



SMART GROWTH

BuildZig™



MIXED USE
MULTIFAMILY
DEVELOPMENT

657 W. MacArthur Blvd, Oakland, CA

Sponsor Team



BuildZig™



Chris Porto is the President & CEO of **Smart Growth, Inc.** – a sustainable real estate investment and development firm – founded in 2014 and based in Oakland, CA. They are focused on transit oriented, mixed use, urban infill projects that live up to the company's name.

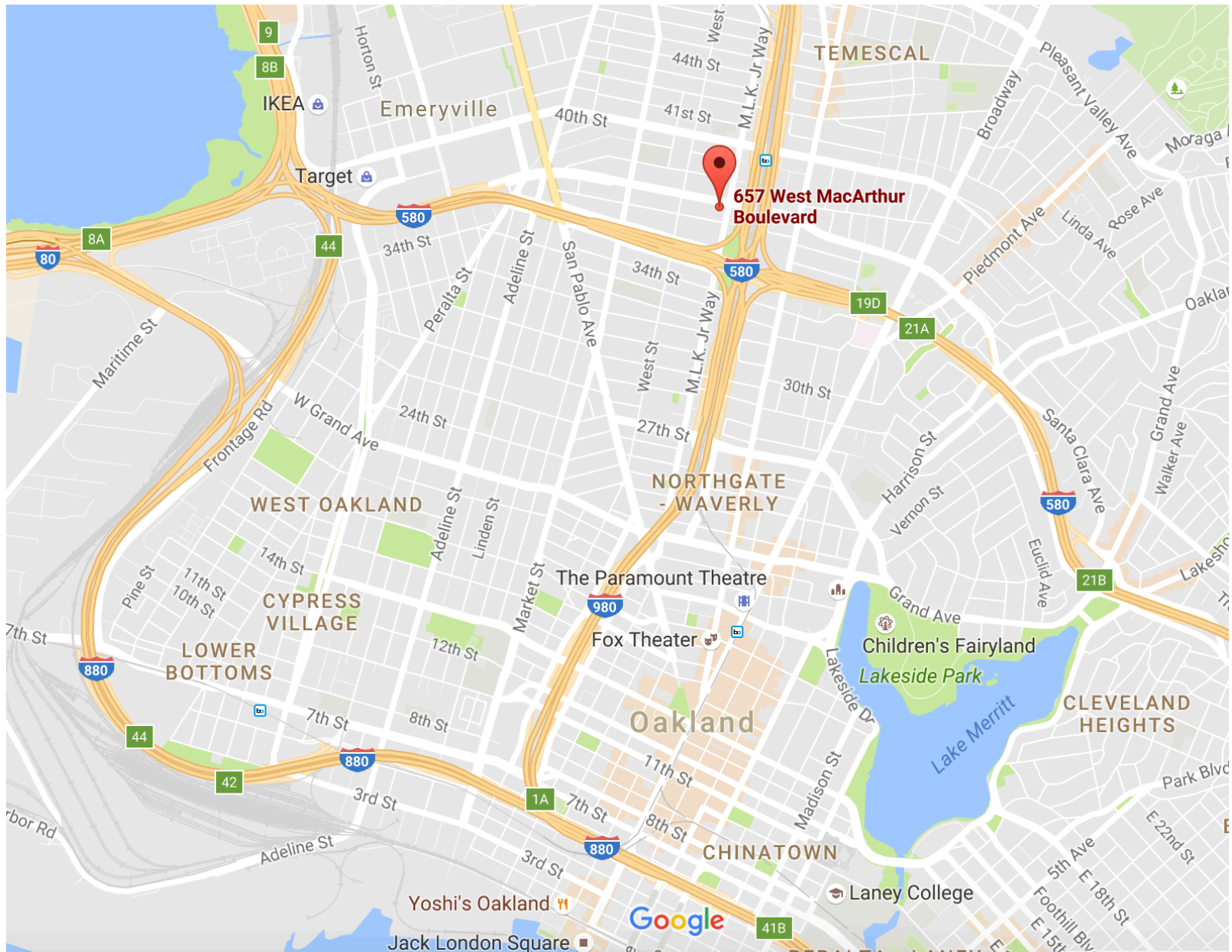
Prior to starting in real estate, Chris held positions at **Deloitte Consulting** in their Sustainability & Climate Change practice and at **SunPower** in their project finance group; where he helped raise hundreds of millions of dollars for residential and commercial solar energy developments.



Carlos Plazola is the CEO of **BuildZig, Inc.** His firm, including four partners and a staff of 15 and growing, is an industry leader in Funds Control and Construction Management, Project and Site Assessment, and Planning and Entitlements.

Prior to co-founding BuildZig, Carlos was President and founder of an entitlements company. **Terra Linda Development** and managing member of a real estate investment company.

Carlos spent seven years as the Chief of Staff to the **Oakland City Council** President as advisor on economic development issues.



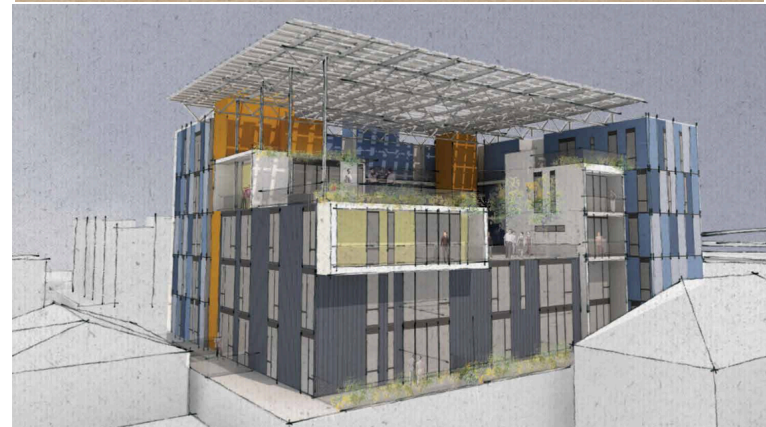
Subject Property

Project Summary



Build*zig*TM

| | |
|---------------------|---|
| Gross Building Area | 46,483 square feet |
| Net Rentable Area | 29,375 square feet |
| Construction Type | Type III : 5 Floors (wood frame) + 1 Floor (concrete podium) |
| Unit Count | 41 Units |
| Unit Mix | 38 Market (30%) / 3 Affordable (9%) |
| Unit Mix | 12-S / 8-1BR / 15-2BR / 3-3BR |
| Retail Space | 2,627 square feet |
| Parking Spots | 21 spaces including lifts |
| Open Space | Podium Courtyard & Lounge Roof Decks (x2) & Viewing Private Balconies |
| Green Features | Solar PV / Thermal EV Charging & Car Share Bike Parking (1 to 1) |



Project Timeline



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- ❑ Closing on the Land 10/1/15
- ❑ Secured Entitlements 10/1/16
- ❑ Secure Permits 4/15/17
- ❑ Construction Complete 7/1/18
- ❑ Stabilization of Units 12/1/18

Sources & Uses



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| | | |
|-----------------------------|---------------------|-------------|
| Total Sources | \$16,726,986 | 100% |
| Sponsor Cash Equity | \$100,000 | 1% |
| Partner Equity | \$1,000,000 | 6% |
| Third Party Investor Equity | \$6,000,000 | 35% |
| Construction Loan | \$9,626,986 | 58% |

| | | |
|-----------------------------|---------------------|-------------|
| Total Uses | \$16,726,986 | 100% |
| Total Hard Costs | \$12,282,113 | 72% |
| Total Soft Costs and Fees | \$2,155,728 | 14% |
| Land & Acquisition Costs | \$1,356,492 | 8% |
| Capitalized Financing Costs | \$932,653 | 6% |

Development Costs



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- Hard Costs
 - Contractor Bid w/ Contingency \$11.4M
 - Utility Hookups \$820K
- Soft Costs
 - Architect \$367K
 - Consultants \$470K
 - City Fees \$730K
- Additional Fees
 - Construction Management 3% of Bid
 - Development Management 2% of HC
- Total Cost Metrics
 - Per Gross Area \$360/Sqft
 - Per Apartment Unit \$407,975

Project Returns



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| | |
|-------------------------------|----------------|
| Rental Rate (Blended Average) | \$3.57 / sqft |
| Going-In NOI | \$1.01M / Year |
| Total Cost | \$16.7 M |
| Yield on Cost | 6.05 % |
| Sale Cap Rate (Apartments) | 4.50 % |
| Sale Cap Rate (Retail) | 5.00 % |
| Net Sales Proceeds | \$21.7 M |
| Net Return on Equity | \$6.4 M |
| Equity Multiple | 1.89 x |
| Investment Horizon | 40 Months |
| Project IRR | 31.70 % |

