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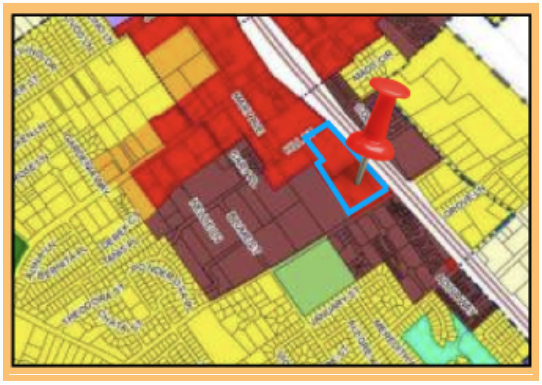
Introduction to the Parcel

Chumash Gardens is an innovative residential community on a 10.9-acre parcel in Nipomo, California, conveniently located off Highway 101. The development will feature six affordable housing buildings, each comprising 14 modern townhomes, addressing the critical need for quality, accessible housing in the area. The community will also include Nipomo's first hotel, catering to visitors exploring the area's charming surroundings. A shared recreational center will serve as a hub for events and activities, fostering a strong sense of community among residents and guests. Surrounded by expansive green spaces, Chumash Gardens offers a serene and inviting environment. With an estimated total development cost of $74,354,550.50, the project reflects a commitment to quality and sustainability.

Zoning Information

222 N Frontage Road is currently zoned as Commercial Retail. Picture to the right is a zoning map of the area surrounding the property.



The Pin represents 222 N Frontage Road. The red is zoned as Commercial Retail and the purple that surrounds the red on the southwest side is zoned for Residential Multifamily (R4). We believe that because Nipomo is an unincorporated area and the direct parcels surrounding our property are multifamily, that it won't be a difficult process to get our parcels to be rezoned to match our plans for the property. Nipomo also just built an

extension to the existing commercial space on the north side of the parcel, so there is now a much higher demand for residential compared to commercial.

Site Overview

Owner: Nipomo Properties LLC Address: 222 N Frontage Road, Nipomo CA 93444. Size of Site: 10.91 Acres = 475,239.60 sq ft. The site is positioned perfectly to accommodate both a hotel and an affordable residential community.

Nearby Attractions

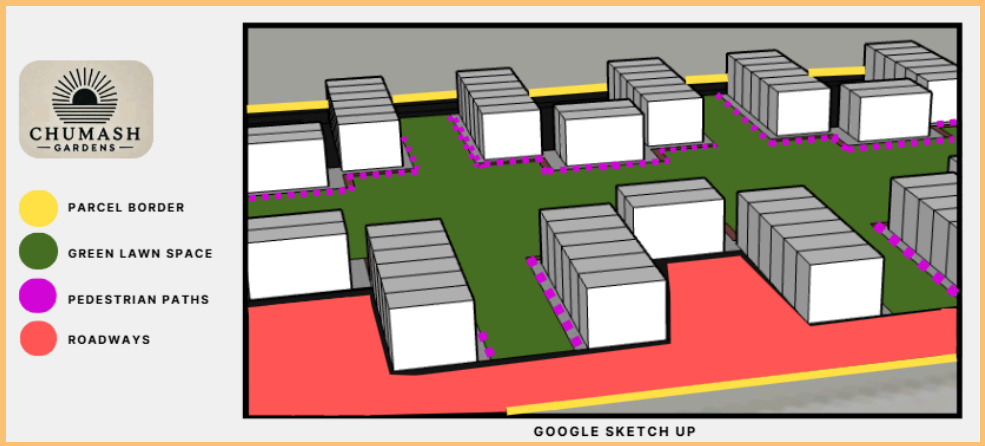
Chumash Gardens is ideally located with access to a variety of nearby attractions and essential amenities. Just a short distance away are two neighboring shopping centers featuring popular stores like Wendy's, Grocery Outlet, Miner's Ace Hardware, O'Reilly's, Tractor Supply, Vons, UPS Store, and more, making daily errands convenient for residents.

For families, the area is home to excellent educational institutions. Nipomo High School, located just 2.2 miles away, is known for its strong academic programs and extracurricular activities, while Nipomo Elementary School, only 1.5 miles (or a 6-minute drive) away, offers a nurturing environment for students from kindergarten through sixth grade.

