
MAI APPRAISAL

**A Market Study and Valuation
of
An Inventory of Residential Properties within Lomas Encantadas and Enchanted Hills
Rio Rancho, New Mexico**

**Prepared for
The City of Rio Rancho
and
The Lomas Encantadas/Enchanted Hills Public Improvement District
Rio Rancho, New Mexico**

**Prepared by
David Pearson, MAI
8105 Countrywood Road NE
Albuquerque, New Mexico 87109**

As of February 1, 2016

David Pearson, MAI
8105 Countrywood Road NE
Albuquerque, New Mexico 87109
Tel (505) 299-1291
DP4830@comcast.net

February 18, 2016

The City of Rio Rancho
3200 Civic Center Circle NE
Rio Rancho, New Mexico 87144

The Lomas Encantadas/Enchanted Hills Public Improvement District
333 New Mexico State Road 528, Suite 400
Rio Rancho, New Mexico 87124

Amrep Southwest, Inc.
333 New Mexico State Road 528, Suite 400
Rio Rancho, New Mexico 87124

Re: Valuation of Portions of Lomas Encantadas and Enchanted Hills
Rio Rancho, New Mexico

Dear Sir:

I have inspected the captioned property for the purpose of preparing a valuation of the property in its proposed condition as of a current date. Attached to this letter is the written appraisal that identifies the data and analyses used in this analysis. This report has been prepared in conformance with the Uniform Standards of Professional Appraisal Practice (2016) as adopted by the Appraisal Foundation.

The subject of this valuation are the components of the proposed Lomas Encantadas/ Enchanted Hills Public Improvement District ("the PID"). The components are portions of two neighboring subdivisions, the larger being the remaining residential inventory of the Lomas Encantadas planned community and the smaller being the remaining residential tract of the Enchanted Hills planned community. Each is located within the municipal limits of the City of Rio Rancho, New Mexico.

Based on the policy requirements of the City of Rio Rancho for public improvement district appraisals, as set forth in § 2-10-5 (E) of the City of Rio Rancho's Administrative Policies and Procedures, this appraisal assumes the improvements to be financed by a prospective PID and other improvements being constructed by the applicant during the PID construction period, are complete as of a current date. **This assumption is contrary to known facts about the subject property and, accordingly, creates a hypothetical condition.** Those parties who rely on this appraisal should recognize the nature of this hypothetical condition.

The application of this hypothetical condition may affect the results of this appraisal assignment.

The assumption of completion as of a current date **does not** consider the time/value aspects of the development and does not recognize the reality that the property will be developed in increments over time. While the appraisal requirement states the value criterion is *market value*, the criterion requires modification of the definition of market value by virtue of the hypothetical requirement.

The scope of this assignment requires a specific set of conclusions. Those conclusions are set forth in the following.

The required conclusions relating to the Market Study relate to (a) the revenue generated by the development, and (b) the absorption period for the development.

- For (a), the revenue generated by the development is assumed to be the undiscounted market value of the finished residential lots, assuming the completion of lot construction, or \$76,250,000.
- For (b), the absorption period for the development of the Lomas Encantadas property is estimated to be 9 years and the absorption period for the development of the Enchanted Hills property is estimated to be 2 years, running simultaneously with the absorption of the Lomas Encantadas property..

The valuation requirement is a current appraisal of the fair market value of the property within the proposed PID, including (i) the improvements to be financed by the PID, and (ii) other improvements being constructed by the applicant during the PID construction period, the completion of which is guaranteed by the applicant.

As noted, **this value estimate is hypothetical** as the PID improvements and other improvements have not been constructed as of a current date. Based on these requirements, the value estimate is defined as the undiscounted sum of all of the individual lot values.

As of February 1, 2016, the undiscounted sum of all of the individual lot values, subject to the cited hypothetical condition, is \$76,250,000.

The appraisal addresses the requirements of a State of New Mexico statute that states (paraphrased) the ratio of the sum of the estimated PID levy plus the estimated ad valorem taxes to "the anticipated, average market value of each class of property at the time of issuance of a certificate of occupancy" cannot exceed 1.95%.

For all classes of property, the sum of the estimated ad valorem tax and the PID levy does not exceed 1.95% of the anticipated property value

Should you or any authorized users of this report have questions relating to the data and analyses, please contact the undersigned.

Very truly yours,



David Pearson, MAI
Certified General Real Estate Appraiser
New Mexico Certificate No. 40-G, Expires April 30, 2016

Table of Contents

Certification	iii
General Assumptions and Limiting Conditions	v
Special USPAP Disclosure	vi

Property Exhibits

Introduction

Property Identification	1
Scope of the Assignment	2
Legal Description	6
History of Ownership	7
Market Value Defined	7
Intended Users of the Valuation	8
Property Rights Defined	9
Effective Date of Valuation	9
Appraisal Guidelines and Competency Disclosure	9

Market Review

Profile of the Metropolitan Area	10
Profile of the City of Rio Rancho	14
Neighborhood Characteristics	18
Housing Market Study	20
The New Home Market	25
Absorption Conclusion	29

Site Description

Introduction	31
Description of the Finished Lots	31
Phasing	31
Drainage	32
Lot Descriptions	32
Description of the PID Improvements	41
Highest and Best Use	44

Lot Valuation

Introduction	44
Lot Value Conclusion	49

Consideration of the Tax/PID Lien Threshold

Introduction	50
The PID Levy and Marketability	51
Tax/PID Levy Analysis for Lomas Encantadas	52
Tax/PID Levy Analysis for Enchanted Hills	55
Conclusions	56

Addenda

- Qualifications of the Appraiser
- State Certificate

Certification

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, unbiased professional analyses, opinions and conclusions.

I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

This engagement in this assignment is not contingent upon developing or reporting predetermined results.

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 report.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.

David Pearson, MAI, has made a personal inspection of the property that is the subject of this report.

No one provided significant real property appraisal assistance to the person signing this certification.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, I have completed the continuing education program of the Appraisal Institute.

Over the past three years, I have completed other valuation services on all or part the subject property, effective May 2015, July 2014, May 2014, and March 2013.



David Pearson, MAI

General Assumptions and Limiting Conditions

1. The legal descriptions used in this appraisal are assumed to be correct. Title to the property is assumed to good and marketable unless otherwise stated. Unless otherwise stated in this appraisal, the subject property is assumed to be free and clear of liens, easements, encroachments and other encumbrances.
2. The property is valued assuming responsible ownership and competent management.
3. Information furnished by others is believed to be reliable. No warranty is given as to the accuracy of information furnished by others.
4. It is assumed that there are no hidden or unreported conditions of the property, subsoil, or structures that affect the value estimate. No responsibility is assumed for such conditions, or for the engineering that may be required to discover such conditions.
5. The property is valued assuming it to be in full compliance with all applicable federal, state and local regulations and laws unless otherwise stated. A comprehensive examination of laws and regulations affecting the subject property was not undertaken by the appraiser.
6. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or federal entity or private entity have been or can be obtained or renewed for any use on which the value estimate is based. Appropriate government officials and/or an attorney should be consulted if an interested party has any questions or concerns regarding local authority as the appraisers have not made a comprehensive examination of the laws and regulations affecting the subject property.
7. The appraisers have not made a survey of the property and no responsibility is assumed in connection with matters of survey. Maps, plats, and exhibits included in this report are for illustration only and where site and improvement dimensions and areas are shown, they represent the best information available.
8. Unless otherwise stated, no consideration has been given in this valuation as to the value of any personal property located on the premises, or the cost of moving or relocating such personal property.
9. The allocation, if any, of the total value estimate in the appraisal between land, buildings, and other classifications applies only under the stated program of utilization and the projection of the highest and best use of the property. Separate values for any components of the subject property may not be applicable to other properties and such allocations may not be used in conjunction with any other valuation.

10. Unless other agreed, the appraisers shall not be required by reason of this report to give further consultation, to provide testimony, or to appear in court or other legal proceedings.
11. Unless otherwise agreed in writing, neither all nor any part of this appraisal shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media or other media for public communication.
12. Any person who distributes an unauthorized copy, an incomplete copy, or an altered copy of this appraisal does so at their own risk. The appraisers assume no liability for harm caused by reliance upon an unauthorized copy, an incomplete copy, or an altered copy of this report distributed by any person.
13. Neither all, nor any part of this appraisal or copy thereof, shall be used for any purposes by anyone other than the intended users identified in this report, and no other parties shall have any right to use or rely upon this appraisal for any purpose.
14. All opinions of value are based on the appraisers' analyses and conclusions as of the effective date of value. The appraiser takes no responsibility for events, conditions, or circumstances affecting the property's market value that occur after the effective date of value.
15. The appraisers have personally inspected the subject property and, unless otherwise reported, and found no obvious evidence of structural deficiencies. Although the appraisal may contain information about the physical characteristics of the property including its adequacy and/or physical condition, it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report. The appraisers are not a construction, engineering, environmental, or legal expert, and any statement given on these matters in this appraisal should be considered preliminary in nature and subject to further verification. The improvements of the subject property and other referenced properties were not checked for building code violations and it is assumed that all buildings meet the applicable building codes, unless otherwise reported herein.
16. The appraisers are not an environmental expert and does not have the expertise necessary to determine the existence of environmental hazards. The reader should acknowledge that the presence of hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no material on or in the property that would cause a loss in value. The appraisers assume no responsibility for any such conditions or for any expertise or engineering knowledge required to discover hazardous conditions. Non-disclosure by the appraisers of the presence of any hazardous conditions or materials should not be interpreted to mean that hazardous conditions or materials are not present.

17. The reader should note that the subject property may be subject to the requirements of the Americans with Disabilities Act (ADA), a federal law. The reader should note that the appraisers have not made a specific compliance survey and analysis of the subject property to determine if the property is in conformity with the requirements of ADA. Non-compliance with ADA may have an effect on the value estimate of the subject property.
18. If applicable, a prospective value estimate is considered an extraordinary assumption and will be predicated on market conditions forecast as of the current date of value. The appraiser is not responsible for market conditions that change subsequent to the current date of value.

Special USPAP Disclosure

Over the past three years, I have completed other valuation services on all or part the subject property, effective May 2015, July 2014, May 2014, and March 2013.

PROPERTY EXHIBITS

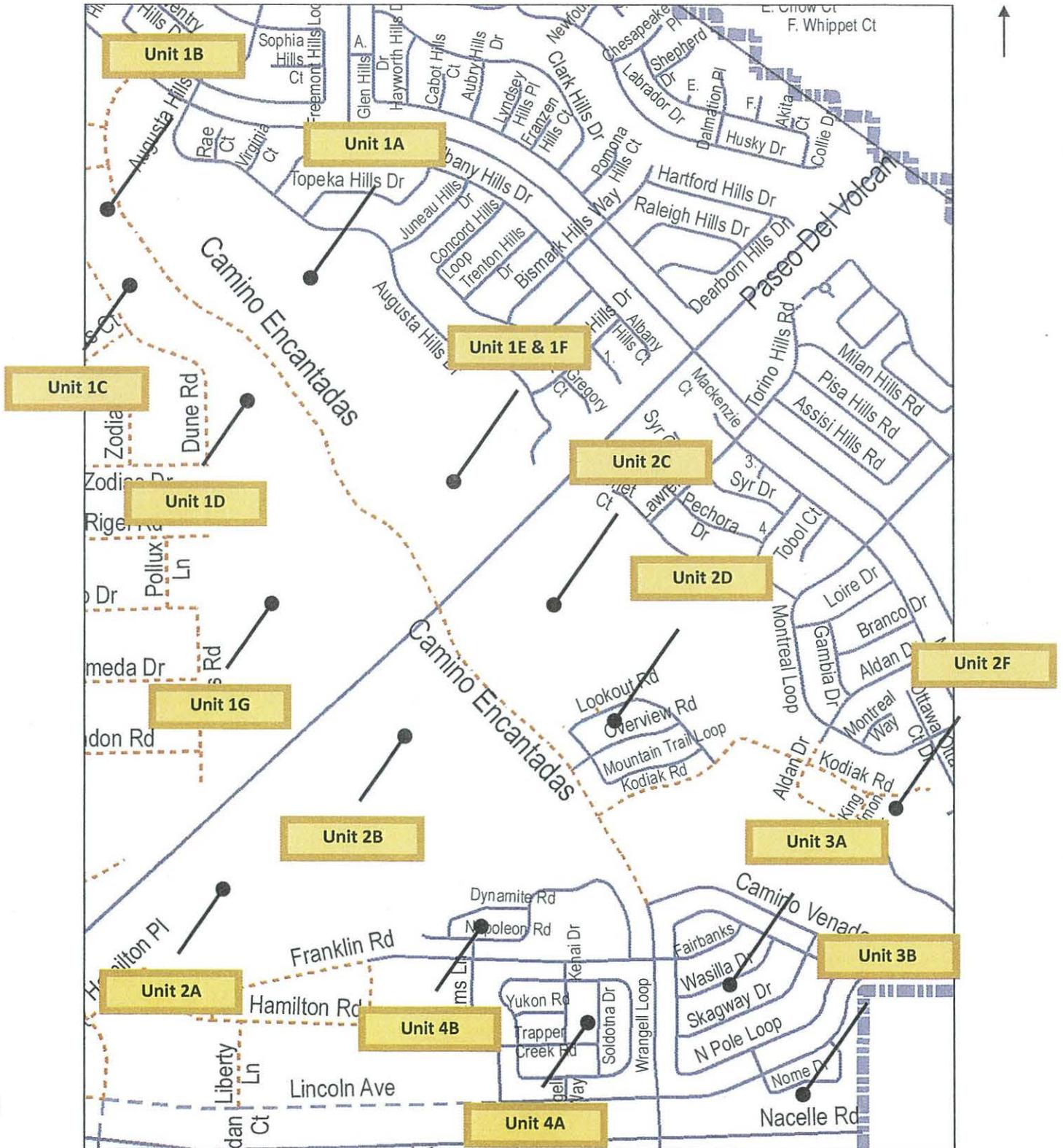
Subject Property

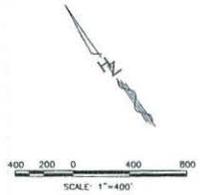
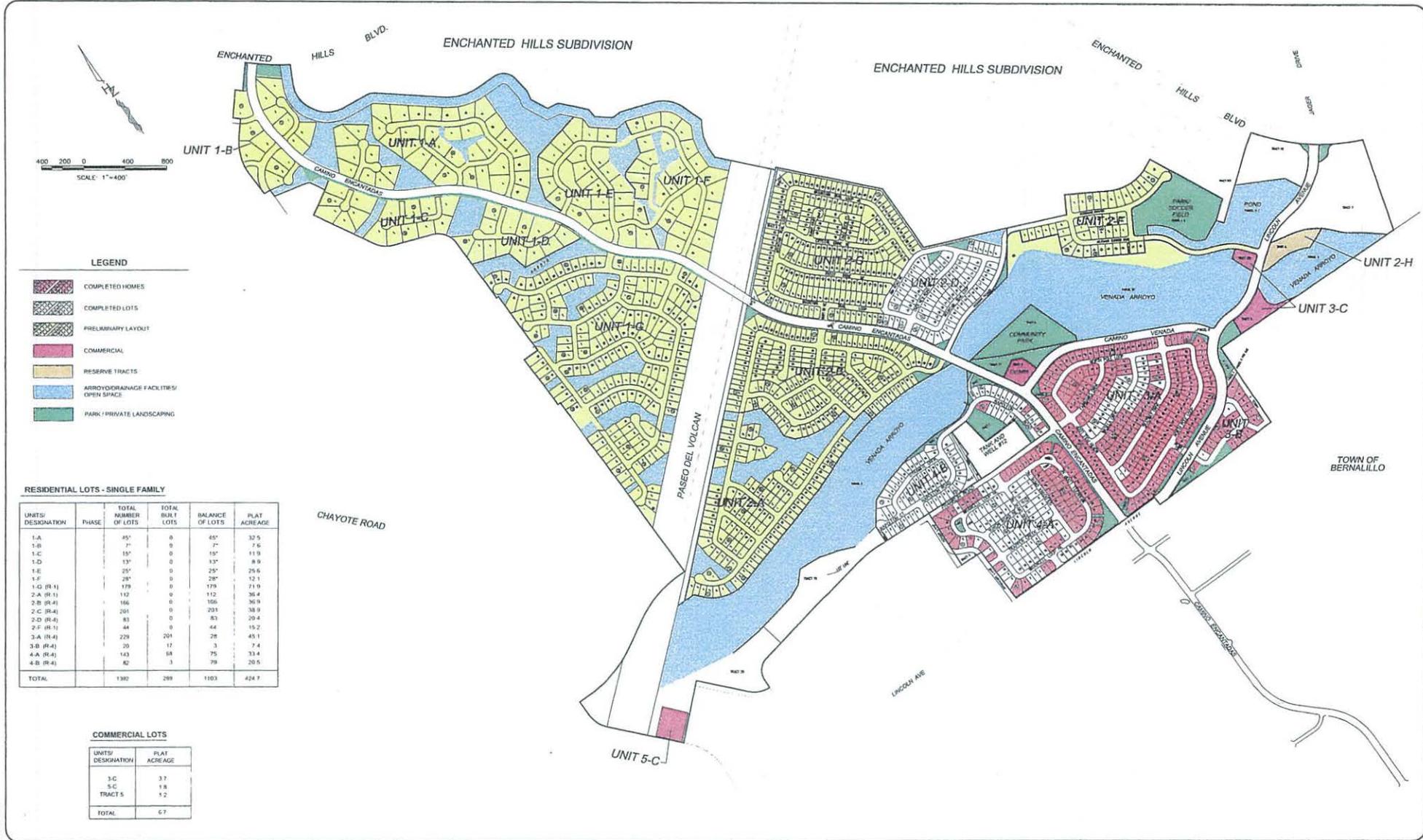
Map of Albuquerque, New Mexico



Map © Jan Underwood, Information Illustrated, 2006

Neighborhood Map





LEGEND

- COMPLETED HOMES
- COMPLETED LOTS
- PRELIMINARY LAYOUT
- COMMERCIAL
- RESERVE TRACTS
- ARROYO/DRAINAGE FACILITIES/ OPEN SPACE
- PARK / PRIVATE LANDSCAPING

RESIDENTIAL LOTS - SINGLE FAMILY

UNITS/ DESIGNATION	PHASE	TOTAL NUMBER OF LOTS	TOTAL BUILT LOTS	BALANCE OF LOTS	PLAT ACREAGE
1-A		45	0	45	32.5
1-B		7	0	7	7.6
1-C		15	0	15	11.9
1-D		13	0	13	8.9
1-E		25	0	25	25.6
1-F		28	0	28	12.1
1-G (R-1)		179	0	179	21.9
2-A (R-1)		112	0	112	36.4
2-B (R-4)		166	0	166	36.9
2-C (R-4)		201	0	201	38.9
2-D (R-4)		83	0	83	20.4
2-F (R-1)		44	0	44	15.2
3-A (R-4)		279	201	78	45.1
3-B (R-4)		20	17	3	7.4
4-A (R-4)		143	68	75	33.4
4-B (R-4)		82	3	79	20.5
TOTAL		1302	299	1003	424.7

COMMERCIAL LOTS

UNITS/ DESIGNATION	PLAT ACREAGE
3-C	3.7
5-C	1.8
TRACTS	1.2
TOTAL	6.7

Created: 11/11/15 10:51 AM
 Checked: 11/11/15 10:51 AM
 Approved: 11/11/15 10:51 AM
 Date: 11/11/15 10:51 AM

Designed For:

LOMAS ENCANTADAS
SUBDIVISION MASTER PLAN
 FEBRUARY 2015

Designed By:

Hull-Zollars, Inc.
 333 Rio Rancho Drive NE, Suite 101
 Rio Rancho, New Mexico 87124
 Phone (505) 892-5141 Fax (505) 892-5259

APPRAISAL TEXT

Introduction

Property Identification

The subject of this valuation is the components of the proposed Lomas Encantadas/ Enchanted Hills Public Improvement District ("the PID"). The components are portions of two neighboring subdivisions, the larger being the remaining residential inventory of the Lomas Encantadas planned community and the smaller being the remaining residential tract of the Enchanted Hills planned community. Each is located within the municipal limits of the City of Rio Rancho, New Mexico.

