

CHEROKEE POINT

3738

40TH STREET

San Diego, CA 92105

.16 Acre | **7,004 SF**
50' x 140' Alley Access
Existing Duplex **with Income**

**Designated
Qualified
Opportunity Zone
Development Deal**



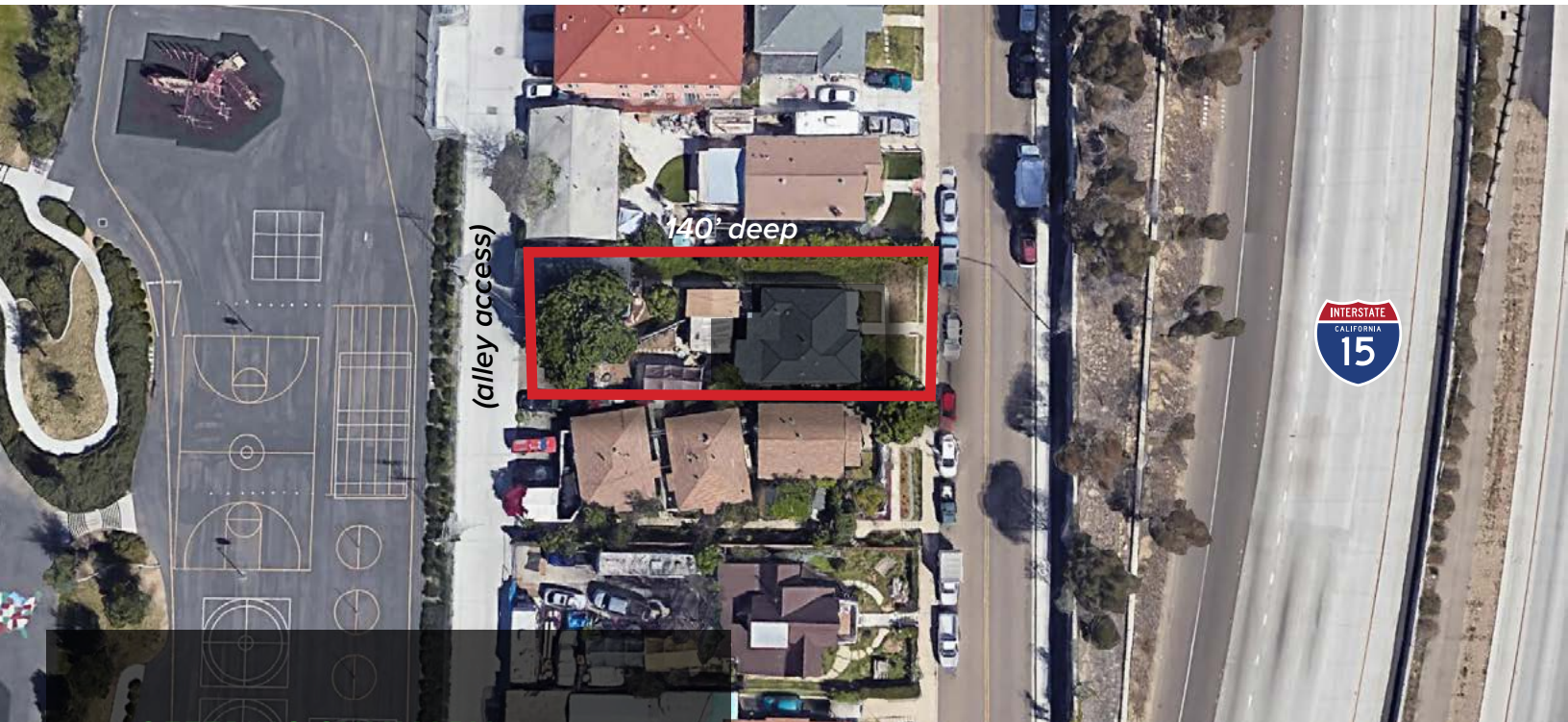
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OFFERING SUMMARY

