



888 | ON **MAIN**

Case Study Presentation

Adaptive Reuse, Workforce Housing & Opportunity Zone Case Study

- Introduction: Jeff Gould, Principal of Lineage Asset Advisors
- Project Information and History and Construction / Design – Wil Smolen, Alliant Strategic Development
- Deal Negotiation and Financial Structure – Courtney Galvin, Maxus Properties
- Property Management and Leasing – Courtney Galvin, Maxus Properties
- Tour Schedule



Project Information and History

- Ten-Story High Rise building on 1.36 acres of land
- Total Units: 148 Multifamily Units
 - 37 Live-Work units
 - 16 Studio units
 - 86 One-bedroom units
 - 9 Two-bedroom units
- Building Size: Approximately 133,083 SF
- Leasable Area: Approximately 108,136 SF
- Mid-Century Poured-In-Place Structure
- Built As An Office Building in 1967 For Security Bank's Orange County Headquarters.
- Occupied By Orange County Social Services Administration Up Until 2014
- Certificate of Occupancy issued 2021 For Adaptive Reuse To 148 Multifamily Units
- One of the first adaptive reuse projects in Santa Ana

Project Information and History

- Historic Core District of Downtown Santa Ana
- Center of Santa Ana's Financial & Government Services
- Approved Under Santa Ana's Adaptive Reuse Ordinance (ARO), and the 2nd Project to Receive Such Approval
- Landmark Building on Santa Ana's Historical Register, Based On Design, Architect of Record, and Main Street Location

A large construction crane is shown in silhouette, lifting a heavy load. The background is a bright sunset sky with orange and yellow clouds. In the foreground, the silhouettes of construction workers are visible on a steel framework of a building under construction.

Construction and Design

- Original Construction/Historic Significance.
 - Welton Becket & Associates Architect of Record.
 - New Formalism architectural style.
 - Original Orange County headquarters of Security Bank.
- Located in center of Santa Ana Finance & Government Services District.
- Registered “LANDMARK” building on Santa Ana Historic Register. Unsuccessful Failed attempt to qualify for Federal Historic Credits.
- Building Design Characteristics & Statistics.
- California Mills Act approval and economic benefits.
- Project approved via Adaptive Reuse Ordinance adopted 2014. Originally proposed as a condominium.
- Historical uses prior to conversion to Multi-Family Residential.
- Extraordinary & costly design features required by government agencies. Seismic upgrades (column FRP wrap & dampers); tower fire sprinklers; supplemental water storage tanks for fire suppression; stair tower pressurization; gas powered generator.