Capital Stack



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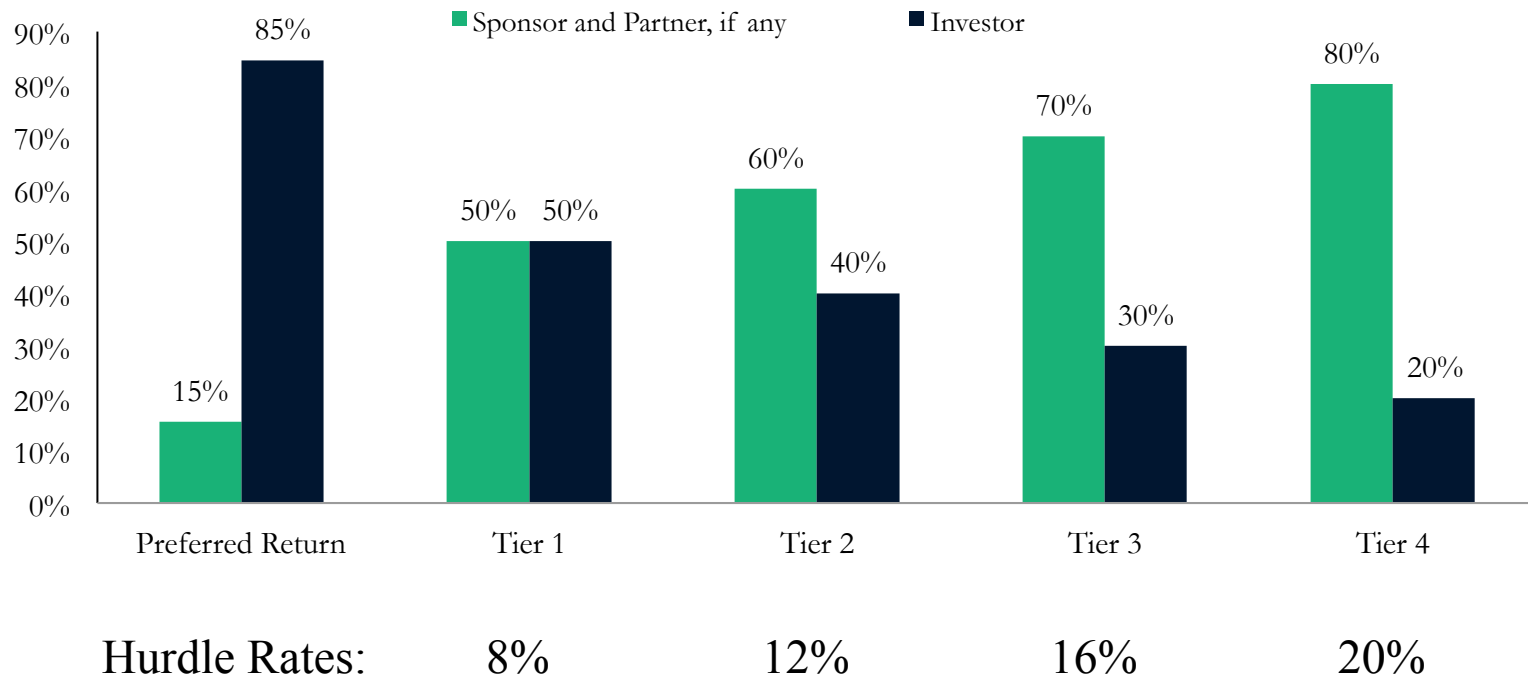
| | % Equity | % TDC | Equity % TDC | Debt % TDC | Amount * | Share of <u>Developer</u> Equity |
|-------------------------------|----------|---------------|--------------|------------|--------------------|-------------------------------------|
| Sponsor Cash Equity * | 1.41% | 0.60% | | | \$100,000 | 9.09% |
| Developer Partner Equity * | 14.08% | 5.98% | 42.45% | | \$1,000,000 | |
| Third Party Investor Equity * | 84.51% | 35.87% | | | \$6,000,000 | 90.91% |
| Senior Loan ** | | <u>57.55%</u> | | 57.55% | <u>\$9,626,986</u> | |
| Sources of Funds (TDC) | 100.00% | 100.00% | | | \$16,726,986 | |

Proposed Waterfall



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Waterfall #1 - Top-Level Developer and Third Party Investor Share of Profits at Each Tier



Projected Returns



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| | Third Party Investor | | Total Project |
|-----------------------------------|-------------------------|--|---------------------|
| Equity Investment | \$6,000,000 | | \$7,100,000 |
| <i>Share of Equity Investment</i> | <i>84.51%</i> | | <i>100.00%</i> |
| Gross Return | \$8,966,253 | | \$13,452,204 |
| Net Profit (Return on Equity) | \$2,966,253 | | \$6,352,204 |
| Multiple on Equity | 1.49x | | 1.89x |
| Internal Rate of Return | 20.29% | | 31.70% |

Average Monthly Rent (today's value)

| | | | | |
|--------------------------------|--------------|---------------|-------------------|---------------|
| | | \$3.28 | \$3.58 PSF | \$3.88 |
| | 4.12% | 19.57% | 27.88% | 34.56% |
| Asset Sale Cap Rate | 4.62% | 10.29% | 19.60% | 27.09% |
| | 5.12% | 1.00% | 11.33% | 19.63% |

Hard Costs & Contingency/Unit (today's value)

| | | | | |
|--------------------------------|--------------|------------------|-----------------------|------------------|
| | | \$279,564 | \$299,564/unit | \$319,564 |
| | 4.12% | 31.22% | 27.88% | 24.54% |
| Asset Sale Cap Rate | 4.62% | 23.35% | 19.60% | 15.86% |
| | 5.12% | 15.48% | 11.33% | 7.18% |

Profit Margin Sensitivities



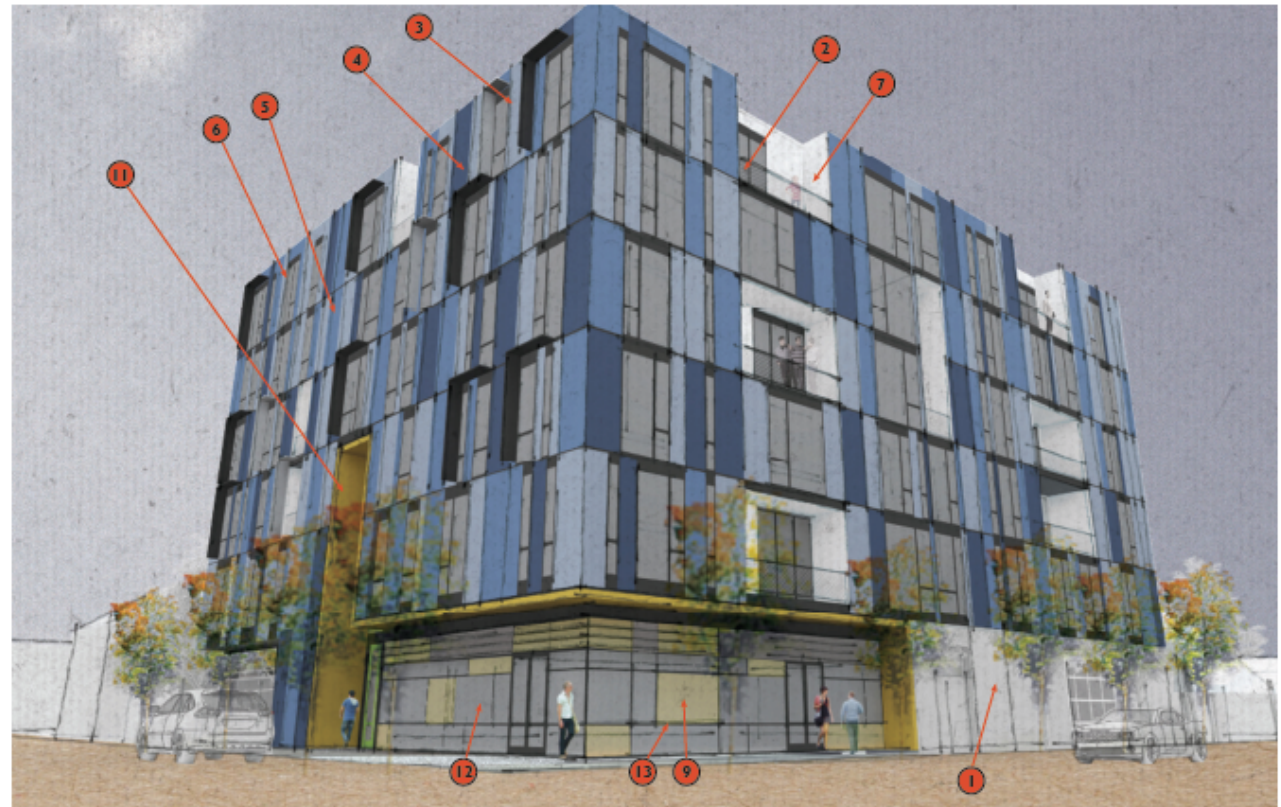
Want to work with us?