Property Status	Occupied
Lot Dimensions	50' x 140' (flat, alley access)
List Price	\$699,000
Address	3738 40th St San Diego, CA 92105
APNs	447-613-20-00
Existing Structures	Front House 3734 40th St 3 Bed 1 Bath Back House 3738 40th St 2 Bed 1 Bath
Total Units	5 by right, 10 micro units
Walk Score	78

DEVELOPMENT PROJECT

3734-3738 40th St consists of two single family homes on one spacious 7,000 SF across the alley from Cherokee Point Elementary School and walking distance to Park de la Cruz. This property is located within the designated qualified opportunity zone and eligible for redevelopment with very favorable incentives. Conceptual renderings reflect two different scenarios: ten micro units with no parking, or five inline row home units with 2-car garages. Since this site is in the Transit Priority Area, you can build double the density with zero parking requirement.

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40TH STREET

CITY HEIGHTS

City Heights is such a unique community in the San Diego landscape and well worth revisiting time and again to experience it's diverse options.

Gardens and farmers markets are a mainstay, and you'll often find public art in the neighborhood's green spaces.

The mix of food options in City Heights is endless- including some of the best Vietnamese, Mexican, Ethiopian and Somali cuisines.

There are also plenty of canyons in City Heights to explore, including the Fox, Swan and Olivia Canyons.



Renderings for 5 rowhomes are conceptual designs.

DESIGNATED QUALIFIED OPPORTUNITY ZONE

The federal tax bill passed at the end of December 2017 allows the Governor to designate certain census tracts as Opportunity Zones. Investments made by individuals through special funds in these zones would be allowed to defer or eliminate federal taxes on capital gains. For more information visit: http://dof.ca.gov/Forecasting/Demographics/opportunity_zones/

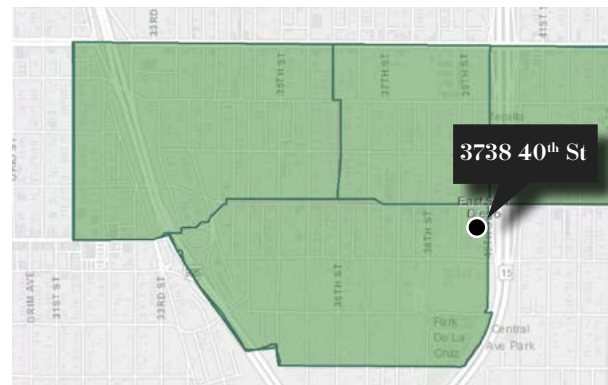
How Opportunity Zone Investments Work:

Capital gains tax deferral, step-up in basis, and capital gains tax elimination are the tax advantages real estate investors may see with investment in Opportunity Zones.

An opportunity fund is a corporation or partnership organized to invest in qualified opportunity-zone property. An Opportunity Zone fund must hold at least 90 percent of its assets in such Qualified Opportunity Zone Property, measured every six months of each calendar or fiscal year of the Opportunity Zone fund, and failure to maintain the 90 percent investment requirement results in a penalty. An Opportunity Zone fund can include both capital gains and other funds, but only the capital gains are eligible for the opportunity zone tax benefits of deferral, reduction and exclusion.

The opportunity zone statute has created certain time pressures to drive investment. For a taxpayer to qualify for the benefits under the statute, capital gains must be invested in an opportunity fund within 180 days from the date they are realized. Because of the 90 percent investment requirement, the opportunity fund must deploy its capital in a timely manner in a Qualified Opportunity Zone Property. Thereafter, the opportunity fund must hold at least 90 percent of its assets in Qualified Opportunity Zone Property for 10 years to get the maximum benefit.

Based on the legislation, Qualified Opportunity Zone Property can be real property used or located in an opportunity zone that was purchased after 2017 and the original use of such property opportunity zone commences and the property is substantially improved following purchase by the opportunity fund. It is understood the “substantial improvement” test means an opportunity fund must increase the basis of the property by the amount of the original basis; said plainly, if the opportunity fund buys a property for \$1 million and the improvements are \$600,000 of the adjusted property basis, then the costs of the property must be improved by an additional \$600,000 in order to qualify. An opportunity fund has 30 months to complete such substantial improvements.



