

Scully Station

725 E Washington Blvd, Los Angeles, CA



- 46,000 SF mixed -use project
- 11,000 SF community center
- 33,000 SF creative office space for nonprofit tenants
- Rooftop urban farming installation to address neighborhood food insecurity

Agenda

1. Project Impact & Overview
2. Local Partners
3. Market Analysis
4. SWOT & Risk Analysis
5. Financial Assumptions & Exit Strategy
6. 5 year Pro Forma
7. Sales & Rent Comparables
8. Appendix

Project Overview & Impact

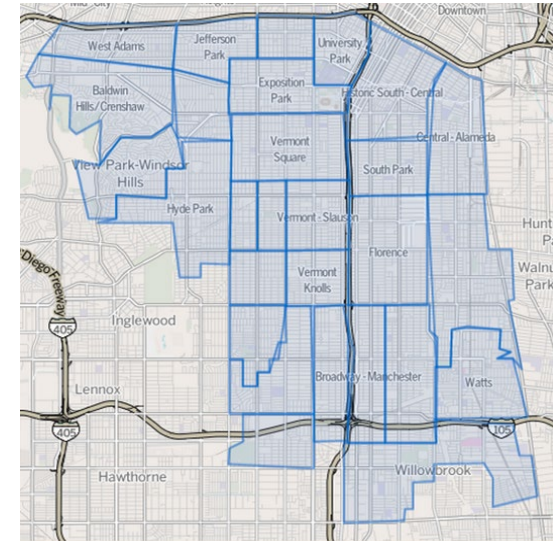
Gentrification & Food Insecurity in South Central LA

Los Angeles is facing a food crisis

- Homelessness and food insecurity have worsened due to the pandemic
- Gentrification prior to and during covid has impacted affordability and the social fabric of local communities

Why South Central?

- There is a more addressable need in this area, with the potential for greater impact on the local community
- Minimal access to affordable fresh food grocers in the area, more prevalence of liquor stores and fast food
- Many adaptive reuse opportunities
- Central location accessible via nearby Metro stop, with close proximity to Downtown



South LA region boundaries



Our Solution: Urban Farming & Creative Office

Urban Farming

- Provide a source of sustainably produced, healthy food in a location lacking access to affordable, fresh produce
- Partner with local organizations to grow and distribute produce to community members in need
- Engage with school children and community members through education on gardening and nutrition

Creative Office

- Address a growing need for content creation spaces
- Provide affordable space for partner community organizations to meet, store food, fundraise, and more
- Zero-displacement for local workers



Local Partners

Urban Farm Operating Partner

Alma Backyard Farms

Reclaim Lives. Repurpose Land. Reimagine Community.

- Non-profit that aims to re-claim lives of formerly incarcerated people, re-purpose urban land into productive urban farm plots, and re-imagine disenfranchised communities
- Leader in the growing local food movement by helping to spread sustainable urban farming and provide access to fresh and healthy food grown close to home.
- Aims to redefine food distribution, given that the average bite of food in the U.S. travels over 1,500 miles before it is served, adding to climate change and lower nutritional value.



URBAN AGRICULTURE
JOB TRAINING PROGRAM



YOUTH EDUCATION
PROGRAM



FARM STAND
SOCIAL ENTERPRISE

Additional Community Partners



Food Distribution: Los Angeles Food Policy Council

- The LA Food Policy Council coordinates groups from local government, farmers, to nonprofits to ensure sustained access to healthy, sustainable food options to those who need it most
- Perfect fit for coordinating the urban rooftop garden initiative led by Alma to the wider community, with everything from distribution to finding partnerships and volunteers



Bringing Food to the Homeless: Polo's Pantry

- Polo's Pantry is a volunteer-run mobile food truck that provides free, cooked meals to local homeless populations.
- Scully Station will be able to provide a meeting space as well as refrigerated storage for organizations such as Polo's Pantry, which sometimes receive perishable food donations that cannot be used immediately



Community Engagement and Education: Teeth 'N Bones

- Teeth 'N Bones has experience in partnering with low-resource communities in providing continuing education programs for health professionals as well as medical students.
- Tackles food insecurity related health issues by providing cooking lessons and nutritional education

