

**ESTRELLA MOUNTAIN RANCH
COMMUNITY FACILITIES DISTRICT
(CITY OF GOODYEAR, ARIZONA)**

**SPECIAL ASSESSMENT REVENUE BONDS SERIES 2023
LUCERO ASSESSMENT DISTRICT NO. 2**

ASSESSMENT METHODOLOGY

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**ESTRELLA MOUNTAIN RANCH COMMUNITY FACILITIES DISTRICT
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SPECIAL ASSESSMENT REVENUE BONDS (SERIES 2023)
LUCERO ASSESSMENT DISTRICT No. 2**

ASSESSMENT METHODOLOGY

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Willdan, the District Engineer for the Estrella Mountain Ranch Community Facilities District ("Estrella Mountain Ranch CFD" or the "District"), makes this report of benefit as directed by the City of Goodyear, Arizona (the "City") staff in support of the *Feasibility Report for the Issuance of Estrella Mountain Ranch Community Facilities District Special Assessment Revenue Bonds Series 2023 Lucero Assessment District No.2*, prepared by Hilltop Securities Inc. and dated November 14, 2022. ("Feasibility Report").

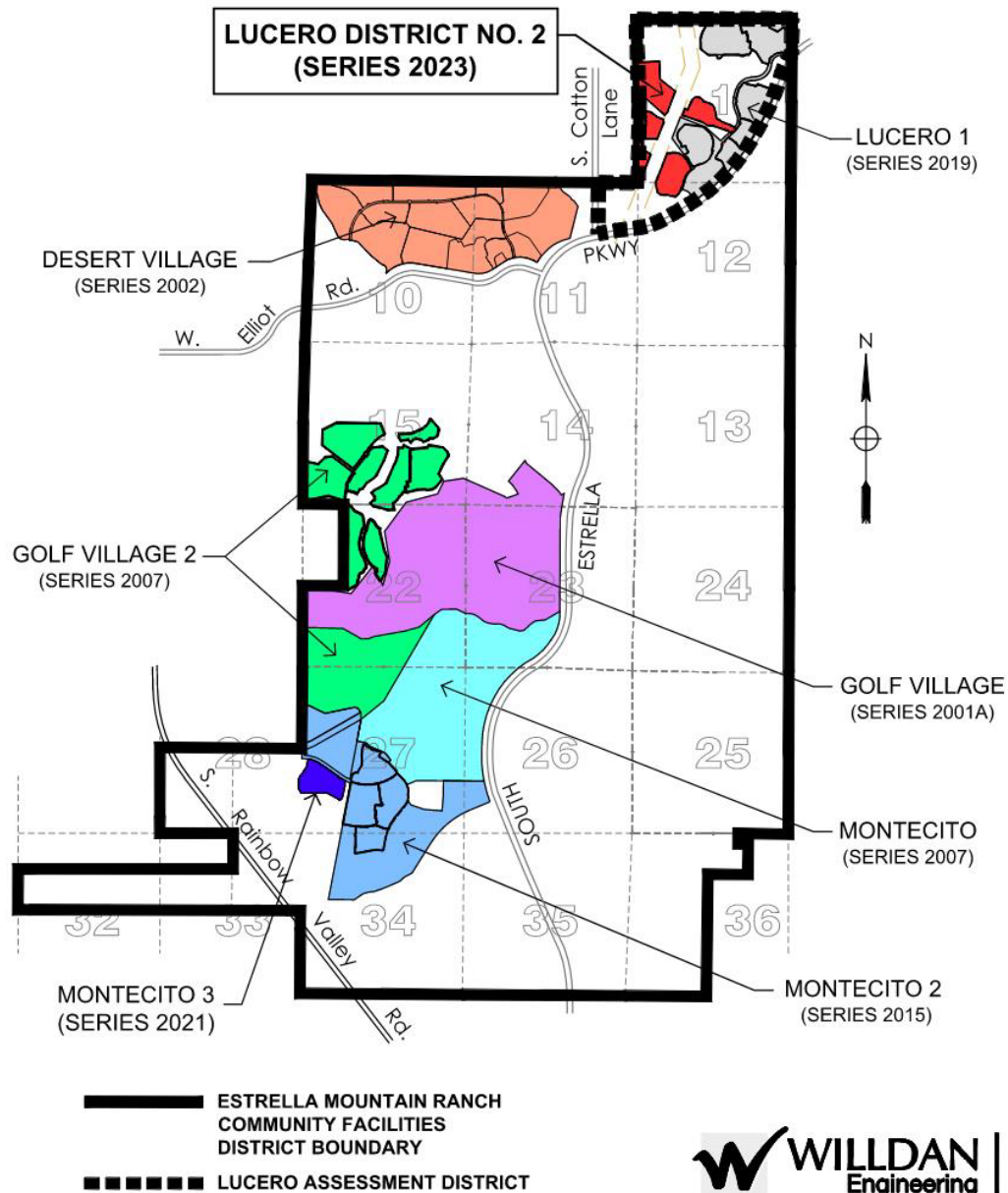
Project Description

The Estrella Mountain Ranch master planned community ("Development") consists of 9,771 acres and is located in Goodyear, Arizona. On November 22, 1999 the Estrella Mountain Ranch Community Facilities District was established to finance the construction and/or acquisition of public infrastructure that are part of the Development. Lucero Assessment District No. 2 consists of an estimated 87.13 acres within the larger 9,771acre Development. The Estrella Mountain Ranch Community Facilities District Special Assessment Revenue Bonds (Series 2023) Lucero Assessment District No.2 ("Bond Issue") relates to the acquisition of public infrastructure that will benefit development of Lucero Assessment District No. 2. Details related to the project area, infrastructure improvements, costs, and land use can be found in the Feasibility Report.

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**ESTRELLA MOUNTAIN RANCH
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SPECIAL ASSESSMENT AREAS



**ESTRELLA MOUNTAIN RANCH COMMUNITY FACILITIES DISTRICT
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Description of Improvements