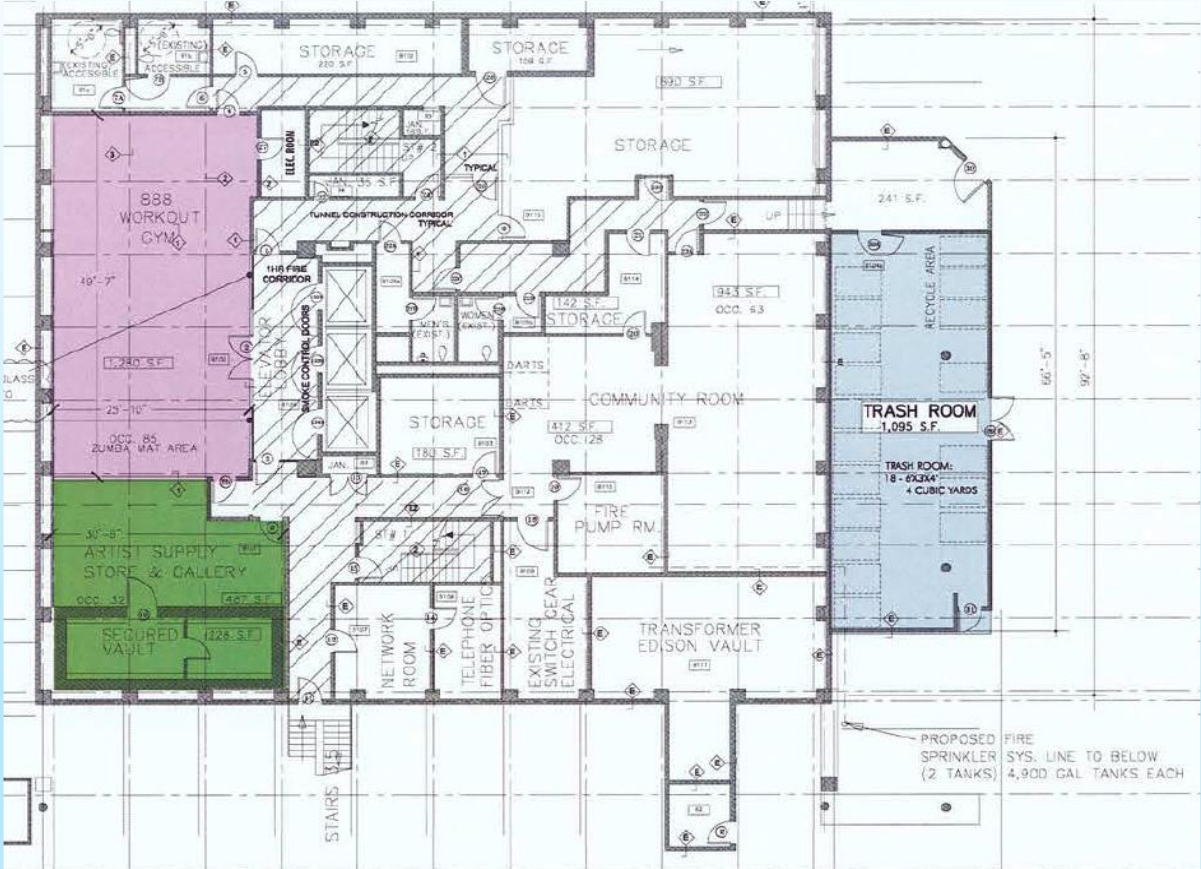


Construction and Design

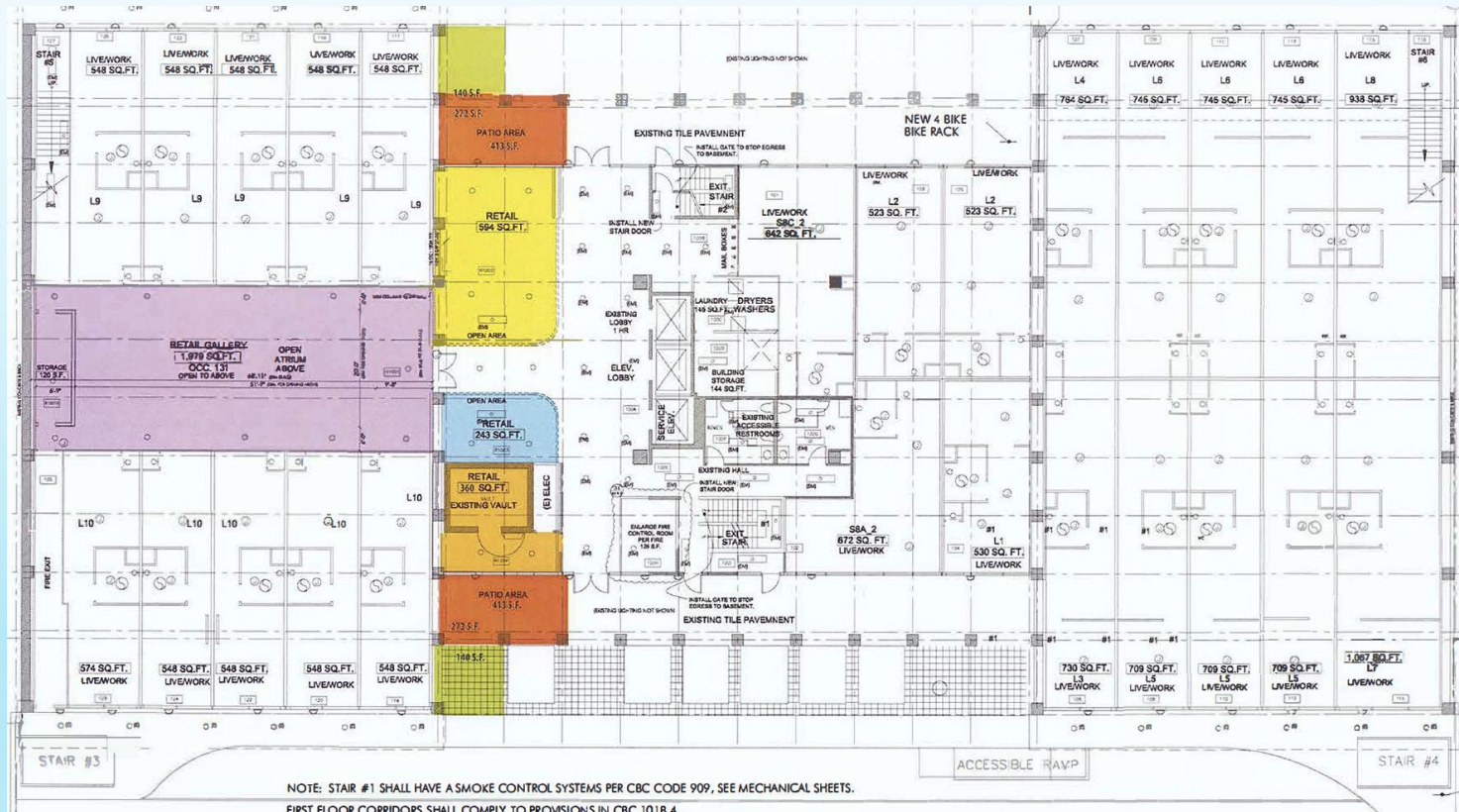
- Hard cost per unit & per square foot
- Schedule & Cost Impacts pre and post Covid.
 - Project 80 % complete when PSA executed.
 - Commencement 5/1/19; Scheduled completion 11/30/19; Close of Purchase and Sale Agreement 10/9/20; Certificate of Completion 5/13/21
- CBC construction type.
- Fire Life Safety design features.
 - Fully addressable/monitored FA system integrated with FS system.
- System design features.
 - MEP and electrical/water submetering.
 - Individual apartment WSHP units.
 - Solvent plumbing waste/vent system.
 - Spectrum phone, CATV and internet services.
 - Design deficiencies: trash chute; operable freight elevator.
- Security features.
 - Access gated controlled subterranean parking; secured building entry; electronic keyless deadbolt apartment entry door locks.

