

FEASIBILITY REPORT

**FOR THE ISSUANCE OF
\$210,000 PRINCIPAL AMOUNT**

OF

**FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(CITY OF BUCKEYE, ARIZONA)**

**ASSESSMENT DISTRICT NO. 12
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2018**

December 19, 2017

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SECTION ONE

**INTRODUCTION; PURPOSE OF FEASIBILITY REPORT
AND GENERAL DESCRIPTION OF DISTRICT**

INTRODUCTION

This Feasibility Report (this "Report") has been prepared for presentation to the Board of Directors of the Festival Ranch Community Facilities District (City of Buckeye, Arizona) (the "District") in connection with the proposed issuance by the District of its Assessment District No. 12 Special Assessment Revenue Bonds, Series 2018 (the "Bonds") in an aggregate principal amount not to exceed \$210,000 pursuant to Title 48, Chapter 4, Article 6 of Arizona Revised Statutes (the "Act").

PURPOSE OF FEASIBILITY REPORT

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

This Report has been prepared for the consideration of the Board of Directors of the District only. It is not intended or anticipated that this Report will be relied upon by other persons, including, but not limited to, purchasers of the Bonds. This Report does not attempt to address the quality of the Bonds as investments or the likelihood of repayment of the Bonds. In preparing this Report, employees of Pulte Home Company, LLC ("Pulte Home Company"), placement agent, bond counsel, financial advisor, engineers, staff of the City of Buckeye, Arizona (the "City") and other persons and experts have been consulted as deemed appropriate.

GENERAL DESCRIPTION OF DISTRICT

Formation of the District was approved by the City on April 19, 2005 upon the request of all of the landowners within the District. The District consists of approximately 4,015 acres within the approximately 10,354 acre master-planned community called Festival Ranch (the "Project"). The Project is located along the Sun Valley Parkway generally between 259th Avenue and the 291st Avenue alignments. Single-family residential units are planned for approximately 3,190 acres within the Project. As of September 30, 2017, Pulte Home Company has closed 2,372 residential homes at Sun City Festival (age restricted) and 679 homes at Festival Foothills (non-age restricted), for a total of 3,051 residential homes.

In addition to residential development, several community amenities are planned for construction within the District, including two golf courses and recreation centers. Currently, one 18-hole golf course is completed along with a 15,000 square foot golf clubhouse, a 30,000 square foot recreation center, an 8,000 square foot Arts and Crafts Building, a softball complex, a pickleball complex, a pet park and a community park.

The real property comprising the Assessment District No. 12 consists of 105 final platted residential lots on approximately 45.09 acres.

The total District acreage and Assessment District No. 12 acreage can be categorized as follows:

<u>Total Project</u>	<u>Approximate District Acres</u>	<u>Approximate Assessment District No. 12 Acres</u>
Single Family Residential Units	3,190	45.09
2 Golf Courses	600	
Commercial	150	
Recreation Centers	75	
Total	<u>4,015</u>	<u>45.09</u>

The District was created to finance the construction or acquisition of public infrastructure within the District, including, to finance the construction or acquisition of the Public Infrastructure. See Section Two for a description of the Public Infrastructure. The legal description of Assessment District No. 12 is included in Appendix A. A map of Assessment District No. 12 is included in Section Three. The acquisition of the Public Infrastructure as defined in this Report is consistent with the City's approved General Plan for the Project.

Pulte Home Company currently owns all of the property located within Assessment District No. 12.

SECTION TWO

**DESCRIPTION, ESTIMATE OF COST AND TIMETABLE
FOR COMPLETION OF PUBLIC INFRASTRUCTURE**

DESCRIPTION OF PUBLIC INFRASTRUCTURE

The Public Infrastructure has been publicly bid pursuant to State of Arizona statutes and will be financed by the proceeds of the Bonds of the District together with a contribution from Pulte Home Company, as outlined in the tables below. It is expected that the Public Infrastructure listed below will be acquired from Pulte Home Company with estimated cost and construction timing as noted.

**FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
ASSESSMENT DISTRICT NO. 12
DESCRIPTION OF PUBLIC INFRASTRUCTURE**

<u>Parcel</u>	<u>No. of Lots</u>	<u>Est. Street Improvements</u>	<u>Street Names</u>	<u>Linear Feet</u>	<u>Estimated Date of Completion(a)</u>
25	105	\$698,929.55	Horsham Drive 260 th Lane Matthew Drive Quail Avenue Lone Cactus Drive 260 th Drive	4500	January 2018

(a) Construction of Parcel 25 commenced in June 2017. Paving and concrete are scheduled to be complete in January 2018.

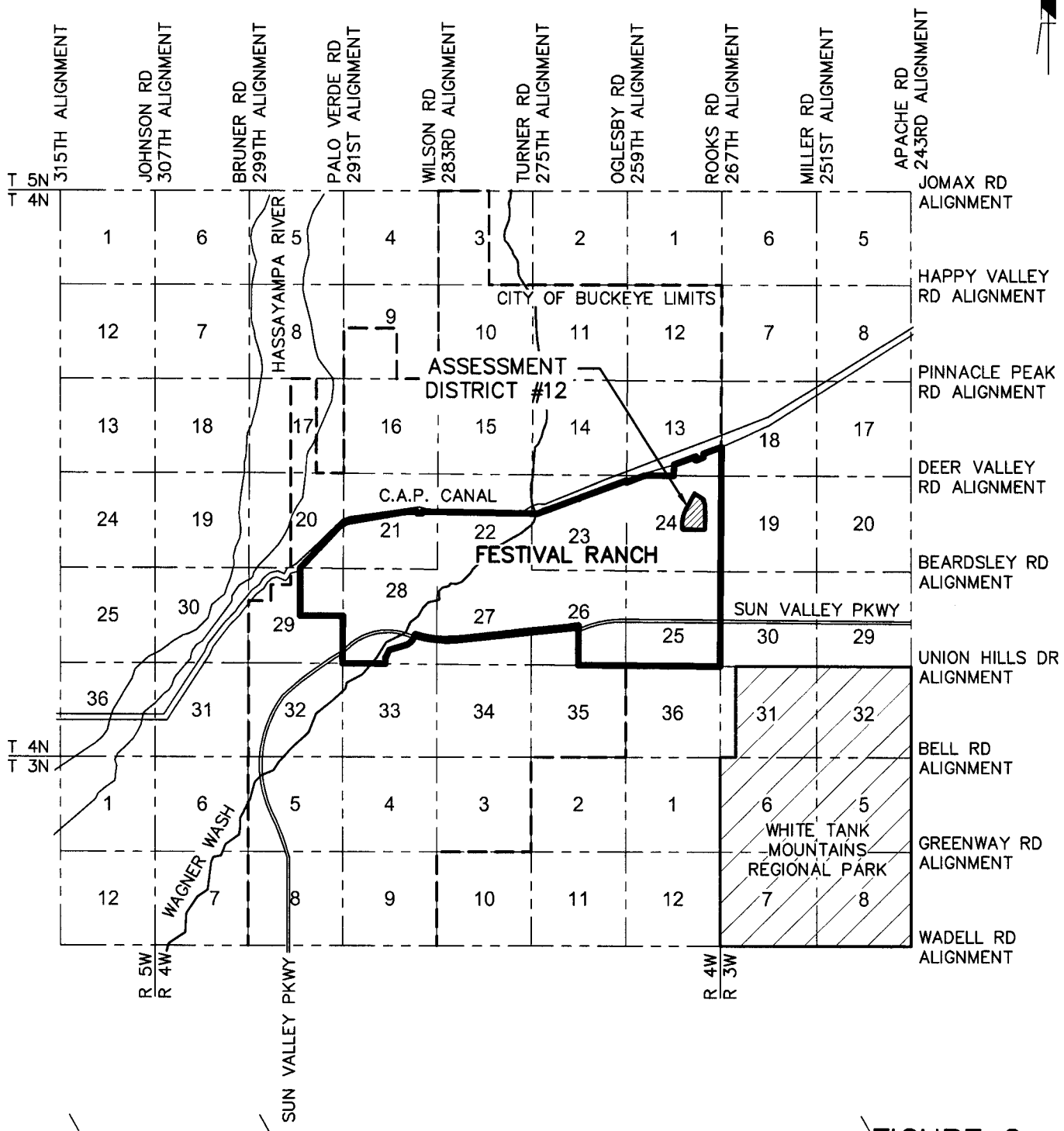
Listed below is an estimated draw schedule of the proceeds of the Bonds for the acquisition of the Public Infrastructure.