Visit our website at <http://smartgrowth.co/>

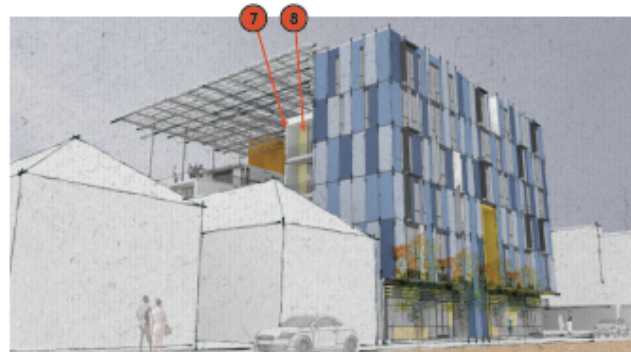
Contact us at support@smartgrowth.co/

Site Plans

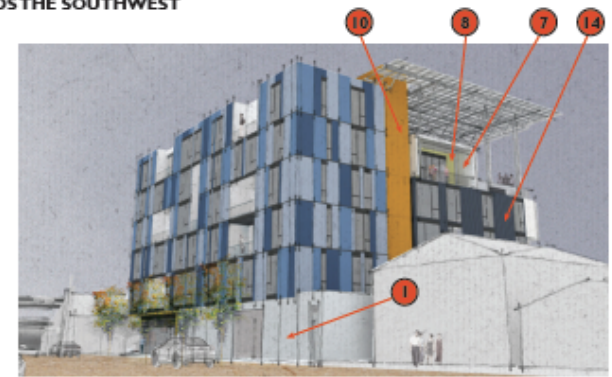
| | |
|---|----|
| CAST IN PLACE CONCRETE ARCHITECTURAL GRADE | 1 |
| PERFORATED METAL (BALCONY RAILING) | 2 |
| PERFORATED METAL (SUN SCREENS) | 3 |
| FIBER CEMENT PANEL (DARK BLUE) | 4 |
| FIBER CEMENT PANEL (MEDIUM BLUE) | 5 |
| FIBER CEMENT PANEL (LIGHT BLUE) | 6 |
| SMOOTH STUCCO SANTA BARBARA FINISH OFF-WHITE | 7 |
| FIBER CEMENT PANEL LIME GREEN | 8 |
| STOREFRONT GLASS DOUBLED-PANED GLASS + ALUMINUM ASSEMBLY | 9 |
| SMOOTH STUCCO ORANGE | 10 |
| SMOOTH STUCCO (MUTED ORANGE) | 11 |
| STOREFRONT GLASS DOUBLED-PANED GLASS + ALUMINUM ASSEMBLY | 12 |
| STOREFRONT ANODIZED ALUMINUM | 13 |
| SMOOTH STUCCO DARK GREY | 14 |



