SEQUOIA
COMMERCIAL GROUP

DEVELOPMENT UNDERWRITING SUMMARY

1414 Martin Luther King Jr. Way & 623 15th Street

Oakland, California 94612

49 APPROVED UNITS · SHOVEL-READY · OPPORTUNITY ZONE · STEPS TO BART

49	±7,913	±26,506	CBD-X	OZ + QCT
APPROVED UNITS	SITE AREA (SF)	APPROVED GSF	ZONING	FEDERAL DESIGNATIONS

This summary sets out the underwriting Sequoia Commercial Group has prepared in support of the offering. It covers the approved development program, the acquisition basis, a stabilized market-rate pro forma, a development cost estimate, and the 100% affordable structure the site supports. It is intended as a transparent starting point for a purchaser's own analysis, and is offered on that basis only.

> **Summary conclusion.** At today's rents and construction costs, ground-up delivery of the approved program does not clear a merchant developer return at any land price. The opportunity is a **low-basis, permit-ready position** — and, for a sponsor able to access 9% Low-Income Housing Tax Credits, a structure under which the site supports a materially higher value than it is offered at. Both cases are underwritten in the pages that follow.

EXCLUSIVELY OFFERED BY

Tsovo Massena, MBA
CRE INVESTMENT ADVISOR
SEQUOIA COMMERCIAL GROUP
MASSENA TEAM FOUNDER
CA DRE #02179615
707.979.0770
tsovo@sq-commercial.com

Carlos Serrano-Quan
MANAGING PARTNER
SEQUOIA COMMERCIAL GROUP
PRESIDENT, SAN MATEO COUNTY PLANNING COMMISSION
CA DRE #01707584
415.608.8409
carlos@sq-commercial.com

The Asset & Acquisition Basis

APPROVED DEVELOPMENT PROGRAM

Address	1414 MLK Jr. Way & 623 15th St
Assessor's parcels	003-0071-026 & 003-0071-014
Site area	±7,913 SF / ±0.18 acres
Zoning	CBD-X, City of Oakland
Approved units	49 studios
Affordability	44 market-rate + 5 moderate BMR
Buildings	6-storey (39 units) + 3-storey (10)
Construction type	I-A / III-A and III-B
Gross building area	±26,506 SF
Net rentable area	±14,479 SF
Average unit size	±295 net SF
Automobile parking	None required
Amenity	±2,473 SF roof deck + courtyard
Density	±270 units / acre

Source: City of Oakland approvals as summarized in the Offering Memorandum. Purchaser to verify all entitlement facts directly with the City.

ACQUISITION BASIS AT $2,000,000

Offering price	$2,000,000
Per approved unit	$40,816
Per SF of site area	$252.75
Per approved buildable SF	$75.45
Land as % of total project cost	**9.7%**

Land share computed against the estimated market-rate total development cost on page 3. Bay Area infill land typically represents 10–20% of total development cost.

WHAT THE PURCHASER ACQUIRES

- Entitlements approved by the City of Oakland for all 49 units
- Completed construction drawings
- An active building permit application
- Modular construction approval for the 39-unit building
- No parking requirement and no affordable-housing impact fee
- Federally designated Opportunity Zone
- Census Tract 4028.02 — a HUD Qualified Census Tract (GEOID 06001402802)

ESTIMATED COST TO REPLICATE THE ENTITLEMENT POSITION

COMPONENT	LOW	HIGH	NOTE
Architecture & engineering through complete CDs	$550,000	$900,000	±26,506 GSF
Entitlement, CEQA, consultants, legal, City fees	$250,000	$450,000	Discretionary process
Modular design engineering & approval	$100,000	$150,000	39-unit building
Estimated hard-dollar replication cost	**$900,000**	**$1,500,000**	
Calendar avoided		**18 – 36 months**	

Broker estimate based on typical Bay Area project costs for a project of this size; it is an indication of replication cost, not a statement of the Seller's actual expenditure, and it is not a valuation. Purchaser should form its own view.

> **Why the basis matters more than the residual here.** A purchaser is not acquiring a construction start; it is acquiring a permit-ready position at under 10% of total project cost, in a federally designated Opportunity Zone, on a site small enough to be held inexpensively while Oakland's cost and rent cycle turns. The pages that follow underwrite the delivery case honestly so that the basis case can be judged on its merits.

Market-Rate Delivery Underwriting

SEQUOIA COMMERCIAL GROUP

ESTIMATED DEVELOPMENT COST

Land	$2,000,000
Base construction — ±26,506 GSF @ $420	$11,132,520
Constrained-site premium @ 15%	$1,669,878
Contingency @ 8%	$890,602
Demolition & site clearance	$150,000
Total hard cost	**$13,843,000**
Architecture & engineering @ 7%	$969,010
Other soft costs @ 14%	$1,938,020
School fee — $5.17/SF	$137,036
Marketing & lease-up	$400,000
Total soft cost	**$3,444,066**
Construction interest & financing fees	$1,342,629
Total development cost	**$20,629,694**
Per unit	$421,014
Per gross SF	$778

Assumes modular delivery, no prevailing-wage requirement, and a 20-month construction period. Excludes the 5 moderate-income BMR units' cost impact, which is nil — the moderate-income restricted ceiling exceeds achievable market rent for a studio of this size.