Creative Office Success

THE REEF

a creative habitat

- 860,000 SF creative habitat
- Less than 1-mile from Scully Station
- Downtown LA's most creative environment
- Home To...
 - LA Mart
 - Maker City LA
 - Magic Box



Our Vision For Scully Station's Creative Office

- 3 of the 4 floors will be converted to creative office space
- The building is in a prime, commuter -accessible location
 - Nearest metro stop is 0.1 miles away
- Authentic creative office is in space “never intended to be used as office”
- Open floor plans
- Target tenants: non -profits
- “Reef of nonprofits and aid orgs”



Market Analysis

Market Analysis

Downtown Los Angeles overview:

- Sub market has a robust pipeline
- Discounted rates for tenants compared to other L.A. sub markets
- Completion of L.A.'s public transportation and Regional Connector will bring more commercial activity to the area



Market Analysis

Leasing

- Prominent tenants in the area such as Warner Music and Spotify will attract smaller tenants to the area
- Reef building is an example of successfully filling a building with one type of tenant. We're a Reef for nonprofit tenants

Rents

- Rental rates in DTLA are currently seeing gains of .8%, outperforming losses across the greater metro area.
- Submarket has historically been seen as a value option compared to Westside submarkets

SWOT and Risk Analysis

Strengths

- Aiding a community, not displacing it
- Wide range of impact
 - Community services, food insecurity, sustainability
- Existing structure
 - Environmental impact reduction
 - Historic preservation
 - Modernization and accreditation
- Location
 - Light rail access
 - Rare surface parking
 - Highway access
 - Opportunity zone



Weaknesses

- Office market headwinds
 - Downtown LA rent growth
 - Functionally obsolete inventory
- Pioneering submarket
 - Lack of direct comps
 - Success of other nearby first movers



Opportunities

- Pioneering submarket
 - First mover advantage, low basis
 - Better access than downtown
- Industry and community harmony
- Community education and service
- Urban agricultural and health advocacy



Threats

- COVID office market impact
 - WFH
 - Flex scheduling
- Urban core flight
 - Differentiated offering



Risks

- Financing
 - Vacant, value -add office asset
 - Core -adjacent submarket
- Preleasing vs Spec Space
- Rooftop farm construction



Summary of Risk / Return Profile

- High Risk / High Return
- Speculative Leasing
- Non -Concessionary Financial Returns
- Social Impacts
 - Increased Jobs
 - Job Incubation
 - Increased Food Security
 - Model for future developments
 - Environmentally Friendly



- \$15MM Purchase Price
- \$20.45MM Total Budget
- \$7.13MM Equity Investment
- Debt Assumptions
 - 50% LTC Bridge Loan
 - 60% LTV Permanent Loan
 - \$3.1MM PACE Financing
- \$3.1MM (\$65/SF) Renovation Budget
- 12 Month Renovation
- 10% Vacancy Rate

Key Financial Assumptions

SOURCES			
	<i>Total</i>	<i>%</i>	<i>\$/SF</i>
PACE Financing	\$3,100,000	15.2%	\$67
Equity	\$7,130,000	34.9%	\$154
Senior Loan	\$10,220,000	50.0%	\$220
Total Sources	\$20,450,000	100%	\$441
USES			
	<i>Total</i>	<i>%</i>	<i>\$/SF</i>
Building Acquisition	\$15,000,000	73%	\$323
Renovation Costs	\$2,949,380	14%	\$64
Other Improvement Costs	\$147,469	1%	\$3
Total Soft Costs	\$650,000	3%	\$14
Total Finance Costs / Lender Charge	\$127,200	1%	\$3
Total Third Party / Escrow & Title Ch	\$13,000	0%	\$0
Senior Loan Interest Reserve	\$435,000	2%	\$9
Total Other Reserves	\$1,127,951	6%	\$24
Total Uses	\$20,450,000	100%	\$441

Financing Assumptions

Acquisitions Loan Assumptions	
Acquisition Loan	\$10,330,000
LTC	50.00%
Interest Rate	6.00%
Amortization	1,000

Permanent Loan Assumptions	
Refi Month	36
Perm Loan	\$14,600,000
Cash Out Refi?	Y
LTV	60.00%
Interest Rate	5.00%
Amortization (Yrs)	30
I/O Period (Mos)	0
DCR Constraint	1.20
Cap Rate	5.75%