Lomas Encantadas is a mixed-use, planned community located at the northern end of the Rio Rancho market west of New Mexico State Road 528 ("NMSR 528") and south of Enchanted Hills Boulevard. Development of Lomas Encantadas began in 2004 with the adoption of the *Lomas Encantadas Master Plan* by the City of Rio Rancho and the execution of a Development Agreement between the City of Rio Rancho and the developer, Amrep Southwest, Inc. The Master Plan and Development Agreement set forth the development guidelines and requirements for the property.

The Master Plan allocates 415+ acres for residential use in support of 1,394 residential lots. Since 2004, four subdivisions encumbering 106+ acres in support of 474 lots have been completed and absorbed; these subdivisions **are not** a part of the subject property. The subdivisions were developed by Amrep Southwest, Inc. and the new homes were constructed by a set of local and national builders.

The portion of the Plan area composing a portion of the subject property consists of the unimproved and partially-improved lands located north and west of the existing development. In the area south and west of New Mexico State Road 347 ("NMSR 347" or "Paseo del Volcan"), the lands are partially improved with on-site and off-site residential infrastructure while in the area north and west of Paseo del Volcan, the lands are unimproved.

Enchanted Hills is also a mixed-use, planned community located at the northwestern end of the Rio Rancho market, west of NMSR 528 and south of New Mexico State Road 550 ("NMSR 550"). Development of Enchanted Hills began in 1992 with the adoption of the *Enchanted Hills Master Plan* by the City of Rio Rancho and the execution of a Development Agreement between the City of Rio Rancho and the developer, Amrep Southwest, Inc. The Master Plan and Development Agreement set forth the development guidelines and requirements for the property.

The portion of Enchanted Hills that is a component of the Plan area is Tract A of Unit 11A which is located at the far northwest end of Enchanted Hills. This tract is the last remaining developable residential tract in Enchanted Hills.

The purpose of this appraisal is to address the issues of value of the proposed residential lots within the two components of the subject property in relation to those statutory

requirements set forth by both the City of Rio Rancho and the State of New Mexico relating to the formation of a PID. It is proposed that the remaining residential lot inventory in Lomas Encantadas and Enchanted Hills be encumbered by a PID which will serve as a financing mechanism for a range of public improvements.

Scope of Work

This valuation assignment is to estimate the market value of the components of the subject property under differing assumptions and conditions and to prepare a written report of my findings and conclusions.

The subject property consists of portions of two planned communities, Lomas Encantadas and Enchanted Hills. The Lomas Encantadas inventory has been approved for the development of 918 additional lots encumbering 309+ acres while the Enchanted Hills inventory has been approved for the development of 119 lots. For the purpose of this valuation, the valuation assumes that all infrastructure is complete, inclusive of those improvements funded by the proposed PID, and that all of the residential lots are complete and ready-to-build. **This is a hypothetical condition**, as the current condition of the lots is contrary to assumption of completion.

The Requirements

The City of Rio Rancho's PID-related appraisal requirements are set forth in § 2-10-5 (E) of the City of Rio Rancho's Administrative Policies and Procedures. Those requirements state,

"To the extent applicable to a request for debt financing, the applicant shall provide a current appraisal of the fair market value of the property within the proposed PID, including (i) the improvements to be financed by the PID, and (ii) other improvements being constructed by the applicant during the PID construction period, the completion of which is guaranteed by the applicant. The MAI Appraisal shall be prepared by a person who is designated as a Member Appraisal Institute ("MAI") and a certified general real estate appraiser. The form and substance of the MAI appraisal shall be acceptable to the City."

In addition, the content of this appraisal report is intended to satisfy the market demand study requirements of the City, as set forth in § 2-10-5 (F). Those requirements state,

"To the extent applicable, a market demand study for private development in the PID prepared or reviewed and concurred with by an independent consultant acceptable to the City. Such study shall include estimates of the revenue to be generated by the development and the estimated market absorption of the development."

The content of the required Appraisal will overlap with the conclusions and requirements of the Market Demand Study.

In addition to the City's requirements, the State of New Mexico has enacted legislation that further governs the content and conclusions of the appraisal. The valuation requirements associated with the issuance of PID-related bond debt were updated in the statutory language set forth in NMSA 1978 Section 5-11-20(D) (2013) which state,

"Unless a local government has enacted an ordinance providing a greater limitation, no special levy bonds may be issued if at the time of issuance of such bonds the estimated total tax and assessment obligation for a class of property, including projected ad valorem taxes and special levies as provided in the feasibility study, exceeds one and ninety-five hundredths percent of the anticipated, average market value of each class of property at the time of issuance of a certificate of occupancy as determined by a member appraiser of the Appraisal Institute."

Through practice and application, the PID levy for a class of property is typically bundled with the applicable *ad valorem* taxes to determine if the sum of the taxes and annual PID levy are less than the permissible maximum encumbrance noted above.

The preceding requirements define the scope of work for this assignment. The conclusions for each requirement are recited in the following.

The Appraisal. The policy requires an estimate of the fair market value of the property under the assumption that the PID-funded improvements and all other improvement to be constructed during the PID construction period which are guaranteed by the applicant.

This requirement infers a current estimate of value of the approved residential lots under the assumption that all PID-funded improvements and other related improvements are complete and the lots are ready-to-build. This requirement is contrary to the current condition of the subject property which means this valuation is based on a **hypothetical condition**. As a result of this hypothetical requirement, this appraisal requires a current market value estimate as if all PID-related improvements and all other improvements reflect an undiscounted estimate of market value.

This is a slight departure from the customary application of the *market value* concept that often requires a present value estimate in the existing condition. In this case, **the application of the hypothetical condition** relating to the assumed completion of the lot infrastructure requires departure and the final value estimate is defined by the assumed completion of the infrastructure as of a current date.

The application of this hypothetical condition may affect the results of this appraisal assignment.

Accordingly, the conclusions of the appraisal will be the fair market value of the individual platted and planned residential lots under the assumption all infrastructure is complete.

Of note, the appraisal **will not** report an estimate of the market value of the underlying land in its existing condition nor will it project the future value of all or a portion of the underlying land.

The Market Demand Study. The appraisal will incorporate a detailed market demand study for the purpose of projecting the absorption period, the range of anticipated lot prices, and the gross revenue associated with lot absorption.

The PID Levy/Ad Valorem Tax Analysis. The appraisal will incorporate a detailed market study comparing the sum of the estimated PID levy plus the estimated *ad valorem* taxes to “the anticipated, average market value of each class of property at the time of issuance of a certificate of occupancy” in an effort to identify the resulting ratio applicable to the State statute.

The conclusion of this portion of the analysis will address whether the resulting ratio satisfies the statutory requirements of the State of New Mexico.

The Property

The Lomas Encantadas component and the Enchanted Hills component are residential in nature but have differing physical and function characteristics.

With one exception, the underlying land to Lomas Encantadas is mostly unimproved. The initial development is the completion of Unit 2D, an 83-lot residential subdivision located east of Camino Encantadas. Site construction on other phases of Lomas Encantadas is expected to begin in 2016 and construction will be phased over the development period. Upon completion of Unit 2D and other parcels within the Plan area, Lomas Encantadas will be converted from an expanse of unusable (but well-located) land to an amenity-rich, mixed-use master planned community.

The tract in Enchanted Hills is the remaining development tract which is approved for 119 residential lots. The tract adjoins the existing residential development in Enchanted Hills with access and other infrastructure being proximate to the tract.

The Process

The development of this appraisal includes the following.

- I reviewed the relevant appraisal standards and requirements associated for this property type. In addition to the aforementioned municipal and State requirements, I reviewed the relevant portions of the Uniform Standards of Professional Appraisal Practice (2016).
- I inspected the components of the subject property and the surrounding lands in order to develop an understanding of the physical nature of the property and the type of land uses in the surrounding neighborhood.
- I reviewed the Development Agreement and its 1st Amendment between the City of Rio Rancho and Amrep Southwest, Inc., for the purpose of understanding the rights, the duties, and the obligations of both parties with respect to the development of the subject property.
- I reviewed the *Lomas Encantadas Master Plan* which was adopted by the City of Rio Rancho in 2004. The master plan sets forth the design requirements of the subdivision, the limits of the allowable land uses, its phasing, its physical characteristics, as well as the general development criteria.
- I reviewed the *Master Declaration of Covenants, Conditions, and Restrictions for Lomas Encantadas* which was recorded by Amrep Southwest, Inc. in 2006. These covenants set forth the operational requirements and restrictions associated with home ownership in the Lomas Encantadas property.
- I reviewed the *Unit 20 Master Plan*, adopted by the City of Rio Rancho in 1992.
- I reviewed the available set of construction plans relating to the development of some of the properties. In addition, I reviewed the property owner's cost budgets for the Lomas Encantadas properties.
- I prepared a detailed study of the current new home offerings and existing homes sales in the market area of the subject.
- I analyzed the relationship between pricing of new homes and existing homes and their ad valorem tax burden.
- I reviewed the history and development of the City of Rio Rancho which is a discrete market area in the broader market area.
- I reviewed a preliminary version of the General Plan and the Feasibility Study for the PID, prepared by the property owner.
- I reviewed the Sandoval County tax roll for those subdivisions in the relevant market area.

In conformance with Standard 2-2 (a) of the USPAP (2016), this report is identified as an "Appraisal Report".

Legal Description

The legal descriptions for the components of the subject property are listed in the following.

Lomas Encantadas: Unit 2D

Lots 1 through 8, Block 1, Lots 1 through 16, Block 2, Lots 1 through 21, Block 3, Lots 1 through 19, Block 4, and Lots 1 through 6, Block 5, Lomas Encantadas, Unit 2D, as the same is shown and designated on the plat thereof filed in the Office of the County Clerk of Sandoval County on May 9, 2008 in Volume 3, Folio 2920-A

Lomas Encantadas: Unit 2F

Lots 1 through 13, Block 1, Lots 1 through 13, Block 2, and Lots 1 through 18, Block 3, Lomas Encantadas, Unit 2F, as the same is shown and designated on the plat thereof filed in the Office of the County Clerk of Sandoval County on April 16, 2008 in Volume 3, Folio 2912-A,

Lomas Encantadas: Unit 2C

Tract A, Lomas Encantadas, Unit 2D, as the same is shown and designated on the plat thereof filed in the Office of the County Clerk of Sandoval County on May 9, 2008 in Volume 3, Folio 2920-A

Lomas Encantadas: Units 2A and 2B

Tract 9, Lomas Encantadas, as the same is shown and designated on the plat thereof filed in the Office of the County Clerk of Sandoval County on November 10, 2005 in Volume 3, Folio 2601-A

Lomas Encantadas: Lands North and West of NM SR 347

Lots 12 through 16, Lomas Encantadas, as the same is shown and designated on the plat thereof filed in the Office of the County Clerk of Sandoval County on November 10, 2005 in Volume 3, Folio 2601-A

Enchanted Hills

Tract A, Enchanted Hills, Unit 11A, as the same is shown and designated on the plat thereof filed in the Office of the County Clerk of Sandoval County on January 30, 2004 in Volume 3, Folio 2384-B

Looking forward, the legal description of the components of the subject property may change with the replatting of any component the subject property.

History of Ownership

The components of the subject property have been owned by Amrep Southwest, Inc. for decades.

The conveyed lots within Unit 2D are subject to a Purchase and Sale Agreement with Pulte Homes of New Mexico, Inc., a Michigan corporation, dated October 2, 2015. That agreement encumbers all 83 lots located within Unit 2D under the following important conditions.

- The lots will be finished, ready-to-build lots.
- The seller will complete certain off-site construction which, in general, will include the completion of the street construction of Camino Encantadas. The Purchase and Sale Agreement references these items as the Phase 3A Required Off-Sites.
- The purchase price is equal to \$59,000 per lot.
- The purchaser shall also pay an additional \$13.74 per day from the latter of December 1, 2015, or the date of the commencement of construction of the Phase 3A Required Off-Sites.
- Included in the lot price are impact fee credits equal to approximately \$6,247 per lot.
- The lot price does not include the lot demising walls or sidewalks, except to the extent they are already installed.
- The initial closing of 43 lots will occur within 1 day after the latter of the date the Seller begins the construction of the Phase 2A Required Off-Sites, or the end of the purchaser's due diligence period. The second closing of 20 lots will occur within 8 months of the initial closing. The third closing of 20 lots will occur within 6 months of the second closing.

Pulte Homes received title to 43 lots on December 10, 2015 via a special warranty deed that was recorded in the public records of Sandoval County on Document #2015-027385.

As reported by the property owner, there are no other pending sales on the inventory composing the subject property.

Market Value Defined

In this appraisal, the term *market value* is influenced by the appraisal requirements set forth by the County regulation which, in effect, requires an undiscounted estimate. There is a conceptual conflict between the regulation which requires consideration of the completed property as of a current date and the impact of the property's present value issues, i.e., the time/value of money. The assumption of completion as of a current date **does not** consider

the time/value aspects of the development as the reality is that the property will be developed in increments over time. While the appraisal requirement states the value criterion is *market value*, the criterion requires some modification of the definition of market value by virtue of the hypothetical condition.

This is a slight departure from the customary application of the *market value* concept which often requires a discounted estimate although, re-stated, the customary application of the *market value* concept includes consideration of the time/value of money. In this case, the application of the hypothetical condition relating to the completion of the trunk infrastructure requires departure from that concept.

Re-stated, the value estimate of the finished lots composing the subject property in this appraisal will be an undiscounted value increment.

.....

In this appraisal, the term *market value* means 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 knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is consummation of a sale as of a specified date and passing of title from seller to buyer under conditions whereby:

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

Intended Use/Users

The intended users of this appraisal are the City of Rio Rancho and the Lomas Encantadas/Enchanted Hills Public Improvement District. The intended use of this appraisal is to assess the subject property in light of a proposed levy related to a public improvement district.

Property Rights

The fee simple interest of the property(ies) is(are) valued.

Impact Fee Credits

The Lomas Encantadas property is subject to a Development Agreement with the City of Rio Rancho that was executed in 2005. The Development Agreement approved the issuance of impact fee credits to the developer in return for the installation of other public improvements and the dedication of land. The impact fee credits are considered an intangible asset and are not considered realty, however, they are created through real estate development activities on or adjoining Lomas Encantadas and they create a financial benefit to the property owner.

In this valuation, impact fee credits are considered only to the extent they are used as an inducement to a sale and their broader impact on lot prices.

Date of Valuation

In the proposed condition, the effective date of valuation is February 1, 2016, a current date.

This valuation assumes the completion of all PID-funded public improvements and developer-funded improvements as of a current date. **This is a hypothetical condition.**

Appraisal Guidelines

This appraisal is prepared in accordance with the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which includes the Uniform Standards of Professional Appraisal Practice (2016).

In accordance with those requirements, no additional steps were taken nor were necessary with respect to compliance with the Competency Provision of USPAP.

Over the past three years, I have completed other valuation services on all or part the subject property, effective May 2015, July 2014, May 2014, and March 2013.

Market Demand Analysis

Profile of the Metropolitan Area

The following data identifies the important aspects of demand for residential and commercial land in metropolitan Albuquerque.

Population Data

From 1960 through 2010, the population of the Albuquerque MSA, including the City of Rio Rancho, has grown at an annualized rate of 2.05% (compounded). The underlying population data from the U. S. Census is presented in the following chart.

Historical Population Information

Place	1960	1970	1980	1990	2000	2010
Bernalillo County	262,199	315,774	419,700	480,577	556,678	662,564
Sandoval County	14,201	17,492	34,799	63,319	89,908	131,561
Valencia County	39,085	40,539	61,115	45,235	66,152	76,569
Torrance County	6,497	5,290	7,491	10,285	16,911	16,383
Total	321,982	37,095	523,105	599,416	729,649	887,077

In November 2012, the Bureau of Business and Economic Research (BBER) of the University of New Mexico released their forecast of future population growth for the Albuquerque MSA through 2040 (25 years hence). That data is presented in the following chart.

Projected Population Information

Place	2015	2020	2030	2040
Bernalillo County	721,153	780,244	886,564	970,371
Sandoval County	154,048	176,276	221,644	265,607
Valencia County	82,644	88,380	98,589	106,830
Torrance County	16,927	17,589	18,865	19,801
Total	974,772	1,062,489	1,225,662	1,362,609

BBER's forecast of population growth in the Albuquerque MSA is equal to a rate of 1.35% annually.

As a comment to the BBER data, the population growth rate for Sandoval County is 2.20% annually. Historically, Sandoval County and its largest city, Rio Rancho, have experienced higher-than-typical population growth. This growth can be expected to slow over the next 20 years as the supply of assembled development land is diminishing. When land becomes scarce, much of the growth attributed to Sandoval County by BBER can reasonably be expected to transfer to the area to other locations in the metropolitan area.

The 2014 American FactFinder data from the U. S. Census indicates the average household size for the Albuquerque MSA is 2.63 persons per household which has remained relatively constant over the past 20 years.

With a projected population increase of 387,837 between 2015 and 2040 (1,362,609 less 974,772), the average household size suggests that 147,467 new households will be formed over that same period ($387,837 \div 2.63$). Assuming a weighted average residential density of 3.5 household units per acre, this further suggests 42,133 acres of residential land will be absorbed in the greater metropolitan area during that same period. **This total absorption of residential land for the greater metropolitan area is projected to be 1,685 acres per year (42,133 acres \div 25 years).**

Employment Data

Job growth is the most relevant causal factor in the projection of market depth, however, there are difficulties in projecting the direction and amount of future job growth in the current economic downturn.