The improvements that will be funded by the Bond Issue and are the subject of this report will be constructed and acquired public infrastructure that are eligible for funding according to Arizona Revised Statutes Title 48, Chapter 4, Article 6, the Community Facilities Act of 1988. The improvements are more fully described in Section 2 of the Feasibility Study. Briefly, the improvements are described as follows:

Street Improvements

The design and construction of certain grading, trenching, staking, paving, concrete, base, intersection work, landscaping, storm drains, street lighting, signing and striping, sidewalks, curbs and gutters, parkways, medians, landscaping, permits and fees, together with appurtenances and appurtenant work and an allowance for contingencies for the following arterial roadways:

- Hillside Drive – approximately 7,550 total lineal feet has been constructed

Sewer and Water Line Improvements

The design and construction of wet utilities have been or being constructed to serve all parcels:

- Water Mains: 16-inch - approximately 3,900 lineal feet and
 12-inch - approximately 130 lineal feet
- Lost Lift Station and Parallel Force Main – approximately 3,250 lineal feet and 4,300 lineal feet, respectively
- Zone 2 Water System Upgrades

Preliminary Cost Estimate

The Bond Issue secured by remaining unpaid assessments is proposed to be issued in accordance with the Arizona Revised Statutes, the City Policy Guidelines and Application Procedures for the Establishment of Community Facilities Districts, Development, Financing Participation and Intergovernmental Agreement No. 1 (Estrella Mountain Ranch Community Facilities District), and the Estrella Mountain Ranch Community Facilities District Waiver and Development Agreement Pertaining to Lucero Assessment District No. 2

Following the District's acquisition of Projects, the District will dedicate the Projects to the City. Accordingly, the District will have no operating or maintenance expenses in connection with the projects. Net Bond Proceeds (the estimated par amount of the Bonds of \$4,429,000 less the estimated debt service reserve fund of \$394,950), plus an assessment prepayment of \$19,000 by the property owner prior to delivery of the Bonds, are expected to fund infrastructure improvements.

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A summary of the public infrastructure to be financed through the Bond Issue includes the following:

ESTIMATED COST ESTIMATE

<u>Improvement Projects</u>	<u>Estimated Costs Funded Through Bond Issue</u>
STREET IMPROVEMENT	
Hillside Drive	\$ <u>2,765,809</u>
Subtotal Street Improvements	\$ 2,765,809
WATER and SEWER IMPROVEMENTS	
16-Inch and 12-Inch Waterline	\$ 488,333
Lost Lift Station and Parallel Force Main	\$ 593,879
Zone 2 Water System	\$ <u>205,029</u>
Subtotal Wet Utility Improvements	\$ 1,287,241
TOTAL IMPROVEMENTS ⁽¹⁾	\$ <u>4,053,050</u>
RESERVE FUND (maximum annual debt service)	\$ 394,950
BOND FUND	\$ 139,513
COST OF ISSUANCE	\$ 236,507
TOTAL COSTS AND INCIDENTALS TO BE REIMBURSED (Total Improvements plus the Reserve Fund)	\$ 4,824,020(2) =====
COSTS OF ISSUANCE	
Underwriter Discount	\$ 77,508
Bond Counsel	\$ 77,225
Underwriter's Council	\$ 30,000
CFD Financial Advisor	\$ 35,000
CFD Appraisal	\$ N/A
Bond Registrar, Paying Agent	\$ 600
Printing Fees	\$ 1,750
OS Preparation	\$ 10,000
Assessment Billing	\$ 700
Miscellaneous/Excess Construction Costs	\$ <u>3,725</u>
Subtotal General Incidental	\$ 236,508

Detailed project costs for the infrastructure listed above are included as Section 4 of The Feasibility Report.

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Footnotes

- (1) The cost estimate excludes private utility installation, entry monumentation, and total lot costs. All costs for construction above \$4,448,000 will be at the developer's expense. These costs were allocated to all planning areas based on the following assessment methodology.
- (2) The property owner will contribute an amount of \$19,000 as a portion of total costs to be reimbursed. The cash payment is a result of comparing the assessment liens to the Wayne Harding, MAI of Harding and Associates, Appraisal, updated November 14, 2022, of the wholesale (bulk) value of each of the Lucero Assessment District No. 2. The Applicant will advance all costs required above and beyond the amount in excess of \$5,000,000 required to install the improvements, except that pursuant to the terms of the CFD Development Agreement, the Applicant may seek reimbursement for such funds advanced to the District through subsequent issuances of special assessment and/or general obligation bonds. Any excess proceeds not used for its designated project cost or cost of issuance will be used to reduce the contribution shown above or any amounts advanced in excess of such amount for public improvement.

Assessment Methodology

The State of Arizona Revised Statutes provides that assessments be allocated in proportion to the benefits received by each lot from the improvements. For purposes of the Estrella Mountain Ranch Community Facilities District Special Assessment Revenue Bonds (Series 2023) Lucero Assessment District No. 2, the original assessed amount (prior to cash payments) and consequently the remaining assessments securing the proposed assessment bond amount of \$4,448,000 (prior to cash payments) is allocated to the lots within Lucero Special Assessment District 2 based upon the following benefit methodology.

Introduction

The improvements to be financed by the Bond Issue consist of backbone facilities that provide roadway improvements, sanitary sewer, and potable and nonpotable water for the properties within Lucero Assessment District No. 2. The improvements, which are more fully described in Section Two of the Feasibility Report, fall into the following categories:

- Roadway improvements
- Sanitary Sewer and Potable Water facilities and improvements

Roadway Improvements

The street-related improvements perviously installed within Lucero Phase 1 consist of new construction and/or acquisition of the arterial Hillside Drive. These roadways provide access to the residential and multi-family areas located within the Lucero Assessment District No. 2. The roadway improvements provide a direct and special benefit to the developable parcels to be assessed, in that direct ingress and egress is made available to all lots within the Lucero Assessment District No. 2 area. The cost estimate excludes ineligible costs such as dry utilities and monument structures.

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The collector roadways provide an area-wide system of streets to serve the developable properties within Lucero Assessment District No. 2 and serve as primary and/or secondary ingress/egress to the parcels providing access for properties within the Lucero Assessment District No. 2 area and allowing travel to areas outside of the Lucero Phase 2 boundaries. The specific alignment of a collector streets has been determined and approved by the City. Therefore, the construction of Hillside Drive is a direct and special benefit to the properties addressed in this report.

The benefit of roadway improvements to properties within Lucero Assessment District No. 2 will be allocated to the respective properties based on a per lot basis.

Apportioning the benefit of roadway improvements to properties within the Lucero Assessment District No. 2 area, was based on a per lot equal benefit. Therefore, within each single-family residential tract, each lot will receive an equal assessment.

In the event development occurs differently than currently projected, the assessment liens at the planning area level can be adjusted to meet the intent of this benefit analysis. However, in the event an assessment lien has been allocated to a final residential lot, the lien may not be increased as a result of changes in development.