FLOOR PLANS

BASEMENT

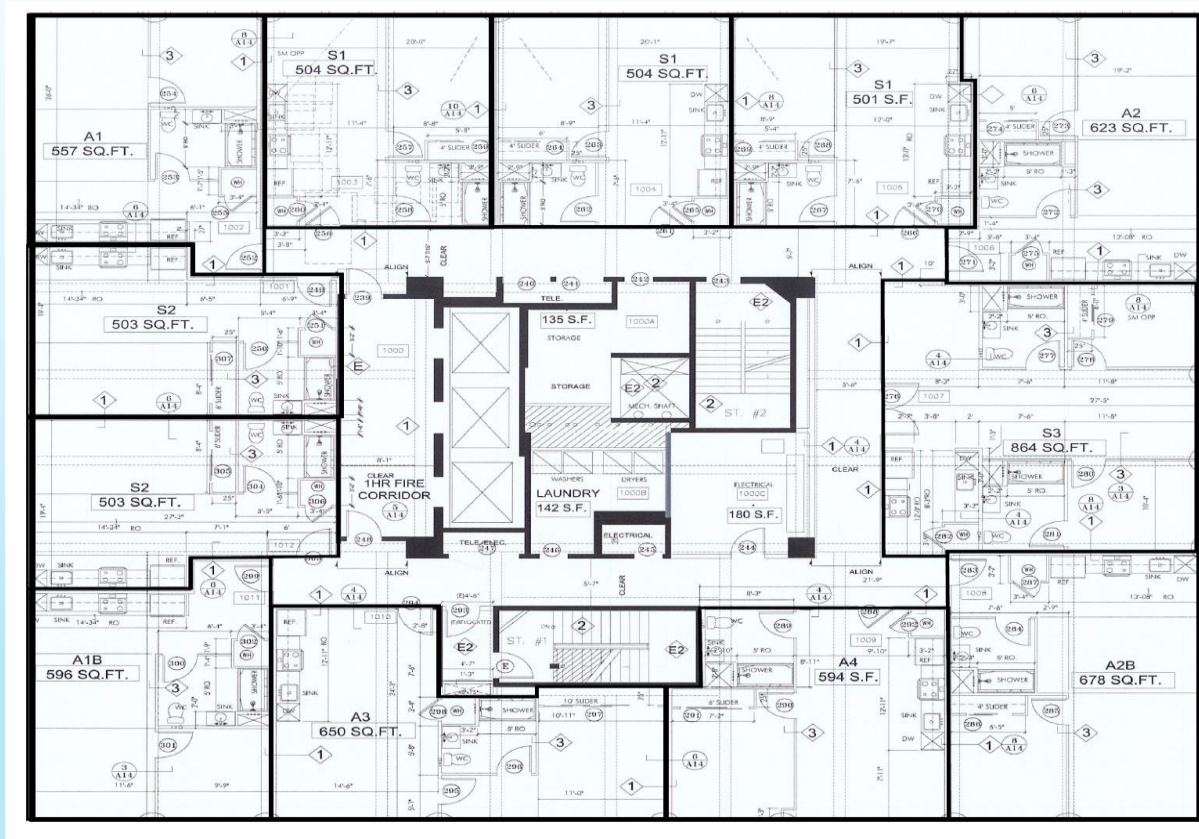


FIRST FLOOR/GALLERY/LIVE-WORK UNITS

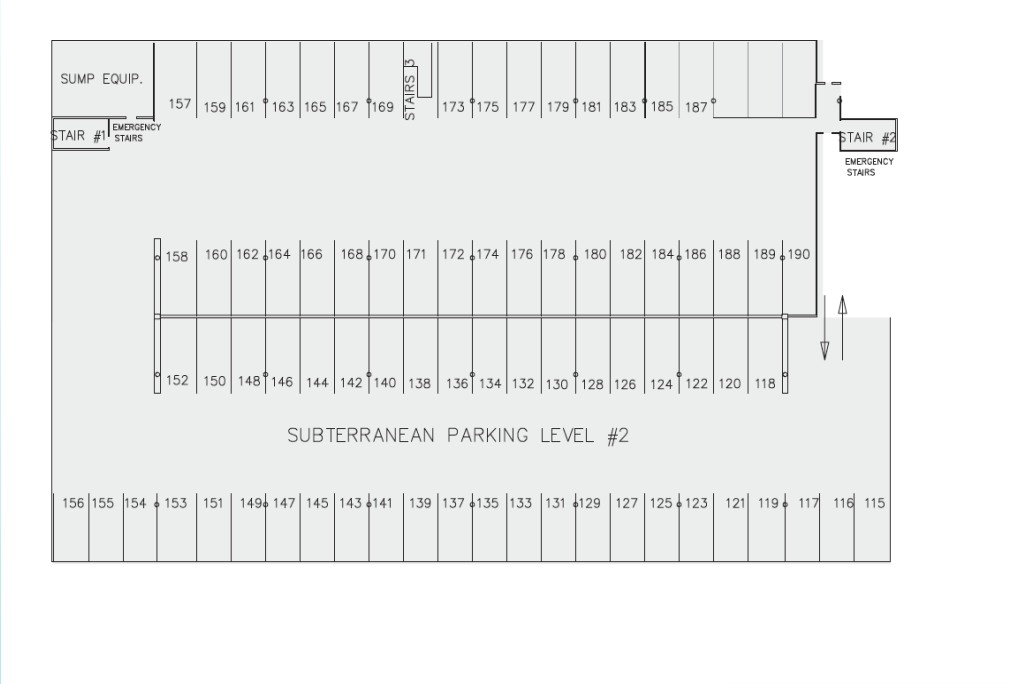
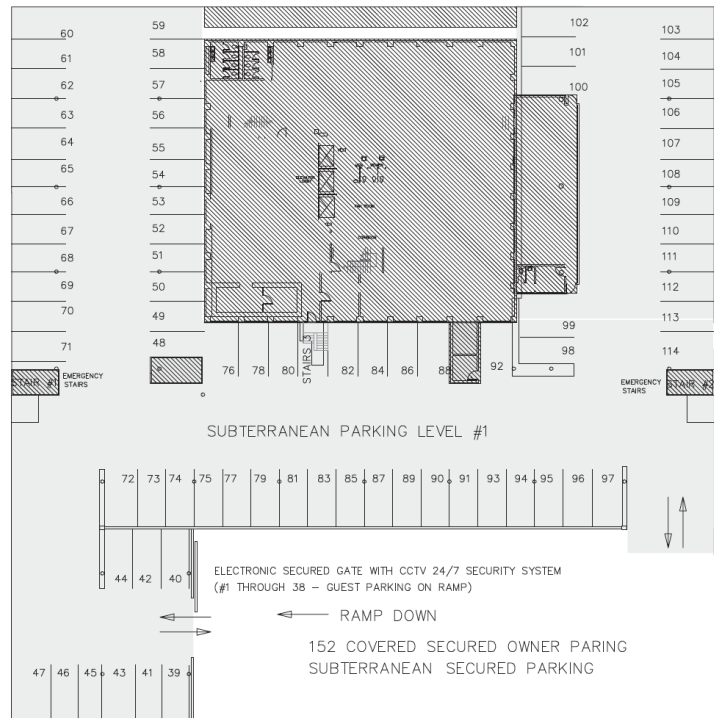


NOTE: STAIR #1 SHALL HAVE A SMOKE CONTROL SYSTEMS PER CBC CODE 909, SEE MECHANICAL SHEETS.
 FIRST FLOOR CORRIDORS SHALL COMPLY TO PROVISIONS IN CBC 1018.4.