PACE Loan Assumptions	
Eligible Costs	\$3,100,000
PACE Loan	\$3,100,000
Max LTC	85.00%
Interest Rate	4.00%
Amortization	1,000
DCR Constraint	1.00



Rent Roll

Rent Roll Assumptions																
	%	Monthly Rent		Monthly Per SF	Total Rent		Annual		Month			Tenant Improvements		Leasing Commissions		Rent Type
		Total	Per Unit		Monthly	Per SF	Annual	Start	Term	Renewal %	Downtime	New	Renew	New	Renew	
1st Floor - Community Center	24.20%	11,230	\$25,268	\$2.25	\$25,268	\$27.00	\$303,210	Mo. 25	5 Yrs	75%	12 mo	\$10	\$5	6.0%	3.0%	NNN
2nd Floor - Creative Office	24.20%	11,230	\$25,268	\$2.25	\$25,268	\$27.00	\$303,210	Mo. 21	5 Yrs	75%	12 mo	\$10	\$5	6.0%	3.0%	NNN
3rd Floor - Creative Office	24.20%	11,230	\$25,268	\$2.25	\$25,268	\$27.00	\$303,210	Mo. 17	5 Yrs	75%	12 mo	\$10	\$5	6.0%	3.0%	NNN
4th Floor - Creative Office	24.20%	11,230	\$28,075	\$2.50	\$28,075	\$30.00	\$336,900	Mo. 13	5 Yrs	75%	12 mo	\$10	\$5	6.0%	3.0%	NNN
Adjacent Building	3.19%	1,479	\$4,067	\$2.75	\$4,067	\$33.00	\$48,807	Mo. 13	15 Yrs	75%	12 mo	\$10	\$5	6.0%	3.0%	NNN
Rooftop - Urban Farming	0.00%	0	\$936	\$0.08	\$936	\$1.00	\$11,230	Mo. 13	15 Yrs	75%	12 mo	\$10	\$5	6.0%	3.0%	NNN
Total / Average	100.00%	46,399	\$18,147	\$2.33	\$108,881	\$27.92	\$1,306,567									
Community Center	24.20%	11,230	\$25,268	\$2.25	\$25,268	\$27	\$303,210		5 Yrs							NNN
Creative Office	72.61%	33,690	\$78,610	\$2.33	\$78,610	\$28	\$943,320		5 Yrs							NNN
Adjacent Building	3.19%	1,479	\$4,067	\$2.75	\$4,067	\$33	\$48,807		15 Yrs							NNN
Urban Farming (Rooftop)	0.00%	0	\$936		\$936		\$11,230		15 Yrs							NNN

Key Return Metrics

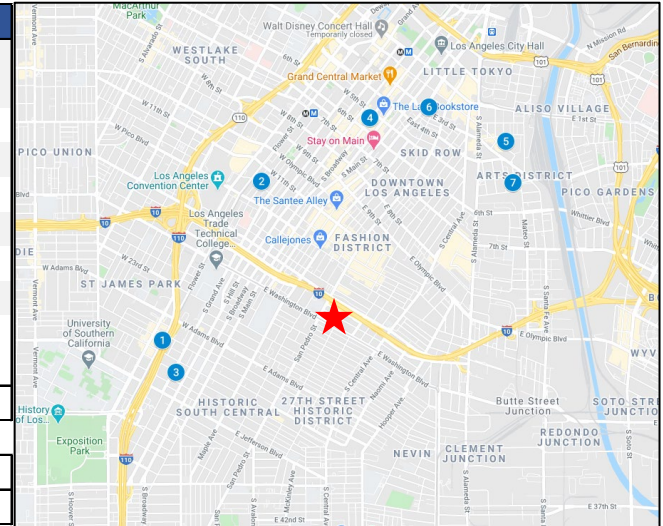
<i>Return Summary</i>		
Unleveraged IRR	1.98x	8.65%
Project Levered IRR	3.25x	18.26%
Three Year Levered IRR	2.10x	29.50%
Four Year Levered IRR	2.51x	29.57%
Five Year Levered IRR	2.61x	25.66%
Seven Year Levered IRR	2.77x	20.96%
Ten Year Levered IRR	3.25x	18.26%
Stabilized Project Level Cash on Cash*		7.07%
Stabilized Investor Cash on Cash		5.65%
Yield on Cost		7.12%
Development Spread		1.37%
Return on Investment		37.41%