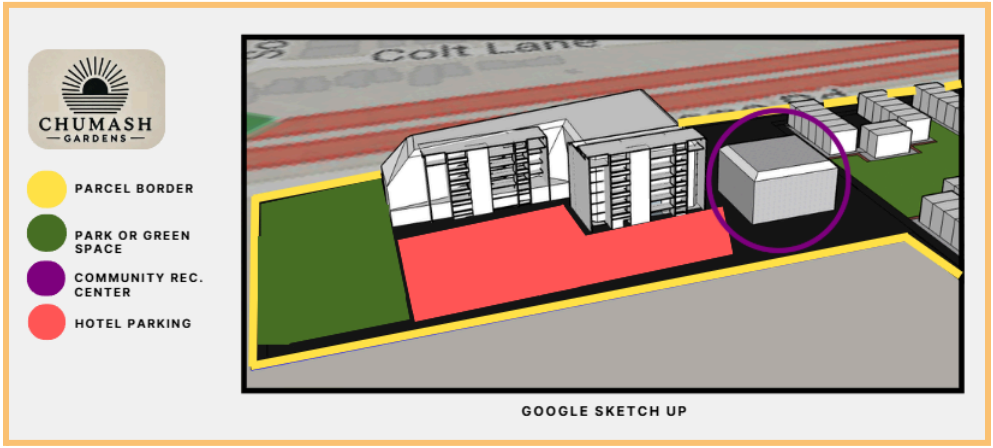
Healthcare is easily accessible, with Dignity Health Hospital in Nipomo just 8 miles (or 10 minutes) away, providing comprehensive medical services with a reputation for quality care. Additionally, public transportation options are conveniently close, including a bus stop (Stop ID: 3703) within an 11-minute walk and the Guadalupe Amtrak Station just 15 minutes away, offering connections for commuters and travelers.

Site Design

The proposed hotel development, spanning 50,000 square feet, is ideally suited for a Wyndham Hotel featuring 160 rooms, a 55,000-square-foot parking lot, and a 6,000-square-foot clubhouse. This hotel addresses the pressing need for short-term housing in Nipomo while also serving as a vital revenue stream to support the Chumash Gardens community. The affordable housing component of the project includes six residential buildings, offering a total of 79,200 square feet of living space. The development will provide 72 two-bedroom, two-bath units, each measuring 900 square feet, and 12 three-bedroom, two-bath units, each spanning 1,200 square feet.



The design of Chumash Gardens prioritizes the needs and comfort of its residents. Each unit is thoughtfully designed as a two-story townhome, ensuring ground-level entry for every resident—a crucial feature for ease of access and convenience. The accompanying illustration highlights the layout of the residential buildings: yellow outlines the parcel boundaries, green denotes the shared open green spaces, dashed purple lines trace pedestrian walkways leading to the units, and red indicates the central roadways and parking areas. This design seamlessly integrates accessibility, community-focused green spaces, and efficient infrastructure.



The 50,000 sqft hotel is positioned perfectly to meet the demand for short-term housing in Nipomo. This Hotel will be a great source of revenue to help fund the development of the

Chumash Gardens. A percent of all workers at the hotel will be filled by residents of the Chumash Gardens who are struggling with finding a job. The hotel development will also include the addition of a clubhouse/rec center which will be shared between the hotel guest and the residents of the Chumash Gardens.

Sustainability Features

Incorporating energy efficiency into the project design ensures long-term sustainability and cost savings. LED lighting will be used for both indoor and outdoor areas, significantly reducing energy consumption compared to traditional lighting options. Energy Star-rated appliances, such as refrigerators, dishwashers, and HVAC systems, will further enhance energy efficiency by using less electricity while maintaining performance. Additionally, smart thermostats will optimize energy use by adjusting temperature settings based on occupancy patterns and preferences.

