

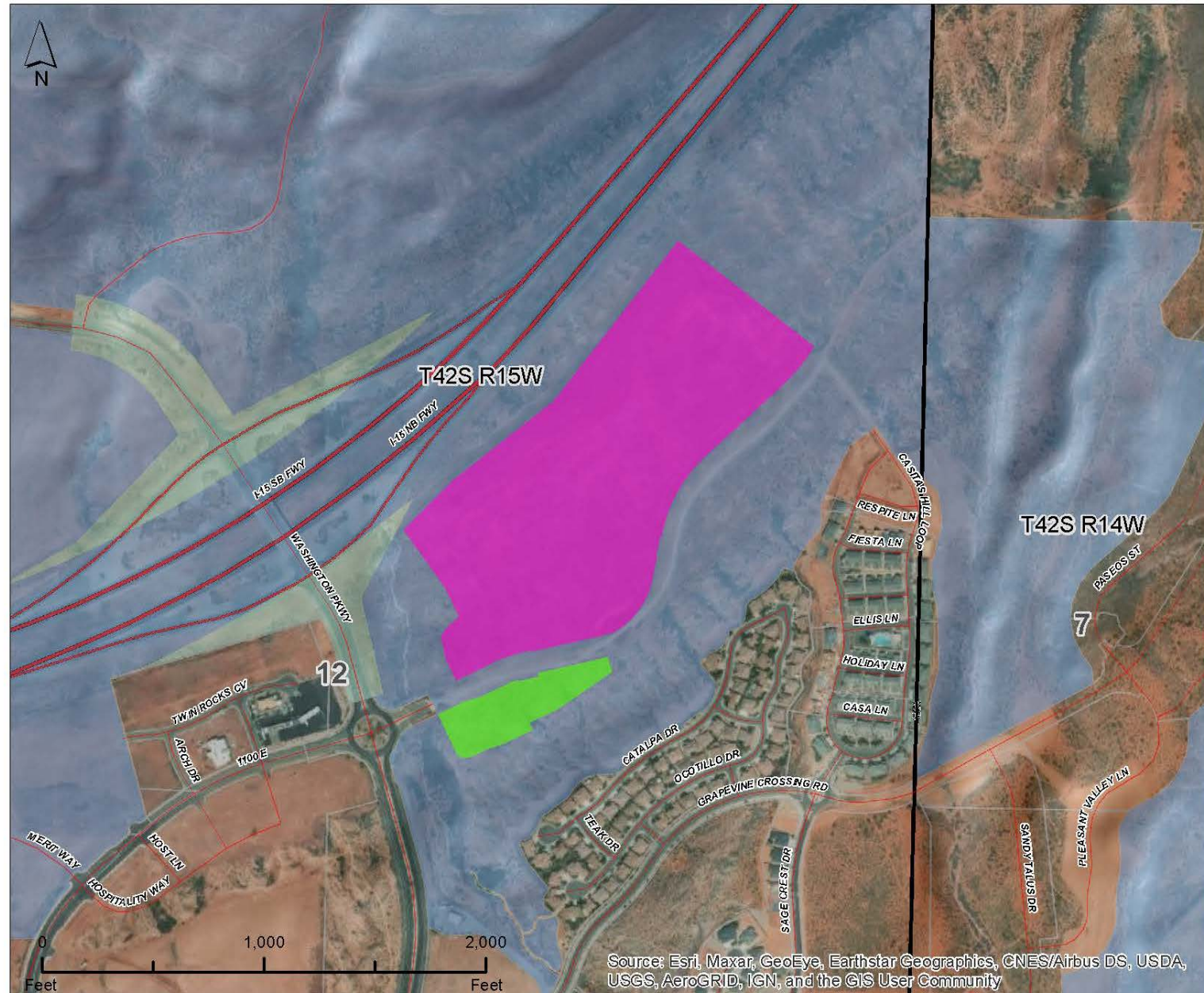


SIENNA HILLS PARCEL 10 JV

ITEM FOR DISCUSSION FOR THE
BOARD OF TRUSTEES 3/18/2021

DETAILS

- 40-acre Option Agreement shown here
- No anchors or LOIs
- Development Partner contractually obligated to purchase first 10 acres by early 2021.
- Developer wants to proceed with first 10 acres to comply with terms of the Option Agreement