On the following page is a chart that identifies Total Employment in the Albuquerque MSA from 1980 through the present. Therein, Total Employment is divided between Goods-Producing Jobs and Service Jobs. Also referenced is the number of Government Jobs. This data broadly characterizes the employment base for the Albuquerque MSA.

The following conclusions may be drawn from the presented employment data.

- From 1990 through the present, the annual rate of job growth 1.4% (compounded).
- In December 2008, there was a decline in the number of goods-producing jobs. Since 2008, goods-producing have continued to decline on an incremental level.
- From 1990 through the present, the number of government jobs (local, State, Federal) has remained proportionate to the total number of jobs.

As published by the New Mexico Department of Workforce Solutions in its publication *NM Employment Projections 2012-2022*, current employment levels for the Albuquerque MSA are projected to increase at an annual rate of 1.4% for the next ten years.

EMPLOYMENT BY TYPE - Albuquerque MSA

Period	Total	Goods	% Goods	Service	Government	% Government
Oct-15	387,700	38,700	10.0%	349,000	83,200	21.5%
Dec-14	383,100	37,700	9.8%	345,400	83,300	21.7%
Dec-13	378,600	36,800	9.7%	341,800	83,500	22.1%
Dec-12	376,300	37,100	9.9%	339,200	84,400	22.4%
Dec-11	371,600	36,600	9.8%	335,000	84,800	22.8%
Dec-10	376,300	38,500	10.2%	337,800	84,600	22.5%
Dec-09	378,300	39,900	10.5%	338,400	84,300	22.3%
Dec-08	392,500	47,000	12.0%	345,500	83,000	21.1%
Dec-07	401,500	52,400	13.1%	349,100	81,500	20.3%
Dec-06	399,800	55,700	13.9%	344,100	80,400	20.1%
Dec-05	388,900	53,800	13.8%	335,100	78,500	20.2%
Dec-04	378,200	49,800	13.2%	328,400	76,900	20.3%
Dec-03	369,300	47,200	12.8%	322,100	75,100	20.3%
Dec-02	367,600	47,400	12.9%	320,200	73,800	20.1%
Dec-01	366,900	49,900	13.6%	317,000	72,700	19.8%
Dec-00	368,300	53,400	14.5%	314,900	69,800	19.0%
Dec-99	357,200	48,700	13.6%	308,500	69,400	19.4%
Dec-98	349,700	47,100	13.5%	302,600	68,200	19.5%
Dec-97	345,600	49,900	14.4%	295,700	66,800	19.3%
Dec-96	337,900	49,800	14.7%	288,100	65,400	19.4%
Dec-95	329,700	51,100	15.5%	278,600	63,400	19.2%
Dec-94	325,500	51,700	15.9%	273,800	62,100	19.1%
Dec-93	305,700	46,400	15.2%	259,300	61,000	20.0%
Dec-92	288,200	39,800	13.8%	248,400	58,400	20.3%
Dec-91	278,200	37,600	13.5%	240,600	57,700	20.7%
Dec-90	272,700	36,500	13.4%	236,200	55,700	20.4%

Notes % Goods equals Goods ÷ Total

% Government = Government ÷ Total

Data is not seasonally adjusted

Source New Mexico Department of Workforce Solutions, Economic Research Bureau, CES Program

The Existing Home Market

Until very recently, the market for existing homes and attached homes in the broader metropolitan market has been over-supplied. As published by the Albuquerque Board of Realtors, that data is presented in the following chart.

Year	# of Listings ¹	# of Closings ¹	Avg Sale Price ¹	% Increase/Decrease
2015	4,154	894	\$213,753	0.5%
2014	4,702	771	\$207,193	1.4%
2013	4,383	796	\$204,374	2.7%
2012	4,155	681	\$198,960	1.5%
2011	5,000	596	\$196,116	(6.2%)
2010	5,614	598	\$209,105	0.3%
2009	5,559	630	\$208,560	(7.5%)
2008	6,227	637	\$225,465	(4.0%)
2007	5,532	889	\$234,917	6.4%
2006	3,441	1,091	\$220,704	11.8%
2005	2,236	1,121	\$197,338	13.6%
2004	2,774	939	\$173,741	7.7%
2003	3,236	851	\$161,325	5.1%
2002	3,849	739	\$153,521	3.5%
2001	3,899	666	\$148,289	1.7%
2000	4,596	562	\$145,798	0.0%
1999	4,689	590	\$145,830	1.9%
1998	4,570	645	\$143,143	0.6%
1997	4,128	536	\$142,291	***

1 Monthly Average of Detached Single Family Homes and Attached Homes

This data suggests the following trends.

- As the relationship between the number of listings and closed sales grows larger, prices increase.
- The ebb and flow of the listings/closed sale data strongly suggests a reversion to the mean occurs after either a peak or valley.
- For the 18.75 years of the data set, the average home price increased from \$142,291 to \$214,731, resulting in an annual price increase of 2.2%, compounded annually.

New Home Construction

On the following page is a chart that reports the building permit data for new home construction and for multi-family construction. The purpose of the chart is to identify (a) the

Residential Permit Activity (1981 through 2014)

Albuquerque MSA

Year	# of Single Family Permits	Absorbed Land in Acres	# of Permitted Apt Units	Absorbed Land in Acres	Total Housing Units	Total Absorbed Land in Acres
2014	1,576	525	338	19	1,914	544
2013	1,457	486	164	9	1,621	495
2012	1,428	476	749	42	2,177	518
2011	1,182	394	395	22	1,577	416
2010	1,379	460	236	13	1,615	473
2009	1,570	523	234	13	1,804	536
2008	1,746	582	363	20	2,109	602
2007	3,784	1,261	638	35	4,422	1,297
2006	6,309	2,103	718	40	7,027	2,143
2005	1,746	582	659	37	2,405	619
2004	7,719	2,573	548	30	8,267	2,603
2003	6,879	2,293	960	53	7,839	2,346
2002	5,960	1,987	1403	78	7,363	2,065
2001	5,576	1,859	804	45	6,380	1,903
2000	4,552	1,517	210	12	4,762	1,529
1999	4,836	1,612	390	22	5,226	1,634
1998	4,844	1,615	805	45	5,649	1,659
1997	4,205	1,402	1645	91	5,850	1,493
1996	4,528	1,509	1332	74	5,860	1,583
1995	4,741	1,580	1813	101	6,554	1,681
1994	4,740	1,580	1823	101	6,563	1,681
1993	4,240	1,413	321	18	4,561	1,431
1992	3,288	1,096	103	6	3,391	1,102
1991	2,344	781	265	15	2,609	796
1990	2,073	691	421	23	2,494	714
1989	2,589	863	477	27	3,066	890
1988	3,212	1,071	342	19	3,554	1,090
1987	3,898	1,299	1001	56	4,899	1,355
1986	4,303	1,434	2668	148	6,971	1,583
1985	3,781	1,260	3196	178	6,977	1,438
1984	4,147	1,382	5377	299	9,524	1,681
1983	4,162	1,387	876	49	5,038	1,436
1982	1,840	613	582	32	2,422	646
1981	1,673	558	388	22	2,061	579
Average	3,597	1,199	948	53	4,546	1,252

Notes Shaded Areas reflect periods of recession.

Single Family absorption based on a density of 3 DUs/Acre.

Apartment absorption based on a density of 18 DUs/Acre.

relationship between new single family homes and new multi-family units, and (b) the amount of absorbed residential acreage since 1980. The latter will form a baseline for projecting the absorption of residential land.

For the Apartment Unit component of the chart, the amount of absorbed land is calculated under the assumption of a density of 18 units per acre which is typical in the metropolitan area.

The chart delineates those periods of recession by shading.

Preceding the 2007 recession, the Albuquerque MSA enjoyed a long period of residential expansion. From 1992 through 2006, an average of nearly 1,700 acres per year were absorbed which exceeds the annual average over the presented term of 1981 through 2014 of 1,252 acres per year. More recently, the period of 2010 through 2014, the annual average was less than 500 acres per year.

Looking forward through the next five years, it is unlikely that the trend will change significantly. Thereafter, it is reasonable to project that a reversion to the mean will occur and residential development will expand.

Critical Observations

For the long term, the Albuquerque MSA has established certain trends. Among the more important factors are:

- Population growth is expected to resume. Historically, the Albuquerque population has experienced a compounded growth rate of slightly more than 2% annually while, looking forward, the Bureau of Business and Economic Research (BBER) at the University of New Mexico projects a more modest growth rate at 1.35% annually.

At the projected growth rate for the population, household formation is expected to support an absorption rate for residential land of 1,685 acres per year.

- The New Mexico Department of Workforce Solutions projects incremental job growth in the short and long term. In the short term, the decline in goods-producing jobs is showing signs of reversal that is expected to have a positive affect on the broader market and support the aforementioned absorption indication.
- The existing home market is experiencing increased sale activity and improved pricing. The metropolitan area has absorbed a significant share of its distressed residential properties and the supply of bank-owned and short-sale residential properties no longer influences the broader market to the same extent it did five years ago. This absorption will strengthen pricing fundamentals and, eventually, will reduce the number of available listings.
- The new home market has experienced a downturn since the 2007. The strengthening of the existing home market and other market conditions suggest an improvement in permit activity can be expected.

ALBUQUERQUE MSA BUILDING PERMIT DISTRIBUTION
Market Share Analysis

	SW Albuquerque		SE Albuquerque		NE Albuquerque		NW Albuquerque		City of Rio Rancho		Total Metro Area	
	# Permits	Share	# Permits	Share	# Permits	Share						
Thru 3Q 2015	148	11.8%	67	5.3%	51	4.1%	516	41.1%	331	26.4%	1,255	100.0%
2014	172	10.9%	160	10.2%	160	10.2%	553	35.1%	479	30.4%	1,576	100.0%
2013	116	8.0%	156	10.7%	57	3.9%	529	36.3%	479	32.9%	1,457	100.0%
2012	118	8.3%	188	13.2%	56	3.9%	541	37.9%	417	29.2%	1,428	100.0%
2011	145	12.2%	165	13.8%	108	9.1%	349	29.3%	301	25.3%	1,192	100.0%
2010	131	9.1%	45	3.1%	125	8.7%	446	31.0%	455	31.6%	1,440	100.0%
2009	121	7.2%	96	5.8%	36	2.2%	392	23.5%	688	41.2%	1,669	100.0%
2008	228	12.2%	75	4.0%	80	4.3%	299	16.0%	713	38.0%	1,874	100.0%
2007	796	18.9%	173	4.1%	165	3.9%	1,024	24.3%	1,046	24.8%	4,216	100.0%
2006	1,232	18.5%	301	4.5%	240	3.6%	1,667	25.0%	2,048	30.7%	6,675	100.0%
2005	1,371	15.5%	124	1.4%	488	5.5%	2,622	29.7%	2,920	33.1%	8,818	100.0%
2004	1,489	19.9%	261	3.5%	794	10.6%	2,433	32.5%	1,715	22.9%	7,478	100.0%
2003	1,204	17.5%	132	1.9%	1,189	17.3%	2,470	35.9%	1,198	17.4%	6,879	100.0%
2002	1,075	18.0%	216	3.6%	894	15.0%	2,263	38.0%	901	15.1%	5,960	100.0%
2001	1,101	19.7%	255	4.6%	778	14.0%	1,986	35.6%	814	14.6%	5,576	100.0%
2000	854	18.8%	208	4.6%	809	17.8%	1,502	33.0%	567	12.5%	4,552	100.0%
1999	767	15.9%	289	6.0%	772	16.0%	1,837	38.0%	510	10.5%	4,836	100.0%
1998	819	16.9%	86	1.8%	740	15.3%	1,874	38.7%	627	12.9%	4,844	100.0%
1997	272	6.5%	94	2.2%	626	14.9%	1,533	36.5%	664	15.8%	4,205	100.0%
1996	461	10.2%	176	3.9%	460	10.2%	1,548	34.2%	735	16.2%	4,528	100.0%
1995	488	10.3%	193	4.1%	371	7.8%	1,618	34.1%	808	17.0%	4,741	100.0%
1994	28	0.6%	250	5.3%	684	14.4%	1,606	33.9%	853	18.0%	4,740	100.0%
1993	33	0.8%	117	2.8%	728	17.2%	1,287	30.4%	1,045	24.6%	4,240	100.0%
1992	23	0.7%	28	0.9%	948	28.8%	860	26.2%	631	19.2%	3,288	100.0%
1991	9	0.4%	36	1.5%	663	28.3%	10	0.4%	605	25.8%	2,344	100.0%
1990	63	3.0%	19	0.9%	529	25.5%	523	25.2%	411	19.8%	2,073	100.0%

Source: Home Builders Association of New Mexico; Data Traq

Profile of the City of Rio Rancho

The City of Rio Rancho is located within Sandoval County and is a satellite community of the broader Albuquerque MSA (Metropolitan Statistical Area) that has established critical mass and is a recognized sub-market of the metropolitan area.

The City of Rio Rancho has two obstacles to growth, one being the dispersed land ownership patterns, the other being the difficulty in retaining gross receipts.

Regarding the **dispersed land ownership patterns**, the vast majority of lands within and adjoining the municipal limits is platted in a uniform pattern, typically in rectangular tracts of $\frac{1}{2}$ and 1 acre, that formed the basis of a land sales program during the 1960s and 1970s. The land sales program focused on out-of-state buyers who, typically, would buy a single tract on favorable terms, resulting in an enormous number of property owners with only a single small tract that, by itself, was non-economic and made the assembly of larger, developable tracts difficult. While the casual observer may view Rio Rancho as an area of endless unimproved lands, much of the open space cannot be developed. The result of the land ownership pattern is the leap-frog appearance of land development within the municipal limits of Rio Rancho.

There is a core of assembled, developable tracts, mostly located in the northern end of Rio Rancho, that can be developed with mixed uses. The current inventory of competitive land suggests large-scale planned community development will only continue for the next 20 years. Thereafter, solutions to the dispersed ownership will become necessary.

The other obstacle to growth is the City's difficulty in **retaining gross receipts tax revenue**. Gross receipts tax is collected by the State of New Mexico at rates varying with each municipality on all goods and services in the location of where the money is spent and then, a portion of the collected tax is refunded by the State to each municipality. The adjacent municipality, the City of Albuquerque, has a large retail locus surrounding the Cottonwood Mall (a regional mall) that captures a significant amount of market share, extending well into the municipal area of the City of Rio Rancho. The gross receipts tax on those retail dollars of the residents of the City of Rio Rancho that are spent in the City of Albuquerque is returned to City of Albuquerque and not the City of Rio Rancho. This tax revenue does not benefit the City of Rio Rancho.

In response, the City of Rio Rancho has initiated a variety of incentives to retail and commercial users for the purpose of having new businesses located away from the Albuquerque/Rio Rancho border in an effort to retain the rights to gross receipts refunds. Based on the gross receipts history in Rio Rancho, the effort has maintained the status quo.

In spite of these two obstacles, the residential market City of Rio Rancho has been active.

The following is a review of the critical demographic characteristics as compared to the broader metropolitan area.

Population

Sandoval County’s percentage of the metropolitan population has grown significantly since 1960.

Historical Population Information

Place	1960	1970	1980	1990	2000	2010	2014
Bernalillo County	262,199	315,774	419,700	480,577	556,678	662,564	687,217
Sandoval County	14,201	17,492	34,799	63,319	89,908	131,561	142,620
Valencia County	39,085	40,539	61,115	45,235	66,152	76,569	75,527
Torrance County	6,497	5,290	7,491	10,285	16,911	16,383	14,945
Total	321,982	379,095	523,105	599,416	729,649	887,077	920,309
.....							
Sandoval County as a % of the Total	4.4%	4.6%	6.7%	10.6%	12.3%	14.8%	15.5%

Looking forward, the consolidated land inventory of Rio Rancho should support the continued population growth for the foreseeable future.

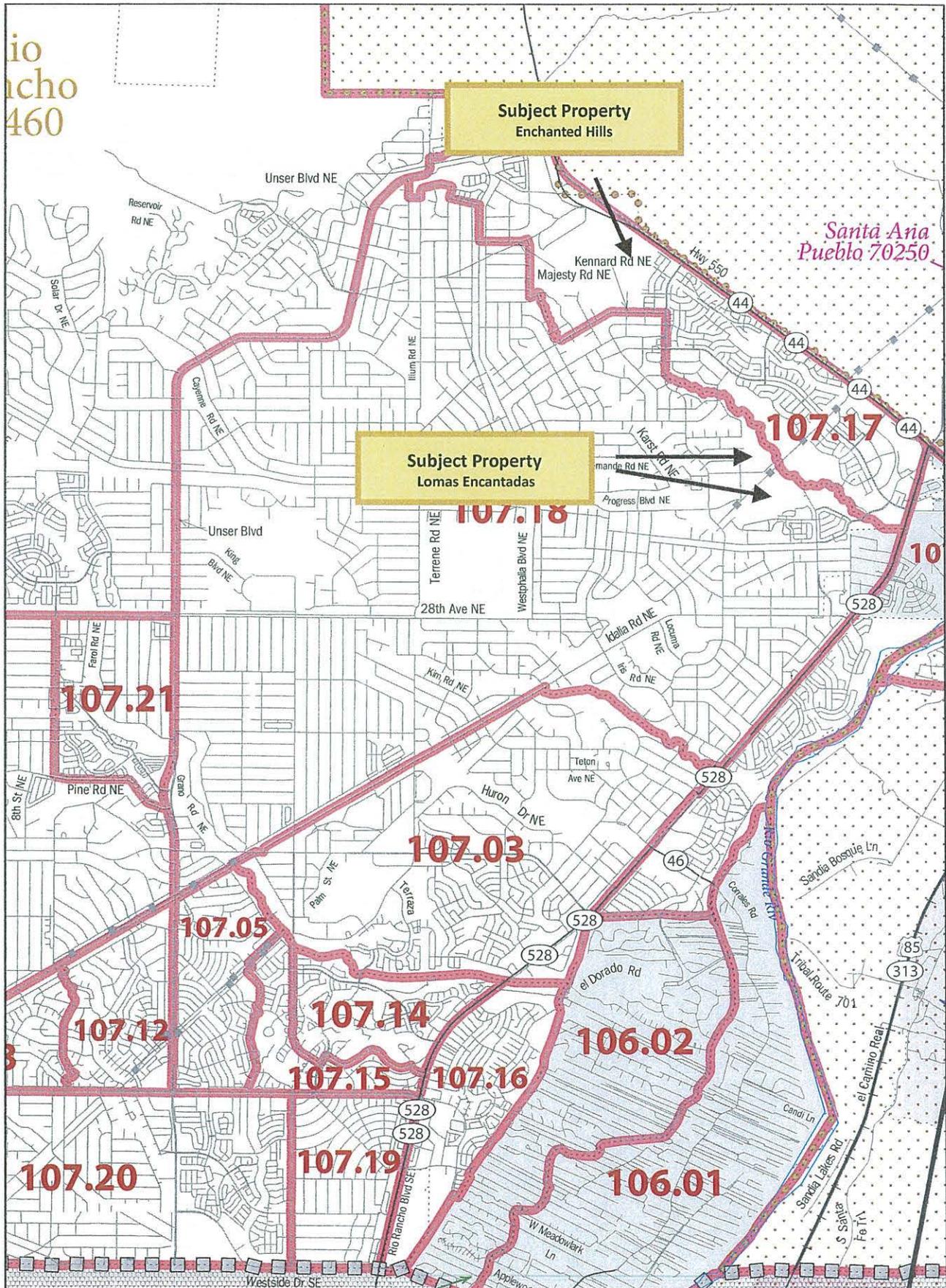
Demographic Profile

As shown in the 2014 American Fact Finder data set, published by the U. S. Census Bureau, a summary of the important demographic characteristics of the City of Rio Rancho is presented in the following chart.