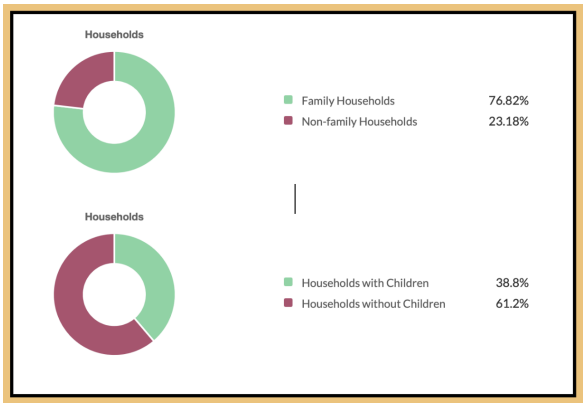
Water conservation measures will be a key focus to address resource sustainability. Low-flow fixtures, including faucets, showerheads, and dual-flush toilets, will reduce water usage without compromising functionality. Landscaping will be prioritized with drought-tolerant plants like succulents and desert vegetation, which require minimal irrigation while maintaining aesthetic appeal.

Material choices for the project will emphasize sustainability and indoor air quality. Recycled materials will be utilized for pathways, fences, and exterior fixtures, reducing waste and the environmental impact of new construction. Low-VOC (volatile organic compound) paints will be applied to improve indoor air quality and create healthier living spaces.

The project will also be designed with solar-ready infrastructure to facilitate future renewable energy upgrades. Pre-wiring for solar panels will be integrated during construction, reducing the cost and complexity of installation in the future. Enhancing green spaces will further contribute to sustainability by planting trees strategically to provide shade and lower cooling costs for buildings. We take great emphasis on providing a sustainable aspect to the project and are making sure that every necessary step is taken to make this project as sustainable as possible.

Market Analysis

Nipomo, California, offers a unique market shaped by its prominent industries, demographics, and housing needs. The town thrives on a diverse economic base rooted in healthcare, agriculture, manufacturing, and construction, which are crucial to the local workforce. With a median resident age of 37, the community is balanced with young professionals and families of all sizes.



Household dynamics in Nipomo reflect a strong focus on families, as 76.82% of households are family-oriented, while the remaining 23.18% are non-family households. Of these, 38.8% include children, showcasing the town's appeal for growing families, while the rest cater to households without children, which also suggests a demand for varied housing options. The workforce highlights the blend of industries shaping the local economy. Most workers

(72.89%) are employed in white-collar jobs, while 27.11% are employed in blue-collar roles, reflecting a balanced mix of professional and trade-based opportunities.

Affordability is a critical aspect of the housing market in Nipomo. The median household income is $95,982 annually, translating into a wide range of affordable rental possibilities based on income brackets. For instance, households earning 0–15% of the area median income (AMI) can afford a monthly rent of $359.93, while those earning 80–120% of AMI can afford up to $2,879.46. This range highlights the significant need for affordable housing options across all income levels, from very low-income households to moderate-income families.

Overall, Nipomo presents a great opportunity for development that caters to its diverse workforce, family-centric households, and urgent need for affordable housing solutions. By understanding these market nuances, Chumash Gardens can be strategically tailored to meet the community's needs while fostering growth and sustainability.

Financial Strategy and Key Metrics

The financial structure of the Chumash Gardens project is integral to its overall feasibility and success, addressing both immediate funding needs and long-term financial sustainability. The development's cost, totaling $74,354,550, is distributed strategically across construction, completion, and post-conversion phases, ensuring that resources are utilized efficiently and in alignment with the project's objectives. This comprehensive approach incorporates a mix of equity contributions, grants, and loans to address each stage of the project lifecycle. The financial strategy not only reflects a commitment to affordability but also ensures that the development remains viable under various economic conditions.

During the construction phase, the project leverages substantial funding from key sources, including the Community Development Block Grant (CDBG), the Infill Infrastructure Grant (IIG), and financing through both the SLO County Housing Trust Fund and CalHFA. These contributions total $53.75 million, enabling the project to address critical upfront costs such as site preparation, infrastructure, and initial building construction. These funding sources underscore a collaborative approach, integrating federal, state, and local resources to support the creation of affordable housing and the development of the accompanying hotel.

As the project transitions to the completion and conversion phases, the focus shifts to securing permanent financing to sustain the development's financial health over time. A combination of senior debt and subordinate loans, primarily through HCD MHP and CalHFA, ensures that the project's long-term obligations are manageable. This phase introduces $29.25 million in funding, which provides stability as the development moves into its operational phase. Additionally, the project benefits from the Low-Income Housing Tax Credit (LIHTC) program, which generates $21.75 million in equity. This mechanism reduces overall financial strain while reinforcing the project's dedication to affordability and accessibility for its future residents.