VIEW FROM THE CORNER OF MLK JR. WAY AND MacARTHUR BLVD. TOWARDS THE SOUTHWEST

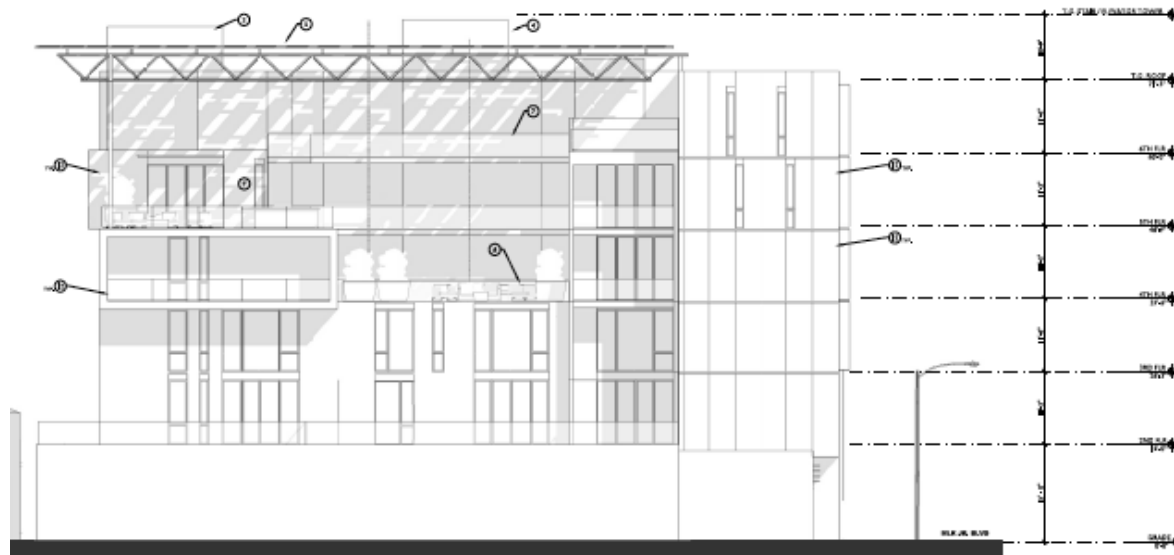


VIEW FROM MLK JR. WAY TOWARDS THE NORTHWEST

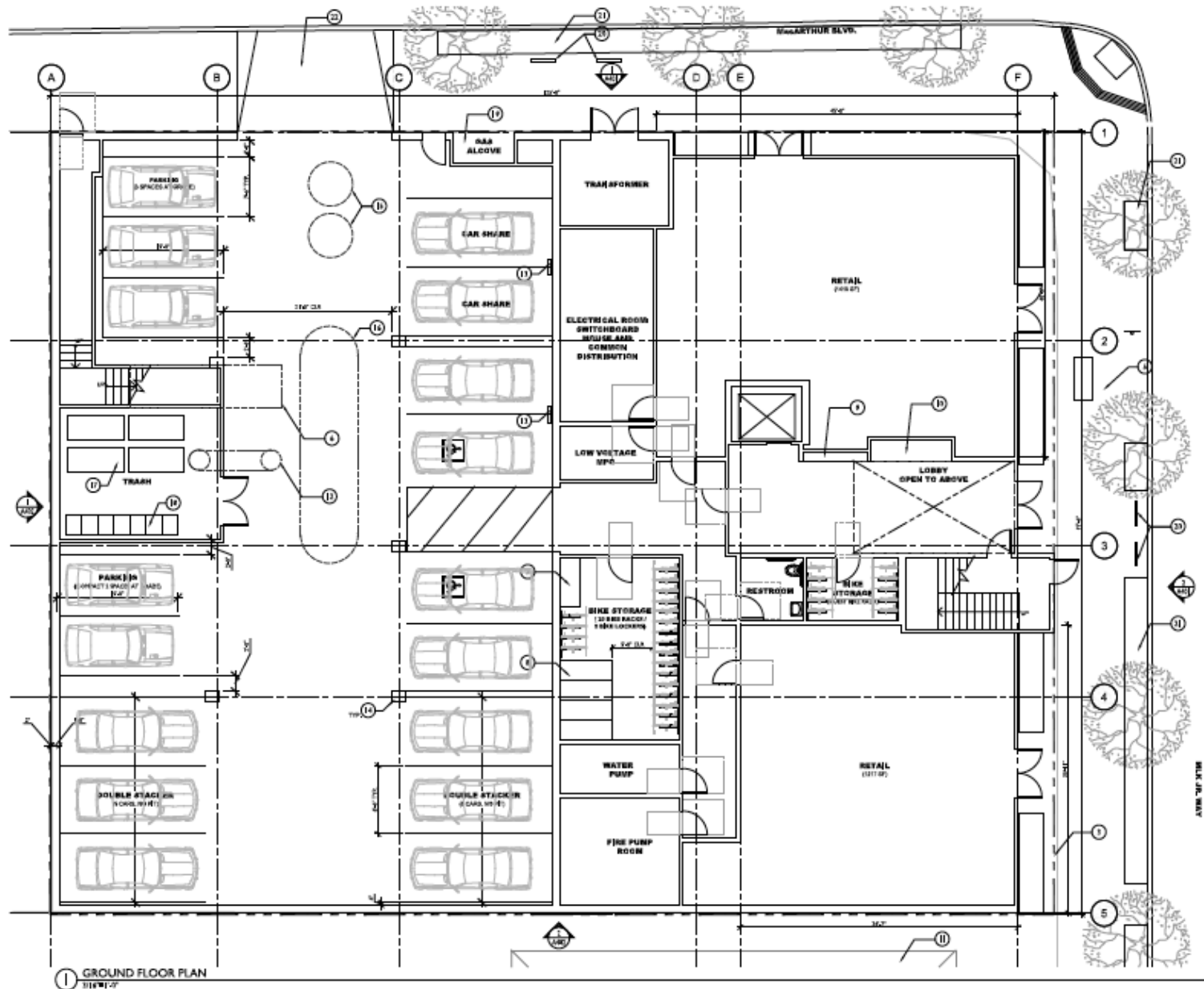


VIEW FROM MacARTHUR BLVD. TOWARDS THE SOUTHEAST

Building Renderings

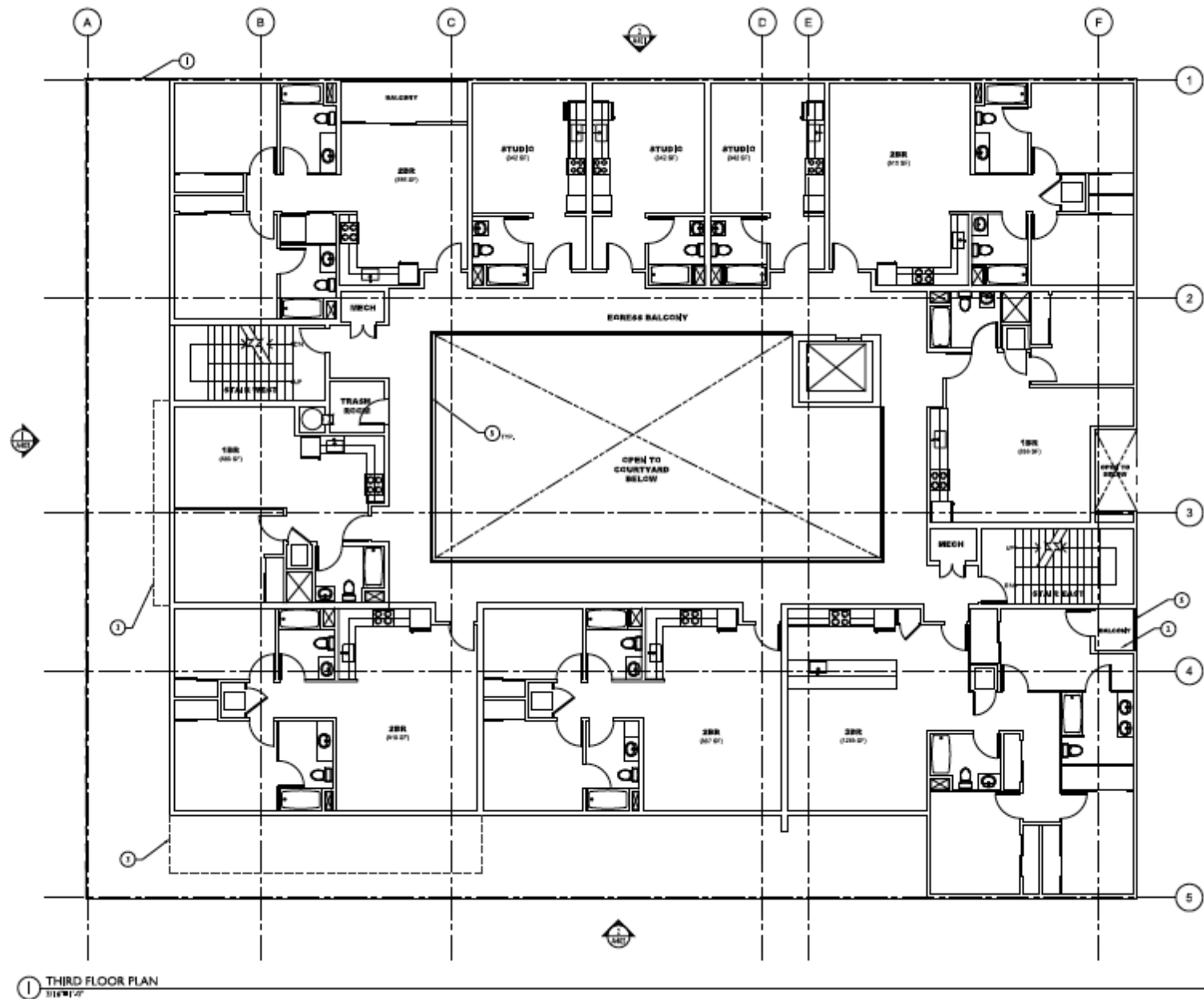


Building Elevations

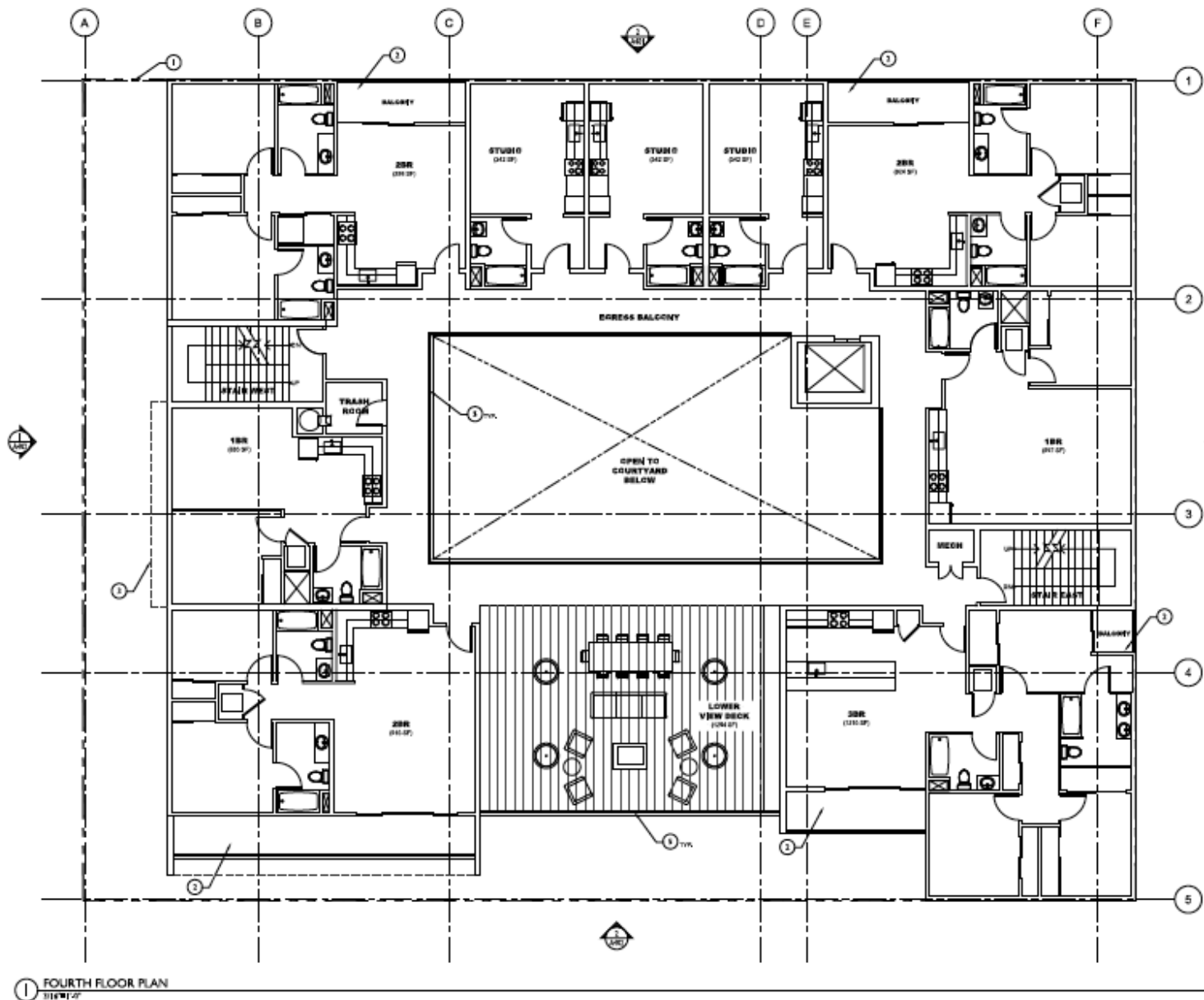


Ground Floor

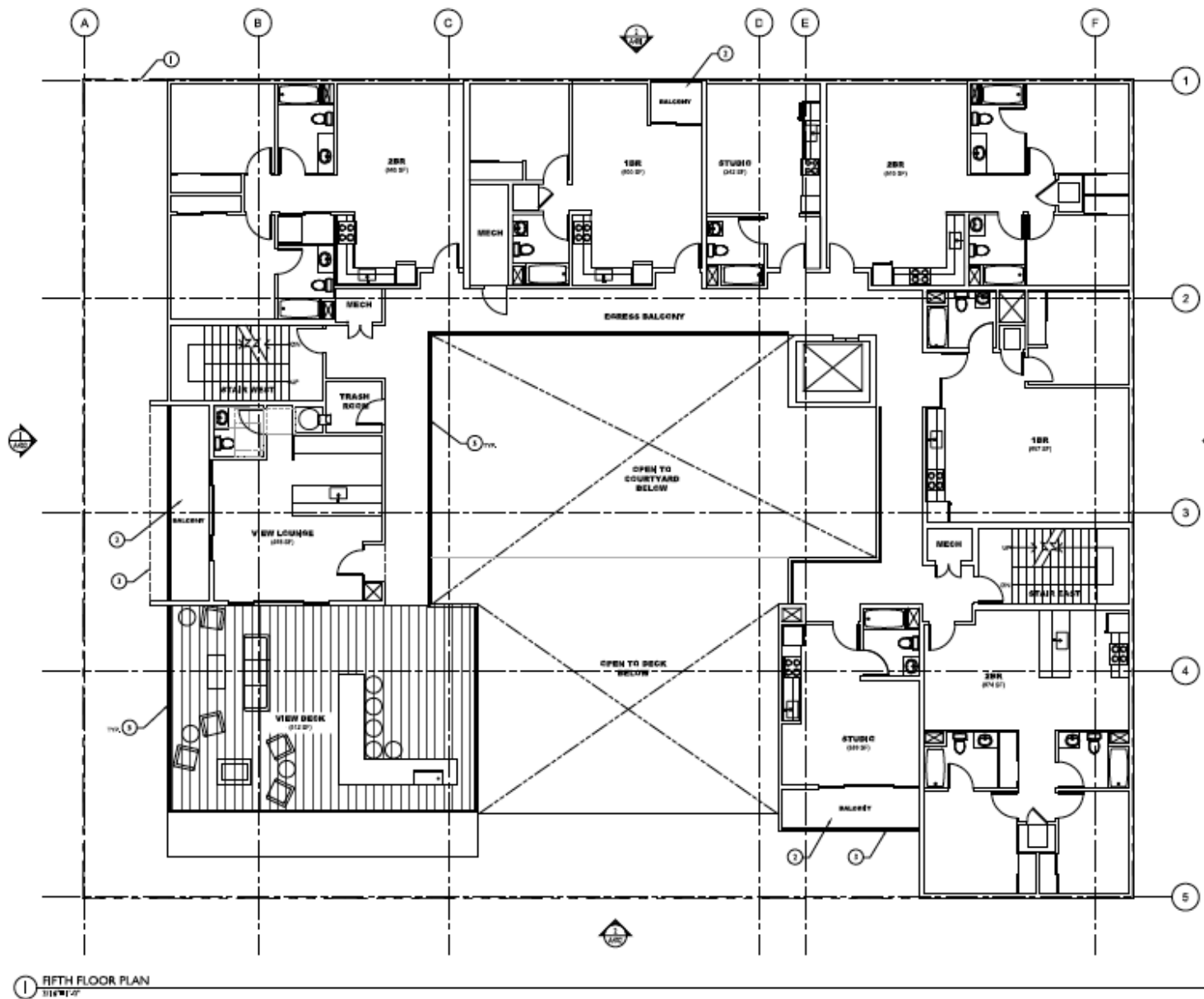




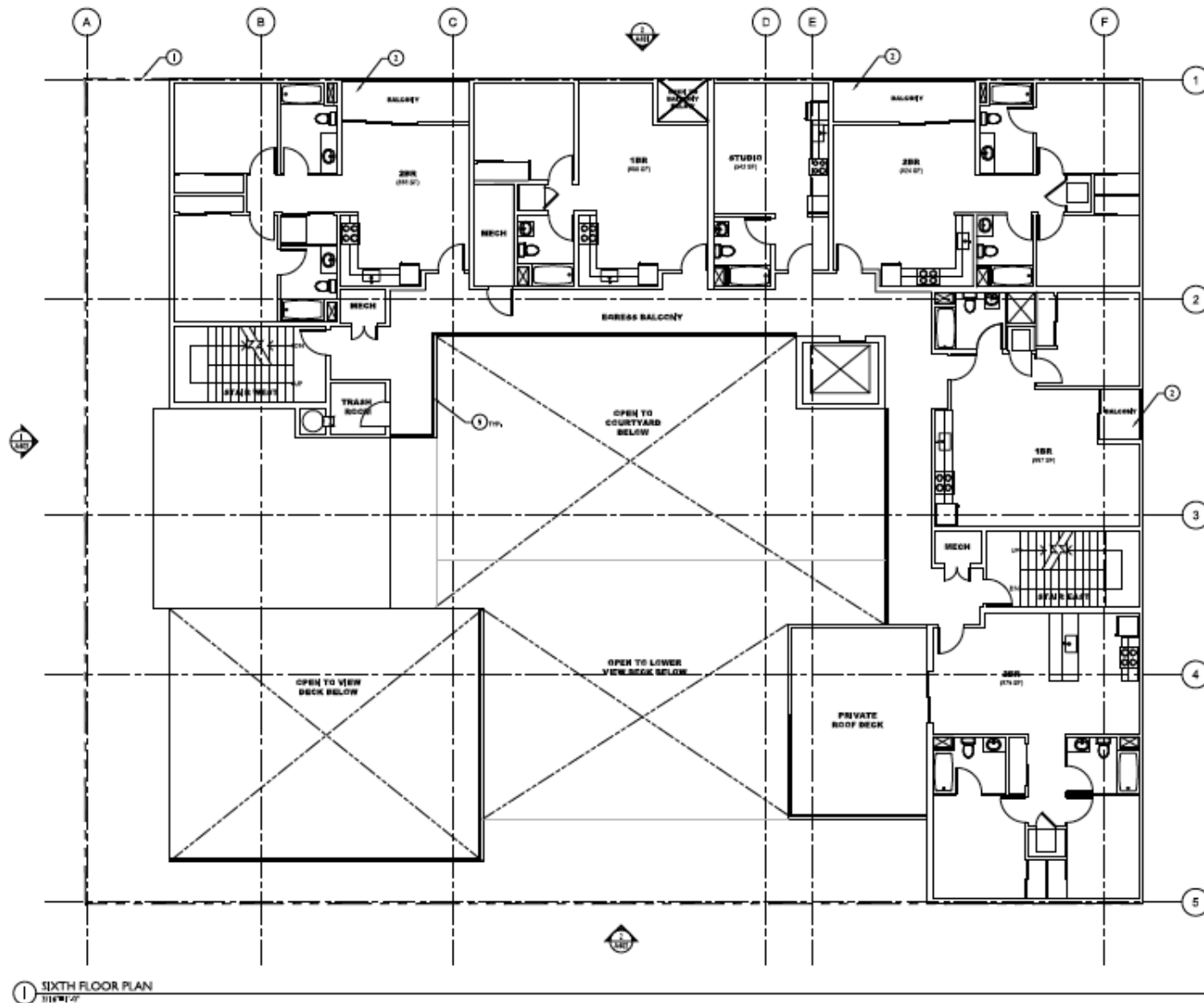
Third Floor



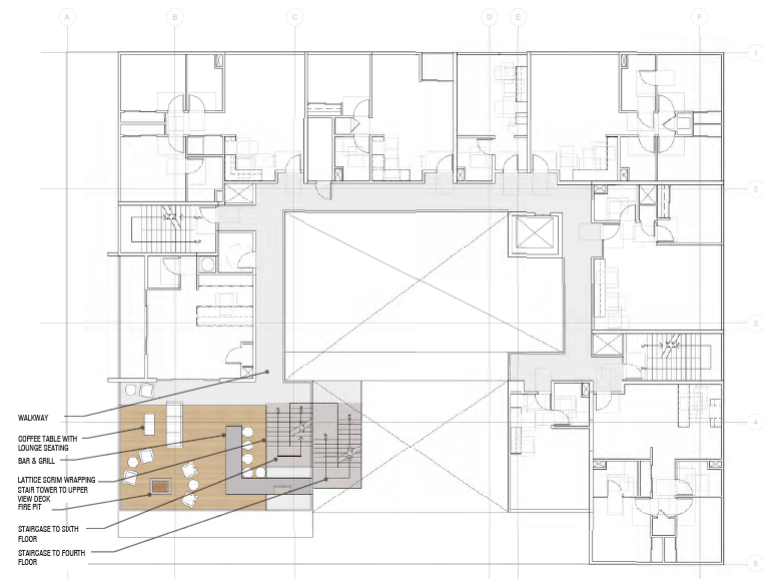
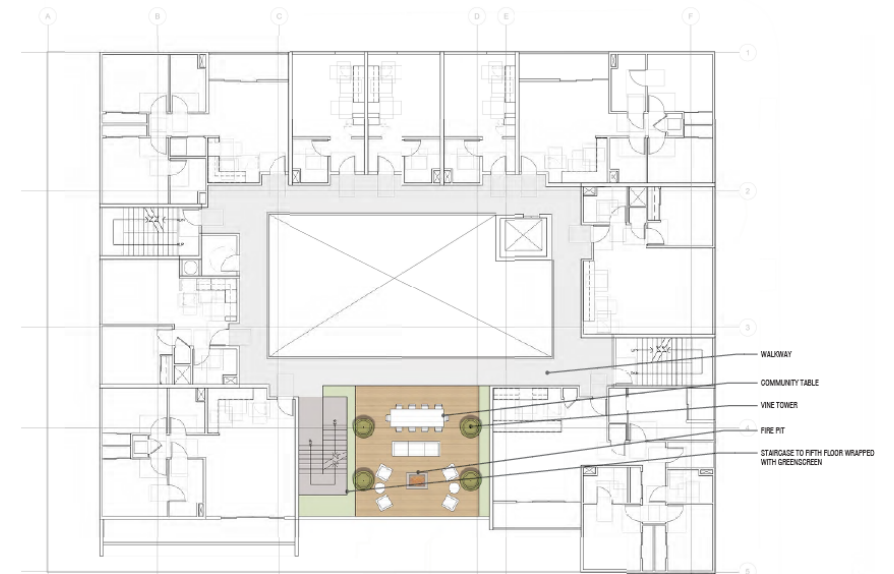
Fourth Floor



Fifth Floor



Sixth Floor





Financials



Rent Roll



BuildZig™

Building-wide Blended Averages - Affordable/Rent-Controlled and Market Rate Units - Phase 1

| <u>Project Totals</u> | Average Rent / Month | Average Unit Size (NSF) | Monthly Rent PSF | Annual Rent PSF | # of Units | % of Total Units | RSF | Monthly Revenues by Unit Type | Monthly Revenue Percentage Split |
|------------------------------------|-------------------------|----------------------------|---------------------|--------------------|-------------|---------------------|-------------------|-------------------------------------|-------------------------------------|
| Phase 1 Affordable/Rent Controlled | \$853 | 645 RSF | \$1.32 PSF | \$15.85 | 3.0 | 7% | 1,936 RSF | \$2,558 | 2% |
| Phase 1 Market Rate | \$2,700 | 722 RSF | \$3.74 PSF | \$44.88 | 38.0 | 93% | 27,439 RSF | \$102,614 | 98% |
| Average/Grand Total | \$2,565 | 716 RSF | \$3.58 PSF | | 41.0 | | 29,375 RSF | \$105,172 | |

Affordable Component

| Unit Type | Annual Service Charge PSF | Average Rent / Month | Average Unit Size (NSF) | Monthly Rent PSF | # of Units | % of Total Units | RSF | Monthly Revenues by Unit Type | Share of Revenues by Unit Type | |
