

FEASIBILITY REPORT

For The Issuance of

**Not to Exceed
\$1,883,000 Principal Amount**

OF

**EASTMARK
COMMUNITY FACILITIES DISTRICT NO. 1
(CITY OF MESA, ARIZONA)**

**ASSESSMENT DISTRICT NO. 10
SPECIAL ASSESSMENT REVENUE BONDS,
SERIES 2019**

Public Hearing Date: November 29, 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 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) (the “District”) in connection with the proposed issuance by the District of its Assessment District No. 10 Special Assessment Revenue Bonds, Series 2019 (the “Bonds”) in a principal amount of not to exceed \$1,883,000, 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 and Public Infrastructure Purposes (as defined in A.R.S. Section 48-701) to be financed by the Bonds (together, 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 of Mesa (“City”) staff, District staff and other experts have been consulted as deemed appropriate.

GENERAL DESCRIPTION OF THE DISTRICT

Formation of the District was approved by the City on April 2, 2012 upon the request of DMB Mesa Proving Grounds LLC (the “Developer”). The District consists of approximately 2,170 acres of the 3,164-acre project formerly known as the Mesa Proving Grounds (the “Project”). The Project is located east of the 202 freeway generally bounded by Elliot Road to the north, Williams Field Road to the south, Ellsworth Road to the west, and Signal Butte Road to the east. Construction on the Project commenced in August, 2012. As of August 26, 2018, homebuilders have sold approximately 3,030 single family residential units within the Project. Single family residential units represent approximately 2,040 acres within the Project. Non-residential development comprises approximately 130 acres within the Project and includes (i) churches, (ii) government services such as police stations, fire departments, schools, Salt River Project facilities, and parks and open space, and (iii) a variety of commercial developments such as office, retail and multifamily.

The real property comprising Assessment District No. 10 consists of approximately 538 lots (the “Assessed Lots”) and approximately 196.410 acres. The following chart characterizes the approximate acreage within the District as well as the acreage within Assessment District No. 10, which is fully within the boundaries of the District.

<u>Total Project</u>	<u>Approximate District Acres</u>	<u>Approximate Assessment District No. 10 Acres</u>
Single Family Residential	2,040	196
Non-Residential *	<u>130</u>	<u>-</u>
Total	2,170	196

* Includes churches, police and fire stations, schools, civic and commercial uses and common area and neighborhood open space.

The District was created to assist with financing the acquisition of public infrastructure and public infrastructure purposes, 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. 10 are included in Appendix 1. Maps of the District and Assessment District No. 10 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.