The project's financial metrics highlight its viability and the careful planning behind its execution. The combined internal rate of return (IRR) is projected at 7.86%, with the residential component achieving 7.65% and the hotel outperforming slightly at 9.74%. These returns reflect the balance between affordable housing, which typically yields lower immediate returns, and the hotel, which serves as a

Key Metrics			
	Residential	Hotel	Combined
Internal Rate of Return (IRR)	7.65%	9.74%	7.86%
Cash-on-Cash Return	9.30%	8.35%	8.44%
NPV	$26,493,502.64	$17,079,081.41	$53,981,017.28
Total Cost Per Unit/Room	$629,250.59	$101,562.50	$785,307.38
Total Cost Per Square Foot	$667.39	$325.00	$534.88
Total Development Costs	$52,857,049.50	$16,250,000.00	$74,354,550.50

revenue-generating asset. Cash-on-cash returns, another critical metric, average 8.44% across the project, further validating its financial soundness. The net present value (NPV) of $53.98 million demonstrates the project's ability to generate substantial long-term value, supporting both the investment case and its broader mission of community development.

Cost efficiency is a recurring theme in the financial planning of Chumash Gardens. The total development cost per unit/room is projected at $785,307.38, with the hotel segment benefiting from economies of scale at $101,562 per room compared to $629,250 per residential unit. On a square-foot basis, development costs average $534.88, reinforcing the project's cost competitiveness within the market. These metrics not only demonstrate fiscal responsibility but also underscore the importance of optimizing resource allocation to meet both investor and community expectations.

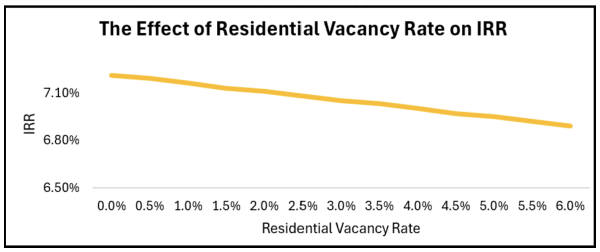
The sensitivity analyses conducted for Chumash Gardens further reinforce the robustness of its financial planning. Simulations addressing variables such as vacancy rates, capitalization rates, and years to reversion provide insights into potential risks and their impact on key financial metrics. For instance, the IRR shows predictable declines with increased vacancy rates, emphasizing the need for high occupancy levels to maintain profitability. Conversely, extending the reversion period enhances the IRR, underscoring the value of long-term operational stability. These analyses highlight the project’s resilience and adaptability to fluctuating market conditions, ensuring that financial performance aligns with strategic goals.

Chumash Gardens' financial strategy is a cornerstone of its broader vision to provide affordable housing while maintaining long-term viability. By integrating diverse funding sources, prioritizing cost efficiency, and conducting rigorous risk assessments, the project exemplifies a thoughtful and proactive approach to development. These efforts ensure that the project is

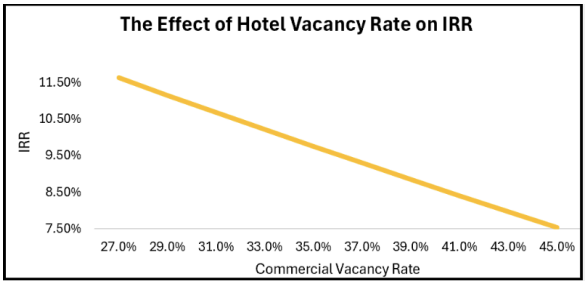
well-positioned to deliver not only financial returns but also lasting benefits to the Nipomo community. With strong financial metrics and a clear focus on sustainability and affordability, Chumash Gardens represents a model for successful mixed-use development in California.

Sensitivity Analyses

In order to understand how the financial performance of our development, Chumash Gardens, fares in response to changes in variables such as vacancy rate, years until reversion, and capitalization rate, we performed sensitivity analyses. The first sensitivity analysis we performed was to understand how the internal rate of return (IRR) changed as a response to vacancy rate. We ran three separate simulations: the first with changes strictly to our affordable housing vacancy rate, the second with changes strictly to our hotels vacancy rate, and the third being a combined analysis where both residential and the hotel vacancy rates changed.

