFFICIAL RECORDS.

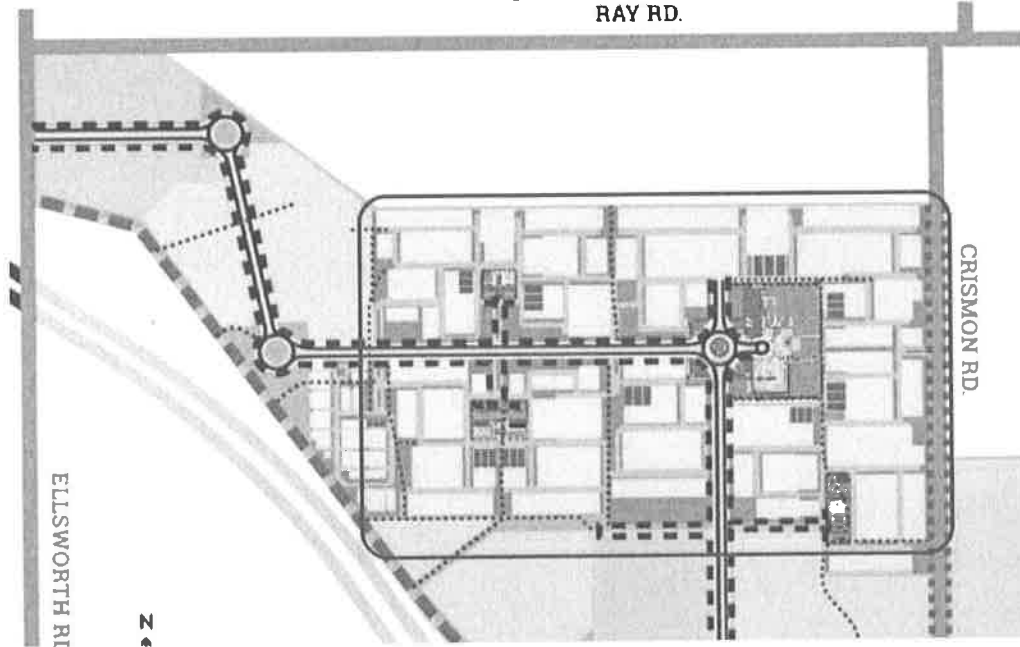
APPENDIX 2

SUMMARY OF APPRAISAL FOR ASSESSMENT DISTRICT NO. 1

An Appraisal Report of the Market Value of the fee simple interest

Cadence Community Facilities District (City of Mesa, Arizona) Assessment District #1

Parcels A, B, C, D, E, F, G, H and I, at PPGN, approximately 1/4 mile south of Ray Road and west of Crismon Road, as a part of the Cadence at Gateway Masterplanned Development, Mesa, Maricopa County, AZ



Prepared For:
City of Mesa
20 East Main Street
Suite 800
Mesa, AZ 85001

Inspection Date: April 18, 2018
Valuation Date: April 18, 2018



Prepared by:

Real Estate Appraisers/Consultants P.O. Box 2829, Mesa, Arizona, 85214
Phone 480.497.1113 E-mail larry@schnepfellsworth.com
Job # 18-2171r Copy 1 of 1 Copyright 2018 by Schnepf Ellsworth Appraisal Group LLC



Real Estate Appraisers/Consultants P.O. Box 2829, Mesa, Arizona, 85214
Phone 480.497.1113 E-mail larry@schnepfellsworth.com

May 9, 2018

File No. 18-2171

City of Mesa
20 East Main Street
Suite 800
Mesa, AZ 85001

RE: Cadence Community Facilities District (City of Mesa, Arizona) Assessment District #1
Parcels A, B, C, D, E, F, G, H and I, at PPGN, approximately 1/4 mile south of Ray Road
and west of Crismon Road, as a part of the Cadence at Gateway Masterplanned
Development, Mesa, Maricopa County, AZ

Dear Sirs:

In accordance with the City of Mesa's request and authorization thereby for an Appraisal Report of the subject property, a vacant single-family residential subdivision site located on the Parcels A, B, C, D, E, F, G, H and I, at PPGN, approximately 1/4 mile south of Ray Road and west of Crismon Road, as a part of the Cadence at Gateway Masterplanned Development, Mesa, Maricopa County, AZ, we hand you a narrative appraisal that describes and identifies methods of approach and valuation. The ownership, legal description, and identification of the property are set forth in the following report.