Sanitary Sewer and Potable Water (Wet Utility)

The wet utility improvements include sanitary sewer mains and potable water line improvements placed in the streets to serve the special assessment area. These improvements provide for an orderly development of infrastructure service to the area by providing sanitary sewer, water and non-potable water service for each developed parcel. The benefit of these improvements is allocated to each property based on the estimated number of lots in each planning area.

In apportioning the benefit of sewer and water improvements to property within Lucero Assessment District No. 2, the assessment of the cost and expenses will be allocated to the planning areas within the Lucero Assessment District No. 2 equally based on the estimated number of lots per planning parcel. Therefore, within a single-family residential tract, each lot will receive an equal assessment.

In the event development occurs differently than currently projected, the assessment liens at the planning area level can be adjusted to meet the intent of this benefit analysis. However, in the event an assessment lien has been allocated to a final residential lot, the lien may not be increased as a result of changes in development.

Project Incidentals and Bond Issuance Costs

These costs increase the assessments for each assessment area in proportion to the special assessments allocated thereto for the improvement construction costs. This is deemed an appropriate charge related to the Community Facilities District. Therefore, Project Incidentals and Bond Issuance Costs are allocated to each parcel based on construction costs.

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Apportionment

87.13 acres within the Lucero Assessment District No. 2 consist of large subdivided acreage, which is expected to be developed in conformance with the Estrella Mountain Ranch Vesting Tentative Tract Maps. Upon recordation of these maps, the initial method of assessing the eligible improvement costs to the properties will be in accordance with the above-described method of assessment.

The assessments for parcels within Lucero Assessment District No. 2 are fixed, but lot assessments can vary if the assumed number of lots differs from the assumed numbers that are based upon zoning allowances. All lots have been approved and plated. Upon recordation of subdivision, parcel or lot line adjustment maps, the assessment for residential parcels will be apportioned equally based on the number of similar assessable lots or multi-family units. Lot line adjustments may occur on areas that currently are defined as part of open space areas. Therefore, these parcels are included within the Assessment Diagram boundaries to allow future modifications to occur in the event that developable lots are created on any portion of these properties.

Owner Prepayment

The Owner has elected to prepay a portion (\$19,000) of the assessment attributable to parcel 11.I1 prior to closing on the Bond Issue, leaving \$589,000 to be assessed equally for all the lots in this parcel only. After payment of the cash prepayment, the Assessment for this parcel will be reduced to bring it in compliance with the LTV as required by the Feasibility Report.

Estimated Special Assessment Liens

Based upon the information presented above, the estimates of the assessments to be placed upon each of the parcels located within the Lucero Assessment District No. 2 (according to final plats recorded for Parcels 11.E, 11.F.1, 11.H, 11.I1, and 11.I.2 have been allocated as follows:

**LUCERO ASSESSMENT DISTRICT NO. 2
ASSESSMENT PER PARCEL/LOT**

ASSESSMENT NUMBER	PARCEL NUMBER	NUMBER OF ACRES	NUMBER OF LOTS	ASSESSMENT BY PARCEL	ASSESSMENT BY LOT
11.E	11.E	28.85	92	\$ 1,472,000	\$ 16,000
11.F.1	11.F1	17.51	58	\$ 928,000	\$ 16,000
11.H	11.H	25.11	67	\$ 1,072,000	\$ 16,000
11.I.1	11.I1	9.29	38	\$ 589,000	\$ 15,500
11.I.2	11.I2	6.37	23	\$ 368,000	\$ 16,000

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Footnotes

- (1) Special assessment liens will not be placed upon common areas, areas owned by the homeowner's associations, public rights-of-way, property owned by the District, or other governmental/public entities.
- (2) Special assessments per lot are subject to adjustment based upon changes in the number of developable lots ultimately established by the recording of the final subdivision plat. All numbers are rounded. Upon recordation of a plat map, the number of lots will be reviewed. If at that time the appraised value is not four times the lien amount, the amount of lien in excess of one-fourth of the valuation will be pre-paid by the property owner.
- (3) Values have been determined per the appraisal completed by Wayne Harding, MAI of Harding and Associates, dated November 14, 2022. Based upon that appraisal, the developer prepayment described above is required to meet the 4:1 value to lien ratio.
- (4) All lots have been approved and platted.

CONCLUSION

Based upon the information presented herein, it is our opinion that the special assessment allocation methodology results in assessments being allocated in proportion to the benefits received by each lot or parcel therein for the improvements to be provided thereby.



Grant I. Anderson, P.E.