A map showing the market/census tract boundaries is shown on an insert page.

	City of Rio Rancho	Albuquerque MSA
Total Population	90,627	899,137
% Under 19	29.9%	26.6%
Ages 20-64	57.9%	60.0%
% Over 65	12.2%	13.4%

U. S. Census Tract Map



Total Households	32,574	342,552
Average Household Size	2.77	2.62
Owner-Occupied Units	78.6%	65.6%
Renter-Occupied Units	21.4%	34.4%
Median Household Income	\$59,243	\$48,875
Median Age	36.6	35.6

Retail Spending

The growing population base of the City of Rio Rancho and Sandoval County has increased the gross purchasing power of the area, however, commercial and retail development has lagged. As reported by the New Mexico Department of Taxation and Revenue, retail spending is shown in the following chart.

Retail Spending in Bernalillo County and Sandoval County

(Expressed in \$xxx,xxx)

Area	2015	2014	2013	2012	2011
Bernalillo County	\$7,906	\$8,065	\$7,998	\$7,664	\$7,703
Sandoval County	\$681	\$670	\$603	\$664	\$784
Total	\$8,587	\$8,735	\$8,692	\$8,533	\$8,487
Annual Change	***	0.5%	+1.9%	0.5%	***
Sandoval County					
as a % of the Total	7.9%	7.7%	6.9%	7.8%	9.2%
City Retail Vacancy Rate	11.0%	11.6%	11.1%	11.8%	12.3%

The City of Rio Rancho is making efforts to increase their market share of retail spending although, as noted above, the percentage of retail spending within Sandoval County has not exhibited a growth trend. The principal obstacle to retail spending growth is the breadth of retail development in the Cottonwood Mall area at the north end of the municipal limit of the City of Albuquerque, adjoining the Bernalillo County/Sandoval County line.

Public Services

The City of Rio Rancho provides a comprehensive menu of public services. The 2015 mill rate for residential uses in the City of Rio Rancho is \$38.335 per \$1,000 of taxable value in comparison to the 2015 mill rate in the City of Albuquerque at \$43.674 per \$1,000 of taxable value.

In addition to City services, public services are provided by Rio Rancho Public Schools, Southern Sandoval County Floor Control Authority (SSCAFCA), and Sandoval County. The City of Rio Rancho is vigilant in their administration of tax revenues and maintains bi-annual budget reviews.

The demographic profile indicates the Rio Rancho market has a higher proportion of school-aged kids than all other sub-markets of the metropolitan area. Current enrollment is 17,227 in comparison to the December 2005 enrollment of 14,888; enrollment has increased by 2,339 students which represents an annual increase of 1.47% (compounded) over that ten-year period. The FY 2015/2016 operating budget for Rio Rancho Public Schools is \$121,978,144, or \$7,081 per enrollee. By comparison, Albuquerque Public School has a current operating budget of \$687,589,651, or \$7,238 per enrollee (approximate).

A broad range of non-profit services also serve the Rio Rancho community.

New public facilities of note are the Presbyterian Rust Hospital complex, completed in 2012, and the V. Sue Cleveland High School, completed in 2009. Each expanded the range of public services available to residents by a significant margin.

Conclusion

The City of Rio Rancho is an established sub-market of the greater Albuquerque metropolitan area. The population has grown rapidly since the original incorporation and, presently, the population within the incorporated area exceeds 90,000.

With the population growth, the breadth of public and private services has grown proportionately with the exception of retail development. Retail development will remain problematic because of the proximity of Cottonwood Mall and its neighboring retail land uses to the City of Rio Rancho within the City of Albuquerque municipal limits.

At some future point, the land ownership and platting patterns within Rio Rancho will restrict development although for the next 20 years, there is sufficient assembled land supply to accommodate current levels of demand. There are six large-scale developable tracts, to include Lomas Encantadas, that will support new construction.

Neighborhood Characteristics

The components of the subject property are located at the northern end of the City of Rio Rancho, west of NMSR 528 and south of NMSR 550. The Lomas Encantadas neighborhood is in its development stage while the Enchanted Hills neighborhood is nearing the end of its development stage. Each development supports tract housing that ranges in age from new to 20 years. Pricing ranges from \$125,000 to \$250,000 and higher.

The principal transportation links for Lomas Encantadas and Enchanted Hills are the aforementioned State Roads, NMSR 550 and NMSR 528. NMSR 550 intersects with Interstate 25 approximately 2 miles from NMSR 528 and approximately 8 miles from Enchanted Hills. NMSR 528 is less than one mile east of Lomas Encantadas. In addition, both properties are proximate to NMSR 304 (Paseo del Volcan) which is a major east/west arterial extending through the north end of the City of Rio Rancho. Both Lomas Encantadas and Enchanted Hills have reasonable proximity to the transportation network.

For the Enchanted Hills tract, this property is the last remaining development tract in the residential portion of Enchanted Hills. The residential portion of Enchanted Hills consists of approximately 1,300 acres in support of approximately 2,060 residential lots. Residential development in Enchanted Hills began in 1995 and was substantially completed in 2006. With the completion of this portion of the subject property, the residential component of Enchanted Hills will be complete.

The initial units of Enchanted Hills were developed with new homes by Amrep Southwest, Inc. and in 1999, Amrep sold the remaining land inventory to Centex Homes; thereafter, Centex Homes developed the remaining land and sold portions to other builders.

The demographic profile of Enchanted Hills is characterized by its specific Census Tract, Tract 107.17. A comparison of a select number of demographic characteristics of Tract 107.17 is shown in the following chart. The data reflects 2014 Census reporting.

	Tract 107.17	City of Rio Rancho
Total Population	9,635	90,627
% Under 19	33.3%	29.9%
Ages 20-64	57.7%	57.9%
% Over 65	9.0%	12.2%
Median Age	37.7	37.4
.....		
Total Households	3,203	32,574
Average Household Size	3.01	2.77
.....		
% of Homes Built Since 1990	97.6%	60.6%
.....		

	Tract 107.17	City of Rio Rancho
Owner-Occupied Units	80.0%	78.6%
Renter-Occupied Units	20.0%	21.4%
Median Household Income	\$71,679	\$59,243
% w/bachelor's degree or higher	33.8%	28.5%

The important characteristics of this census tract/neighborhood are the age of the homes, the size of the households, and the median income. The data suggests the broad acceptance of the Enchanted Hills area by young families. This neighborhood is in its growth stage.

For the Lomas Encantadas property, the immediate neighborhood has not been developed. This component of the subject property adjoins the existing development of Lomas Encantadas (Units 3A, 4A, 3B, and 4B) and the southern boundary of Enchanted Hills, however, specific access to the subject is just nearing completion. It is anticipated that the immediate neighborhood will be similar in style and design in comparison to the existing phases of Lomas Encantadas.

The common area amenities of Lomas Encantadas are expected to be of good design and good quality. In the existing phases of Lomas Encantadas, the subdivisions are attractively presented with improved common areas that enhance the appearance and appeal of the subdivisions.

For the Enchanted Hills property, this subdivision represents the last single-family subdivision in the Enchanted Hills development located at the far northwestern edge of the development. The public improvements and common area elements in Enchanted Hills provide continuity among tracts and support the appeal of the developments. The last tracts developed in Enchanted Hills were Units 11 and 13, each developed in 2003/2004. Homes in this area were constructed by tract home builders.

The demographic profile of the Lomas Encantadas is also characterized by the profile of Census Tract 107.17 and not its actual tract, Census Tract 107.18. Tract 107.18 is a very large tract that extends to Unser Boulevard to the west and Idalia Road to the south in that area south of Tract 107.17. This tract area is far less homogeneous than Tract 107.17 and its demographic data distorts the profile of the Lomas Encantadas population. Like the Enchanted Hills property, the Lomas Encantadas neighborhood is in its growth stage.

The area east of the subject property is experiencing an expansion of retail and commercial option. Adjoining the subject is the commercial and industrial component to Enchanted Hills which is improved with a free-standing Albertson's grocery, a Walgreen's drug store, three multi-tenant retail properties totaling approximately 30,000 SF. On the south side of

Enchanted Hills Boulevard is the recently opened Plaza at Enchanted Hills which is a multi-tenant retail center which, at capacity, will have approximately 225,000 SF of rentable area; thus far, approximately 100,000 SF has been completed. East of NM State Road 528 is Venada Plaza which is anchored by a Super Wal-Mart as well a range of out-parcel developments. Commercial and retail services are very good.

Public schools in this area include Cleveland High School (3 miles to the southwest), Middle View Middle School (adjacent to the north), Enchanted Hills Elementary School (1 mile to the south), and Vista Grande Elementary School (adjacent to the south of the Enchanted Hills inventory). Public schools are adequate.

Housing Market Study

The forthcoming study identifies the general and specific aspects of the local residential market as it influences the value and development of the remaining inventory of Lomas Encantadas and Enchanted Hills.

The Existing Home Market

Following the market decline in 2007/2008, the broader Albuquerque MSA housing market has improved in increments. Based on sale information from the Greater Albuquerque Association of Realtors ("GAAR"), the following chart indicates a trend of increasing sales and marginally increasing prices.

Year	Gross Sale Revenues	Average Price	# of Sales
2015	\$2,325,022,786	\$207,499	11,205
2014	\$1,988,830,926	\$204,760	9,713
2013	\$2,023,434,712	\$203,544	9,941
2012	\$1,696,196,141	\$196,866	8,616
2011	\$1,474,842,828	\$194,160	7,596
2010	\$1,593,067,024	\$207,323	7,684

During the period of 2010 through 2015, the number of new homes remained relatively constant, ranging from 1,379 permits to 1,645 permits which suggests an increasing preference for existing homes. During this same period, the existing sale data supports a decline in the sale of bank-owned properties and short-sale properties which suggests the broader market is improving.

The same trend is also characteristic of the Rio Rancho market. Those same characteristics for the Rio Rancho market are presented in the following.

Year	Gross Sale Revenues	Average Price	# of Sales
2015	\$341,650,366	\$178,501	1,914
2014	\$281,972,186	\$177,453	1,589
2013	\$311,177,344	\$175,212	1,776
2012	\$231,450,516	\$177,357	1,305
2011	\$220,622,522	\$174,820	1,262
2010	\$228,759,703	\$183,890	1,244

The abrupt growth in Gross Sales Revenues appears to due to the increase in the # of Sales as the Average Price appears to have remained stable.

Observation: The growth in the # of Sales throughout the metropolitan area and in the City of Rio Rancho has likely had an adverse impact on the sale of new homes.

With the sharp increase in closings in 2015 in both the City of Rio Rancho and the broader MSA, its impact on the number of available listings is important. As a summary observation, the number of available listings has decreased significantly, a positive sign for the new home market. As provided by GAAR, the historical listing data is shown in the following chart.

Year	Albuquerque MSA Avg Monthly Listings	City of Rio Rancho Avg Monthly Listings
2015	4,154	728
2014	4,918	838
2013	4,559	787
2012	4,334	696
2011	5,250	696
2010	5,914	829

For 2015, the number of listings in the Albuquerque MSA declined by 16% over the previous year while the number of listings in the City of Rio Rancho declined by 13%. Of particular note, the December 2015 data indicates a total number of listings of 3,108 in the

Albuquerque MSA, a decline of 34% over the 2015 monthly average, and a total number of listings of 483 in the City of Rio Rancho, a decline of 40% over the 2015 monthly average.

For existing homes, the available supply of existing homes is being absorbed and is approaching that point where home prices can be expected to increase. This absorption is expected to have a positive impact on the absorption and pricing of new homes.

The GAAR divides the Rio Rancho market among five geographic classifications. The historical sale activity for these areas is presented in the chart on the following page.

Lomas Encantadas and Enchanted Hills are located in GAAR Area #160 at the north and northeastern corner of the City of Rio Rancho and is the largest of all five areas. In general, the northerly portion of GAAR Area #160 supports a large tract home base while the southerly portion supports a custom home component.

.....

Observation: The sales activity in GAAR Area #160, i.e., the area of Lomas Encantadas and Enchanted Hills, is significant and follows the same trend as evidenced in the broader metropolitan area and the City of Rio Rancho.

.....

Within GAAR Area #160, the two comparative neighborhoods for the components of the subject property are the existing subdivisions within Enchanted Hills and Lomas Encantadas. The following more closely details the characteristics of this existing market.

Enchanted Hills

Year	# of Sales	Average Sale Price	Average SP/SF
2015	103	\$181,356	\$89/SF
2014	137	\$168,648	\$83/SF
2013	147	\$167,111	\$83/SF
2012	101	\$167,992	\$85/SF

.....

Lomas Encantadas

Year	# of Sales	Average Sale Price	Average SP/SF
2015	14	\$192,165	\$97/SF
2014	18	\$234,313	\$97/SF
2013	14	\$206,571	\$84/SF
2012	13	\$198,531	\$94/SF

BREAKDOWN OF SALE ACTIVITY OF EXISTING HOMES

Rio Rancho, New Mexico

GAAR Area #140

Year	Gross Sale Revenue	Average Price	# of Sales
2015	\$57,876,795	\$218,403	265
2014	\$45,055,088	\$212,524	212
2013	\$57,545,943	\$210,791	273
2012	\$47,098,016	\$210,259	224
2011	\$35,944,952	\$195,353	184
2010	\$38,795,940	\$215,533	180

GAAR Area #150

Year	Gross Sale Revenue	Average Price	# of Sales
2015	\$116,042,464	\$176,894	656
2014	\$101,731,410	\$171,265	594
2013	\$95,551,764	\$170,324	561
2012	\$72,353,520	\$168,264	430
2011	\$75,228,154	\$167,546	449
2010	\$64,577,976	\$169,496	381

GAAR Area #151

Year	Gross Sale Revenue	Average Price	# of Sales
2015	\$51,315,488	\$229,087	224
2014	\$46,304,532	\$226,983	204
2013	\$52,443,225	\$233,081	225
2012	\$39,564,633	\$223,529	177
2011	\$37,542,062	\$226,157	166
2010	\$41,661,025	\$238,063	175

GAAR Area #160

Year	Gross Sale Revenue	Average Price	# of Sales
2015	\$42,734,260	\$198,764	215
2014	\$38,772,672	\$201,941	192
2013	\$38,799,627	\$194,973	199
2012	\$32,203,542	\$202,538	159
2011	\$33,203,198	\$191,926	173
2010	\$35,380,749	\$204,513	173

GAAR Area #161

Year	Gross Sale Revenue	Average Price	# of Sales
2015	\$47,387,014	\$136,562	347
2014	\$36,507,238	\$131,321	278
2013	\$50,716,248	\$136,334	372
2012	\$31,826,960	\$134,860	236
2011	\$28,403,232	\$136,554	208
2010	\$36,118,791	\$148,637	243

Notes: The sale data reflects Single Family Homes only (R1 only).

The existing Enchanted Hills subdivisions include 15 neighborhoods, totaling approximately 2,000 lots. The first homes in Enchanted Hills were constructed in 1996.

The existing Lomas Encantadas subdivisions which include Unit 3A, Unit 3B, Unit 4A, and Unit 4B, have an inventory of 474 lots. During the 2012-2015, new homes were also being marketed in Lomas Encantadas.

Among the presented sale summaries in these two subdivisions, there was a significant number of bank-owned sales and short sales which influenced pricing and sale frequency. That data is summarized in the following.

Enchanted Hills			Average SP/SF	
Year	# of Sales	% Distressed	of Distressed Sales	% Difference
2015	103	23.3%	\$76/SF	28%
2014	137	35.0%	\$71/SF	37%
2013	147	41.5%	\$74/SF	14%
2012	101	37.6%	\$78/SF	21%

Lomas Encantadas			Average SP/SF	
Year	# of Sales	% Distressed	of Distressed Sales	% Difference
2015	14	28.6%	\$86/SF	13%
2014	18	11.1%	\$79/SF	23%
2013	14	57.1%	\$79/SF	6%
2012	13	37.6%	\$78/SF	21%

This data supports the observation that (a) the percentage of distressed sales, i.e., bank-owned sales and short sales, is decreasing, and (b) distressed sales are selling at a percentage of the market-based sales. In the Enchanted Hills development, the percentage difference ranges from 14% to 37% while in the Lomas Encantadas development, the percentage difference ranges from 6% to 13%.

As the availability of distressed properties decreases, greater support for pricing of existing and new homes is established.

Within GAAR Area #160, the disaggregated data from the Enchanted Hills development is instructive. That data is presented on the following page.