Example

Assume an investor has a \$1 million gain in Apple stocks and decides to sell. To keep it simple, let's also assume the investor is in a 20 percent tax bracket, totaling \$200,000 in capital gains tax. But instead of paying, the investor reinvests the \$1 million in an Opportunity Fund. Here's what happens next:

- Deferment of gains: By investing those gains in the Opportunity Fund, the tax due on those gains is deferred until the earlier of selling the investor's interest in the Fund or December 31, 2026.
- If the investor holds the investment for 5 years: That payment of \$200,000 is completely deferred, plus the investor gets a 10 percent step-up in basis on the original gain deferred. So now the investor pays \$180,000, saving \$20,000 in capital gains taxes.
- If the investor holds for 7 years: They receive an additional step-up in original basis of 5 percent, and the capital gains tax bill goes down to \$170,000, saving \$30,000 on the taxes owed from the investor's initial gain. If the investor holds for more than 10 years: the investor pays ZERO capital gains tax on the appreciation of that asset."

Existing Income

3734 40th St \$1,700/month (Section 8)
 3738 40th St. \$1,400/month

Proposed Construction Type

Type VA

Lot Size

7,004 SF (0.16 acres)

Lot Dimensions

50'x140' with alley access

Zoning

RM-2-5

Density

1,500 SF/DU (Since this is in a Transit Priority Zone, you can build double density with Zero Parking)

FAR

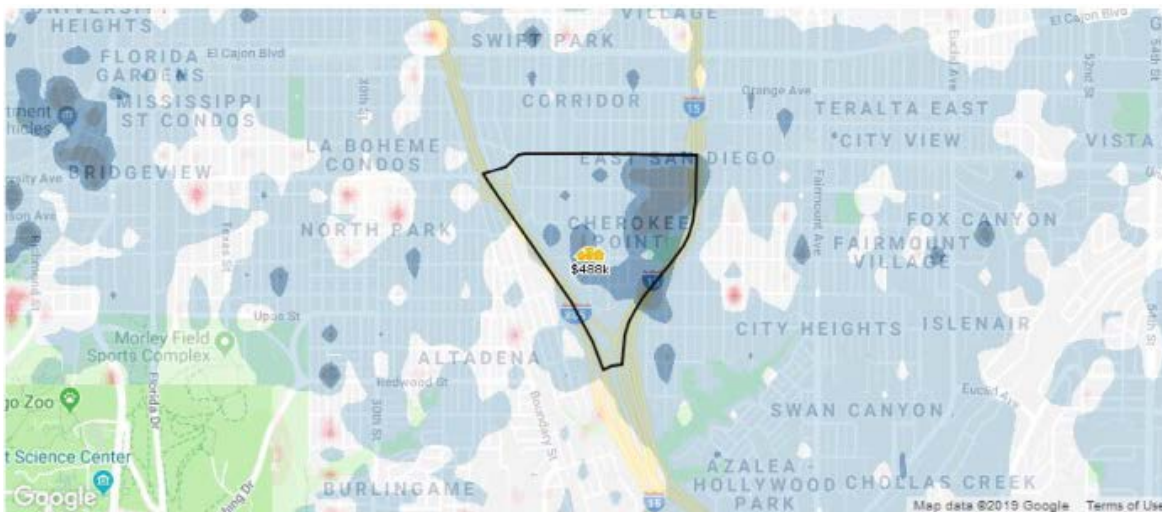
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Renderings are conceptual designs.

MARKET SNAPSHOT CHEROKEE POINT

12-Month Change in Estimated Value



This map layer shows the change in estimated home values over the past 12 months, based on the AVMs and RVMS® for properties in an area. Source(s): Public records and MLS data where licensed; updated Quarterly.

Median Est. Home Value

\$488K

As of 3/2019

3738

40TH STREET

San Diego, CA 92105

MISSION VALLEY



Texas St.



El Cajon Blvd.

NORTH PARK

University Ave.



HILLCREST



BALBOA PARK

SOUTH PARK

DOWNTOWN



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