|--------------------------|---------------------------|----------------------|-------------------------|------------------|------------|------------------|-----|-------------------------------|--------------------------------|------|
| Studio - AMI 50% | \$0.00 | \$814 | 390 RSF | \$2.09 | 33% | 1.0 | 2% | 390 RSF | \$814 | 32% |
| 1 Bed / 1 Bath - AMI 50% | \$0.00 | \$814 | 630 RSF | \$1.29 | 33% | 1.0 | 2% | 630 RSF | \$814 | 32% |
| 2 Bed / 2 Bath - AMI 50% | \$0.00 | \$930 | 916 RSF | \$1.02 | 33% | 1.0 | 2% | 916 RSF | \$930 | 36% |
| Average/Total | \$0.00 | \$853 | 645 RSF | \$1.32 PSF | 100% | 3.0 | 7% | 1,936 RSF | \$2,558 | 100% |

Market Rate Component

| Unit Type | Annual Service Charge PSF | Average Rent / Month | Average Unit Size | Monthly Rent PSF | # of Units | % of Total Units | RSF | Monthly Revenues by Unit Type | Share of Revenues by Unit Type | |
|---------------|---------------------------|----------------------|-------------------|------------------|------------|------------------|------------|-------------------------------|--------------------------------|------|
| | \$1.38 | | | | | | | | | |
| Studio | \$1.38 | \$1,640 | 390 RSF | \$4.20 | 32% | 12.0 | 29% | 4,685 RSF | \$19,675 | 19% |
| 1BR | \$1.38 | \$2,482 | 630 RSF | \$3.94 | 21% | 8.0 | 20% | 5,040 RSF | \$19,858 | 19% |
| 2BR | \$1.38 | \$3,371 | 916 RSF | \$3.68 | 39% | 15.0 | 37% | 13,739 RSF | \$50,560 | 49% |
| 3BR | \$1.38 | \$4,174 | 1,325 RSF | \$3.15 | 8% | 3.0 | 7% | 3,975 RSF | \$12,521 | 12% |
| Average/Total | \$1.38 | \$2,700 | 722 RSF | \$3.74 PSF | 100% | 38.0 | 93% | 27,439 RSF | \$102,614 | 100% |
| Phase 1 Total | | | | | 41.0 | 100% | 29,375 RSF | \$105,172 | | |