BREAKDOWN OF ENCHANTED HILLS SALE DATA BY UNIT

2015

Unit	# of Sales	Average Sale Price	Average SP/SF
1	9	\$139,028	\$97/SF
2	6	\$118,283	\$95/SF
3	10	\$169,175	\$93/SF
4	7	\$144,043	\$85/SF
5	2	\$149,750	\$109/SF
6	4	\$176,925	\$96/SF
7	5	\$164,780	\$90/SF
8	4	\$187,009	\$92/SF
9	7	\$176,214	\$97/SF
10	5	\$174,200	\$90/SF
11A	7	\$158,786	\$87/SF
12	0	***	***
13A	7	\$137,729	\$90/SF
13B	7	\$129,657	\$82/SF
14A	12	\$179,892	\$77/SF
14B	10	\$151,715	\$91/SF

2014

Unit	# of Sales	Average Sale Price	Average SP/SF
1	6	\$127,080	\$88/SF
2	7	\$136,429	\$88/SF
3	6	\$143,033	\$86/SF
4	4	\$192,750	\$99/SF
5	5	\$188,180	\$87/SF
6	5	\$150,000	\$94/SF
7	9	\$212,489	\$86/SF
8	4	\$193,038	\$82/SF
9	8	\$207,133	\$83/SF
10	12	\$202,362	\$85/SF
11A	12	\$215,992	\$88/SF
12	4	\$178,000	\$78/SF
13A	14	\$140,407	\$81/SF
13B	12	\$114,037	\$79/SF
14A	11	\$163,914	\$72/SF
14B	14	\$154,143	\$77/SF

2013

Unit	# of Sales	Average Sale Price	Average SP/SF
1	5	\$132,070	\$94/SF
2	3	\$152,650	\$92/SF
3	11	\$144,309	\$88/SF
4	8	\$146,425	\$87/SF
5	4	\$129,900	\$89/SF
6	5	\$124,140	\$86/SF
7	10	\$182,355	\$80/SF
8	17	\$190,182	\$87/SF
9	10	\$182,180	\$80/SF
10	6	\$219,167	\$89/SF
11A	17	\$216,612	\$81/SF
12	4	\$203,500	\$92/SF
13A	12	\$128,292	\$81/SF
13B	9	\$95,522	\$81/SF
14A	5	\$176,720	\$68/SF
14B	19	\$161,189	\$75/SF

2012

Unit	# of Sales	Average Sale Price	Average SP/SF
1	4	\$132,631	\$82/SF
2	5	\$140,830	\$91/SF
3	7	\$159,671	\$92/SF
4	4	\$166,616	\$97/SF
5	5	\$144,880	\$89/SF
6	3	\$138,900	\$89/SF
7	9	\$200,675	\$81/SF
8	8	\$193,197	\$88/SF
9	8	\$189,425	\$84/SF
10	6	\$171,000	\$84/SF
11A	9	\$200,722	\$83/SF
12	4	\$180,233	\$90/SF
13A	8	\$112,813	\$87/SF
13B	2	\$106,500	\$96/SF
14A	7	\$158,816	\$74/SF
14B	9	\$184,855	\$86/SF

Within Enchanted Hills, the subject tract abuts Unit 11A and adjoins Unit 10 and Unit 14B. Each of these three units experienced increasing unit prices with Units 10 and 11 A suggesting a range of pricing from \$180,000 to \$220,000. Homes within these units are 10 to 12 years old and are average quality tract homes.

Conclusions

For the existing home market, the following conclusions are relevant to valuation of the finished lots composing both components of the subject property.

- In 2007, the local housing market, i.e., the Albuquerque MSA, fell into a deep decline.
- From 2010 through 2011, the local housing market has remained stable with respect to sale activity and home prices.
- In 2012, sale activity in the local housing market began to increase year-over-year although pricing remained relatively stable.
- In 2015, sale activity in the broader market and in Rio Rancho increased abruptly. This increase in sale activity and a corresponding decrease in the number of available listings brought the local market nearer to equilibrium than it has been in many years.
- My analysis of Enchanted Hills market indicates that the percentage of home sales that were distressed, i.e., sold by a foreclosing lender and controlled by a lender through a short sale, has declined from approximately 40% in 2012 to less than 20% in 2015. The reduction in the supply of distressed properties suggests the market is nearing equilibrium.
- Presently, the number of listings in the broader market is at its lowest point in 8 years.

A closer review of the sale data within the Enchanted Hills area suggests the following.

- Those developments that are proximate to the subject property (Units 11A, 10 and 14B) support home prices within a range of \$180,000 to \$220,000 and ranging as high as \$300,000.
- Over the period of 2012 through 2015, unit prices increased and the frequency of sale increased.

In general, the local market, the Rio Rancho market, and, more specifically, the Enchanted Hills market have experienced a reversal of the trends that began in 2007. The supply of existing homes, particularly those that are distressed, has been reduced substantially which is likely to result in increasing home prices. The reduction in the available supply of existing homes will create increased demand for new homes.

The New Home Market

New home construction in Rio Rancho has a market share of approximately 30% of the broader Albuquerque market. The historical building permit data for the broader market area and for the City of Rio Rancho is presented in the following chart.

Historical Building Permit Information

Place	2015	2014	2013	2012	2011	2010
City of Albuquerque	984	935	858	903	767	747
Bernalillo County	114	86	86	77	63	83
City of Rio Rancho	448	479	479	417	301	455
Valencia County	99	76	34	31	61	155
Total	1,645	1,576	1,457	1,428	1,192	1,440
Market Share	27.2%	30.4%	32.9%	29.2%	25.3%	31.6%

Over the period of 2010 through 2015, the total market share for the City of Rio Rancho is 29.5%.

The competing market area for the City of Rio Rancho is NW Albuquerque which has experienced a capture rate of 35.4% over the period of 2010 through 2015. The NW Albuquerque area is closer to the center of the metropolitan area, the major transportation corridors, and the major employment centers.

Presently, there are only three locations in Rio Rancho with any significant lot inventory, Lomas Encantadas, Hawksite, and Mariposa East. Lomas Encantadas has a remaining inventory of 815 entitled (but unimproved) lots, Hawksite has approximately 1,000 entitled (but unimproved) lots, and Mariposa East has an entitled (but unimproved) lots. The Hawksite and Mariposa East properties are remote and distant from services whereas the Lomas Encantadas property is adjoins existing neighborhoods and schools, is proximate to shopping and commercial services, and, presently, has four active builders which is the most in any Rio Rancho location.

On the following page is a breakdown of the market share of each active new home subdivision in Rio Rancho.

- Loma Colorado has been the most active subdivision, capturing slightly less than 19% of all new home permits in Rio Rancho; looking forward, Loma Colorado has a lot inventory of less than 100 lots which is approximately a one year supply. Thereafter, Loma Colorado will be built out.
- The next most active subdivision is the earlier phases of Lomas Encantadas, i.e., those phases that are not a portion of the subject property. In 2015, Lomas Encantadas

COMPARATIVE BUILDING PERMIT DATA

City of Rio Rancho, New Mexico

2015

Development	# of Permits	Market Share
Loma Colorado	88	19.6%
Lomas Encantadas	63	14.1%
Northern Meadows	25	5.6%
Cabezon	49	10.9%
Camino Crossing	28	6.3%
High Range	27	6.0%
Hawksite	15	3.3%
Cielo Del Norte	6	1.3%
Rock Ridge	5	1.1%
Tierra del Sol	6	1.3%
Ocotillo	7	1.6%
Wallen Park	7	1.6%
Mariposa East	25	5.6%
Unplatted	66	14.7%
TOTAL	448	100.0%

2014

Development	# of Permits	Market Share
Loma Colorado	97	20.3%
Lomas Encantadas	53	11.1%
Northern Meadows	22	4.6%
Cabezon	35	7.3%
Camino Crossing	57	11.9%
High Range	1	0.2%
Hawksite	14	2.9%
Cielo Del Norte	54	11.3%
Rock Ridge	6	1.3%
Tierra del Sol	8	1.7%
Ocotillo	16	3.3%
Wallen Park	52	10.9%
Mariposa East	12	2.5%
Unplatted	42	8.8%
TOTAL	479	100.0%

2013

Development	# of Permits	Market Share
Loma Colorado	78	16.3%
Lomas Encantadas	16	3.3%
Northern Meadows	12	2.5%
Cabezon	138	28.8%
Camino Crossing	26	5.4%
High Range	10	2.1%
Hawksite	13	2.7%
Cielo Del Norte	48	10.0%
Rock Ridge	21	4.4%
Tierra del Sol	5	1.0%
Ocotillo	3	0.6%
Wallen Park	37	7.7%
Mariposa East	6	1.3%
Unplatted	50	10.4%
TOTAL	479	100.0%

captured 14.1% of the Rio Rancho market with 4 competing builders. As noted, Unit 2D was recently sold to Pulte Home who just opened their marketing center; Pulte Homes is the leading builder in the metropolitan area.

Other subdivisions, to include Northern Meadows, Cabezon, Camino Crossings, Cielo del Norte, and Wallen Park were included in the list who, in the aggregate, accounted for 42.4% of permits in Rio Rancho over the 3-year period. With the exception of Cabezon who has a remaining inventory of 124 lots, none have any significant remaining lot inventory which means that approximately 34% of the total market will have to find a new location. In all likelihood, Lomas Encantadas will capture some portion of that unsatisfied demand.

The components of Lomas Encantadas' 2016 anticipated absorption are:

- A continuing capture of approximately 60 lots by the four existing builders over the next year,
- A capture of approximately 5 lots per month, or 60 homes, by Pulte Homes which is typical in all of their new subdivisions,
- A 20% capture of the pent-up demand that will not have the five aforementioned subdivisions (Northern Meadows, Cabezon, Camino Crossings, Cielo del Norte, and Wallen Park) available. This accounts for approximately 30 lots.

It is possible and likely that this projection will be offset by the November 2015 acquisition of 151 lots by Pulte Homes in Cabezon. Thus far, Pulte Homes been issued 27 building permits which equates to an absorption rate of 9 lots per month.

The following is a summary of the current new home offerings in Rio Rancho.

Lomas Encantadas

In the existing phases of Lomas Encantadas, there are three active builders and in a portion of the subject property, there is one builder. The following is a summary of the current new home offerings.

In Unit 2D, Pulte Homes is offering new one-story and two-story homes. The one-story homes range in size from 1,776 SF to 2,137 SF and are priced from \$219,990 (\$124/SF) to \$240,990 (\$113/SF). The two-story homes range in size from 2,630 SF to 3,413 SF and are priced from \$258,990 (\$98/SF) to \$283,990 (\$83/SF). The homes will be constructed on 50' lots with the subdivision being trimmed with a decorative masonry wall that is accented with extensive common area landscape. The development has a main entrance off Camino Encantadas which is the principal access road in this portion of Lomas Encantadas.

In Unit 4B, D. R. Horton, dba Express Homes, is offering new one-story and two-story homes. The one-story homes range in size from 1,700 SF to 2,427 SF and are priced from \$199,990 (\$125/SF) to \$215,990 (\$125/SF). The two-story homes range in size from 2,438 SF to 2,641 SF and are priced from \$232,000 (\$95/SF) to \$247,000 (\$94/SF). The homes are constructed

on 50' lots with the subdivision being trimmed with a decorative masonry wall that is accented with extensive common area landscape. Unit 4B is located at the western periphery of the existing area of Lomas Encantadas. The entry to the property is removed from Camino Encantadas but is within walking distance of Sandia Vista Elementary School.

In Unit 4B, Abrazo Homes, a local builder, is offering new one-story and two-story homes. The one-story homes range in size from 1,603 SF to 1,949 SF and are priced from \$207,000 (\$122/SF) to \$290,975 (\$120/SF). The two-story homes range in size from 1,947 SF to 2,746 SF and are priced from \$219,990 (\$113/SF) to \$307,975 (\$112/SF). The homes are constructed on 50' lots with the subdivision being trimmed with a decorative masonry wall that is accented with extensive common area landscape. Unit 4B is located at the western periphery of the existing area of Lomas Encantadas. The entry to the property is removed from Camino Encantadas but is within walking distance of Sandia Vista Elementary School.

Also in Unit 4B, Twilight Homes, a local builder, is offering new one-story and two-story homes. The one-story homes range in size from 1,610 SF to 1,818 SF and are priced from \$199,990 (\$124/SF) to \$229,990 (\$127/SF). The two-story homes range in size from 2,123 SF to 3,386 SF and are priced from \$242,990 (\$114/SF) to \$299,990 (\$89/SF). The homes are constructed on 50' lots with the subdivision being trimmed with a decorative masonry wall that is accented with extensive common area landscape. Unit 4B is located at the western periphery of the existing area of Lomas Encantadas. The entry to the property is removed from Camino Encantadas but is within walking distance of Sandia Vista Elementary School.

Cabazon

Cabazon is a planned mixed-use community located at the southern periphery of the City of Rio Rancho between Golf Course Road and Unser Boulevard north of the Bernalillo County/Sandoval County boundary. In total, Cabazon encumbered 900+ acres and included a range of residential and commercial uses. The residential capacity of Cabazon is approximately 2,400 lots, Cabazon opened in 2005 to a wildly receptive market.

The last significant inventory of lots was purchased by Pulte Homes in November 2015. The current new home offerings by Pulte Homes of homes on 45' and 50' lots. The one-story homes range in size from 1,776 SF to 2,261 SF while the two-story homes range from 2,630 SF to 3,550 SF. The one-story homes range in price from \$229,990 (\$129/SF) to \$259,990 (\$115/SF) while the two-story homes are priced from \$265,990 (\$101/SF) to \$313,990 (\$95/SF). Prices are marginally higher on the 50' lots.

Cabazon offers a thematic appeal that is enhanced by its extensive park and open space areas, its well-designed and attractive site structures, the street design, and the variety of allowable commercial uses.

SUMMARY OF NEW HOME OFFERINGS

Development	Builder	Pricing Cluster	Living Area	Stories	SP/SF
Lomas Encantadas (Unit 2D)	Pulte Homes	\$219,990 to \$240,990	1,776 SF to 2,137 SF	1	\$113/SF to \$124/SF
Lomas Encantadas (Unit 4B)	D. R. Horton (Express Homes)	\$199,990 to \$215,990	1,700 SF to 2,427 SF	1	\$125/SF
Lomas Encantadas (Unit 4B)	Abrazo Homes	\$207,000 to \$290,975	1,603 SF to 1,949 SF	1	\$120/SF to \$122/SF
Lomas Encantadas (Unit 4B)	Morningstar Homes	\$199,990 to \$229,990	1,610 SF to 1,818 SF	1	\$124/SF to \$127/SF
Lomas Encantadas (Unit 2D)	Pulte Homes	\$258,990 to \$283,990	2,630 SF to 3,413 SF	2	\$83/SF to \$98/SF
Lomas Encantadas (Unit 4B)	D. R. Horton (Express Homes)	\$232,000 to \$247,000	2,438 SF to 2,641 SF	2	\$94/SF to \$95/SF
Lomas Encantadas (Unit 4B)	Abrazo Homes	\$219,990 to \$307,975	1,947 SF to 2,746 SF	2	\$112/SF to \$113/SF
Lomas Encantadas (Unit 4B)	Morningstar Homes	\$242,990 to \$299,990	2,123 SF to 3,386 SF	2	\$89/SF to \$114/SF
Cabezon	Pulte Homes	\$229,990 to \$259,990	1,776 SF to 2,261 SF	1	\$115/SF to \$129/SF
Cabezon	Pulte Homes	\$265,990 to \$313,990	2,630 SF to 3,550 SF	2	\$99/SF to \$101/SF
Solcito	D. R. Horton (Express Homes)	\$124,000 to \$1230000	1,700 SF to 1,994 SF	1	\$115/SF to \$126/SF
Solcito	D. R. Horton (Express Homes)	\$240,000 to \$255,000	2,438 SF to 2,641 SF	2	\$97/SF to \$98/SF
Hawksite	Abrazo Homes	\$154,990, to \$191,990	1,198 SF to 1,730 SF	1	\$111/SF to \$129/SF
Hawksite	Raylee Homes	\$149,990 to \$174,990	1,018 SF to 1,664 SF	1	\$105/SF to \$147/SF
Hawksite	Abrazo Homes	\$154,990, to \$191,990	1,947 SF to 2,347 SF	2	\$80/SF to \$82/SF
Hawksite	Raylee Homes	\$184,990 to \$235,990	1,860 SF to 3,020 SF	2	\$78/SF to \$99/SF

Solcito

North of Paseo del Volcan and east of Unser Boulevard is the Solcito development, a 191-lot subdivision that adjoins the Stonegate development. In the vicinity of Solcito are five other proposed residential and mixed-use subdivisions, supporting 1,100 lots, however, these other developments have not broken ground.

Currently, D. R. Horton, dba Express Homes, is offering new one-story and two-story homes. The one-story homes range in size from 1,700 SF to 1,994 SF and are priced from \$214,000 (\$126/SF) to \$230,000 (\$115/SF). The two-story homes range in size from 2,438 SF to 2,641 SF and are priced from \$240,000 (\$98/SF) to \$255,000 (\$97/SF). The homes are constructed on 50' lots with the subdivision being trimmed with a decorative masonry wall that is accented with extensive common area landscape.

Absorption in Solcito has been limited which may be due to the initial pricing and marketing. Originally, D. R. Horton offered a product line that was priced approximately 3% to 5% higher than the current

Hawksite

Two miles northwest of the Enchanted Hills component of the subject property is the Hawksite development. Hawksite is a planned, mixed-use development that was platted in 2006. Since that time, only Tracts 33/34 have been developed with 233 finished lots. Tracts 33/34 are often referred to as Mountain Hawk.

Currently, Raylee Homes, is offering new one-story and two-story homes. The one-story homes range in size from 1,018 SF to 1,664 SF and are priced from \$149,990 (\$147/SF) to \$174,990 (\$105/SF). The two-story homes range in size from 1,860 SF to 3,020 SF and are priced from \$184,990 (\$78/SF) to \$235,990 (\$99/SF). The homes are constructed on 50' lots with the subdivision being trimmed with a decorative masonry wall that is accented with extensive common area landscape.

In addition to the Raylee new home offerings, Abrazo Homes is also offering new homes in Hawksite. The one-story homes are priced within a range of \$154,990 (\$129/SF) to \$191,990 (\$111/SF) while the two-story homes are priced within a range of \$194,990 (\$100/SF) to \$217,990 (\$93/SF). Currently, Abrazo Homes has two models under construction and will expand their marketing.

Over the years, absorption in Hawksite has been limited which may be due to the distant location, the initial pricing and marketing.

Observations

The pricing patterns of the active new home locations in Rio Rancho do not vary significantly and are reflective of a stabilized market.

Regarding Lomas Encantadas. For the one-story offerings, the four builder options in the existing locations in Lomas Encantadas have a lower end range of \$113/SF to \$125/SF with the newly opened development by Pulte Homes being \$7/SF to \$12/SF lower than the pricing by the three other builders. At the upper end of the one-story range, the unit pricing varies little, ranging from \$122/SF to \$127/SF. In the Cabezon development, Pulte's new home pricing is slightly higher than the Lomas Encantadas' pricing. The Solcito development is priced near the pricing at the Cabezon pricing in spite of lack of critical mass.

For the two-story offerings, the unit pricing is lower than the pricing at the one-story pricing. Like the one-story pricing, the Pulte offering in Lomas Encantadas is priced lower than the pricing by the other local builders in Lomas Encantadas with the Pulte offering in Cabezon being priced above the Lomas Encantadas offerings. And, the Solcito offerings are priced higher than the Lomas Encantadas offerings.

Regarding Enchanted Hills. In my view, the Lomas Encantadas development supports a higher pricing model than what may be achieved at Enchanted Hills.

The sale data relating to the adjacent existing home market in Enchanted Hills suggest a central tendency of pricing between \$180,000 and \$220,000, resulting in a current unit price at of about \$90/SF. Re-stated, the homes in Units 10, 11A, and 14B are at least 10 years old; adjusted for effective further suggests an upward adjustment of 10% to 15% which means the central tendency for comparison purposes is \$190,000 to \$250,000 at or about \$100/SF.