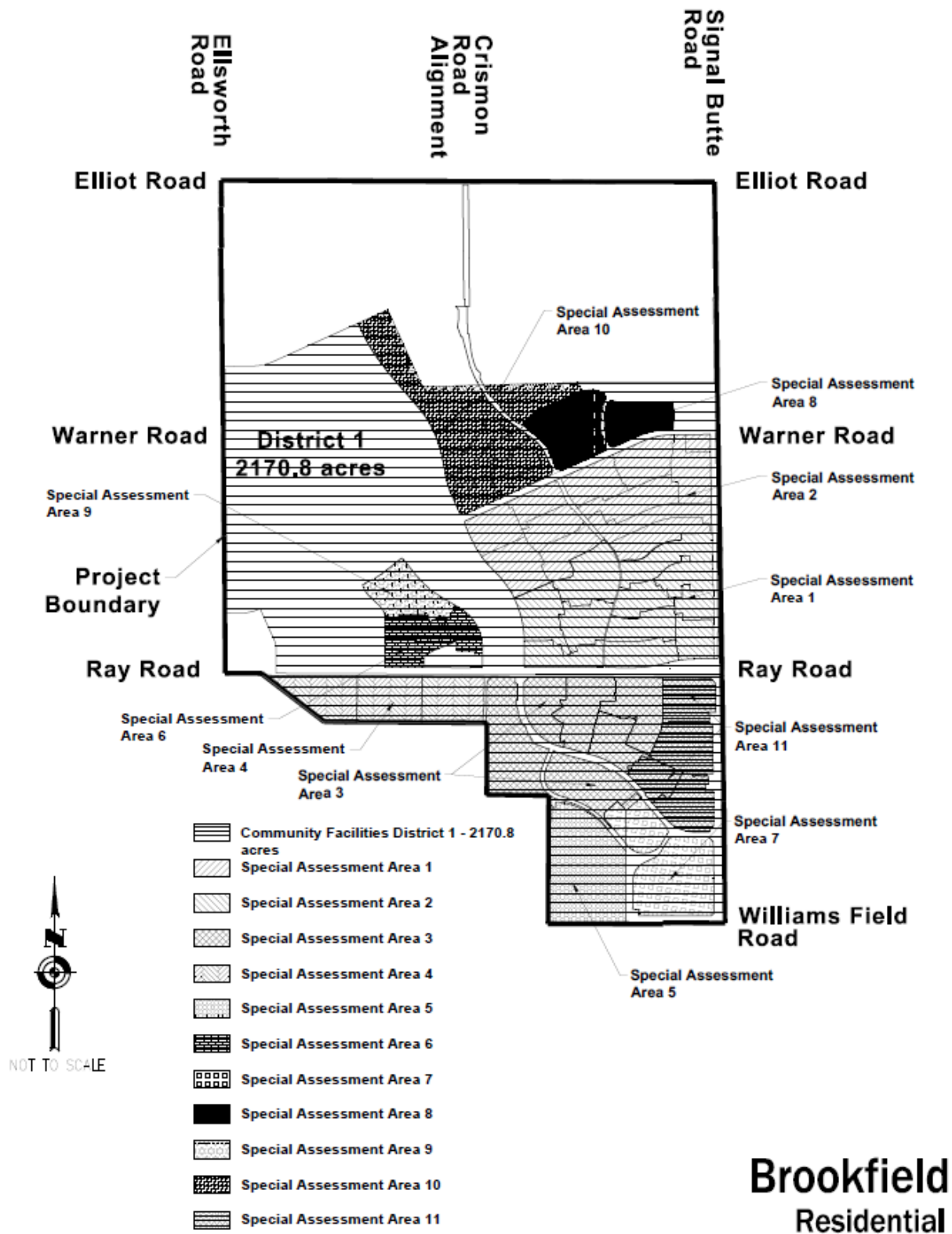
<u>DESCRIPTION</u>	<u>ESTIMATED COST</u>	<u>COMPLETION*</u>
1. Everton Terrace – S871 Construction of the continuation of a new roadway within the District consisting of approximately one-quarter mile of full street improvements. These improvements include potable water, water valves, fire hydrants, storm drains, 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, landscaping, irrigation and entry monuments. The roadway consists of two paved driving lanes made up of 3 1/2 inches of asphaltic concrete over 6 inches of aggregate base course. All improvements are shown on the approved plans dated October 6, 2017 by the City of Mesa, which may be amended from time to time to allow for additional property uses adjacent to Everton Terrace that are not yet known.	\$807,288.00	November 2018
2. Everton Terrace South – S878 Construction of the continuation of a new roadway within the District consisting of approximately one-third of a mile of full street improvements. These improvements include potable water, water valves, fire hydrants, storm drains, storm drain manholes, concrete catch basins, storm drain bleed lines, concrete ribbon curb, concrete sidewalk, concrete ramps with truncated domes, paving, striping, street lights, public signage, hardscape, landscaping, irrigation and entry monuments. The roadway consists of two paved driving lanes made up of 3 1/2 inches of asphaltic concrete over 6 inches of aggregate base course. All improvements are shown on the approved plans dated January 29, 2018 by the City of Mesa, which may be amended from time to time to allow for additional property uses adjacent to Everton Terrace that are not yet known.	\$1,596,404.00	November 2018
TOTAL:	<u>\$2,403,692.00</u>	

* Completion represents the date by which the Public Infrastructure was constructed, which may differ from the date that it was accepted by the City.