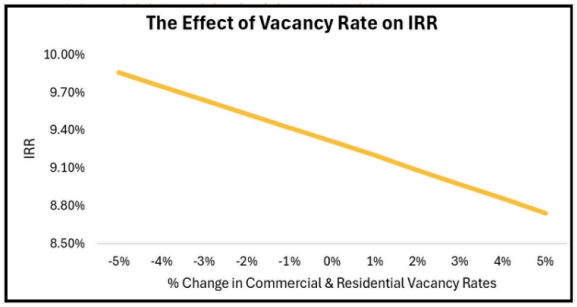


In the first simulation, we noticed that the IRR showed a steady and predictable decline as the residential vacancy rate increased. A 0.5% increase in vacancy rate from 0% to 0.5% led to a decrease in IRR from 7.21% to 7.19%. This trend continued incrementally, with larger reductions in IRR at higher vacancy rates. At a vacancy rate of 6.0%, the IRR dropped significantly to 6.89%, showcasing how sensitive financial performance is to occupancy levels.

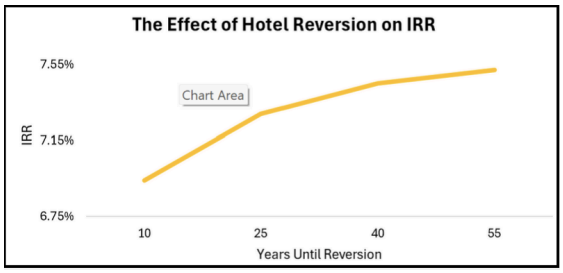


In the second simulation, we analyzed how changes in the hotel vacancy rate impacted the internal rate of return (IRR). The results indicated a greater sensitivity of the IRR to fluctuations in

hotel occupancy levels versus residential. Starting with a relatively low vacancy rate of 25%, the IRR was 12.11%. However, as vacancy rates increased incrementally to 27%, 29%, and 31%, the IRR dropped to 11.62%, 11.14%, and 10.67%, respectively. This declining trend became more pronounced at higher vacancy rates, with the IRR falling to 7.53% at a vacancy rate of 45%.

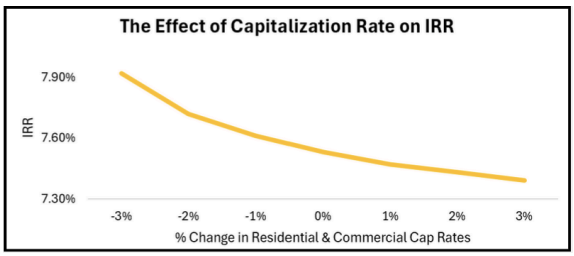


In the third simulation, we analyzed the combined effect of changes in both residential and hotel vacancy rates on the internal rate of return (IRR). The sensitivity analysis reveals that as vacancy rates for both segments increase simultaneously, the IRR decreases steadily. Starting with a -3% change in vacancy rates, the IRR stands at 9.86%. As the combined vacancy rates increase to 0%, 2%, and 4%, the IRR drops to 9.53%, 9.31%, and 8.86%, respectively. At the highest analyzed level of a 5% increase in combined vacancy rates, the IRR falls further to 8.74%.



The second sensitivity analysis we performed was to understand how the internal rate of return (IRR) changed as a response to the years until reversion of the hotel. The analysis revealed a positive relationship between the years until reversion and IRR, with the IRR increasing as the holding period extended. At a shorter reversion period of 10 years, the IRR was 6.94%, reflecting the impact of early sale and diminished time for value appreciation. However, as the reversion period extended to 25 years, the IRR improved to 7.29%, and continued to rise to 7.45% and 7.52% at 40 and 55 years,

respectively. This trend highlights the importance of aligning the reversion timeline with market conditions to maximize the value at sale.



The third and final sensitivity analysis we performed was to understand how the internal rate of return (IRR) changed as a response to capitalization rate fluctuations in both the residential and hotel sides to our project. The results demonstrated that as capitalization rates increased, IRR declined due to the reduction in terminal value. Starting with a -3% change in cap rates, the IRR was 7.92%, but as cap rates increased to 0% (the baseline), the IRR dropped to 7.53%. Further increases to 1%, 2%, and 3% resulted in IRRs of 7.47%, 7.43%, and 7.39%, respectively. By optimizing net operating income (NOI) and focusing on competitive valuations at exit, Chumash Gardens can mitigate the risks associated with higher capitalization rates, preserving its overall financial viability and investor returns.

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