The comparative data in the Hawksite development confirms this trend. For the one-story homes in Hawksite, prices range from \$150,000 to \$191,000 within a unit price range of \$110/SF to \$130/SF while the two-story homes range from \$155,000 to \$235,000 within a unit price range of \$80/SF to \$100/SF. In my view, the Hawksite development has an inferior location as it has not yet developed critical mass whereas the Enchanted Hills property adjoins a large-scale residential development.

For the Lomas Encantadas development, the current pricing for the Pulte Home offerings establishes a supportable baseline of pricing as it is consistent with the current new home offerings in Lomas Encantadas and elsewhere in the Rio Rancho market.

For the Enchanted Hills development, the recent history of existing home pricing and new home pricing suggests a range of \$175,000 to \$225,000.

Absorption Projection

Over the recent past, new home absorption in Rio Rancho has captured approximately 30% of the total new home absorption in the broader metropolitan area within an approximate range of 400-to-500 new homes per year. Even in a market that has not experienced any significant job growth, Rio Rancho has achieved critical mass in large part because it offers

virtually all of the goods, services, and opportunities available in other locations in the metropolitan area.

Two factors are likely to increase overall absorption in the Rio Rancho market. First, the existing home market is experiencing an enhancement of market conditions as most of the distressed residential real estate is being absorbed which is evidenced by the abrupt increase in sale activity and a significant decrease in the number of available listings. This swing is further enhanced by the reduction in the number of available homes in distressed circumstances. Second, the number of available residential lots are being absorbed and, with the exception of Lomas Encantadas, not being replaced with equivalent lot products. Both factors suggest new home absorption is likely to increase in the forthcoming years.

On a straight-line basis, the application of the 2015 permit activity to the available inventory of 918 lots in Lomas Encantadas suggests an absorption period of slightly less than 15 years ($918 \div 63$). As noted, however, Pulte Homes has joined the existing set of four builders in Unit 2D and it is likely that Pulte will absorb 5 lots per month, suggesting an additional 60 lots per year. At 123 lots per year, the absorption period is substantially reduced, calculated to be 7.5 years ($918 \div 123$). In addition, the continuing absorption of the alternative lot supplies in Rio Rancho means there is likely to be an additional increment of demand, extending the capturable amount upward by an additional 30 new homes.

At a practical level, this best-case projection of 150 homes per year is likely to be offset by the introduction of other new, but smaller, subdivisions, unexpected events, and the broader cycles of the real estate market.

In my best estimate, Lomas Encantadas is likely to absorb approximately 100 new homes per year, inferring a total absorption period of 9 years.

For the Enchanted Hills property, it is likely that the 119 lots will become a replacement inventory for one of the five developments that will exhaust their remaining supply in the current year. The Enchanted Hills property has the market advantage of adjoining an existing market that can be easily incorporated into the larger Enchanted Hills development.

In my best estimate, the Enchanted Hills property is likely to absorb approximately 60 new homes per year, inferring a total absorption period of 2 years. Given the physical distance between the Enchanted Hills property and the Lomas Encantadas property, the Enchanted Hills property will be absorbed simultaneously with the Lomas Encantadas property.

Site Description

Available Data

The forthcoming description is based on my inspection of the properties, my review of the respective recorded Subdivision Plats for each subdivision, and supplemental information from the property owner.

Of note, there are four existing subdivisions located within Lomas Encantadas that are outside the PID boundary. Those subdivisions are Units 3A, 3B, 4A, and 4B which total 474 lots. These units are not included in this analysis.

The Finished Lots

For all of the lot inventory for both Lomas Encantadas and Enchanted Hills, the finished lots are assumed to be graded and over excavated to local standards with complete street infrastructure (asphalt-paved street, concrete curb and gutter, street lights, sidewalks), utility infrastructure (underground electricity, natural gas, municipal water and sanitary sewer, and telephone), and storm drainage.

Each subdivision will have a decorative perimeter wall with decorative entry.

Phasing

By local standards, the Lomas Encantadas property is a large-scale residential development with 918 lots. **In spite of the hypothetical condition** that assumes all development work is complete as of a current date, the development of the property will be structured over multiple phases of construction which include the off-site construction and on-site construction. The following phases are noted although the timing for the phases is uncertain.

- Phase 2A includes off-site street and utility construction along Camino Encantadas south of Units 3A and 4A (Assumed to be complete)
- Phase 3A includes street infrastructure, utility infrastructure, and common area installations along Camino Encantadas in the area northwest of Units 3A and 4B, extending to the west end of Unit 2D and along Kodiak Road in the direction of Unit 2F. (Assumed to be complete)
- The completion of on-site construction of Units 2D (83 lots) and 2F (44 lots). (Partially complete)
- Phase 3B includes street infrastructure, utility infrastructure, and common area installations along Camino Encantadas in the area west of Unit 2D.

- The completion of on-site lot construction for Units 2A (112 lots), 2B (166 lots), and 2C (201 lots).
- Phase 4A includes street infrastructure, utility infrastructure, and common area installations along Camino Encantadas in the area west of Paseo del Volcan.
- The completion of on-site lot construction for Units 1G (179 lots) and 1F (28 lots).
- Phase 4B includes street infrastructure, utility infrastructure, and common area installations along Camino Encantadas in the area west of Units 1F and 1G.
- The completion of on-site lot construction for Units 1A East (27 lots), 1E (25 lots), and 1D (13 lots).
- Phase 4C includes street infrastructure, utility infrastructure, and common area installations along Camino Encantadas in the area west of Units 1A (East) and 1D.
- The completion of on-site lot construction for Units 1A West (18 lots), 1B (7 lots), and 1C (15 lots).

Drainage

The entire Lomas Encantadas property is impacted by Venada Arroyo which extends from the northwest, draining down the slope to the southeast and emptying in the large scale drain east of Lincoln Avenue.

The arroyo requires extensive remediation in order to control the flows although the construction plans indicate much of the arroyo will remain in its natural state. The remediation will occur in an effort to protect the finished lots.

Description of Tract A (Enchanted Hills)

Current Condition:	The site is unimproved.
Site Area:	26.939 acres
# of Lots:	119
Density:	4.42 lots per acre
Lot Sizes:	The typical lot size is 50' x 110'.
Street Frontages:	Tract A intersects with the Foxmoore Drive and Valencia Drive at the southeastern border. Both of these streets are improved within Unit 11A.
Topography:	The site has a downward slope from the northwest property line to the southeast. Drainage is adequate.

Soil/Sub-Soil Conditions:	The soil conditions are assumed to be adequate for residential development.
Infrastructure:	<p>The site will be improved with paved roads, concrete curb and gutter, concrete sidewalks, street lights, and storm drains.</p> <p>The subdivision will be bordered by a decorative masonry wall.</p> <p>The subdivision is expected to have off-site landscape and landscaped common areas.</p> <p>The lots will be graded and ready-to-build.</p>
Utilities:	The site has all utilities to include municipal water and sanitary sewer service, underground electricity, natural gas, telephone, and cable.

Description of Unit 2D (Lomas Encantadas)

Current Condition:	Nearing the completion of all off-site and on-site construction
Site Area:	20.397 acres
# of Lots:	83
Density:	4.07 lots per acre
Lot Sizes:	The typical lot size is 50' x 110'.
Street Frontages:	Camino Encantadas (completed) on the west; Kodiak Road (completed) on the south
Topography:	<p>The site has a downward slope from the northwest property line to the southeast.</p> <p>Drainage is adequate.</p>
Soil/Sub-Soil Conditions:	The soil conditions are assumed to be adequate for residential development.
Infrastructure:	<p>The site is improved with paved roads, concrete curb and gutter, concrete sidewalks (committed but not yet built), street lights, and storm drains.</p> <p>The subdivision is bordered by a decorative masonry wall. The subdivision has a median-divided entry at the Camino Encantadas frontage and a secondary entry at the southeasterly corner at the Kodiak Road frontage. The subdivision has</p>

an extension provision into Unit C adjacent to the west.

The subdivision has off-site landscape at the southwest corner and a proposed landscaped common area adjacent to the Unit 2C.

The lots are graded and ready-to-build.

Utilities: The site has all utilities to include municipal water and sanitary sewer service, underground electricity, natural gas, telephone, and cable.

Description of Unit 2C (Lomas Encantadas)

Current Condition:	The site was rough-graded many years ago.
Site Area:	40.358 acres
# of Lots:	201
Density:	4.98 lots per acre
Lot Sizes:	The typical lot size is 50' x 110'.
Street Frontages:	Camino Encantadas (not yet extended) on the west
Topography:	The site has a downward slope from the northwest property line to the southeast. Drainage is adequate.
Soil/Sub-Soil Conditions:	The soil conditions are assumed to be adequate for residential development.
Infrastructure:	In the completed condition, the site will be improved with paved roads, concrete curb and gutter, concrete sidewalks, street lights, and storm drains. The subdivision will be bordered by a decorative masonry wall. The subdivision is expected to have a median-divided entry at the Camino Encantadas frontage and a secondary point of access with a street extension provision into Unit 2D adjacent to the east. The subdivision will have off-site landscape at the southwest corner and a proposed landscaped common area.

Upon completion, the lots will be graded and ready-to-build.

Utilities: The site will have all utilities to include municipal water and sanitary sewer service, underground electricity, natural gas, telephone, and cable.

Description of Unit 2B (Lomas Encantadas)

Current Condition:	The site is unimproved.
Assumed Condition:	The site is assumed to be platted and improved with 166 residential lots and associated infrastructure.
Site Area:	31.808 acres
# of Lots:	166
Density:	5.22 lots per acre
Lot Sizes:	The typical lot size is 50' x 110'.
Street Frontages:	Camino Encantadas (not yet extended) on the west
Topography:	The western portion of the site is level and above the grade of the adjoining Venada Arroyo. Drainage is assumed to be adequate.
Soil/Sub-Soil Conditions:	The soil conditions are assumed to be adequate for residential development.
Infrastructure:	In the completed condition, the site will be improved with paved roads, concrete curb and gutter, concrete sidewalks, street lights, and storm drains. The subdivision will be bordered by a decorative masonry wall. The subdivision is expected to have a median-divided entry at the Camino Encantadas frontage and a secondary point of access east of the main entry, also at Camino Encantadas. The subdivision will have off-site landscape at the southwest corner and a set of proposed landscaped common areas. Upon completion, the lots will be graded and ready-to-build.

Utilities: The site will have all utilities to include municipal water and sanitary sewer service, underground electricity, natural gas, telephone, and cable.

Description of Unit 2F (Lomas Encantadas)

Current Condition: The site is unimproved. Portions of the site have been rough-graded.

Assumed Condition: The site is assumed to be platted and improved with 44 residential lots and associated infrastructure.

Site Area: 15.244 acres

of Lots: 44

Density: 2.89 lots per acre

Lot Sizes: The typical lot size is 70' x 110'.

Street Frontages: Montreal Drive on the north; Kodiak Drive from the west (unimproved)

Topography: The eastern portion of the site is level. The western portion of the site is below the grade of the eastern portion of the site.
Drainage is assumed to be adequate.

Soil/Sub-Soil Conditions: The soil conditions are assumed to be adequate for residential development.

Infrastructure: In the completed condition, the site will be improved with paved roads, concrete curb and gutter, concrete sidewalks, street lights, and storm drains.
The subdivision will be bordered by a decorative masonry wall. The subdivision is expected to have access from the Montreal Drive frontage and a secondary point of access at Kodiak Drive that extends from Camino Encantadas.
The subdivision will have off-site landscape at the southwest corner and a set of proposed landscaped common areas.
Upon completion, the lots will be graded and ready-to-build.

Utilities: The site will have all utilities to include municipal water and sanitary sewer service, underground electricity, natural gas, telephone, and cable.

Description of Unit 2A (Lomas Encantadas)

Current Condition: The site is unimproved.

Assumed Condition: The site is assumed to be platted and improved with 112 residential lots and associated infrastructure.

Site Area: 41.482 acres

of Lots: 112

Density: 2.70 lots per acre

Lot Sizes: The typical lot size is 60' x 110'.

Street Frontages: Access to Unit 2A is through the internal street system extending through Unit 2B.

Topography: The western portion of the site is level and above the grade of the adjoining Venada Arroyo.
Drainage is assumed to be adequate.

Soil/Sub-Soil Conditions: The soil conditions are assumed to be adequate for residential development.

Infrastructure: In the completed condition, the site will be improved with paved roads, concrete curb and gutter, concrete sidewalks, street lights, and storm drains.
The subdivision will be bordered by a decorative masonry wall. Access to Unit 2A will extend through Unit 2B.
Upon completion, the lots will be graded and ready-to-build.

Utilities: The site will have all utilities to include municipal water and sanitary sewer service, underground electricity, natural gas, telephone, and cable.

Description of Unit 1G (Lomas Encantadas)

Current Condition: The site is unimproved.

Assumed Condition:	The site is assumed to be platted and improved with 179 residential lots and associated infrastructure.
Site Area:	71.9 acres
# of Lots:	179
Density:	2.70 lots per acre
Lot Sizes:	The typical lot size is 70' x 110'.
Street Frontages:	Access to Unit 1G is by way of the extension of Camino Encantadas where there are two points of access.
Topography:	The eastern portion of the site is level and above the grade of the adjoining Venada Arroyo. Drainage is assumed to be adequate.
Soil/Sub-Soil Conditions:	The soil conditions are assumed to be adequate for residential development.
Infrastructure:	In the completed condition, the site will be improved with paved roads, concrete curb and gutter, concrete sidewalks, street lights, and storm drains. The subdivision will be bordered by a decorative masonry wall. The subdivision is expected to have a median-divided entry at the Camino Encantadas frontage and a secondary point of access, also at Camino Encantadas. The subdivision is expected to have off-site landscape along the Camino Encantadas frontage. The location of common area landscaped areas has not been designated. Upon completion, the lots will be graded and ready-to-build.
Utilities:	The site will have all utilities to include municipal water and sanitary sewer service, underground electricity, natural gas, telephone, and cable.

Description of Unit 1F (Lomas Encantadas)

Current Condition:	The site is unimproved.
--------------------	-------------------------

Assumed Condition:	The site is assumed to be platted and improved with 28 residential lots and associated infrastructure.
Site Area:	12.1 acres
# of Lots:	28
Density:	2.31 lots per acre
Lot Sizes:	The typical lot size is 70' x 110'.
Street Frontages:	Access to Unit 1F is by way of the extension of Camino Encantadas where there are two points of access.
Topography:	Most of the site is level and above the grade of the adjoining Venada Arroyo. Drainage is assumed to be adequate.
Soil/Sub-Soil Conditions:	The soil conditions are assumed to be adequate for residential development.
Infrastructure:	In the completed condition, the site will be improved with paved roads, concrete curb and gutter, concrete sidewalks, street lights, and storm drains. The subdivision will be bordered by a decorative masonry wall. The subdivision is expected to have a median-divided entry at the Camino Encantadas frontage and a secondary point of access, also at Camino Encantadas. The subdivision is expected to have off-site landscape along the Camino Encantadas frontage. The location of common area landscaped areas has not been designated. Upon completion, the lots will be graded and ready-to-build.
Utilities:	The site will have all utilities to include municipal water and sanitary sewer service, underground electricity, natural gas, telephone, and cable.

Description of Unit 1A through 1E (Lomas Encantadas)

Current Condition: The sites are unimproved.

Assumed Condition:	The sites are assumed to be platted and improved with 105 residential lots and associated infrastructure.
Site Area:	86.5 acres
# of Lots:	105
Density:	1.21 lots per acre
Lot Sizes:	These lots are irregularly shaped and are expected to have a minimum lot size 15,000 SF, or .34 acre. For the purpose of comparison, the lots will be factored as having 90 front feet.
Street Frontages:	Access to Units 1A through 1E is by way of the extension of Camino Encantadas where there are multiple points of access.
Topography:	Most of the site is level and above the grade of the adjoining Venada Arroyo. Drainage is assumed to be adequate.
Soil/Sub-Soil Conditions:	The soil conditions are assumed to be adequate for residential development.
Infrastructure:	In the completed condition, the site will be improved with paved roads, concrete curb and gutter, concrete sidewalks, street lights, and storm drains. The subdivision will be bordered by a decorative masonry wall. The subdivision is expected to have a median-divided entry at the Camino Encantadas frontage and a secondary point of access, also at Camino Encantadas. The subdivision is expected to have off-site landscape along the Camino Encantadas frontage. The location of common area landscaped areas has not been designated. Upon completion, the lots will be graded and ready-to-build.
Utilities:	The site will have all utilities to include municipal water and sanitary sewer service, underground electricity, natural gas, telephone, and cable.

A summary chart of these tracts is presented on the following page.

Description of the PID Improvements

The following is a summary of the PID improvements and their respective costs.

Enchanted Hills. The PID improvements for the Enchanted Hills component of the subject property include the following.

- On-site roads, i.e., roads within the property boundary, to include, but not limited to, Colfax Place, NE, Valencia Drive NE, Eddy Place NE, and Sandoval Drive,
- Water transmission lines to include, but not limited to, 8" collection lines throughout the subdivision,
- Sanitary sewer lines to include, but not limited to, the on-site collection lines that are 12" in diameter,
- On-site storm drains, and
- On-site park improvements.

Based on information from the property owner, the reported on-site costs for the Enchanted Hills development are stated in the following chart.

On-Site Construction Costs (Enchanted Hills)

Hard Costs	Total	\$/Lot	Developer-Funded	PID-Funded
Roadways	\$751,504	\$6,315/Lot	\$0	\$751,504
Sanitary Sewer	\$273,324	\$2,297/Lot	\$0	\$273,324
Water	\$404,099	\$3,396/Lot	\$0	\$404,099
Parks	\$150,000	\$1,261/Lot	\$0	\$150,000
Drainage	\$88,275	\$742/Lot	\$0	\$88,275
Block Walls	\$841,047	\$7,068/Lot	\$841,047	\$0
Mass Grading	\$338,244	\$2,842/Lot	\$338,244	\$0
Dry Utilities	\$267,220	\$2,246/Lot	\$267,220	\$0
Sub-Total	\$3,113,714	\$26,166/Lot	\$1,446,511	\$1,667,202
Engineering	\$650,547	\$5,467/Lot	\$0	\$650,547
Fees	\$22,547	\$189/Lot	\$22,547	\$0
Miscellaneous	\$11,102	\$93/Lot	\$11,102	\$0
Contingency	\$144,581	\$963/Lot	\$28,417	\$116,164
Sub-Total	\$828,777	\$6,965/Lot	\$62,067	\$76,711
TOTAL COST	\$3,942,492	\$33,130/Lot	\$1,508,578	\$2,433,913

SUMMARY OF LOT ALLOCATIONS

Lomas Encantadas/Enchanted Hills PID

Internal PID Classification	Density	LE Unit	Lots	Sub-Total
1A	< 2 DU/Acre	1A	45	105
		1B	7	
		1C	15	
		1D	13	
		1E	25	
1B	2 DU to 4 DU/Acre	2A	112	363
		1G	179	
		2F	44	
		1F	28	
1C	4 DU to 6 DU/Acre	2B	166	367
		2C	201	
2	4 DU to 6 DU/Acre	2D	83	83
SUB-TOTAL LOTS				918
3	4 DU to 6 DU/Acre	A	119	119
TOTAL LOTS				1,037

Lomas Encantadas. The PID improvements for the Lomas Encantadas component of the subject property include a set of off-site construction costs and a set of on-site construction costs. Those costs are listed in the following.