<u>Public Infrastructure Project</u>	<u>Estimated Acquisition Price</u>	<u>Difference between Contract Price and Acquisition Price Paid by Pulte</u>	<u>Completion Date</u>	<u>Funds Draw Date</u>
Horsham Drive 260 th Lane Matthew Drive Quail Avenue Lone Cactus Drive 260 th Drive	\$ 210,000.00	\$ 488,929.55	January 2018	(a)
Total	<u>\$210,000.00</u>	<u>\$ 488,929.55</u>		

(a) Upon City acceptance of the Public Infrastructure (expected in second quarter of 2018).

SECTION THREE
MAP OF ASSESSMENT DISTRICT NO. 12

FESTIVAL RANCH ASSESSMENT DISTRICT #12 CITY OF BUCKEYE, AZ

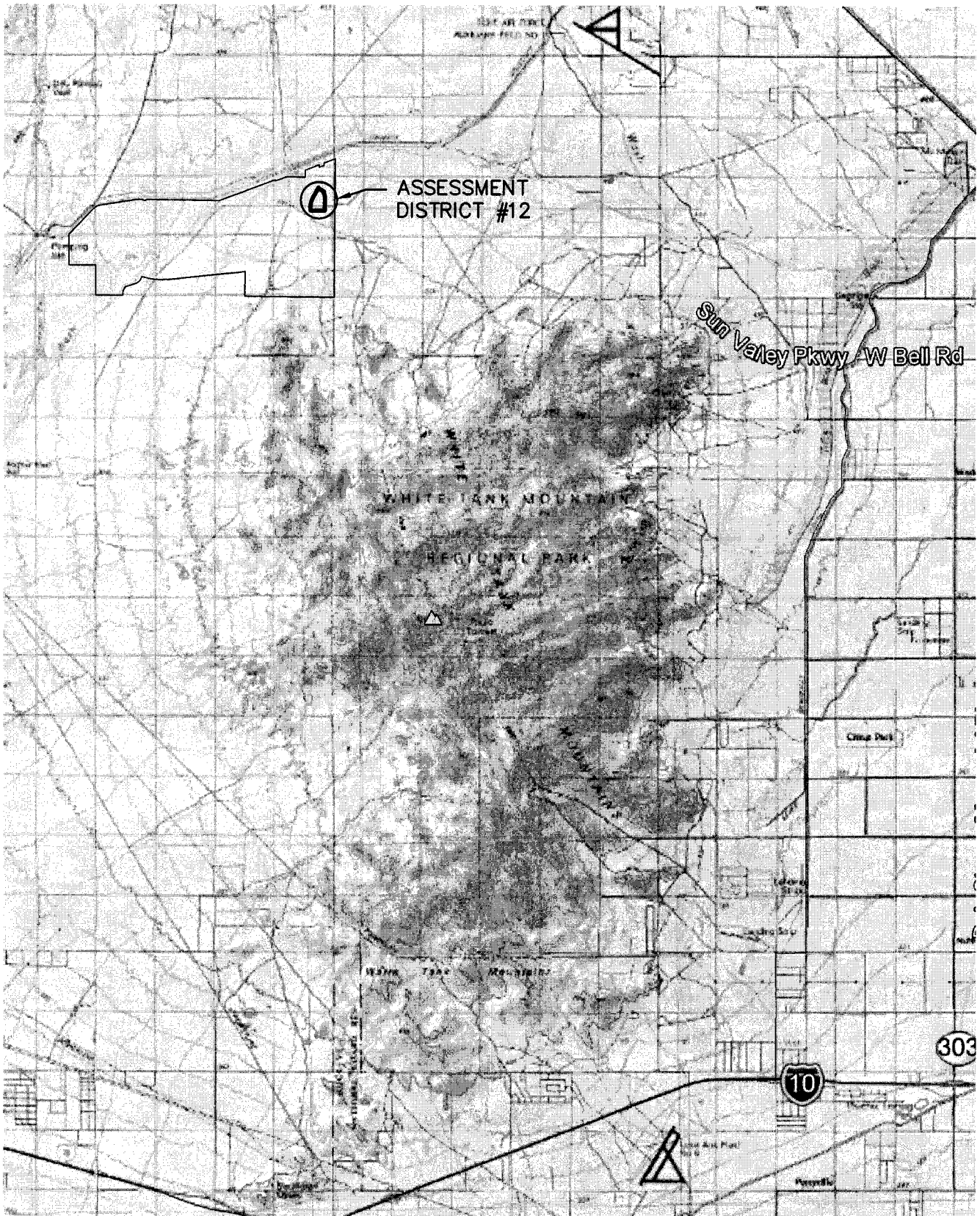


VICINITY MAP

FIGURE 2



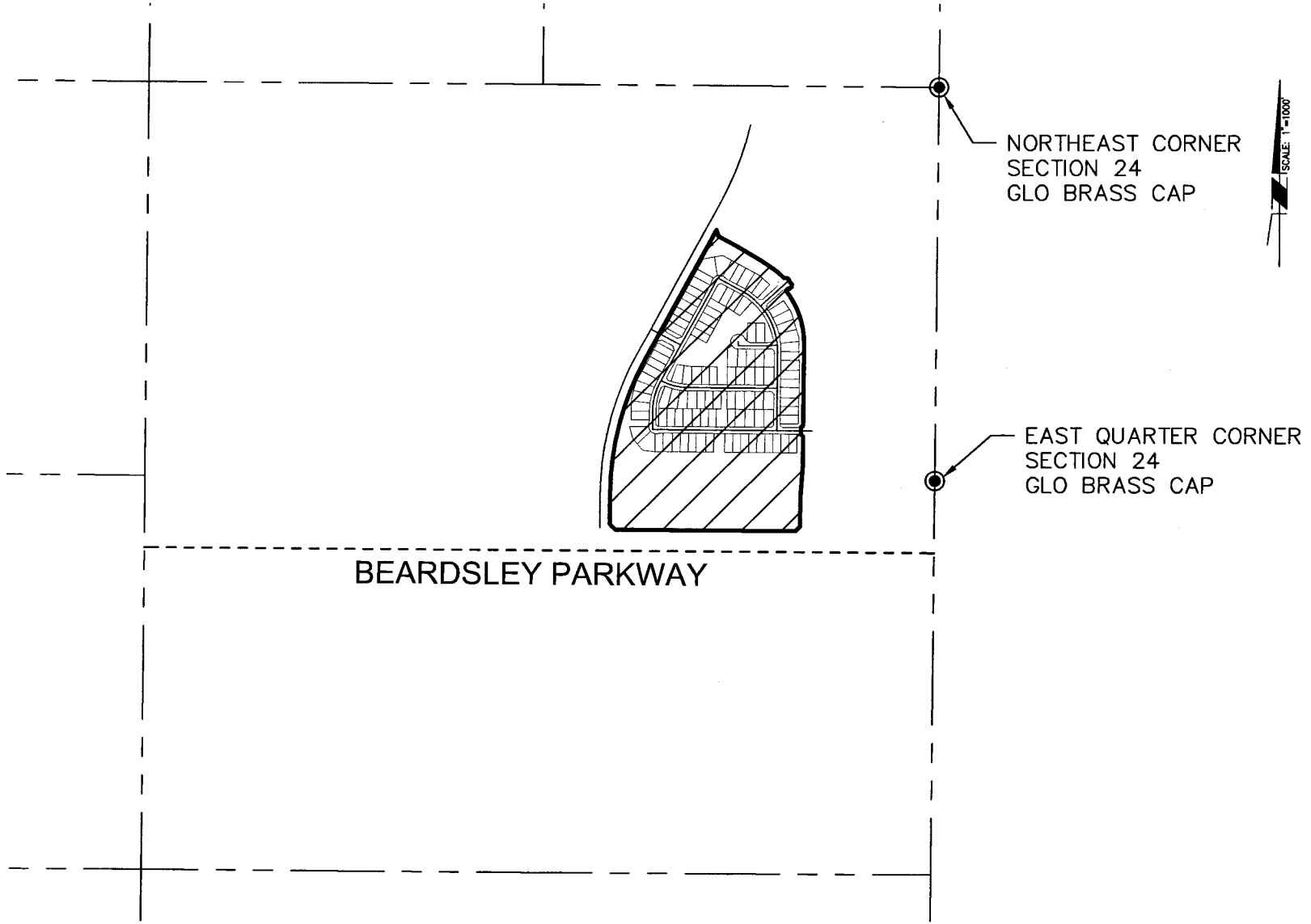
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VICINITY MAP