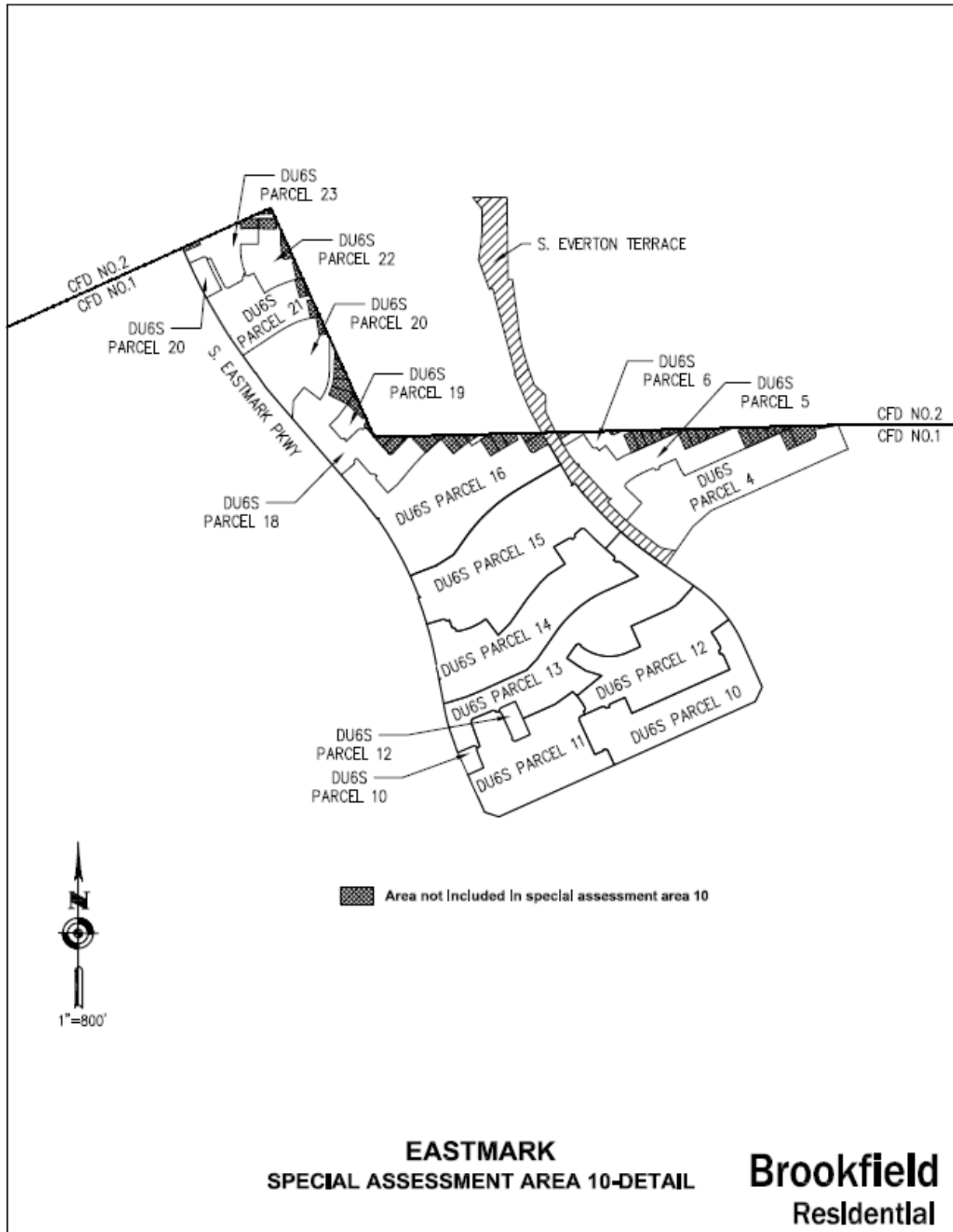
SECTION THREE

MAP OF THE DISTRICT AND MAP OF ASSESSMENT DISTRICT NO. 10

The District



Assessment District No. 10



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	Estimated Acquisition Price	Completion Date (a)	Funds Draw Date
Everton Terrace – S871	\$ 807,288.00	November 2018	January 2019
Everton Terrace South – S878	<u>1,596,404.00</u>	November 2018	January 2019
Total	<u><u>\$2,403,692.00</u></u>		

- (a) Represents the date by which the Public Infrastructure was constructed, which may differ from the date that it was accepted by the 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. 10. 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 April 2, 2012. As contemplated by the District Development, Financing Participation, Waiver and Intergovernmental Agreement, as amended, 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 approximately January 2019. The Bonds will not be rated by any rating agency.

(iii) Per Lot Assessment Amount.

