

Loan Presentation

6/3/2023

Presented By: Lee O'Donnell
 Borrowing Entity: ABC LLC
 Guarantor: John & Mary Smith
 Purpose of Transaction: Purchase Transaction

Property Type: 75 Unit Garden style multifamily
 Loan Amount: \$5,225,000
 Loan to Value: 55.00%
 Purchase Price: \$9,500,000
 Down Payment: \$4,275,000
 Loan to Value: 45.00%
 Interest Only: None
 Interest Only DCR: N/A
 FICO: 700
 CRA Tract
 Global DCR: 1.63
 DCR: 1.20

Subject Property: 75 Unit Garden style multifamily
 Address: 3636 Ocean Breeze Ave.
 City, State, Zip: Torrance, CA. 90504

Borrower Profile

Source of Down Payment: Savings
 Net Worth: \$50,000,000
 Current Liquidity: \$15,000,000
 Post Close Liquidity: \$7,000,000
 Experience (# Years): 30
 Source of Income: Net Rental SREO consisting of 30 multifamily apartment buildings
 Borrower Global DCR: 1.63

Value per Unit:	\$316,667	Loan Program	5 Yr. Fixed
GRM (Actual)	12.62	Interest Rate:	5.850%
GRM (Market)	10.25	Index:	6 Mo SOFR
Cap Rate (Actual)	4.73%	Margin:	2.50
Cap Rate (Market)	6.38%	Floor:	5.85%
Cost-Value per Sq Ft	\$317	Ceiling:	10.85%
% Rent Upside	23.97%	Caps:	2% / 5%
DCR (Current)	1.20	Prepayment:	5,4,3,2,1
DCR (Market)	1.63	Maturity Date:	180 months
Debt Yield (Current)	4.73%	Loan Term:	30/15
Debt Yield (Market)	6.38%	Loan #	123456

Executive Summary

The purpose of the loan is to provide financing to purchase the 75-unit multi-family property located at 1147 Broad Avenue, Torrance, CA 90000. The property is under a purchase contract as part of a 3 property purchase involving a 1031 exchange. "Lender" is providing the financing for 2 of the 3 properties. The total purchase price of the three properties is \$8.68MM. The down payment is \$2.25MM. "Lender" is financing \$4.96MM and Luther Savings Bank is financing \$1.48MM on the third property.

Borrower Background:

John Smith is the 100% owner of Therapy, Inc. He is listed on the website as the Corporate Director and has been a Physical Therapist for 40 years. The company is a family owned and family operated private practice founded in 1973. They have many locations in Carson, Culver City, Hermosa, Palos Verdes, Sherman Oaks, Torrance and Westwood.

Property Management:

They will use XYZ for the management of their real estate. The company has been in business for 30+ years and has an excellent reputation. They have been known to the Lee O'Donnell for many years. The Smith's have owned the commercial office building where they operate their physical therapy business since 2010 and a 33 unit apartment complex since 2008. They have adequate experience with this type of real estate.

Real Estate Experience:

The Smith's's personal financial statement shows they own 2 rental SFR's in addition to their personal residence. They own the commercial building that houses the office for their physical therapy practice. In addition, they own 2 apartment complexes with 35 units. They own their personal residence valued at \$3.2MM free and clear and 3 other properties. They have a personal adjusted net worth of \$16.4MM.

Credit History:

XX
XX
XX
XX

Credit Policy Exceptions / Mitigants:

XX
XX

Strengths / Weaknesses:

XX
XX
XX

Property History:

The seller acquired the subject property in 2005 and is currently free & clear. There are no title issues.