3RD -10TH FLOOR - APARTMENT HOMES



PARKING FLOOR PLANS





Deal Negotiation and Financial Structure

- Underwriting Assumptions and Challenges
 - Underwriting Rents and Expenses – RCLCO
 - Underwriting Additional Unit Costs
 - CA Mills Act Based On Landmark Status
 - Opportunity Zone
 - Workforce Housing
 - Bridge Financing to Perm
- Key Underwriting Metrics
 - Return on Cost
 - IRR
 - After-Tax O-Zone Benefits



Deal Negotiation and Financial Structure

Unit	148 Units / Workforce
Year Built	1967/ 2020
Type	10-Stories / High-rise
Market	Santa Ana, CA
Investment Term	2 years
Price / Unit	\$364,865
Purchase Price (*)	\$54,000,000
Project Investment	\$60,250,000
Total Equity	\$20,750,000
Debt	\$39,500,000
Property IRR	26.00%
Pro Forma Cap on Cost	5.00%
LP Equity Multiple	1.45x
LP IRR	19.91%
ASI Equity	\$2,075,000
LP Equity	\$18,675,000

Note (*): \$54m price includes completion costs

Deal Negotiation and Financial Structure

Pro Forma Assumptions		
	<u>Amount</u>	<u>Assumption</u>
Residential Rents (Yr1)		\$3.60
Avg. Monthly Rent (Yr1)		\$2,194
Rent Growth (Hold Period)		3.25%
Property Tax Abatement		Mills Act
Operating Expenses w. Reserve (\$/unit/yr)		\$8,427
General Opex Growth (Hold Period)		3.00%
Reversion Cap Rate		4.25%
Debt	39,500,000	8.00%
Stabilized Vacancy		5.00%
Return Metrics		
Stabilized NOI (Yr2)		\$3,014,777
ROC		5.0%
		<u>2 Years</u>
Levered Project IRR		26.0%
Levered Project Equity Multiple		1.6x
Total Deal Profit		\$12,826,168
Total Deal Profit / Unit		\$86,663



Property Management and Leasing

- Maxus Properties took over Management of 888 on Main in June 2021. By engaging a strong online marketing presence and developing relationships in the City of Santa Ana, we were able to create a strong lease up presence in the area.
- On July 10, 2021, our first resident moved into their new home. In the month of July, we had 21 total move ins. We were excited to see 33 more residents call 888 on Main home in August 2021. In March 2022, we are 88% occupied and plan to stabilize by the middle of April.
- Being able to provide our residents with the underground garage that residents can enter the building directly has been a great amenity we can offer from the original office building.
- Our live-work spaces have been the most challenging floorplan to lease. The concern of privacy from the street is the largest concern. To overcome this objective, we are focusing on networking with corporate companies or setting up a few as a furnished, short-term living option.
- Our residents get to enjoy the bulk internet agreement we have with Spectrum. The base package is 200 MB and can get up to a Gig with Spectrum. Our rents also include utilities (electric, pest control, water and sewer). Our residents have Valet Trash service six days a week. We found including the water and electric into a higher rental cost was more beneficial than meeting the submetering standards required by California. The Valet Trash service was an easy way to overcome that our 10-story building does not have a trash chute on each floor for the residents.
- The community offers a Community Game Room, Laundry facilities on each floor, 24-hour Fitness Center, Library/Business Center and an outside patio area. We have a courtesy officer that is available 24 hours to assist along with an after-hours Security Company that provides onsite service for 8 hours each night.

Touring Logistics



Each attendee will be assigned a group number



Tours will be taken in groups of 5 or less and each group will be going from station



A member of the management team will be at each station to provide more detail



Groups will start Station 1 and move to Station 5



All attendees must use the elevators



Please only move from station to station as we do not want to disturb the residents



Groups will go every __ minutes

Tour Stations

Station 1

Lobby

Station 2

Downstairs/Library/Community Center/Fitness Center

Station 3

Apartment 114 | Live-Work

Station 4

Apartment 305 | On Third Floor

Station 5

Apartment 907 | On Ninth Floor