Development Lease No. 1128 - Proposed Amendment - 40.00 Acres

North Parcel - 36.59 Acres

South Parcel - 3.41 Acres

Land Ownership and Administration



PROPOSED AMENDMENT – JV STRUCTURE WITH A 33/66 NET SPLIT

Existing 40-acre Option Agreement

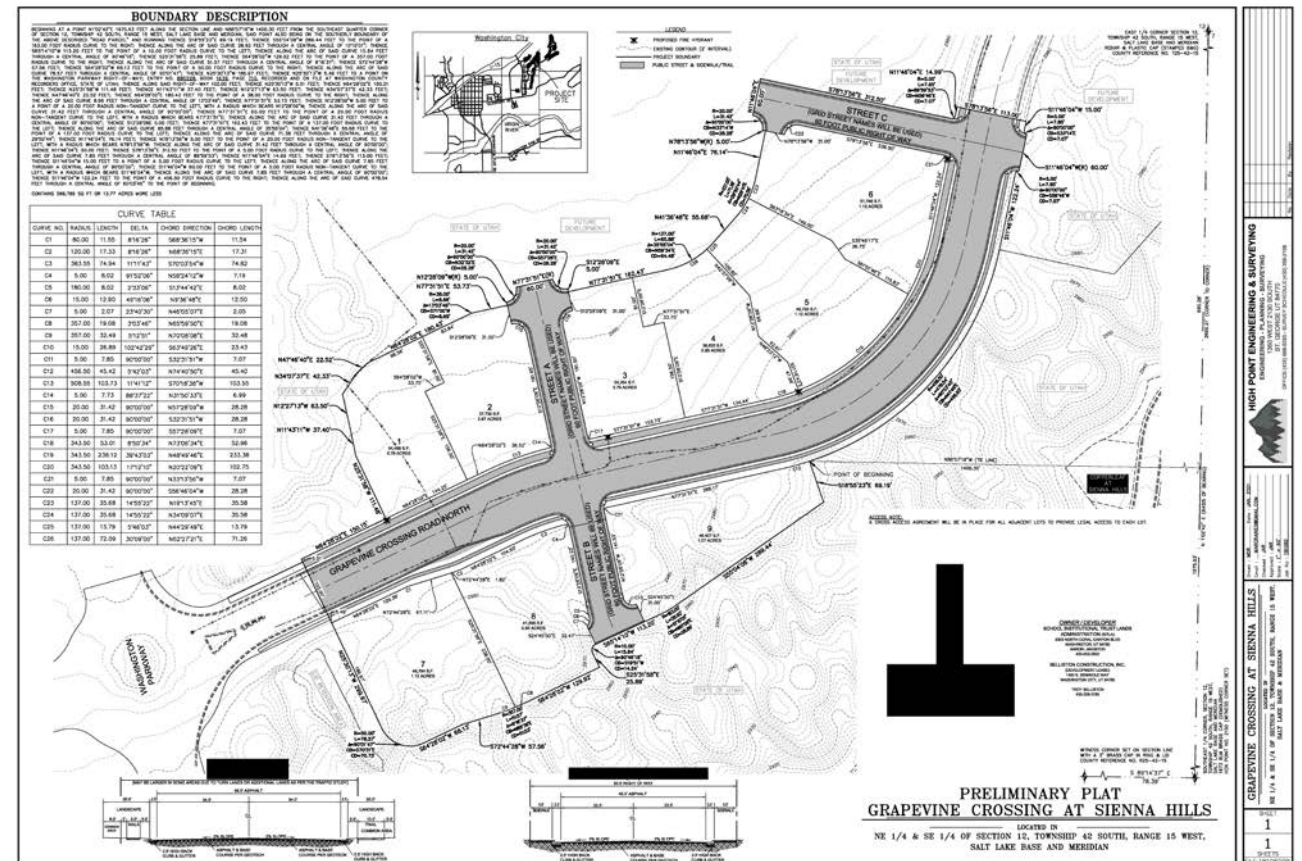
- Buyer to pay \$6.74 for first 10 acres, yielding \$2,934,513.05 (or \$293,451.31 per acre).
- After buying and successfully developing the first 10-acres, Buyer can proceed with the next takedown until all 40 acres have been developed.
- (We have over 80 acres of freeway commercial property at this location).