The per residential 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 \$3,500 per residential lot 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 are:

SOURCES:

Principal Amount of Bonds	<u>\$1,883,000.00</u>
Total	<u>\$1,883,000.00</u>

USES:

Cost of Public Infrastructure	\$1,529,146.12
Debt Service Reserve Fund	145,800.00
Capitalized Interest	49,193.38
Estimated Costs of Issuance	<u>158,860.50</u>
Total	<u>\$1,883,000.00</u>

ESTIMATED COSTS OF ISSUANCE

Underwriter's Discount	\$ 43,860.50
Bond Counsel	50,000.00
Underwriter's Counsel	20,000.00
Financial Advisor	30,000.00
Appraisal Fee	5,000.00
Registrar & Paying Agent	700.00
Printing	2,000.00
Miscellaneous	<u>7,300.00</u>
	<u>\$158,860.50</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. 10, prepared by Schnepf Ellsworth Appraisal Group, LLC on October 23, 2018. The appraisal demonstrates a value-to-lien ratio of a per lot basis in excess of 15-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 (the "O&M Tax"), 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, and the portion of such indebtedness applicable to the District.

OVERLAPPING GENERAL OBLIGATION BONDED INDEBTEDNESS

Overlapping Jurisdiction	General Obligation Bonded Debt Outstanding (b)	Portion Applicable to The District (a)	
		Approximate Percentage	Net Debt Amount
State of Arizona	None	0.084%	None
Maricopa County	None	0.129	None
Maricopa County Community College District	\$380,740,000	0.129	\$ 490,342
Maricopa County Special Health Care District	497,125,000	0.129	641,291
East Valley Institute of Technology District No. 401	None	0.289	None
Queen Creek Unified School District No. 95	94,925,000	11.500	10,916,287
Gilbert Unified School District No. 41	110,560,000	2.739	3,027,768
City of Mesa	365,755,000	1.588	5,808,820
The District	27,870,000	100.000	27,870,000 (c)
Total Direct and Overlapping General Obligation Bonded Debt Outstanding			<u>\$48,754,508</u>

(a) Proportion applicable to Assessment District No. 10 is not available. Proportion applicable to the District was used instead. Proportion applicable to the District is computed on the ratio of net assessed limited property value as calculated for Fiscal Year 2018/19 for the overlapping jurisdiction to the amount of such valuation which lies within the District. Because the area that encompasses Assessment District No. 10 only encompasses the area shown on the maps on pages 3-1 and 3-2, 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.

(b) Includes total general obligation bonds outstanding less redemption funds on hand. Does not include authorized but unissued general obligation bonds of such jurisdictions which may be issued in the future.

Also does not include the obligation of the Central Arizona Water Conservation District ("CAWCD") to the United States Department of the Interior (the "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 Department of the Interior. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. In April of 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be set at \$1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the \$1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages have been fixed for the entire 50-year repayment period, which commenced October 1, 1993. CAWCD is a multi-county water conservation district having boundaries coterminous with the exterior boundaries of Arizona's Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to the United States of the CAP capital costs.

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. At the date of this Report, the tax levy is limited to 14 cents per \$100 of net assessed limited property value, of which 14 cents is currently being levied. (See ARS, Sections 48-3715 and 48-3715.02.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.

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 the CAP. The County Flood Control District's sole source of revenue to pay the contribution will be raised from the levy of ad valorem taxes on real property and improvements.

- (c) Does not include special assessment revenue bonds outstanding in the aggregate principal amount of \$12,741,500 or other special assessment revenue bonds expected to be issued by the District in the future (such as the Bonds). See "DIRECT AND OVERLAPPING NET ASSESSED LIMITED PROPERTY VALUE AND TOTAL TAX RATES" table.

Source: The various entities.

**DIRECT AND OVERLAPPING NET ASSESSED
LIMITED PROPERTY VALUE AND TOTAL TAX RATES**

Overlapping Jurisdiction	2018/19 Net Assessed Limited Property Value	2018/19 Total Tax Rate Per \$100 of Net Assessed Limited Property Value (a)
State of Arizona	\$62,328,439,592	None
Maricopa County	40,423,232,423	\$1.8750 (b)
Maricopa County Community College District	40,423,232,423	1.3754
Maricopa County Fire District Annual Levy (c)	40,423,232,423	0.0107
Maricopa County Flood Control District (c)	37,003,666,851	0.1792
Maricopa County Special Health Care District	40,423,232,423	0.2941
Maricopa County Library District (c)	40,423,232,423	0.0556
Central Arizona Water Conservation District (c)	40,423,232,423	0.1400
East Valley Institute of Technology District No. 401 (c)	18,011,211,783	0.0500
Queen Creek Unified School District No. 95	452,696,977	7.6135
Gilbert Unified School District No. 41	1,900,979,361	6.1051
City of Mesa	3,277,965,031	1.0201
The District	52,059,735	4.1500 (d)