STABILIZED PRO FORMA

Gross potential rent — 49 studios @ $1,950/mo	$1,146,600
Other income	$44,100
Vacancy & credit loss @ 7%	($83,349)
Effective gross income	**$1,107,351**
Operating expenses — $9,000/unit	($441,000)
Replacement reserves — $250/unit	($12,250)
Property tax @ 1.35% of stabilized value	($128,910)
Net operating income	**$525,191**

RETURN INDICATIONS

Untrended yield on cost	**2.55%**
Value indication @ 5.50% cap	$9,548,920
Cost per net rentable SF	$1,424
Value per net rentable SF	$660
Value less total development cost	**($11,080,774)**

Rent reference: Oakland new-construction studios ~$1,760/month; Downtown upper range $1,900+. A furnished premium is assumed. Purchaser to verify independently.

UNTRENDED YIELD ON COST — RENT × HARD COST SENSITIVITY

MONTHLY RENT PER UNIT	$300/GSF	$350/GSF	$420/GSF	COMMENT
$1,950 — today	3.38%	2.97%	**2.55%**	Base case
$2,200	4.09%	3.60%	3.08%	+13% rent
$2,500	4.94%	4.34%	3.72%	+28% rent
$2,800	**5.79%**	5.09%	4.35%	+44% rent

A merchant developer typically requires a 5.50–6.00% untrended yield on cost. Holding cost at $420/GSF, that threshold is reached at approximately $3,338/month; holding rent at $1,950, it is reached at approximately $159/GSF of hard cost.

> **Underwriting conclusion — market-rate delivery.** The approved program delivers ±295 net rentable SF per unit from ±541 gross SF of construction, a floor-plate efficiency of approximately 55%. Construction is priced per gross square foot and rent is collected per unit, so the efficiency — not the land price — is what governs the outcome. On this basis a market-rate purchaser building today would not pay a positive land price. **We state this plainly because a purchaser will reach the same conclusion, and the offering does not depend on it.**

100% Affordable Alternative & Conclusions

The site suits a 100% affordable structure: no parking requirement, a six-minute walk to 12th Street BART, an approved modular building, and a location inside a HUD Qualified Census Tract, which under IRC §42(d)(5)(B) increases eligible basis by 130%. That boost attaches to the parcel, not the sponsor. Tract 4028.02 (GEOID 06001402802) appears on HUD's published Qualified Census Tract layer; designations are reissued annually and must be confirmed for the placed-in-service year.

4% CREDITS WITH TAX-EXEMPT BONDS

Total development cost, ex-land	$23,537,460
Federal LIHTC equity	$9,747,678
State credit equity	$2,266,902
Permanent loan (1.15x DSCR)	$5,320,161
Deferred fee, AHP & other	$1,200,000
Total sources	**$18,534,741**
Land supported, no gap funding	**($5,002,719)**

Cost differs from page 3 because an affordable execution triggers prevailing wage — hard cost is carried at $475/GSF here against $420/GSF for market-rate delivery. Assumes the R&T §214(g) welfare exemption, which requires a nonprofit general partner. Value of the Qualified Census Tract basis boost alone: **$2,249,464** of additional federal equity.

GAP FUNDING REQUIRED

PURCHASE PRICE	SOFT MONEY NEEDED	PER UNIT
$1,000,000	$6,002,719	$122,504
$1,500,000	$6,502,719	$132,708
$2,000,000	**$7,002,719**	**$142,913**

Local gap funding on Bay Area 4% transactions commonly runs $100,000–$200,000 per unit. The site is a credible candidate for Affordable Housing and Sustainable Communities funding given its BART proximity. All such sources are competitively awarded and are carried at zero above.

9% COMPETITIVE CREDITS

Land supported — with state credit	**$7,181,878**
Land supported — state credit disallowed	**$4,914,976**

49 units is a conventional 9% transaction size. Credits are competitively allocated by CTCAC and are typically oversubscribed.

UNDERWRITING CONCLUSIONS

1. Ground-up market-rate delivery does not clear a merchant return at today's rents and costs. The constraint is the approved building's ±55% floor-plate efficiency, not the land price.
2. A 4% affordable structure requires approximately $7.0 million — about $142,900 per unit — of local or state gap funding to support the offering price. That is within the normal Bay Area range but must be awarded.
3. A 9% credit allocation supports a land value well above the offering price. This is the structure under which the site underwrites most strongly today.
4. Absent either, the offering is a basis and optionality acquisition: an approved, permit-ready, Opportunity Zone position at under 10% of total project cost, holdable at low carry.

ASSUMPTIONS & DISCLOSURE

EXCLUSIVELY OFFERED BY

Tsovo Massena, MBA
CRE INVESTMENT ADVISOR
SEQUOIA COMMERCIAL GROUP
MASSENA TEAM FOUNDER
CA DRE #02179615
707.979.0770
tsovo@sq-commercial.com

Carlos Serrano-Quan
MANAGING PARTNER
SEQUOIA COMMERCIAL GROUP
PRESIDENT, SAN MATEO COUNTY PLANNING COMMISSION
CA DRE #01707584
415.608.8409
carlos@sq-commercial.com

SEQUOIA COMMERCIAL GROUP
RESPONSIBLE BROKER