- 7.07% Stabilized ROC
- 5.75% Exit Cap Rate
- 1.37% Development Spread
- 10 Yr Hold (OZ Benefits)
- 18.26% Levered IRR
- 8.65% Unlevered IRR
- 3.25x Levered MOIC

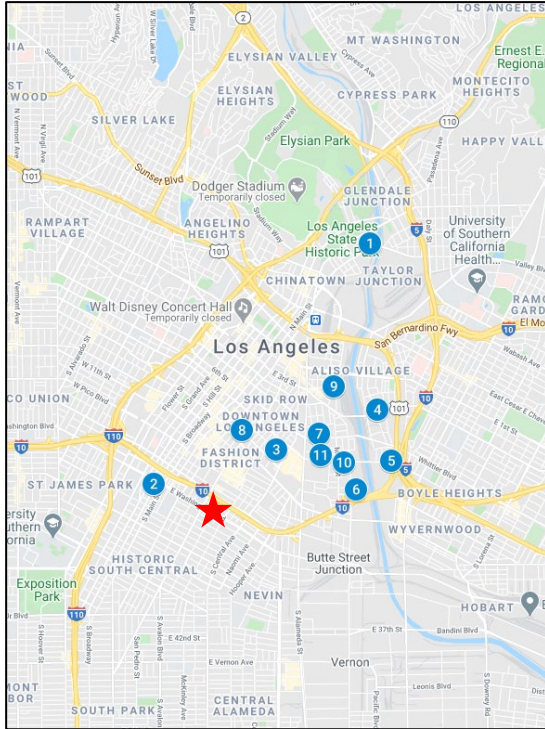
Sales Comparables

SALES COMPS - Office

Property Address	Year Built	Sale Date	Sale Price	Bldg SF	Price / SF	Zoning	Acres	Star Rating
1 2823 S Flower St	1986	Jan-21	\$2,100,000	9,363	\$224	C2	0.22	2 Star
2 1143-1147 S Hope St	1918	Sep-20	\$7,900,000	14,542	\$543	QR5-RDO	0.18	2 Star
3 3100 S Grand Ave	1997	Mar-20	\$6,500,000	32,110	\$202	M1-2	0.50	3 Star
4 519 S Broadway	1902	Mar-20	\$7,650,000	41,952	\$182	C5	0.16	2 Star
5 821 Traction Ave	1910	Feb-20	\$16,500,000	25,821	\$639	M3-3	0.51	3 Star
6 254-260 S Los Angeles St	1907	Dec-19	\$6,709,091	40,500	\$166	C2	0.16	2 Star
7 515 Molino St	1941	Nov-19	\$7,000,000	6,780	\$1,032	LA M-3	0.20	2 Star
	1937	Apr-20	\$7,765,584	24,438	\$427		0.28	
721 E Washington Blvd	1930	Jan-22	\$15,000,000	46,399	\$323	LA M-2	0.79	2 Star
721 E Washington Blvd	1930	Dec-31	\$28,100,000	46,399	\$606	LA M-2	0.79	2 Star



Lease Comparables



RENT COMPS - Office										
Property Address	Star Rating	Floor	Sign Date	SF Leased	Rent per SF	Rent Type	Building Subtype	Monthly Rent	Monthly Rent PSF	
1 1667 N Main St	2	2	Apr-21	14,582	\$34.80	MG	Office	\$507,454	\$2.90	
2 1933 S Broadway St	2	11	Apr-18	1,438	\$36.00	FS	Office	\$51,768	\$3.00	
3 749 Kohler St	2	2	Dec-20	6,820	\$12.60	MG	Office	\$85,932	\$1.05	
4 1451-1473 E 4th St	2	1	Nov-20	8,077	\$33.00	NNN	Office	\$266,541	\$2.75	
5 2301 E 7th St	3	1	Oct-20	6,891	\$21.00	MG	Office	\$144,711	\$1.75	
6 2116 Sacramento St	3	1	Mar-20	11,200	\$42.00	FS	Office	\$470,400	\$3.50	
7 1300 Factory Pl	3	1-2	Jan-20	6,369	\$32.52	MG	Office	\$207,120	\$2.71	
8 811-817 San Julian St	3	1-3	Oct-19	5,406	\$33.00	+UTIL	Office	\$178,398	\$2.75	
9 953 E 3rd St	3	1	Jul-19	9,980	\$51.00	NNN	Office	\$508,980	\$4.25	
10 2020 E 7th St	3	1	Jun-19	11,651	\$39.00	MG	Office	\$454,389	\$3.25	
11 1580 Industrial St	2	1	May-19	6,850	\$31.20	NNN	Office	\$213,720	\$2.60	
Average			Jan-20	8,115	\$33.28			\$280,856	\$2.77	