- (a) 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.
- (b) Includes the "State Equalization Assistance Property Tax" which in Fiscal Year 2018/19 has been set at \$0.4741 and is adjusted annually pursuant to ARS 41-1276.
- (c) The net assessed limited property value of the County Flood Control District does not include the personal property assessed valuation within the County. The net assessed limited property value for the CAWCD reflects the assessed valuation located within the County only. The County is mandated

to levy a tax annually in support of fire districts in the County. All levies for library districts, hospital districts, fire districts, technology districts, water conservation districts and flood control districts are levied on the net full cash assessed value.

- (d) Includes the O&M Tax.

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue and *Maricopa County 2018 Tax Levy*, Maricopa County – Finance Department.

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

PROPERTY VALUATIONS

Fiscal Year	Estimated Net Full Cash Value (a)	Net Assessed Limited Property Value
2018/19	\$692,764,909	\$52,059,735
2017/18	470,559,352	36,342,061
2016/17	270,676,896	21,328,284
2015/16	198,657,908	18,853,879

Fiscal Year	Estimated Net Full Cash Value (a)	Net Assessed Secondary Value
2014/15	\$54,606,979	\$7,997,436

- (a) Full Cash Value net of the estimated value of property exempt from taxation.

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

TABLE ONE
ESTIMATED DEBT SERVICE SCHEDULE*

Period Ending (July 1)	Principal	Interest (a)	Estimated Annual Debt Service Requirements
2019		\$ 49,193	\$ 49,193
2020	\$ 38,000	103,565	141,565
2021	40,000	101,475	141,475
2022	45,000	99,275	144,275
2023	45,000	96,800	141,800
2024	50,000	94,325	144,325
2025	50,000	91,575	141,575
2026	55,000	88,825	143,825
2027	60,000	85,800	145,800
2028	60,000	82,500	142,500
2029	65,000	79,200	144,200
2030	65,000	75,625	140,625
2031	70,000	72,050	142,050
2032	75,000	68,200	143,200
2033	80,000	64,075	144,075
2034	85,000	59,675	144,675
2035	90,000	55,000	145,000
2036	95,000	50,050	145,050
2037	100,000	44,825	144,825
2038	105,000	39,325	144,325
2039	110,000	33,550	143,550
2040	115,000	27,500	142,500
2041	120,000	21,175	141,175
2042	130,000	14,575	144,575
2043	135,000	7,425	142,425
Total	<u>\$1,883,000</u>	<u>\$1,605,583</u>	<u>\$3,488,583</u>

- (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 July 1, 2019. Interest is estimated at 5.50%


* Preliminary, subject to change.

Reviewed and accepted by:

DMB MESA PROVING GROUNDS, LLC, a
Delaware limited liability company

By: DMB/Brookfield Eastmark LLC, a Delaware limited liability company
Its: Manager

By: Brookfield Eastmark, LLC, a Delaware limited liability company
Its: Administrative Member

By:  _____

Name: W. Dea McDonald

Its: Vice President

By:  _____

Name: Brad Chelton

Its: Senior Vice President

APPENDIX 1

LEGAL DESCRIPTION FOR EASTMARK COMMUNITY FACILITIES DISTRICT NO. 1 ASSESSMENT DISTRICT NO. 10

EXHIBIT A

LEGAL DESCRIPTION

Lots 1 through 332, inclusive, according to the Final Plat for Eastmark Development Unit 6 South, Parcels 6-10 to 6-15, recorded in Book 1343 of Maps, Page 14, official records of Maricopa County, Arizona, and

Lots 1 through 32, inclusive, lots 36 through 47, inclusive, lots 50 through 67, inclusive, lots 97 through 108, inclusive, lots 123 through 125, inclusive, lots 200 through 239, inclusive, lots 275 through 291, inclusive, lots 335 through 343, inclusive and lot 405, according to the Final Plat for Eastmark Development Unit 5/6 South, Parcels 6-16 and 6-18 to 6-23, recorded in Book 1379 of Maps, Page 8, official records of Maricopa County, Arizona, and

Lots 1 through 22, inclusive, lots 26 through 46, inclusive, and lots 75 through 93, inclusive, according to the Final Plat for Eastmark Development Unit 5/6 South, Parcels 6-4 to 6-6, 6-9 and 6-17, recorded in Book 1360 of Maps, Page 17, official records of Maricopa County, Arizona.

