

OFFERING MEMORANDUM

LITTLE ITALY UNION ST BUNGALOWS

8 Studio Bungalows | Little Italy | San Diego, California

EXECUTIVE SUMMARY

The Union Street Bungalows presents a rare opportunity to acquire a turn-key, multi-family historically designated 8-unit studio bungalow investment in the heart of Little Italy, San Diego's most desirable downtown neighborhood.

Offered at \$3,995,000, the property delivers a ~10.0% cap rate supported by \$499,979 in 2024 gross income and \$389,979 in NOI. Currently operating as successful short-term rentals, the asset benefits from a rare and transferable Conditional Use Permit (CUP) — a designation that most properties in Little Italy do not have and cannot obtain under current regulations.

The property also operates under an active Mills Act contract, keeping the tax assessment at approximately \$1.1 million, significantly reducing property taxes and enhancing net cash flow.

Originally restored by award-winning architect Jonathan Segal, the property blends historic charm with modern livability. Each of the eight studio bungalows includes a full kitchen, private full bathroom, murphy bed, closet area and patio space, creating a boutique cottage-style hospitality experience in one of San Diego's highest-demand rental corridors.

This is a prime opportunity for 1031 exchange buyers, private investors, and boutique hospitality operators seeking immediate cash flow with long-term upside in a supply-constrained urban market.

INVESTMENT HIGHLIGHTS

- **\$3,995,000 Purchase Price**
- **~10.0% Cap Rate**
- **\$499,979 (2024) Gross Income**
- **\$110,000 Operating Expenses**
- **Mills Act Contract – Tax Assessment Held at ~\$1.1M**
- **Rare & Transferable Short-Term Rental CUP**
- **Award-Winning Architectural Restoration**
- **Prime, Walkable Little Italy Location**
- **Turn-Key, Proven Income-Producing Asset**
- **Detached Bungalow Configuration (Highly Desirable Product Type)**

PROPERTY OVERVIEW

Attribute	Details
Property Name	Little Italy Bungalows
Address	[Confidential – Provided Upon Request]
Location	Little Italy, San Diego, CA
Units	8 Studio Bungalows
Unit Configuration	Studio
Kitchens	Full Kitchen in Every Unit
Bathrooms	Private Full Bathroom in Every Unit
Outdoor Space	Private Patio per Unit
Laundry	Community Laundry
Historic Status	Designated Historic Resource
Mills Act	Yes – Active Contract
Short-Term Rental	Transferable CUP (Rare)
Architect	Jonathan Segal
Condition	Fully Restored / Turn-Key

FINANCIAL SUMMARY

PRICING & RETURNS

Metric	Value
Purchase Price	\$3,995,000
Cap Rate	10.00%
Price Per Unit	\$499,375
Gross Income (2024)	\$499,979
Operating Expenses	\$110,000
Net Operating Income (NOI)	\$389,979

INCOME & EXPENSE BREAKDOWN

Annual Income

Item	Amount
Gross Income (2024)	\$499,979
Effective Gross Income	\$499,979

Operating Expenses

Expense Category	Amount
Property Taxes (Mills Act)	Included
Insurance	Included
Utilities	Included
Repairs & Maintenance	Included
Management & Admin	Included
Total Operating Expenses	\$110,000

Net Operating Income: \$389,979

TAX ADVANTAGE – MILLS ACT CONTRACT

The property benefits from an **active Mills Act Historic Preservation Contract**, resulting in a **dramatically reduced property tax assessment of approximately \$1.1M**, substantially below market value.

Investor Benefits:

- Significantly reduced annual property taxes
- Increased net operating income
- Long-term tax predictability
- Enhanced cash-on-cash returns

This structure materially improves yield compared to non-historic assets in Downtown San Diego.

SHORT-TERM RENTAL ADVANTAGE (RARE & TRANSFERABLE)

The property holds a **legally permitted, transferable Short-Term Rental Conditional Use Permit (CUP)**—a designation that **most Little Italy properties do not and cannot obtain** under current regulations.

Key Advantages:

- Immediate continuation of short-term rental operations
- Strong year-round demand driven by tourism, business travel, and events
- Higher income potential than traditional long-term rentals
- Scarcity value embedded in the permit itself

This regulatory advantage creates a **durable income moat** rarely available in core San Diego neighborhoods.

PROPERTY DESCRIPTION

Little Italy Bungalows is comprised of **eight detached studio cottages**, each thoughtfully designed to maximize privacy, livability, and rental appeal.

Each unit features:

- Full kitchen
- Private full bathroom
- Private outdoor patio space
- Murphy bed
- Closet area
- Furnished
- Modern stainless appliances
- Individual entrances
- Restored historic character with modern finishes

The bungalow layout creates a **boutique cottage community** feel, distinguishing the property from stacked apartment buildings and increasing guest satisfaction and repeat bookings.

ARCHITECTURAL SIGNIFICANCE

The property was restored by **Jonathan Segal**, one of San Diego's most celebrated architects, known for integrating modern livability with historic preservation.

- Award-winning architectural pedigree
- Authentic restoration aligned with Mills Act standards
- Elevated design appeal for premium guests and tenants

This architectural provenance enhances both **marketability and long-term asset value**.

LOCATION OVERVIEW – LITTLE ITALY, SAN DIEGO

Little Italy is widely regarded as **Downtown San Diego's premier lifestyle neighborhood**, offering an unmatched combination of walkability, dining, waterfront access, and cultural vibrancy.

Walkable To:

- India Street's renowned restaurants and cafés
- Little Italy Mercato Farmers Market
- Piazza della Famiglia
- San Diego Bay & Waterfront
- Embarcadero & Harbor
- Marina District
- Gaslamp Quarter

Connectivity:

- Immediate access to I-5, I-163, and SR-94
- Minutes to San Diego International Airport
- Trolley and public transit nearby

This location drives **exceptional year-round demand** from both residents and short-term guests.

INVESTMENT THESIS

This offering presents a **best-in-class boutique multifamily investment** combining:

- Strong in-place income
- Rare regulatory advantages
- Historic tax incentives
- Trophy urban location
- Turn-key operations
- Long-term appreciation potential

The asset is ideally suited for:

- 1031 exchange buyers
 - Private investors seeking yield and stability
 - Family offices
 - Boutique hospitality operators
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OFFERING GUIDELINES

- Property offered at **\$3,995,000**
 - Offers subject to seller approval
 - Proof of funds required
 - Information provided deemed reliable but not guaranteed
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DISCLAIMER

This Offering Memorandum is for informational purposes only and does not constitute an offer to sell or solicitation to buy. All financial information is approximate and subject to verification.