Subject Site	2	1-4	Jan-23	11,230	\$28.00	MG	Office	\$26,203	\$2.33	
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Roof Revenue



Roof Income				
Events	\$ / Event	# / Month	\$ / Month	\$ / Year
Corporate Events	\$2,000	1	\$2,000	\$24,000
Neighboring Bldgs Subscription	\$4,000	1	\$4,000	\$48,000
Photo Shoots	\$500	10	\$5,000	\$60,000
Yoga Sessions	\$500	8	\$4,000	\$48,000
Private Gatherings	\$2,000	5	\$10,000	\$120,000
Total Other Income	\$1,800	25	\$25,000	\$300,000

Detailed Budget

PROJECT COSTS		\$ Amount	\$ / SF	% Costs
Acquisition Price		\$15,000,000	\$323.28	73.35%
Building Acquisition		\$15,000,000	\$323.28	73.35%
Office Interior Retrofit Costs		\$2,919,800	\$65.00	14.28%
Adjacent Building Renovations		\$29,580	\$20.00	0.14%
Renovation Costs		\$2,949,380	\$63.57	14.42%
Contingency Reserve	5.0%	\$147,469	\$3.18	0.72%
Construction Overhead and Fee (Included in #s Above)	0.0%	\$0	\$0.00	0.00%
Other Improvement Costs		\$147,469	\$3.18	0.72%
Total All Improvements		\$3,096,849	\$66.74	15.14%
Architecture and Structural Engineering		\$250,000	\$5.39	1.22%
Engineering - Civil, Site Design, Surveys		\$200,000	\$4.31	0.98%
Property Taxes During Construction		\$200,000	\$4.31	0.98%
Total Soft Costs		\$650,000	\$14.01	3.18%
Finance Fee	1.00%	\$102,200	\$2.20	0.50%
Loan Legal		\$25,000	\$0.54	0.12%
Senior Loan Interest Reserve		\$435,000	\$9.38	2.13%
Total Finance Costs / Lender Charges		\$562,200	\$12.12	2.75%
Appraisal		\$5,000	\$0.11	0.02%
Zoning Verification		\$1,000	\$0.02	0.00%
Phase I Report		\$5,000	\$0.11	0.02%
ALTA Survey		\$1,000	\$0.02	0.00%
Escrow Fee		\$1,000	\$0.02	0.00%
Total Third Party / Escrow & Title Charges		\$13,000	\$0.28	0.06%
Leasing Commissions		\$427,992	\$9.22	2.09%
Tenant Improvement Costs		\$449,200	\$10.00	2.20%
Additional TI/LC Reserves		\$225,897	\$4.87	1.10%
Offering Contingency		\$24,861	\$0.54	0.12%
Total Other Reserves		\$1,127,951	\$24.31	5.52%
Total Project Costs		\$20,450,000	\$440.74	100.00%

Detailed Hard Costs Budget		
Description	PSF	Total
Roof	\$11.5	\$533,589
Interior Paint	\$3.0	\$139,197
Flooring	\$7.0	\$324,793
Lighting	\$4.0	\$185,596
Roof Support	\$2.0	\$92,798
Roof Ammenties	\$5.0	\$231,995
New parking lot	\$5.0	\$231,995
Window Replacement	\$3.5	\$162,397
Exterior Paint	\$3.0	\$139,197
Ceiling Repair	\$2.0	\$92,798
Restrooms	\$4.0	\$185,596
Landscape (interor/exterior)	\$3.0	\$139,197
Electrical Upgrades	\$4.0	\$185,596
OH P	\$5.0	\$231,995
Contingency	\$3.0	\$139,197
Total Hard Costs	\$65.0	\$3,015,935