APPENDIX 2

SUMMARY OF APPRAISAL FOR ASSESSMENT DISTRICT NO. 10

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

Eastmark Community Facilities District No. 1, Assessment District No.10

Parcels 6-4, 6-5, 6-6, 6-9, 6-10, 6-11, 6-12, 6-13, 6-14, 6-15, 6-16, 6-18, 6-19, 6-20, 6-22 and 6-23 northeast corner of Point 22 Boulevard and Eastmark Parkway, Eastmark Development Unit 6S as a part of the Eastmark Masterplanned Development, Mesa, Maricopa County, AZ



Prepared For:
City of Mesa
20 East Main Street
Suite 700
Mesa, AZ 85001

Inspection Date: October 16, 2018
Valuation Date: October 16, 2018



Prepared by:
Real Estate Appraisers/Consultants P.O. Box 2829, Mesa, Arizona, 85214
Phone 480.497.1113 E-mail larry@schnepfellsworth.com
Job # 18-2236 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

October 23, 2018

File No. 18-2236

City of Mesa
20 East Main Street
Suite 700
Mesa, AZ 85001

RE: Eastmark Community Facilities District No. 1, Assessment District No.10 Parcels 6-4, 6-5, 6-6, 6-9, 6-10, 6-11, 6-12, 6-13, 6-14, 6-15, 6-16, 6-18, 6-19, 6-20, 6-22 and 6-23 northeast corner of Point 22 Boulevard and Eastmark Parkway, Eastmark Development Unit 6S as a part of the Eastmark 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 6-4, 6-5, 6-6, 6-9, 6-10, 6-11, 6-12, 6-13, 6-14, 6-15, 6-16, 6-18, 6-19, 6-20, 6-22 and 6-23 northeast corner of Point 22 Boulevard and Eastmark Parkway, Eastmark Development Unit 6S as a part of the Eastmark 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 October 16, 2018. The date of initial inspection of the property was October 16, 2018. The intended users of this report include the City of Mesa (Client and Intended User), Eastmark Community Facilities District No. 1 (City of Mesa) the underwriter Stifel, Nicolaus & Company, Incorporated, 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 Eastmark Community Facilities District No. 1 – Assessment District No. 10.

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 Official Statement will be allowed but 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 19. 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 October 16, 2018, with an inspection date of October 16, 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
6-10 to 6-15	332	\$90,000	\$29,880,000	\$84,000	\$27,888,000
6-4 to 6-6, 6-9 & 6-17	62	\$90,000	\$5,580,000	\$66,300	\$4,110,600
6-16, 6-18 to 6-23	144	\$87,300	\$12,571,200	\$55,000	\$7,920,000
Average	179	\$89,277		\$74,198	
Aggregate total	538		\$48,031,200		\$39,918,600

Respectfully submitted,

Schnepf Ellsworth Appraisal Group LLC

A handwritten signature in blue ink, appearing to read "Larry D. Schnepf". The signature is stylized with a large, looped "L" and a long, sweeping underline.

Larry D. Schnepf, MAI, SRPA

Certified Arizona General Real Estate Appraiser

Certificate # 30284, expires 8/31/2020

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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 subdivision land
<i>Job No.:</i>	18-2237
<i>Job. Name:</i>	Eastmark Community Facilities District No. 1, Assessment District No.10
<i>Location:</i>	The subject is located at the northeast corner of Pointe 22 Boulevard and Eastmark Parkway in Eastmark Development Unit 6S of the Eastmark 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 included in the report with deeds retained in the addenda. The subject is being developed to a stage that includes finished infrastructure (utilities, paved streets, curbs, gutters and sidewalks) at which point homebuilders will take possession of the bulk site.
<i>Form of Ownership:</i>	Fee Simple Interest
<i>Property Rights Appraised:</i>	Market Value of the fee simple interest.
<i>Intended User/Intended Use (Function) of the Report:</i>	The intended users of this report include the City of Mesa (Client and Intended User), Eastmark Community Facilities District No. 1 (City of Mesa) the underwriter Stifel, Nicolaus & Company, Incorporated, 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 Eastmark Community Facilities District No. 1 – Assessment District No. 10.