- On-site roads, i.e., roads within the PID boundary, to include, but not limited to, the collector roads of Camino Encantadas, Kodiak Road, and Aldan Drive,
- Sanitary sewer collection lines to include, but not limited to the 12" line located in Camino Encantadas,
- Water transmission lines, to include, but not limited to, the 16" line located within Camino Encantadas and the 8" collection lines located in Kodiak Road, Nacelle Road, and Nagoya Road,
- Master plan storm drains to include the 54", 56", 60", 66", and 84" storm drains within the Camino Encantadas right-of-way,
- Off-site road, sanitary sewer, and other drainage improvements within the Camino Encantadas right-of-way, and
- Park and trail improvements, landscaping along collector roads and barrier walls.

Based on information from the property owner, the reported on-site costs for the Lomas Encantadas development are stated in the following chart.

On-Site Construction Costs (Lomas Encantadas)

Hard Costs	Total	\$/Lot ¹	Developer-Funded	PID-Funded
Roadways	\$6,666,945	\$7,984/Lot	\$444,562	\$6,222,383
Sanitary Sewer	\$2,430,604	\$2,911/Lot	\$190,614	\$2,239,990
Water	\$2,052,384	\$2,458/Lot	\$169,404	\$1,882,980
Drainage	\$1,702,855	\$2,039/Lot	\$476,398	\$1,226,457
Block Walls	\$4,192,359	\$5,021/Lot	\$4,192,359	\$0
Mass Grading	\$2,973,264	\$3,561/Lot	\$2,973,264	\$0
Dry Utilities	\$2,262,330	\$2,709/Lot	\$2,262,330	\$0
Sub-Total	\$22,280,741	\$26,684/Lot	\$10,708,931	\$11,571,810
Engineering	\$2,869,111	\$3,436/Lot	\$356,366	\$2,512,745
Fees	\$288,751	\$346/Lot	\$288,751	\$0
Miscellaneous	\$135,983	\$163/Lot	\$135,983	\$0
Contingency	\$1,059,650	\$1,269/Lot	\$431,295	\$628,355
Sub-Total	\$4,353,495	\$5,214/Lot	\$1,212,395	\$3,141,100
TOTAL COST	\$26,634,236	\$31,898/Lot	\$11,921,326	\$14,712,910

¹ Based on 835 lots

Off-Site Construction Costs (Lomas Encantadas)

Hard Costs	Total	\$/Lot¹	Developer-Funded	PID-Funded
Roadways	\$11,362,584	\$12,378/Lot	\$4,709,740	\$6,652,844
Sanitary Sewer	\$1,629,528	\$1,775/Lot	\$1,282,013	\$347,515
Water	\$1,766,498	\$1,924/Lot	\$928,911	\$837,587
Drainage	\$8,363,995	\$9,111/Lot	\$4,371,117	\$3,992,878
Parks	\$1,865,761	\$2,032/Lot	\$0	\$1,865,761
Block Walls	\$508,215	\$554/Lot	\$508,215	\$0
Dry Utilities	\$1,917,744	\$2,089/Lot	\$1,917,744	\$0
Sub-Total	\$27,414,325	\$29,863/Lot	\$13,717,740	\$13,696,585
Soft Costs	Total	\$/Lot¹	Developer-Funded	PID-Funded
Engineering	\$3,868,288	\$4,214/Lot	\$3,060,470	\$807,818
Site Work	\$329,745	\$359/Lot	\$248,466	\$81,279
Fees	\$1,085,982	\$1,183/Lot	\$1,085,982	\$0
Miscellaneous	\$661,604	\$721/Lot	\$661,604	\$0
Contingency	\$1,084,823	\$1,182/Lot	\$98,391	\$986,432
Sub-Total	\$7,030,442	\$7,658 /Lot	\$5,154,913	\$1,875,529
TOTAL COST	\$34,444,766	\$37,522/Lot	\$18,872,653	\$15,572,114

¹ Based on 918 lots

Based on the allocable PID costs, the allocated PID levy for each class of lots is shown in the following.

PID Classification	Density	Annual PID Levy
1A	< 2 DU/Acre	\$1,320
1B	2 DU to 4 DU/Acre	\$1,260
1C	4 DU to 6 DU/Acre	\$1,200
2	4 DU to 6 DU/Acre	\$675
3	4 DU to 6 DU/Acre	\$1,200

Highest and Best Use Conclusion

Based on the hypothetical condition that all PID-funded improvements and developer-funded improvements are complete, the subject property consists of 1,037 platted and improved residential lots.

As the entitlement for residential development and the broader demand for finished residential lots are the overriding influences in this market, the highest and best use of the subject property, **subject to the stated hypothetical condition**, is as individual residential lots for home development.

Lot Valuation

The finished residential lots are valued by sales comparison. The comparative lot sale data is described in the following.

Lomas Encantadas

Within the Lomas Encantadas development, new home construction and lot development began in 2007 and has continued through the present. The forthcoming transactions are the most recent in Lomas Encantadas.

- In October 2015, Pulte Homes of New Mexico, Inc., a Michigan corporation, executed a purchase agreement for all 83 lots within Unit 2D of Lomas Encantadas at an initial price of \$59,000 per lot. Under this agreement, Pulte Homes agreed to execute the transaction in three closings, the first closing for 43 lots, the second closing for 20 lots to occur within 8 months after the first closing, and the third closing for the remaining 20 lots to occur within 6 months after the second closing. The lot price escalates at a rate of \$13.74 per day after December 1, 2015, or the date the seller begins construction of the Phase 3A Off-Site Construction, which equates to an annualized amount of \$5,015.10 (365 days x \$13.74/day) which further equates to an annual rate of 8.5% ($\$5,015.10 \div \$59,000$).

An upward adjustment of \$852 is made to the lot price based on the difference in time between the effective date of the escalation (December 1, 2015) and the effective date of valuation (February 1, 2016), a period of 62 days at \$13.74/day.

The purchase agreement states the purchaser will receive an impact fee credit, totaling \$6,247 per lot, which may be used to offset any impact fee charges by the City of Rio Rancho. Presently, the impact fees for a residential building permit for the City of Rio Rancho are \$10,027 which means the inclusion of this fee credit in the lot purchase agreement offsets the cost of building a new home to the purchaser by \$3,780. In other

words, the market price for (a) the price of a lot at \$59,000 per lot, and (b) the cost of all impact fees at \$10,027 in the City of Rancho, equals \$69,027; in the context of this purchase agreement, Pulte Homes only pays \$65,247 [$\$59,000 + \$6,247$], a difference, i. e., a benefit, of \$3,780. An upward adjustment of \$3,780 is made to the current lot price per lot in order to reflect the total market price.

For the purpose of comparison, the effective lot price is \$63,632 per lot, or \$1,273 per front foot.

Pulte Homes of New Mexico, Inc. closed on 43 lots in December 2015. Title was conveyed by a special warranty deed from Amrep Southwest, Inc., a New Mexico corporation, on December 10, 2015, recorded in the public records of Sandoval County, New Mexico, on Document #2015-027385.

- In June 2015, DR Horton, Inc., a Delaware corporation, executed a purchase agreement for 27 lots within Unit 4B of Lomas Encantadas at a sale price of \$55,000 per lot. DR Horton agreed to execute the transaction in a single closing.

Like the preceding agreement with Pulte Homes, the purchase agreement includes the same impact fee credit (\$6,247) for DR Horton. An upward adjustment is made to the current price of \$3,780 per lot.

For the purpose of comparison, the effective lot price is \$58,780 per lot, or \$1,176 per front foot.

DR Horton, Inc. closed on 27 lots in September 2015. Title was conveyed by a special warranty deed from Amrep Southwest, Inc., a New Mexico corporation, on September 22, 2015, recorded in the public records of Sandoval County, New Mexico, on Document #2015-021202.

- In October 2014, Abrazo Homes, LLC, a New Mexico limited liability company, executed a purchase agreement for 15 lots within Unit 4B of Lomas Encantadas at a sale price of \$52,500 per lot. Under this agreement, Abrazo Homes agreed to execute the transaction in multiple closings, initially closing 2 lots and then closing at least 3 lots every quarter, beginning six months after the initial closing. Twelve months after the first closing, the price is scheduled to increase by \$2,500 per lot.

In August 2015, the purchase agreement was amended to add an additional 11 lots to their available lot supply at the same price \$52,500 per lot, and, effectively, at the same terms. The prices of all lots became subject to a different price escalator; an annual escalator of 5% is applied, calculated from the initial closing date (January 2015). Accordingly, the current lot price is \$55,125 ($\$52,500 \times 1.05$).

Like the preceding agreements with Pulte Homes and DR Horton, the purchase agreement includes the same impact fee credit (\$6,247) to Abrazo Homes. An upward adjustment is made to the current price of \$3,780 per lot.

For the purpose of comparison, the effective lot price is \$58,905 per lot, or \$1,178 per front foot.

Thus far, Abrazo Homes, LLC, has closed on 6 lots in six closings, beginning in January 2015 through February 2016. The recordation information is listed below.

Legal Description	Recording Date	Document
Lot 22, Block 3	January 9, 2015	SWD #2015-000471
Lot 1, Block 5	January 12, 2015	SWD #2015-000524
Lot 18, Block 3	August 10, 2015	SWD #2015-017704
Lot 24, Block 3	August 20, 2015	SWD #2015-018865
Lot 21, Block 3	October 27, 2015	SWD #2015-024065
Lot 19, Block 3	February 3, 2016	SWD #2016-002326

- In July 2014, Morningstar Homes, LLC, a New Mexico limited liability company, executed a purchase agreement for 40 lots within Unit 4B of Lomas Encantadas at a sale price of \$55,000 per lot. Under this agreement, Morningstar Homes agreed to execute the transaction in multiple closings, initially closing 6 lots and then closing at least 5 lots in each subsequent closing. The second closing is scheduled 4 months after the initial closing with subsequent closings occurring at quarterly intervals.

The purchase agreement was changed in three amendments which changed which the lot inventory, extended the date of the second closing period by one month, and then extended the date of all future closing dates. In each case, a fee was paid for each extension.

Like the preceding agreements, the purchase agreement includes the same impact fee credit (\$6,247) to Morningstar Homes. An upward adjustment is made to the current price of \$3,780 per lot.

For the purpose of comparison, the effective lot price is \$58,780 per lot, or \$1,176 per front foot.

Thus far, the public records of Sandoval County indicate Morningstar Homes, LLC, has closed on 11 lots in two closings, one closing in October 2014 and the other closing in February 2015.

Cabezon

In Yucatan al Este in Cabezon, Pulte Homes of New Mexico purchased the remaining inventory of residential lots within this subdivision. A representative of Pulte Homes verified the inventory has approximately 161 lots that were, effectively, owned by Artistic Homes and/or its affiliates, who contracted to sell the inventory to an intermediary who, in turn, contracted to sell lots to Pulte Homes. The price was not confirmed although Pulte Homes' new home inventory is priced at approximately \$10,000 higher than the new homes in their

Lomas Encantadas development, suggesting the lots are priced approximately \$10,000 than the Lomas Encantadas lots, or \$69,000. This inference is consistent with the remaining sales in Arbolera del Este, an adjoining subdivision in Cabezon, where similar lots to those in Yucatan al Este have sold for \$70,000.

Re-stated, the final lot pricing could not be verified.

Hawksite

In October 2014, Abrazo Homes, LLC, executed an option agreement for the purchase of 10 lots within Tracts 33/34 of Hawksite at a sale price of \$35,000 per lot. Under this agreement, Abrazo Homes acquired the option to purchase 10 lots for 1 year.

Thus far, the public records of Sandoval County indicate Abrazo Homes, LLC, has closed on 1 lot in October 2015. Title was conveyed with a special warranty deed recorded on October 26, 2015 on Document #2015-023848 of the public records of Sandoval County.

In addition to the Abrazo agreement, it appears that Twilight Homes, LLC, has also purchased 2 lots in Tracts 33/34 of Hawksite. The price was not documented by the seller but is believed to be \$35,000 per lot. The sale of these two lots occurred in a single closing with title being conveyed by way of a special warranty deed, recorded on November 11, 2015 on Document #2015-025638 of the public records of Sandoval County.

The option agreement with Abrazo Homes provided for the inclusion of an impact fee credit (\$6,617) to Abrazo Homes and, presumably, to Twilight Homes. An upward adjustment is made to the current price of \$3,410 per lot.

For comparison purposes, the adjusted sale price of these transactions is equal to \$38,410, or \$768 per front foot.

Unit 3A of The Trails

The Trails is a mixed-use planned community located at the northwest periphery of the City of Albuquerque, New Mexico, near the southwest corner of Woodmont Avenue NW and Rainbow Boulevard NW. The Trails is one of the few residential subdivisions in the Albuquerque market where new lots are being constructed and sold to builders. There are three signed purchase agreements, executed in January 2015, September 2014, and March 2014, for lots within Unit 3A of The Trails.

- In January 2015, a purchase agreement was executed for 40 lots with Hakes Brothers, a Southern New Mexico builder, each lot having a typical frontage of 50'. In addition, Hakes Brothers has an option for 20 additional lots. The lot price is equal to \$1,200 per front foot, or \$60,000 per lot. Hakes Brothers has agreed to close on the first 20 lots upon the substantial completion of site construction and 20 more lots in one year after the initial closing. The lots are located in Tracts 7 & 8 of Unit 3A of The Trails in the area south of Woodmont Boulevard west of Rainbow Boulevard.

Presently, these lots are under construction.

- In September 2014, Raylee Homes executed a purchase agreement for 61 lots within Tracts 7 & 8 adjoining the Hakes Brothers lots mentioned above. The lots will range in size from 45' to 73' and are priced at a uniform ratio of \$1,200 per front foot. The purchase agreement indicates 30 lots will close upon substantial completion of the lot inventory and the remainder of the lot inventory will close within six months of the first closing.

Presently, these lots are under construction.

- In March 2014, a purchase agreement was executed between the developer, Woodmont Paseo, LLC, and D. R. Horton, Inc., a Delaware corporation, for 60 finished residential lots located within Tracts 6, 9, and 10; since the date of the agreement, the name of the subdivision was platted as *Valle Prado at The Trails*. The lots are scheduled for delivery in two phases wherein each phase will have fifteen (15) lots measuring 60' x 105' and fifteen (15) lots measuring 70' x 105'. In Phase 1, the sale price of the lots is based on a price ratio of \$1,100 per front foot, meaning the 60' lots are priced at \$66,000 per lot and the 70' lots are priced at \$77,000 per lot. In Phase 2, the lot price for each lot type increases by 3% to \$67,980 for the 60' lots and \$79,310 for the 70' lots.

In July 2014, the purchase agreement was amended to include the remaining 105 lots within Tract 6/9/10. The final layout includes an even distribution of 50' lots, 60' lots, and 70' lots and the pricing was increased for the remainder lots to \$1,200 per front foot.

D. R. Horton closed 32 lots in Phase 1 in February 2015. Title was conveyed by a warranty deed recorded on February 12, 2015 on Document #2015-012068 of the public records of Bernalillo County. D. R. Horton closed all 30 lots in Phase 2 in October 2015. Title was conveyed by a warranty deed recorded on October 2, 2015 on Document #2015-086185.

The remaining 105 lots are under construction.

Solcito

Solcito is a new residential community located north of Northern Boulevard and east of Unser Boulevard within the municipal limits of the City of Rio Rancho, New Mexico. Solcito adjoins the proposed Stonegate development and upon build-out, Solcito will support 190 residential lots.

In March 2015, D. R. Horton, Inc. executed a purchase agreement for the purchase all of the Phase 1 lots within Solcito, totaling 51 lots. The reported price was \$55,000 per lot which equates to a unit price of \$1,100 per front foot. Thus far, D. R. Horton, Inc. has had two closings of 17 lots each, one in April 2015 and one in October 2015.

The initial conveyance was recorded on April 23, 2015 with via a warranty deed recorded on Document #2015-0008409 and the second conveyance was recorded on October 29, 2015, also via a warranty deed recorded on Document #2015-024182.

Summary of Sale Price Indications

Subdivision	# of Lots	Sale Price/Lot	Date of Sale	Sale Price/FF	Buyer
Lomas Encantadas Unit 2D (50 FF)	83	\$63,632	October 2015	\$1,273/FF	Pulte Homes
Lomas Encantadas Unit 4B (50 FF)	27	\$58,780	June 2015	\$1,176/FF	DR Horton
Lomas Encantadas Unit 4B (50 FF)	15	\$58,905	October 2014	\$1,178/FF	Abrazo Homes
Lomas Encantadas Unit 4B (50 FF)	40	\$58,780	July 2014	\$1,176/FF	Morningstar Homes
.....					
Subdivision	# of Lots	Sale Price/Lot	Date of Sale	Sale Price/FF	Buyer
Valle Prado (45 FF – 73 FF)	60	Varies	March 2014	\$1,100/FF	DR Horton
Valle Prado (45 FF – 73 FF)	105	Varies	July 2014	\$1,200/FF	DR Horton
The Trails – Unit 3A (50 FF)	40	\$60,000	January 2015	\$1,200/FF	Hakes Brothers
The Trails – Unit 3A (45 FF – 73 FF)	61	Varies	September 2014	\$1,200/FF	Raylee Homes
.....					
Subdivision	# of Lots	Sale Price/Lot	Date of Sale	Sale Price/FF	Buyer
Yucatan al Este (70 FF)	150	\$70,000	October 2015	\$1,000/FF	Pulte Homes
.....					
Subdivision	# of Lots	Sale Price/Lot	Date of Sale	Sale Price/FF	Buyer
Hawksite (50 FF)	1	\$38,410	October 2015	\$768/FF	Abrazo Homes
Hawksite (50 FF)	2	\$38,410	November 2015	\$768/FF	Twilight Homes
.....					
Subdivision	# of Lots	Sale Price/Lot	Date of Sale	Sale Price/FF	Buyer
Solcito (50 FF)	34	\$55,000	March 2015	\$1,100/FF	DR Horton

Lot Value Conclusion

Re-stated, all of the lots composing the subject property are assumed to be complete and ready-to-build as of a current date which is a **hypothetical condition**.

With the exception of the Hawksite lots, there is a narrow range of lot pricing from \$1,000 per front foot to \$1,273 per front foot. The pricing has increased over the recent past and appears to be uniform within a range of 45' lots to 70' lots. The recent sale of the Unit 2D inventory is the best comparable sale.