Stabilized NOI



BuildZig™

| | |
|---|-------------|
| Market Rate Apartment Gross Potential Rent | \$1,231,368 |
| Affordable Apartment Gross Potential Rent | \$30,696 |
| Parking Gross Potential Rent | \$25,200 |
| Gross Operating Income | \$1,287,264 |
| Less Vacancy (@ 3%) | \$1,248,646 |
| Apartment Unit Service Charge | \$38,000 |
| Less Credit Loss (@ 1%) | \$1,273,779 |
| Leased Market Rate and Affordable Rate Apartment Operating Expenses | \$184,500 |
| All Apartments Make Ready (Unit Turnover Costs) | \$41,000 |
| All Apartment Units Real Estate Taxes | \$133,000 |
| Apartment, Parking & Storage Net Operating Income (NOI) | \$915,279 |
| Retail & Retail Parking NOI after Replacement Reserves | \$76,288 |
| Stabilized NOI | \$991,568 |

Disposition Plan



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| <u>Apartment and Parking Asset</u> | | |
|------------------------------------|--|-----------------|
| Exit Timing | | Month 40 |
| Sale Date | <i>Year 4 of model</i> | 11/1/19 |
| | <i>Year 2 of operation</i> | |
| Sale Capitalization Rate | | 4.50% |
| Valuation Basis | Trailing 12 Months Adjusted NOI | |
| Trailing 12 Months Adjusted NOI | | \$952,393 |
| Gross Sale Valuation | | \$21,164,292 |
| Selling Costs | | 4.00% |
| Net Sale Proceeds | | \$20,317,720 |

| <u>Retail and Parking Asset</u> | | |
|---------------------------------|--|-----------------|
| Exit Timing | | Month 40 |
| Sale Date | <i>Year 4 of model</i> | 11/1/19 |
| | <i>Year 2 of operation</i> | |
| Sale Capitalization Rate | | 5.00% |
| Valuation Basis | Trailing 12 Months Adjusted NOI | |
| Trailing 12 Months Adjusted NOI | | \$70,090 |
| Gross Sale Valuation | | \$1,401,793 |
| Selling Costs | | 4.00% |
| Net Sale Proceeds | | \$1,345,722 |