Annual Pro Forma

ANNUAL PROFORMA											
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031
Rental Rate		\$2.33	\$2.37	\$2.42	\$2.47	\$2.52	\$2.57	\$2.62	\$2.67	\$2.73	\$2.78
Avg. Occupied %		0.0%	51.6%	90.0%	90.0%	90.0%	90.0%	86.6%	86.6%	90.0%	90.0%
Occupancy											
Base Rent		\$0	\$700,147	\$1,332,698	\$1,359,352	\$1,386,539	\$1,414,270	\$1,265,872	\$1,300,675	\$1,500,835	\$1,530,851
Expense Reimbursement		\$0	\$242,291	\$488,670	\$498,443	\$508,412	\$518,580	\$502,826	\$513,127	\$550,322	\$561,328
Other Income	22.96%	\$0	\$300,000	\$306,000	\$312,120	\$318,362	\$324,730	\$331,224	\$337,849	\$344,606	\$351,498
Gross Revenues		\$0	\$1,242,438	\$2,127,368	\$2,169,916	\$2,213,314	\$2,257,580	\$2,099,923	\$2,151,650	\$2,395,762	\$2,443,677
Operating Expenses											
Management Fees	3.00%	\$0	\$37,273	\$57,439	\$58,588	\$59,759	\$60,955	\$60,790	\$62,288	\$64,686	\$65,979
Elevator	\$0.15 PSF	\$0	\$3,591	\$6,389	\$6,517	\$6,647	\$6,780	\$6,653	\$6,786	\$7,195	\$7,339
HVAC	\$0.40 PSF	\$0	\$9,576	\$17,038	\$17,378	\$17,726	\$18,081	\$17,742	\$18,097	\$19,187	\$19,571
Insurance	\$0.38 PSF	\$0	\$17,632	\$17,984	\$18,344	\$18,711	\$19,085	\$19,467	\$19,856	\$20,253	\$20,658
Janitorial	\$0.79 PSF	\$0	\$18,912	\$33,649	\$34,322	\$35,009	\$35,709	\$35,040	\$35,741	\$37,895	\$38,653
Lot and Landscape	\$0.55 PSF	\$0	\$13,166	\$23,427	\$23,895	\$24,373	\$24,861	\$24,395	\$24,883	\$26,382	\$26,910
Repairs & Maintenance	\$1.45 PSF	\$0	\$34,712	\$61,762	\$62,997	\$64,257	\$65,542	\$64,314	\$65,600	\$69,554	\$70,945
PACE Assessment	4.00%	\$0	\$124,000	\$126,480	\$129,010	\$131,590	\$134,222	\$136,906	\$139,644	\$142,437	\$145,286
Real Estate Taxes	0.980%	\$0	\$194,900	\$198,798	\$202,774	\$206,830	\$210,967	\$215,186	\$219,490	\$223,879	\$228,357
Total Expenses		\$0	\$453,761	\$542,967	\$553,826	\$564,902	\$576,200	\$580,493	\$592,385	\$611,469	\$623,698
Net Operating Income		\$0	\$788,676	\$1,371,665	\$1,399,098	\$1,427,080	\$1,455,622	\$1,445,849	\$1,483,889	\$1,544,717	\$1,575,612
Operating Margin			63.48%	71.64%	71.64%	71.64%	71.64%	71.35%	71.47%	71.64%	71.64%
Capital Reserve	\$0.15/SF	\$0	\$6,960	\$7,099	\$7,241	\$7,386	\$7,534	\$7,684	\$7,838	\$7,995	\$8,155
TI/LC Reserve	\$1.50/SF	\$0	\$46,399	\$46,399	\$46,399	\$46,399	\$46,399	\$46,399	\$46,399	\$46,399	\$46,399
Tenant Improvements		\$0	\$0	\$0	\$0	\$0	\$0	\$210,563	\$70,188	\$0	\$0
Leasing Commissions		\$0	\$0	\$0	\$0	\$0	\$0	\$170,556	\$56,852	\$0	\$0
Operating Net Cash Flow		\$0	\$735,318	\$1,318,167	\$1,345,458	\$1,373,295	\$1,401,689	\$1,391,766	\$1,429,652	\$1,490,324	\$1,521,058

Thank you