Of note, the nominal lot price in Unit 2D is adjusted to reflect the actual time adjustment and to reflect the impact of the impact fee credits.

Looking forward, the market value of the individual lots within the Lomas Encantadas component of the subject property is best reflected at a price ratio of \$1,250 per front foot.

In addition, the market value of the individual lots within the Enchanted Hills component of the subject property is best reflected at a price ratio of \$1,000 per front foot.

The value calculations for the entire lot inventory, assuming the completion of all site construction, are shown in the following. The value indications are the undiscounted sum of the individual lot values.

Enchanted Hills

119 50' lots @ \$1,000 per front foot =	\$5,950,000
---	-------------

Lomas Encantadas

Unit 2D (83 50' lots @ \$1,250 per front foot) =	\$5,187,500
Unit 2B (166 50' lots @ \$1,250 per front foot) =	\$10,375,000
Unit 2C (201 50' lots @ \$1,250 per front foot) =	\$12,562,500
Unit 2F (44 70' lots @ \$1,250 per front foot) =	\$3,850,000
Unit 1 F (28 70' lots @ \$1,250 per front foot) =	\$2,450,000
Unit 1G (179 70' lots @ \$1,250 per front foot) =	\$15,662,500
Unit 2A (112 60' lots @ \$1,250 per front foot) =	\$8,400,000
Units 1A – 1E (105 90' lots @ \$1,250 per front foot) =	\$11,812,500
TOTAL UNDISCOUNTED LOT VALUE	\$76,250,000

Consideration of the Tax/PID Lien Threshold

The scope of this assignment also includes consideration of the maximum statutory threshold of the sum of the *ad valorem* taxes and PID levies set forth in the relevant State statute. The relevant statutory language of the State requirements for PID funding set forth in Section 5-11-20(D) NMSA 1978 state:

“Unless a local government has enacted an ordinance providing a greater limitation, no special levy bonds may be issued if at the time of issuance of such bonds the estimated total tax and assessment obligation for a class of property, including projected *ad valorem* taxes and special levies as provided in the feasibility study, exceeds one and

ninety-five hundredths percent of the anticipated, average market value of each class of property at the time of issuance of a certificate of occupancy as determined by a member appraiser of the appraisal institute.”

The valuation issue is whether the anticipated level of *ad valorem* taxes and PID levies exceeds 1.95% of the anticipated, average market value of each class of property.

Accordingly, the inputs to this analysis are:

- The estimate of the anticipated, average market value of each class of property, and
- The estimate of the ad valorem tax/PID levy.

The PID Levy and Marketability

The PID levy increases the annual cost of homeownership. By virtue of this additional annual cost, some buyers’ mortgage applications may be rejected but, more importantly, other buyers may be perceive the additional cost as burdensome. In other words, the PID levy may adversely impact the marketability of the property.

In order to assess the impact of PID levies on the marketability of new residential developments, I compiled the PID levies of other residential developments and their absorption rates. If there is an adverse impact, absorption rates will be low and if there is no adverse impact, absorption rates will be higher.

Development	Builder	Annual PID Levy	Absorption
Yucatan al Este	Pulte Homes	\$406/year	9 permits/month
The Boulders	Pulte Homes	\$1,050 - \$1,280/year	6 permits/month
Mirehaven	Pulte Homes	\$995 - \$1,095/year	5 permits/month
Taos at The Trails	DR Horton	\$530 - \$581/year	3 permits/month

The data illustrates that the PID levy does not adversely impact the marketability of the development. Beyond the data, my interviews with the sales personnel at each development suggests that the inclusion of a PID levy in the debt service/tax equation is a low priority factor for most buyers.

The Anticipated, Average Market Value of Each Class of Property: Lomas Encantadas

In the estimate of the anticipated, average market value of each class of property, the relevant market data was presented in the Market Study section of this appraisal. For reference, the summary chart is presented on the following page.

Pricing Conclusions for the Lomas Encantadas Property

The 50' and 60' Lots. As a baseline, the analysis begins with new homes on the typical 50' lot and the typical 60' lot. The presented market data consists of current asking prices in active neighboring residential subdivisions. These pricing representations are relevant.

The presented data supports the following observations.

- New homes in Lomas Encantadas should be good quality homes while the new homes in Enchanted Hills should be average quality.
- For the 50' lots, the one-story homes should have a range of living areas from 1,700 SF to 2,500 SF while the two-story homes should range from 2,200 SF to 3,000 SF.
- For the one-story homes, the unit pricing should range from \$120/SF to \$130/SF while for the two-story homes, the unit pricing should range from \$90/SF to \$100/SF.
- As a pricing supplement, the home on a 60' lot is expected to sell at \$15,000 premium over the same home on a 50' lot

Lomas Encantadas will offer a competing array of subdivision amenities in comparison the neighboring subdivisions.

The following matrix illustrates the range of pricing in demand in the current market.

Factor	@ 1,700 SF on a 50' Lot	@ 2,400 SF on a 50' Lot
@ \$120/SF	\$204,000	\$288,000
@ \$130/SF	\$221,000	\$312,000
.....		
Factor	@ 2,200 SF on a 50' Lot	@ 3,000 SF on a 50' Lot
@ \$90/SF	\$198,500	\$270,000
@ \$100/SF	\$220,000	\$300,000
.....		
Factor	@ 1,700 SF on a 60' Lot	@ 2,400 SF on a 60' Lot
@ \$120/SF	\$219,000	\$303,000
@ \$130/SF	\$236,000	\$327,000
.....		

SUMMARY OF NEW HOME OFFERINGS

Development	Builder	Pricing Cluster	Living Area	Stories	SP/SF
Lomas Encantadas (Unit 2D)	Pulte Homes	\$219,990 to \$240,990	1,776 SF to 2,137 SF	1	\$113/SF to \$124/SF
Lomas Encantadas (Unit 4B)	D. R. Horton (Express Homes)	\$199,990 to \$215,990	1,700 SF to 2,427 SF	1	\$125/SF
Lomas Encantadas (Unit 4B)	Abrazo Homes	\$207,000 to \$290,975	1,603 SF to 1,949 SF	1	\$120/SF to \$122/SF
Lomas Encantadas (Unit 4B)	Morningstar Homes	\$199,990 to \$229,990	1,610 SF to 1,818 SF	1	\$124/SF to \$127/SF
Lomas Encantadas (Unit 2D)	Pulte Homes	\$258,990 to \$283,990	2,630 SF to 3,413 SF	2	\$83/SF to \$98/SF
Lomas Encantadas (Unit 4B)	D. R. Horton (Express Homes)	\$232,000 to \$247,000	2,438 SF to 2,641 SF	2	\$94/SF to \$95/SF
Lomas Encantadas (Unit 4B)	Abrazo Homes	\$219,990 to \$307,975	1,947 SF to 2,746 SF	2	\$112/SF to \$113/SF
Lomas Encantadas (Unit 4B)	Morningstar Homes	\$242,990 to \$299,990	2,123 SF to 3,386 SF	2	\$89/SF to \$114/SF
Cabazon	Pulte Homes	\$229,990 to \$259,990	1,776 SF to 2,261 SF	1	\$115/SF to \$129/SF
Cabazon	Pulte Homes	\$265,990 to \$313,990	2,630 SF to 3,550 SF	2	\$99/SF to \$101/SF
Solcito	D. R. Horton (Express Homes)	\$124,000 to \$1230000	1,700 SF to 1,994 SF	1	\$115/SF to \$126/SF
Solcito	D. R. Horton (Express Homes)	\$240,000 to \$255,000	2,438 SF to 2,641 SF	2	\$97/SF to \$98/SF
Hawksite	Abrazo Homes	\$154,990, to \$191,990	1,198 SF to 1,730 SF	1	\$111/SF to \$129/SF
Hawksite	Raylee Homes	\$149,990 to \$174,990	1,018 SF to 1,664 SF	1	\$105/SF to \$147/SF
Hawksite	Abrazo Homes	\$154,990, to \$191,990	1,947 SF to 2,347 SF	2	\$80/SF to \$82/SF
Hawksite	Raylee Homes	\$184,990 to \$235,990	1,860 SF to 3,020 SF	2	\$78/SF to \$99/SF

Factor	@ 2,200 SF on a 60' Lot	@ 3,000 SF on a 60' Lot
@ \$90/SF	\$213,500	\$285,000
@ \$100/SF	\$235,000	\$315,000

In my best estimate, the central tendency of pricing for the subject's target market is \$200,000 to \$275,000 for homes on a 50' lot and \$225,000 to \$300,000 for homes on a 60' lot.

The 70' (+) Lots. As noted, the range of pricing beyond the price range of tract housing will begin at approximately \$300,000 and range through approximately \$500,000. For this portion of the analysis, the PID levy is the same as for the 60' lots. Arithmetically, this means that the sum of the ad valorem tax and PID levy will always be less than the percentage attributable to the 60' lots.

The 90' Lots. The 90' lots are expected to be custom home lots which, in the Rio Rancho market, begin at \$400,000 and range through approximately \$600,000.

The Estimate of the Ad Valorem Tax and PID Levy: Lomas Encantadas

The estimate of the *ad valorem* tax for the subject property is based on the application of the current mill rate to the calculated taxable value, the latter being based on the preceding pricing models for new homes. The estimate of the PID levy is based on the application of an analysis provided by the property owner and its PID levy consultant

The calculation of the anticipated 2015 *ad valorem* tax amount is described in the following.

- The effective price/value of the average anticipated home price is estimated to range between \$200,000 to \$275,000 and \$225,000 to \$300,000.
- Using the price/value indications as the assumed total assessment, the assessments are divided by 3, resulting in the "taxable amount."
- The taxable amount is divided by 1,000.
- The product is multiplied by the mill rate; for residential properties in the City of Rio Rancho, the 2015 mill rate is \$38.335 per \$1,000 taxable value.

The projected tax amount for a new home on a typical 50' lot is calculated as follows.

- For the floor level of pricing at \$200,000, the estimated *ad valorem* tax equals \$2,556 ($\$200,000 \div 3 \div 1,000 \times \38.335).

- For the ceiling level of pricing at \$275,000, the estimated *ad valorem* tax equals \$3,514 ($\$275,000 \div 3 \div 1,000 \times \38.335).

The projected tax amount for a new home on a typical 60' lot are calculated as follows.

- For the floor level of pricing at \$225,000, the estimated *ad valorem* tax equals \$2,875 ($\$225,000 \div 3 \div 1,000 \times \38.335).
- For the ceiling level of pricing at \$300,000, the estimated *ad valorem* tax equals \$3,834 ($\$300,000 \div 3 \div 1,000 \times \38.335).

Based on information from the property owner and their PID levy consultant, the maximum levy for all residential lots is \$1,320.

The following chart illustrates the relevant percentage of the sum of the *ad valorem* taxes plus the anticipated PID levy in relation to the property's "anticipated, average market value."

Factor	@ \$200,000	@ \$275,000
<i>Ad Valorem</i> Tax	\$2,556	\$3,514
PID Levy	\$1,200	\$1,200
Total	\$3,756	\$4,714
As a % of Price/Value	1.88%	1.71%

Factor	@ \$225,000	@ \$300,000
<i>Ad Valorem</i> Tax	\$2,875	\$3,834
PID Levy	\$1,260	\$1,260
Total	\$4,135	\$5,094
As a % of Price/Value	1.84%	1.70%

For those homes on 50' and 60' lots, the preceding analysis supports the statutory requirement that the sum of the *ad valorem* taxes plus the anticipated PID levy is less than 1.95% of the anticipated, average market value of each class of property.

For the larger lots, it is reasonable to infer that homes built on 70' (+) lots will also satisfy this requirement. For homes on larger lots, the tax amount will remain proportionate to the price/value based on the fixed mill rate and the PID levy will remain fixed, regardless of the price/value of the home. Under these conditions, the sum of the *ad valorem* tax and PID levy will always decline. Beyond the price/value of \$300,000 as noted above, the sum of these factors will always be less than 1.69%.

The 90' lots are expected to support custom homes priced at \$400,000 and above. As the PID levy increases by only a nominal amount from the 60' and 70' lots (\$1,260 v. \$1,320), the sum of the ad valorem taxes and PID levy are not expected to exceed the required threshold. A calculation is shown in the following.

Price/Value Basis	\$400,000
Taxable Value	\$133,333
Mill Rate	\$38.355 per \$1,000 of taxable value
Projected Tax Amount	\$5,114
PID Levy	\$1,320
Total	\$6,434
% of Price/Value Basis	1.61%

As the price increases, the % of the Price/Value Basis decreases.

As a cautionary note, the statutory threshold may be satisfied on homes priced as low as \$200,000 although below that price, the threshold will not be satisfied. Also of note, the lowest asking price for a new home in in Unit 4B in Lomas Encantadas is \$199,990 while the lowest price of a new home in Unit 2D is \$219,990.

The Anticipated, Average Market Value of Each Class of Property: Enchanted Hills

In the estimate of the anticipated, average market value of each class of property, the relevant market data was presented in the Market Study section of this appraisal. For reference, the summary chart is presented on the following page.

Pricing Conclusions for the Enchanted Hills Property

In the Market Study, the estimated range of pricing associated with new homes in the Enchanted Hills property is \$180,000 to \$220,000.

The Estimate of the Ad Valorem Tax and PID Levy: Enchanted Hills

The same arithmetic is applied to the Enchanted Hills property as previously applied to the Lomas Encantadas property.

The calculations are shown in the following.

Price/Value Basis	\$180,000
Taxable Value	\$60,000
Mill Rate	\$38.355 per \$1,000 of taxable value
Projected Tax Amount	\$2,301
PID Levy	\$1,200
Total	\$3,501
% of Price/Value Basis	1.945%

Price/Value Basis	\$220,000
Taxable Value	\$75,000
Mill Rate	\$38.355 per \$1,000 of taxable value
Projected Tax Amount	\$2,813
PID Levy	\$1,200
Total	\$4,013
% of Price/Value Basis	1.82%

Conclusion

For all classes of homes at estimated pricing indications in both the Lomas Encantadas development and the Enchanted Hills development, the preceding analysis supports the statutory requirement that the sum of the ad valorem taxes plus the anticipated PID levy is less than 1.95% of the anticipated, average market value of each class of property.

Conclusions

This assignment is developed in conjunction with the formation and development of the Lomas Encantadas/Enchanted Hills PID. Presently, the tracts within these two neighboring subdivisions are undeveloped and the PID has not yet been incorporated.

The purpose of the appraisal is value the lot inventory of both tracts in accordance with the City of Rio Rancho requirements which state the appraisal is completed under the assumption that all PID-funded improvements have been completed and that all other development work has been completed as of a current date. Accordingly, **the physical condition of the finished residential lots becomes a hypothetical condition.**

The scope of this assignment requires a specific set of conclusions. Those conclusions are set forth in the following.

Regarding the Market Study Requirements

The required conclusions relating to the Market Study relate to (a) the revenue generated by the development, and (b) the absorption period for the development.

For (a), the revenue generated by the development is assumed to be the undiscounted market value of the finished residential lots, assuming the completion of lot construction, or \$76,250,000.

For (b), the absorption period for the development of the Lomas Encantadas property is estimated to be 9 years and the absorption period for the development of the Enchanted Hills property is estimated to be 2 years, running simultaneously with the absorption of the Lomas Encantadas property.

Regarding the Appraisal Requirements

The valuation requirement is a current appraisal of the fair market value of the property within the proposed PID, including (i) the improvements to be financed by the PID, and (ii) other improvements being constructed by the applicant during the PID construction period, the completion of which is guaranteed by the applicant.

As noted, this value estimate is hypothetical as the PID improvements and other improvements have not been constructed as of a current date. Based on these requirements, the value estimate is defined as the undiscounted sum of all of the individual lot values.

As of February 1, 2016, the undiscounted sum of all of the individual lot values, subject to the cited hypothetical condition, is \$76,250,000.

Regarding the Ad Valorem Tax/PID Levy Requirements

The appraisal will incorporate a detailed market study comparing the sum of the estimated PID levy plus the estimated *ad valorem* taxes to “the anticipated, average market value of each class of property at the time of issuance of a certificate of occupancy” in an effort to identify the resulting ratio applicable to the State statute. The threshold percentage is 1.95% of the anticipated, average market value of each class of property.

For all classes of property, the sum of the estimated ad valorem tax and the PID levy does not exceed 1.95% of the anticipated property value.

ADDENDA

APPRAISAL QUALIFICATIONS OF DAVID PEARSON, MAI

Since 1978, David Pearson has actively represented the real estate appraisal profession in New Mexico, Arizona, and Florida. During this time, Mr. Pearson has performed a broad range of analytical assignments relating to real estate to include market value appraisals, economic feasibility studies, advisory reports, and marketability studies for a broad range of clientele. In addition, real estate counseling services are available to address specific issues and client concerns. Mr. Pearson is certified by the State of New Mexico to perform all types of real estate appraisals.

David Pearson earned a Master of Science degree with Honors in Real Estate from Florida International University in Miami, Florida in 1981 and a Bachelor of Science degree in Public Administration from the University of Arizona in Tucson, Arizona in 1974. In 1984, Mr. Pearson was awarded the MAI designation (Member, Appraisal Institute) from the American Institute of Real Estate Appraisers, now referred to as The Appraisal Institute.

Mr. Pearson has experience in the valuation of most forms of residential properties, income-producing properties and urban land. His relevant territory is limited to the metropolitan Albuquerque area. Recent assignments include the valuation of numerous conventional income-producing properties to include suburban & Downtown offices, multi-tenant retail centers, apartment complexes, mobile home parks, self-storage facilities, and miscellaneous single tenant corporate retail properties. In addition, Mr. Pearson has prepared market value estimates on a variety of vacant land types which include small owner/user tracts and larger multi-use commercial tracts. Over the recent past, numerous appraisals on proposed residential subdivisions have been completed. In general, Mr. Pearson maintains sufficient infrastructure to follow through on most appraisal and valuation proposals.

From time to time, expert witness testimony is required as a result of certain appraisal assignments. Mr. Pearson has been qualified as an expert witness in the valuation of real estate in both Federal courts and State of New Mexico district courts.

Mr. Pearson has passed all required examinations and completed the program curriculum for the Appraisal Institute's Litigation Program Registry.

*** **

State of New Mexico

REAL ESTATE APPRAISERS BOARD

PO Box 25101 Santa Fe, NM 87505 (505) 476-4622



This is to certify that
John D Pearson #40-G

Having complied with the provisions of the New Mexico Real Estate Appraisers Act is hereby granted a license to practice as a

General Certified Appraiser

This appraiser is eligible to perform in Federally Related Transactions

Issue Date: 12/01/1990 Date Expires: 04/30/2016

THIS LICENSE MUST BE CONSPICUOUSLY POSTED IN PLACE OF BUSINESS