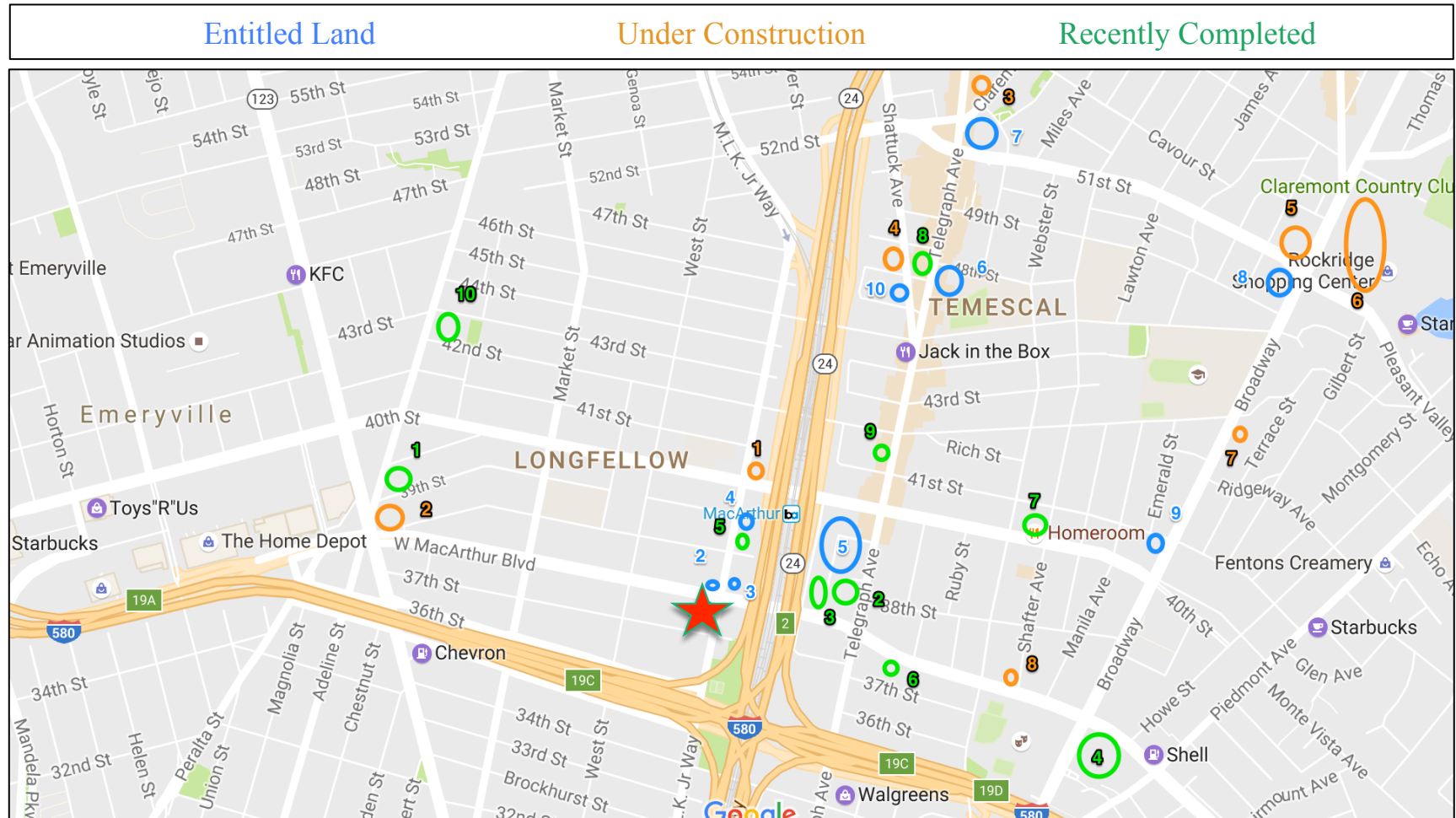


Local Development

MacArthur Area



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Local Development



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□ Entitled Land

1. Subject Site (657 W. MacArthur) – 41 Units
2. Opposite Corner (3801 MLK) – 32 Units
3. Diagonal Across (3820 MLK) – 18 Units
4. Next Block (3884 MLK) – 40 Units
5. MacArthur Station – 520 MR/ 104 A Units + 23K of Retail
 - Boston Properties & McGrath Properties approved as developer by City
 - Hines is also in talks with the City to develop remaining parcels
6. Nautilus Group Site #1 (4700 Telegraph) – 48 Units
7. Nautilus Group Site #2 (5100 Telegraph) – 169 Units
8. SRM Mark Rate Housing (51st & Broadway) – 100 Units
9. U-Haul Site
10. Shattuck

Local Development



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□ Under Construction

1. MacArthur Annex (40th & MLK)
 - 30+ Micro Office Units w/ Pizza Garden & Cafe
2. Holliday Development's The Intersection (MacArthur & San Pablo)
 - Mixed Use Apartments – XX Units
3. Signature Market Rate Housing (Telegraph & Claremont) - 33 Units
4. Nautilus Market Rate Housing Site #3 (4801 Shattuck) – 44 Units
5. SRM Senior Housing (51st & Broadway) - 127 Units
6. Terramar Shops @ The Ridge (Pleasant Valley)
 - Largest retail development in Oakland
7. Meridian Medical Office Development #1 – New Construction
 - <http://www.mpcca.com/portfolio-properties/in-development>
8. Meridian Medical Office Development #2 – Adaptive Reuse
 - <http://www.mpcca.com/portfolio-properties/in-development>

Local Development



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□ Completed Projects

1. Madison Park Market Rate Housing (39th & Adeline)
 - 100 Units Completed at beginning of 2016
2. Bridge Housing Affordable Housing (Mural)
 - 100 Units Completed at beginning of 2016
3. BART Multi-Story Parking Garage (MacArthur)
 - 400 spaces with 5,200 sqft of ground floor retail space
4. Kaiser Permanente Hospital Building (Broadway)
5. MLK Apartments & Café (3860 MLK) – 34 Units
6. MacArthur Condos
7. 40th Apartments & Restaurant
8. Temescal Place (48th & Telegraph)
9. Temescal Beer Garden (42nd & Telegraph) – Adaptive Reuse
10. Madison Park Market Rate Housing (Bakery Lofts)



Rental Comps

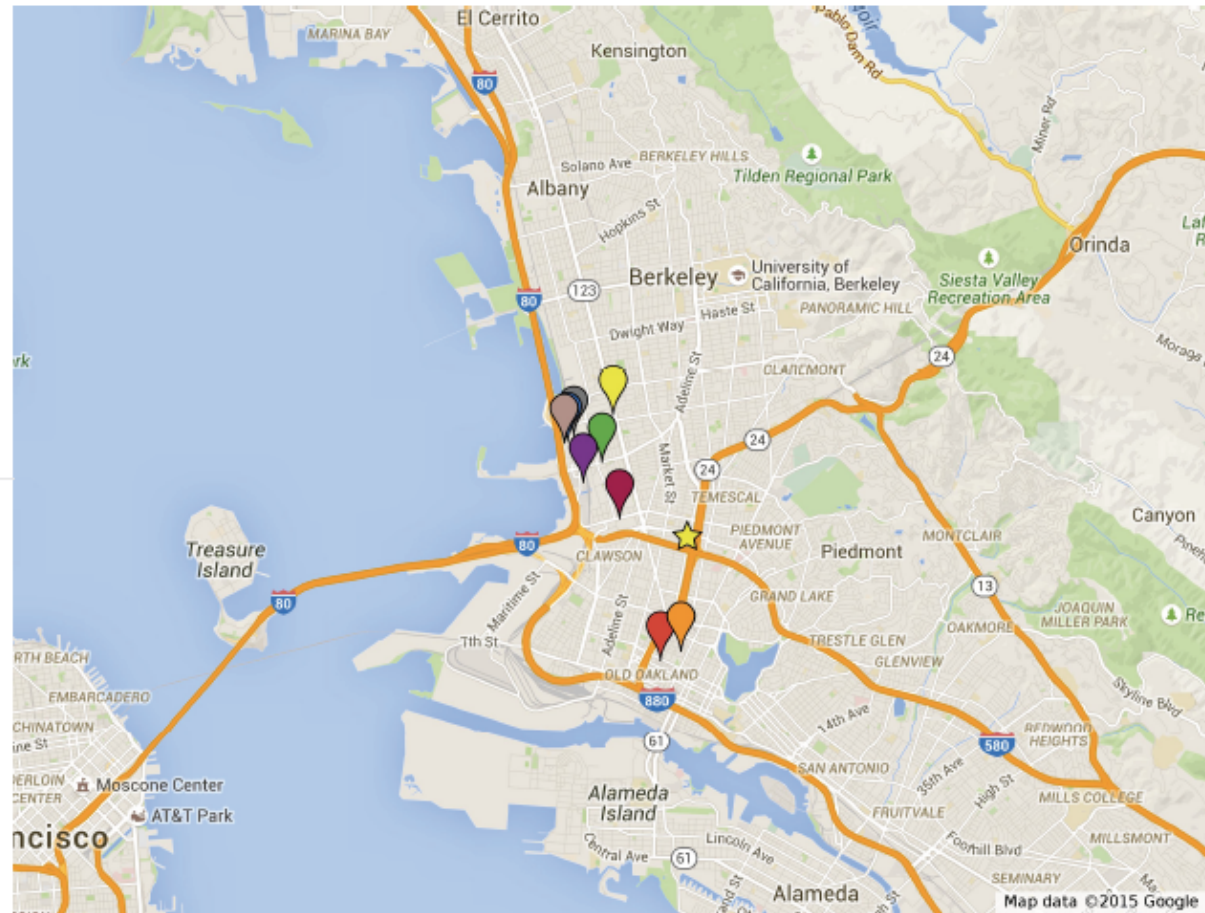
Apartments (Class A)