Proposed Deal

- Enter a JV where we get a 33/66 net split on the first 10-acre takedown parcel. The remaining 30-acres of the Option Agreement remain in the option agreement.
- SITLA contributes land into the partnership (approximately 10-acres).
- Partner develops and manages the project. Although some sales may be tolerated, the buildings are to be leased, with each partner getting its pro-rata share.
- If our 1/3 split generates less than what we would have otherwise received from selling the land at the appraised value plus the 3% annual escalator, we get the greater of the two – so this option only has the possibility of an upside.
- We will be making money during the term of the agreement while the LLC maintains land ownership, then when we sell at the end of the term, we get 1/3 of the entire project, not just our land.

DEAL STRUCTURE

Pad	SF	Acres	SITLA Contribution
1	34,489	0.79	232,342.56
2	37,730	0.87	254,176.26
3	34,254	0.79	230,759.44
4	38,830	0.89	261,586.64
5	48,755	1.12	328,448.54
6	51,786	1.19	348,867.52
7	48,794	1.12	328,711.27
8	41,595	0.95	280,213.66
9	46,407	1.07	312,630.73
Pad Totals	382,640	8.78	2,577,736.63
Interior Roads	49,223	1.13	331,599.98
		9.91	2,909,336.60
Less Land already sold		1.3	(381,486.70)
Total SITLA Contribution			2,527,849.91



PHASE I

Phase I - Infrastructure	
Land value (SITLA contribution)	\$2,527,850
Infrastructure (Partner)	1,300,000
Total Asset	\$3,827,850

- Partner secures funding for \$1.3 million
- With infrastructure in, the developed pads are worth \$7.6m to \$8.4m, depending on price per foot.
- Partner has appraisals showing pads will retail for \$22 per foot.

Pad	SF	Acres	SITLA Contribution	Developed Value	Total
1	34,489	0.79	232,342.56	\$ 20.00	689,780
2	37,730	0.87	254,176.26	\$ 20.00	754,600
3	34,254	0.79	230,759.44	\$ 20.00	685,080
4	38,830	0.89	261,586.64	\$ 20.00	776,600
5	48,755	1.12	328,448.54	\$ 20.00	975,100
6	51,786	1.19	348,867.52	\$ 20.00	1,035,720
7	48,794	1.12	328,711.27	\$ 20.00	975,880
8	41,595	0.95	280,213.66	\$ 20.00	831,900
9	46,407	1.07	312,630.73	\$ 20.00	928,140
Pad Totals	382,640	8.78	2,577,736.63		7,652,800
Interior Roads	49,223	1.13	331,599.98		
		9.91	2,909,336.60	21	8,035,440
Less Land already sold		1.3	(381,486.70)	22	8,418,080
Total SITLA Contribution			2,527,849.91		
Arterial Road	431,863	3.86			
		13.77			

PHASE II

- Project with developed pads appraises for \$8.4 million.
- Partner needs roughly \$9.5 million to build the buildings and do the site improvements. This excludes TI spaces in the buildings, which will be custom.
- Partner will secure additional funds to take the project vertical.
- Completed site estimated to be \$20m.
- Stabilized site estimated to be \$22m.

Phase II - buildings	
Starting Value (9 lots at \$22 per foot)	\$8,418,080
Expected Construction Costs:	
Building shells	\$5,445,000
Site Development	\$3,049,200
Landscaping, fees, contingencies, etc	\$1,086,880
Required Money	\$9,581,080.00

PHASE III PERMANENT FINANCING

- Completed site estimated to be \$20 million.
- Stabilized site estimated to be \$22 million.
- Permanent Financing to be secured. Note anticipated to be 25 years.

PROFORMAS

- ANNUAL GROSS NOI ESTIMATED TO BE \$676,116
- 25-YEAR HOLD
- SELLING THE ASSETS WOULD YIELD \$11.7 MILLION NPV
- SITLA AVERAGES \$351K PER ACRE





Partnering gives us more direct control in the project



Money that would have been put into land costs can be utilized elsewhere



City more likely to get a CRA with SITLA being a direct partner

OTHER CONSIDERATIONS

RECOMMENDATION

- Moving forward with the JV for the first 10 acres of the total 40-acre Option Agreement, where SITLA becomes a 33/66 partner as discussed.