The purpose of this appraisal is to estimate the Market Value of the fee simple interest as of April 18, 2018. The date of initial inspection of the property was April 18, 2018. The intended users of this report are the City of Mesa, Arizona (Client and Intended User), the underwriter, the district financial advisor Hilltop Securities Inc., and district counsel Gust Rosenfeld P.L.C. (Intended Users). The intended use (function) of this appraisal will be in conjunction with the sale of tax-exempt assessment bonds, the proceeds of which will be used to finance public infrastructure within the Cadence Community Facilities (City of Mesa) Assessment District No. 1.

The value estimates are subject to the Underlying Assumptions and Contingent Conditions. The client is City of Mesa. This report details those pertinent physical and nonphysical factors relevant to the subject property. Information about the region in which the property is located, the subject neighborhood, site, highest and best use, and valuation methods and techniques are discussed in detail in the report that follows. Further, the value(s) reported are intended to conform with Code of Ethics and Standards of Professional Practice of the Appraisal Institute; the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of the Appraisal Foundation and the Appraisal Institute, the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), Title XI Regulations, appraisal guidelines.

It is prepared for the above stated purpose and function and is not to be used, given, sold, transferred, or relied upon by any other person or persons than the client without the prior express written permission of the authors. Inclusion of the appraisal (or parts thereof) within the Feasibility Study and Official Statement will be allowed by the Intended User(s) as long as the entire appraisal is referenced and pages included are not taken out of context.

The reader is also directed to the fact that the report is under copyright and any use, in whole or part, by anyone except the addressee is expressly prohibited. "Market Value" is defined in the body of the report on page 20. For purposes of this analysis, Marketing Time is estimated at 9 to 12 months.

On the basis of data in the body of the report, we have concluded to a final estimate of the Market Value of the fee simple interest as of April 18, 2018, with an inspection date of April 18, 2018, subject to Underlying Assumptions, Limiting and Hypothetical Conditions contained in this report, my opinion is as follows:

| Parcel | Total Lots | As if Complete Per lot | As if Complete Parcel Value | As is Per lot | As is Parcel Value |
|------------------------|------------|------------------------|-----------------------------|-----------------|---------------------|
| A | 81 | \$63,000 | \$5,103,000 | \$29,100 | \$2,357,100 |
| B | 47 | \$81,400 | \$3,825,800 | \$37,700 | \$1,771,900 |
| C | 49 | \$95,000 | \$4,655,000 | \$44,000 | \$2,156,000 |
| D | 82 | \$80,400 | \$6,592,800 | \$37,200 | \$3,050,400 |
| E | 72 | \$87,000 | \$6,264,000 | \$40,300 | \$2,901,600 |
| F | 57 | \$72,000 | \$4,104,000 | \$33,300 | \$1,898,100 |
| G | 54 | \$85,000 | \$4,590,000 | \$39,300 | \$2,122,200 |
| H | 65 | \$81,400 | \$5,291,000 | \$37,500 | \$2,437,500 |
| I | 68 | \$69,900 | \$4,753,200 | \$32,364 | \$2,200,752 |
| Average | 64 | \$79,456 | | \$36,752 | |
| Aggregate total | 575 | | \$45,178,800 | | \$20,895,552 |

Respectfully submitted,
Schnepf Ellsworth Appraisal Group LLC

A handwritten signature in dark ink, appearing to read "Larry Schnepf". The signature is stylized with a large, sweeping "L" and a cursive "Schnepf".

Larry D. Schnepf, MAI, SRPA
Certified Arizona General Real Estate Appraiser
Certificate # 30284, expires 8/31/2018

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Executive Summary

| | |
|--------------------------------|---|
| <i>Type of Property:</i> | The subject consists of vacant single-family residential subdivision site |
| <i>Type of Report:</i> | Appraisal Report |
| <i>Class:</i> | single-family residential subdivison land |
| <i>Job No.:</i> | 18-2157 |
| <i>Job. Name:</i> | Cadence Community Facilities District (City of Mesa, Arizona) Assessment District #1 |
| <i>Location:</i> | The subject is located 1/4 mile south of Ray Road at Cadence Parkway in Cadence at Gateway Masterplanned Development, Mesa, Arizona. |
| <i>Legal Description:</i> | A full legal description is included within the report. The legal description was obtained from public records. |
| <i>Statement of Ownership:</i> | Documents detailing the ownership retained in the addenda. Ownership in currently in the names as follows: Parcel A, Lots 1-81 - Pulte Home Company, LLC; Parcel B, Lots 71-117 - Pulte Home Company, LLC (Lots 71-81 overlap in Parcel A and B due to a revision to Parcel A Final Plat); Parcel C, Lots 118-166 - Lennar Arizona, Inc.; Parcel D, Lots 167-248 - CalAtlantic Homes of Arizona, Inc.; Parcel E, Lots 249-320 - CND-Cadence, LLC; Parcel F Lots 321-377 - CalAtlantic Homes of Arizona Inc,; Parcel G, Lots 378-431 - Gehan Homes of Arizona L.L.C.; Parcel H, Lots 432-496 - Pulte Home Company, LLC.; Parcel I, Lots 497-564 - Lennar Arizona, Inc. The subject is being developed to a stage that includes finished infrastructure (utilities, paved streets, curbs, gutters and sidewalks). |