BuildZig™

Apartment Comps

- Domain Oakland
- The Altezza
- The Uptown
- Parc on Powell
- Emme
- Bay Street
- Avenue 64
- Bridgecourt
- Artistry
- ★ Subject Property



Apartments (0 BR)



BuildZig™

| Property Name | Property Address | Year Built | # of Units | # of Stories | Sample \$/SqFt |
|-----------------------|---|------------|------------|--------------|----------------|
| Domain Oakland | 1389 Jefferson Street, Oakland, CA | 2011 | 264 | 6 | \$3.60 |
| The Uptown | 500 Williams Street, Oakland, CA | 2008 | 665 | 6 | \$3.75 |
| Emme | 6350 Christie Ave, Emeryville, CA | 2014 | 190 | 8 | \$5.27 |
| Artistry | 6401 Shellmound Street, Emeryville, CA | 1989 | 261 | 5 | \$3.65 |

Apartments (1 BR)



BuildZig™

| Property Name | Property Address | Year Built | # of Units | # of Stories | Sample \$/SqFt |
|----------------|---|------------|------------|--------------|----------------|
| Domain Oakland | 1389 Jefferson Street, Oakland, CA | 2011 | 264 | 6 | \$3.80 |
| The Altezza | 6465 San Pablo Ave, Oakland, CA | 2008 | 33 | 7 | \$3.91 |
| The Uptown | 500 Williams Street, Oakland, CA | 2008 | 665 | 6 | \$3.75 |
| Parc on Powell | 1333 Powell Street, Emeryville, CA | 2015 | 99 | 4 | \$4.18 |
| Emme | 6350 Christie Ave, Emeryville, CA | 2014 | 190 | 8 | \$4.40 |
| Bay Street | 5684 Bay Street, Emeryville, CA | 2007 | 284 | 4 | \$4.08 |
| Avenue 64 | 6399 Christie Ave, Emeryville, CA | 2007 | 227 | 4 | \$4.14 |
| Bridgecourt | 1325 40 th Street, Emeryville, CA | 1997 | 220 | 3 | \$3.32 |
| Artistry | 6401 Shellmound Street, Emeryville, CA | 1989 | 261 | 5 | \$3.23 |

Apartments (2 BR)



BuildZig™

| Property Name | Property Address | Year Built | # of Units | # of Stories | Sample \$/SqFt |
|----------------|---|------------|------------|--------------|----------------|
| Domain Oakland | 1389 Jefferson Street, Oakland, CA | 2011 | 264 | 6 | \$3.67 |
| The Altezza | 6465 San Pablo Ave, Oakland, CA | 2008 | 33 | 7 | \$2.64 |
| The Uptown | 500 Williams Street, Oakland, CA | 2008 | 665 | 6 | \$2.90 |
| Parc on Powell | 1333 Powell Street, Emeryville, CA | 2015 | 99 | 4 | \$3.31 |
| Emme | 6350 Christie Ave, Emeryville, CA | 2014 | 190 | 8 | \$3.28 |
| Bay Street | 5684 Bay Street, Emeryville, CA | 2007 | 284 | 4 | \$3.22 |
| Avenue 64 | 6399 Christie Ave, Emeryville, CA | 2007 | 227 | 4 | \$3.87 |
| Bridgecourt | 1325 40 th Street, Emeryville, CA | 1997 | 220 | 3 | \$5.76 |
| Artistry | 6401 Shellmound Street, Emeryville, CA | 1989 | 261 | 5 | \$3.68 |



Sale Comps

Entitled Land



BuildZig™

| Property Address | Land Area | Sales Date | Sales Price | # of Units Entitled | \$ / Unit |
|------------------------|-----------|------------|-------------|---------------------|-----------|
| 5100 Telegraph Ave | 62,726 | 6/14/13 | \$11M | 169 | \$65K |
| 4801 Shattuck Ave | 14,932 | 7/30/13 | \$2.7M | 44 | \$60K |
| 5248 Telegraph Ave | 11,769 | 3/27/14 | \$2.3M | 33 | \$69K |
| 4700 Telegraph Ave | 19,597 | 3/2/15 | \$4.6M | 48 | \$96K |
| 1550 Jackson St | 9,000 | Active | \$1.998 | 20 | \$100K |
| 514 7 th St | 7,500 | Active | \$2.988 | 24 | \$125K |

Building Sales



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| Address | City | State | Zip | Size (SF) | Built | Sale Price | Sale Date | Units | Cap Rate |
|-------------------|---------|-------|-------|-----------|-------|-------------|------------|-------|----------|
| 1130 30th Street | Oakland | CA | 94607 | 17840 | 1906 | \$4,995,000 | 06/13/2016 | 39 | 5.15% |
| 353 Grand Avenue | Oakland | CA | 94610 | 21500 | 1930 | \$7,000,000 | 01/29/2016 | 25 | 3.01% |
| 1906 Jackson St | Oakland | CA | 94612 | 15570 | 1923 | \$5,000,000 | 12/04/2015 | 15 | 3.40% |
| 185 Athol Avenue | Oakland | CA | 94606 | 19646 | | \$5,604,000 | 11/20/2015 | 25 | 3.60% |
| 396 Bellevue Ave | Oakland | CA | 94610 | 30471 | 1960 | \$8,450,000 | 11/10/2015 | 30 | 4.20% |
| 260 29th Street | Oakland | CA | 94611 | 20740 | 1960 | \$6,000,000 | 06/23/2015 | 40 | 4.66% |
| 350 Newton Ave | Oakland | CA | 94606 | 30012 | 1960 | \$7,650,000 | 01/21/2015 | 42 | 4.64% |
| 4250 Piedmont Ave | Oakland | CA | 94611 | 16900 | | \$4,083,000 | 12/16/2014 | 19 | 3.06% |
| 285 Lee St | Oakland | CA | 94610 | 20469 | 1990 | \$6,150,000 | 10/31/2014 | 27 | 3.80% |
| 3792 Harrison St | Oakland | CA | 94611 | 19875 | 1964 | \$5,050,000 | 07/30/2014 | 21 | 4.10% |

Condo Sales



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| Condo Unit Category | Average Year Built | Location of Unit | Timeframe of Sale | Average Sales Price | Average Square Feet | Average Sale / SqFt | Average HOA Fee |
|---------------------|--------------------|------------------|-------------------|---------------------|---------------------|---------------------|-----------------|
| 0BR / 1BA | 1962 | Oakland | 2015 | \$240,890 | 546 | \$548 | \$277 |
| 1BR / 1BA | 1984 | Oakland | 2015 | \$391,955 | 754 | \$522 | \$370 |
| 2BR / 1BA | 1974 | Oakland | 2015 | \$468,888 | 920 | \$517 | \$335 |
| 2BR / 2BR | 1992 | Oakland | 2015 | \$587,488 | 1,184 | \$509 | \$458 |