FESTIVAL RANCH ASSESSMENT DISTRICT #12



**SECTION FOUR
PLAN OF FINANCE AND PRELIMINARY DEBT SERVICE
SCHEDULE (TABLE ONE)**

PLAN OF FINANCE

Below is a financing plan that describes the process for financing a portion of the Public Infrastructure benefiting the property within Assessment District No. 12. This Plan of Finance is subject to modification to accommodate market conditions at the time of the actual placement of the Bonds and to the extent necessary to comply with federal and State of Arizona law.

(i) Formation and Authorization:

In response to a petition from the owners of 100% of the property within the District, the City Council formed the District on April 19, 2005.

The District has issued nine previous special assessment revenue bond transactions for Assessment District No. 1 (Series 2005), Assessment District Nos. 2 and 3 (Series 2007), Assessment District Nos. 4 and 5 (Series 2007), Assessment District No. 6 (Series 2009), Assessment District No. 7 (Series 2011), Assessment District No. 8 (Series 2013), Assessment District No. 9 (Series 2015), Assessment District No. 10 (Series 2016) and Assessment District No. 11 (Series 2017).

(ii) Proposed Debt Issuance:

The estimated debt service schedule for the Bonds is attached in this section as Table One. Due to the small size of the issue, and to eliminate the need for certain costs such as an appraisal, official statement, and underwriter's counsel, it is anticipated that the Bonds will be privately placed through Stifel Nicolaus & Company, Incorporated, and closed around late January or early February 2018. The Bonds will be unrated and will have transfer restrictions which are consistent with prior bond issues of the District.

As of September 30, 2017 Pulte Home Company has invested approximately \$1.1 million of public infrastructure improvements into the 105 final platted residential lots located in Assessment District No. 12 (not including the land cost). Since additional construction is underway (pursuant to contractual obligations with a contractor), Pulte Home Company anticipates a total of approximately \$2.7 million will be invested in Assessment District No. 12 by the end of the first quarter of 2018.

Based on this investment progress through the first quarter of 2018 the estimated Value to Lien would approximate 13:1 (which does not include the land value of each lot). Based on information Pulte Home Company recently obtained from the Maricopa County Assessor's office, the current estimated Full Cash Value (FCV) of improved (builder ready) residential lots adjacent to Assessment District No. 12 approximate \$58,000 per lot (based on an average 7,238 square foot lot). This methodology of value would result in a Value to Lien of approximately 29:1 for the Assessment District No. 12 residential lots. The City's Community Facilities District policy requires a minimum value to lien of 4:1.

(iii) Estimated Sources and Uses of Funds:

The estimated sources and uses of funds associated with the sale of the Bonds (exclusive of accrued interest and original issue discount or premium, if any), is as follows:

Sources of Funds:

Principal Amount of Bonds	\$210,000.00
Pulte Contribution	75,450.00
	<u>\$285,450.00</u>

Uses of Funds:

Cost of Public Infrastructure	\$190,698.00
Costs of Issuance ^{(a)(b)}	65,450.00
Placement Agent Fee ^(b)	10,000.00
Debt Service Reserve Fund	19,302.00
Total Use of Funds	<u>\$285,450.00</u>

^(a) Represents estimated costs for bond counsel, financial advisor and the registrar and paying agent.

^(b) Pulte Home Company will be responsible for paying the Costs of Issuance and the Placement Agent Fee.

(iv) Use of Proceeds:

The proceeds of the Bonds will be applied by the District to finance all or a portion of the Public Infrastructure listed in Section Two of this Report.

(v) Per Lot Assessment Amount:

The per lot assessment amount is expected to be no more than \$2,000. Pulte Home Company currently expects that at the time of sale of the home to a buyer, this amount will be assumed by the home buyer with the assessment payments made over twenty years. Pulte Home Company expects home closings in Assessment District No. 12 to commence in May 2018.