| PROPERTY | No of LOTS | LOTS | AVG LOT SIZE | BUYER | DATE OF SALE | SALES PRICE | PER FRONT FOOT | PER LOT |
|----------|-----------------|-----------|--------------|--|--------------|---------------------|----------------|---------------------|
| Parcel A | 81* | 1 – 81 | 40' X 105' | Pulte Home Company, LLC, a Michigan limited liability company | 4/13/2017 | \$5,124,060 | \$1,581 | \$63,260 |
| Parcel B | 47* | 71 – 117 | 53' X 125' | Pulte Home Company, LLC, a Michigan limited liability company | 4/13/2017 | \$3,826,270 | \$1,625 | \$81,410 |
| Parcel C | 49 | 118 – 166 | 63' X 125' | Lennar Arizona, Inc., an Arizona corporation | 6/1/2017 | \$5,016,375 | \$1,625 | \$102,375 |
| Parcel D | 82 | 167 – 248 | 48' X 125' | CalAtlantic Homes of Arizona, Inc., a Delaware corporation | 4/13/2017 | \$6,592,800 | \$1,625 | \$80,400 |
| Parcel E | 72 | 249 – 320 | 58' X 125' | CND-Cadence, LLC, an Arizona limited liability company | 9/7/2017 | \$6,786,000 | \$1,625 | \$94,250 |
| Parcel F | 57 | 321 – 377 | 43' X 125' | CalAtlantic Homes of Arizona, Inc., a Delaware corporation | 4/13/2017 | \$4,105,425 | \$1,625 | \$72,025 |
| Parcel G | 54 | 378 – 431 | 53' X 125' | Gehan Homes of Arizona, L.L.C., an Arizona limited liability company | 4/13/2017 | \$4,650,750 | \$1,625 | \$86,125 |
| Parcel H | 65 | 432 – 496 | 53' X 125' | Pulte Home Company, LLC, a Michigan limited liability company | 4/13/2017 | \$5,291,605 | \$1,625 | \$81,410 |
| Parcel I | 68 | 497 – 564 | 48' X 125' | Lennar Arizona, Inc., an Arizona corporation | 4/13/2017 | \$4,751,000 | \$1,625 | \$69,868 |
| | 575 Lots | | | | | \$46,144,285 | | \$80,250 Avg |

* Lot No.s 71 - 81 Overlap in Parcel A and Parcel B due to a revision to Parcel A Final Plat approved by the City.

Form of Ownership: Fee Simple Interest

Property Rights Appraised: Market Value of the fee simple interest.

Intended User/Intended Use (Function) of the Report:

The intended users of this report are the City of Mesa, Arizona (Client and Intended User), the underwriter, the district financial advisor Hilltop Securities Inc., and district counsel Gust Rosenfeld P.L.C. (Intended Users). The intended use (function) of this appraisal will be in conjunction with the sale of tax-exempt assessment bonds, the proceeds of which will be used to finance public infrastructure within the Cadence Community Facilities (City of Mesa) Assessment District No. 1.

Improvements Summary:

The subject consists of 9 master-platted parcels consisting of 575 planned lots within Phase 1 of PPGN of the Final Plat - Cadence Parkway as a part of the Cadence at Gateway Development.

| SUBDIVISION | LOT NUMBERS | TOTAL LOTS | LOT SIZES | ACREAGE | | | |
|----------------|-----------------------|------------|------------|----------------|----------------|----------------|-----------------|
| | | | | LOTS | COMMON AREA | ROW | GROSS |
| PARCEL A | Lots 1 - 81, Incl.* | 81 | 40' x 105' | 8.1778 | 3.9002 | 2.4964 | 14.5744 |
| PARCEL B | Lots 71 - 117, Incl.* | 47 | 53' x 125' | 7.1975 | 2.7933 | 1.9540 | 11.9448 |
| PARCEL C | Lots 118 - 166, Incl. | 49 | 63' x 125' | 9.0392 | 3.3187 | 2.3842 | 14.7421 |
| PARCEL D | Lots 167 - 248, Incl. | 82 | 48' x 125' | 11.6250 | 1.8986 | 2.3842 | 15.9078 |
| PARCEL E | Lots 249 - 320, Incl. | 72 | 58' X 125' | 12.0806 | 3.4705 | 3.6331 | 19.1842 |
| PARCEL F | Lots 321 - 377, Incl. | 57 | 43' X 125' | 7.0527 | 1.6972 | 1.3288 | 10.0787 |
| PARCEL G | Lots 378 - 431, Incl. | 54 | 53' x 125' | 8.2453 | 2.1541 | 1.6689 | 12.0683 |
| PARCEL H | Lots 432 - 496, Incl. | 65 | 53' x 125' | 9.0694 | 2.3916 | 2.2085 | 13.6695 |
| PARCEL I | Lots 497 - 564, Incl. | 68 | 48' x 125' | 8.4195 | 4.5576 | 2.5707 | 15.5478 |
| TOTALS: | | 575 | | 80.9070 | 26.1818 | 20.6288 | 127.7176 |