Improvements Summary:

The subject consist of 16 master-platted parcels consisting of 538 planned lots within Parcels 6-4, 6-5, 6-6, 6-9, 6-10, 6-11, 6-12, 6-13, 6-14, 6-15, 6-16, 6-18, 6-19, 6-20, 6-22 and 6-23.

						Subject Allocation @ 100%			
Phase 1	Eastmark Parcel # 6-10 to 6-15	SF	Acres	Total # of Lots	Avg Lot SF	SF	Acres	Total # of Lots	Avg Lot SF
	Lots	2,775,148	63.71	332	8,359	2,775,148	63.71	332	8,359
	City Right-of-Way Tracts	575,479	13.21			575,479	13.21		
	Park/Retention Tracts	307,268	7.05			307,268	7.05		
	Sub-total	3,657,895	83.97	332		3,657,895	83.97	332	
						Subject Allocation @ 23.31%			
Phase 2	Eastmark Parcel # 6-4 to 6-6, 6-9 & 6.17	SF	Acres	Total # of Lots	Avg Lot SF	Acres	Acres	Total # of Lots	Avg Lot SF
	Lots	2,320,358	53.27	266	8,723	540,875	12.42	62	8,724
	City Right-of-Way Tract	448,213	10.29			104,478	2.40		
	Park/Retention Tracts	557,847	12.81			130,034	2.99		
	Sub-total	3,326,418	76.36	266		775,388	17.80	62	
						Subject Allocation @ 35.56%			
Phase 3	Eastmark Parcel # 6-16, 6-18 to 6-23	SF	Acres	Total # of Lots	Avg Lot SF	Acres	Acres	Total # of Lots	Avg Lot SF
	Lots	3,316,925	76.15	405	8,190	1,179,499	27.08	144	8,191
	City Right-of-Way Tract	655,986	15.06			233,269	5.36		
	Park/Retention Tracts	749,928	17.22			266,674	6.12		
	Sub-total	4,722,839	108.42	405		1,679,442	38.55	144	
						Subject Allocation			
		SF	Acres	Total # of Lots	Avg Lot SF	SF	Acres	Total # of Lots	Avg Lot SF
	Phase 1	2,775,148	63.709	332	8,359	2,775,148	63.709	332	8,359
	Phase 2	2,320,358	53.268	266	8,723	540,875	12.417	62	8,724
	Phase 3	3,316,925	76.146	405	8,190	1,179,499	27.078	144	8,191
	City Right-of-Way Tracts	1,679,678	38.560			913,226	20.965		
	Park/Retention Tracts	1,615,043	37.076			703,977	16.161		
	Sub-total	11,707,152	268.76	1003		6,112,725	140.33	538	

Assessor's Parcel:

Assessor parcel numbers were recently assigned to the subdivision lots and are include in legal description section of the report.

Flood Zone Designation:

Zone D, Panel number 04013C2705F, Unpublished.

Site Area:

Included in the report as allocated by parcel. The total area is xx acres.

Zoning:

PC, City of Mesa

Topography:

The property is basically level. No soil reports were provided to the appraisers.

Easements:

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.

Nuisance and Hazards: 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.

Highest and Best Use: As Is – Single-family residential

Marketing Time: 9 to 12 months

Unit Type: The most applicable site unit measurement is price per square foot.

Date of Inspection: October 16, 2018

Date of Valuation: October 16, 2018

Valuation Conclusions:

Parcel	Total Lots	As if Complete Per lot	As if Complete Parcel Value	As is Per lot	As is Parcel Value
6-10 to 6-15	332	\$90,000	\$29,880,000	\$84,000	\$27,888,000
6-4 to 6-6, 6-9 & 6-17	62	\$90,000	\$5,580,000	\$66,300	\$4,110,600
6-16, 6-18 to 6-23	144	\$87,300	\$12,571,200	\$55,000	\$7,920,000
Average	179	\$89,277		\$74,198	
Aggregate total	538		\$48,031,200		\$39,918,600