(vi) Homeowner's Obligation:

The \$2,000 per residential lot assessment results in an annual assessment payment of approximately \$200.00 per home, or \$16.00 per month, which is based on a 20-year amortization with an estimated interest rate of 6.0%. The special assessment is payable on any interest payment date, without any redemption premium.

(vii) Disclosure of Assessment Payments:

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

In addition, Pulte Home Company will require the home buyer sign an additional form that highlights and discloses the additional assessment payments as a result of the District financing.

(viii) Operation and Maintenance Estimated Revenues and Expenditures:

All Public Infrastructure financed by the District will be dedicated to the City upon completion and acceptance. The obligations pertaining to the operation and maintenance of the Public Infrastructure have been negotiated between the City, the District and Pulte Home Company and are set forth in the various development agreements among the parties. The costs associated with the operation and maintenance of the Public Infrastructure, as well as the administrative costs of the District, will be provided for from several sources of funds, including the levy of the \$0.30 per \$100 of net assessed limited property valuation maintenance & operation tax in the District and Pulte Home Company contributions.

Pursuant to a development agreement, the master Homeowners' Association ("HOA") is responsible for the operation and maintenance costs of landscaping for the roadways, trails, and open space within the District. Home owners within Sun City Festival (age restricted) and Festival Foothills (non-age restricted) are required to participate in an HOA. Monthly fees for the Sun City Festival HOA are anticipated to be approximately \$124.00 per home. Monthly fees for the Festival Foothills HOA are anticipated to be approximately \$83.00 per home.

Pursuant to a development agreement, Pulte Home Company is required to maintain and repair all infrastructure comprised of streets, parkways and alleys and all appurtenances thereto at its expense for a period of two years from the date the City accepts the infrastructure. Such maintenance shall consist of all maintenance and repair actions reasonably required by customary engineering industry standards for each item of infrastructure. During this two year period, Pulte Home Company estimates \$0.27 per foot cost for items such as street sweeping. Using a \$2.85 foot cost for maintenance (per the City), Assessment District No. 12 annual maintenance cost approximates \$12,825.

TABLE ONE
\$210,000
Festival Ranch Community Facilities District
(City of Buckeye, Arizona)
Assessment District No. 12
Special Assessment Revenue Bonds, Series 2018

Estimated Debt Service Schedule

Fiscal Year (July 1)	Principal	Interest ⁽¹⁾	Total Debt Service
2019	\$ 1,600	\$ 17,675	\$ 19,275
2020	6,700	12,504	19,204
2021	7,200	12,102	19,302
2022	7,600	11,670	19,270
2023	8,000	11,214	19,214
2024	8,500	10,734	19,234
2025	9,000	10,224	19,224
2026	9,600	9,684	19,284
2027	10,100	9,108	19,208
2028	10,700	8,502	19,202
2029	11,400	7,860	19,260
2030	12,100	7,176	19,276
2031	12,800	6,450	19,250
2032	13,600	5,682	19,282
2033	14,400	4,866	19,266
2034	15,200	4,002	19,202
2035	16,200	3,090	19,290
2036	17,100	2,118	19,218
2037	18,200	1,092	19,292
	<u>\$ 210,000</u>	<u>\$ 155,753</u>	<u>\$ 365,753</u>

⁽¹⁾ Interest is estimated at 6.0%. Subject to change based on market conditions and other factors at the time of pricing.

Assumes a February 6, 2018 closing with a first interest payment date of January 1, 2019.

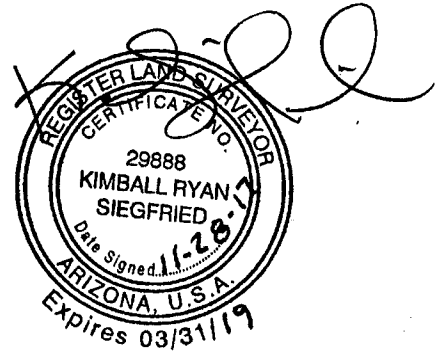
APPENDIX A

LEGAL DESCRIPTION OF ASSESSMENT DISTRICT NO. 12

November 28, 2017

LEGAL DESCRIPTION FOR
FESTIVAL RANCH
ASSESSMENT DISTRICT NO. 12

Lots 1 through 105, inclusive, of Festival Foothills Unit 25 as recorded in Book 1336 of Maps,
Page 31, Records of Maricopa County, Arizona.



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