* Lot Nos 71 - 81 Overlap in Parcel A and Parcel B due to a revision to the Parcel A final plat approved by the City.

RECORDING INFORMATION FOR ROWs and COMMON AREA

| FINAL PLAT or MOD | Recording Information | Uses | Common Area Acres | ROW Acres | Gross |
|----------------------|--------------------------|------------------------|----------------------|-----------|---------|
| Cadence Parkway | Plat Bk 1315 Pg 25 | roadway & common areas | 23.21 | 9.8763 | 33.0863 |
| Ellsworth Road | MOD Bk 1315 Pg 27 | roadway | 0 | 1.781 | 1.781 |
| Crismon Road | Plat Bk 1315 Pg 28 | roadway & common area | 0.6224 | 2.139 | 2.7614 |

Assessor's Parcel:

APN: 313-25-045 through 125 (Parcel A); 313-25-137 through 183 (Parcel B); 313-25-195 through 243 (Parcel C); 313-25-255 through 336 (Parcel D); 313-25-351 through 422 (Parcel E); 313-25-443 through 499 (Parcel F); 313-25-506 through 559 (Parcel G); 313-25-565 through 629 (Parcel H); 313-26-637 through 704 (Parcel I).

Flood Zone Designation:

Zone D, Panel number 04013C2705F, Unpublished.

Site Area:

Parcel A - 8.1778 net acres, 14.5744 gross acres;
Parcel B - 7.1975 net acres, 11.9448 gross acres;
Parcel C - 9.0392 net acres, 14.7421 gross acres;
Parcel D - 11.6250 net acres, 15.9078 gross acres;
Parcel E - 12.0806 net acres, 19.1842 gross acres;
Parcel F - 7.0527 net acres, 10.0787 gross acres;
Parcel G - 8.2453 net acres, 12.0683 gross acres;
Parcel H - 9.0694 net acres, 13.6695 gross acres;
Parcel I - 8.4195 net acres, 15.5478 gross acres;
Total 80.9070 net acres, 26.1818 acres common area and 20.6288 acres Right-of-Way for a total of 127.7176 gross acres.

Zoning:

PC, City of Mesa

| | |
|------------------------------|--|
| <i>Topography:</i> | The property is basically level. No soil reports were provided to the appraisers. |
| <i>Easements:</i> | Except for zoning restrictions, no other hazards or nuisances were noted which would adversely affect the subject site. The appraisers assume no conditions exist that would adversely affect title. |
| <i>Nuisance and Hazards:</i> | No environmental reports were provided to the appraiser. No adverse environmental conditions were noted within this report. No known nuisances, hazards or environmental problems exist. |
| <i>Highest and Best Use:</i> | As Is – Single-family residential |
| <i>Marketing Time:</i> | 9 to 12 months |
| <i>Unit Type:</i> | The most applicable site unit measurement is price per square foot. |
| <i>Date of Inspection:</i> | April 18, 2018 |
| <i>Date of Valuation:</i> | April 18, 2018 |

Valuation Conclusions:

| Parcel | Total Lots | As if Complete Per lot | As if Complete Parcel Value | As is Per lot | As is Parcel Value |
|------------------------|------------|------------------------|-----------------------------|-----------------|---------------------|
| A | 81 | \$63,000 | \$5,103,000 | \$29,100 | \$2,357,100 |
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| E | 72 | \$87,000 | \$6,264,000 | \$40,300 | \$2,901,600 |
| F | 57 | \$72,000 | \$4,104,000 | \$33,300 | \$1,898,100 |
| G | 54 | \$85,000 | \$4,590,000 | \$39,300 | \$2,122,200 |
| H | 65 | \$81,400 | \$5,291,000 | \$37,500 | \$2,437,500 |
| I | 68 | \$69,900 | \$4,753,200 | \$32,364 | \$2,200,752 |
| Average | 64 | \$79,456 | | \$36,752 | |
| Aggregate total | 575 | | \$45,178,800 | | \$20,895,552 |