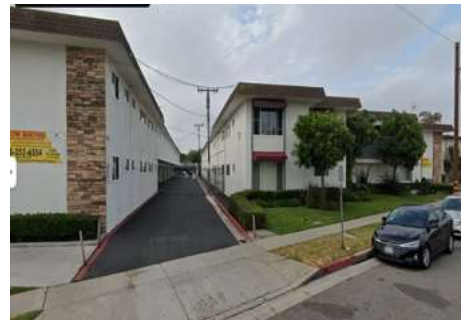
Approval Conditions

Property Description

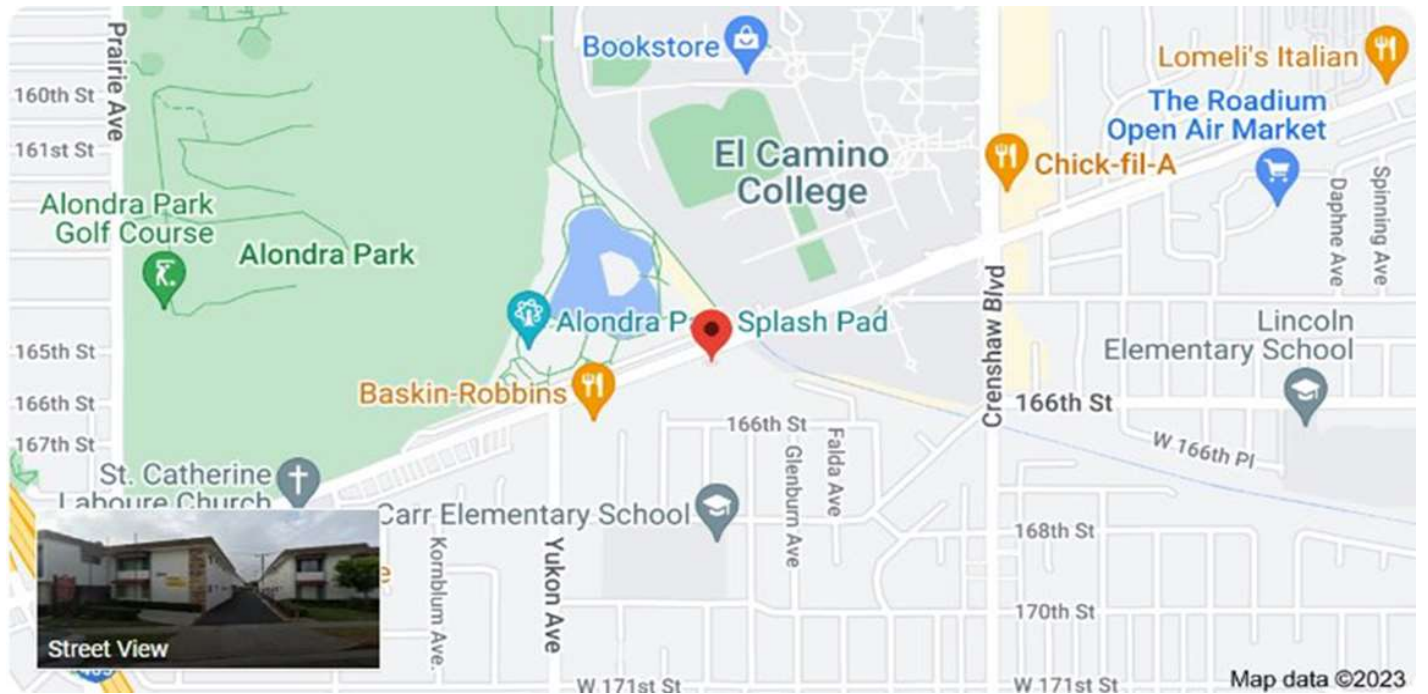
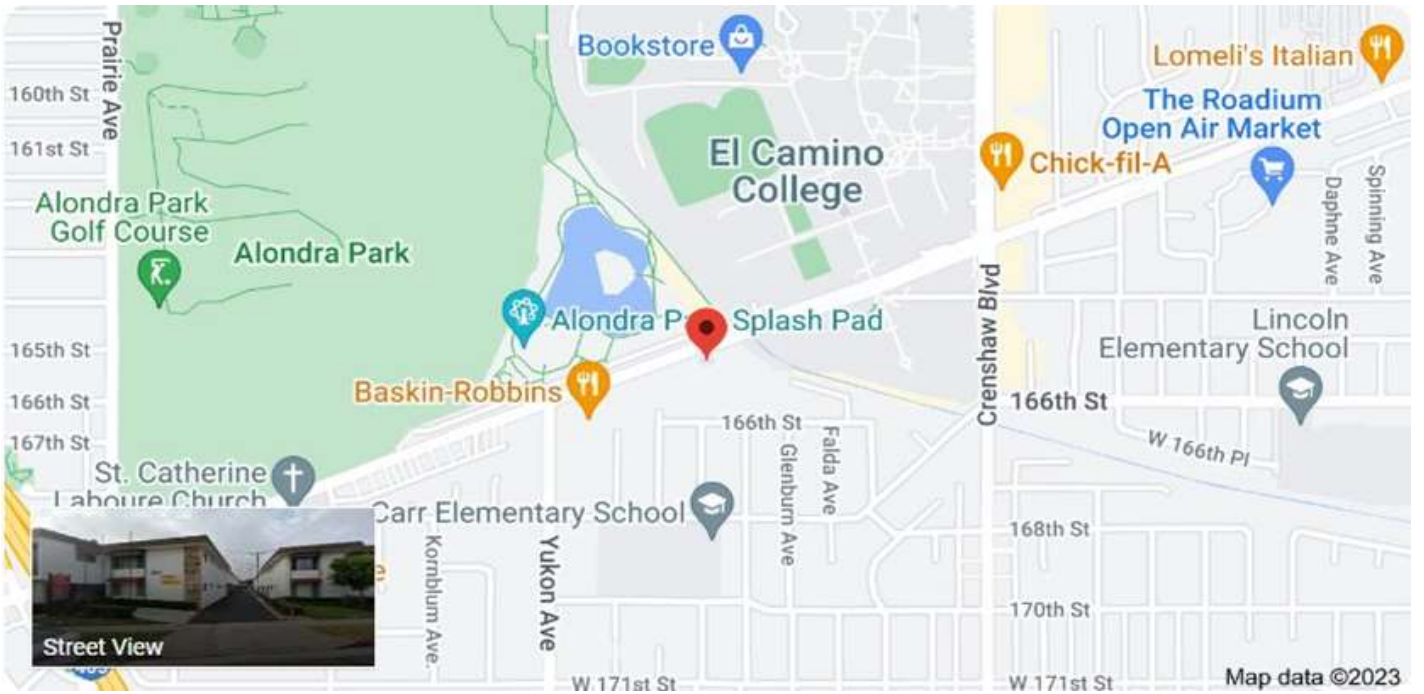
Project Name:	The Island Apartments
Address:	3636 Ocean Breeze Ave.
City, Zip:	Torrance, CA. 90504
Property Type:	75 Unit Garden style multifamily
Total # Units:	30
Year Built:	1961
Gross Building Area:	30,000
Laundry Room:	Yes
Pool:	One Pool
Elevator:	No
Gas Utilities:	Separate Meters
Electric Utilities:	Separate Meters
Rent Control Caps:	10% based on 5% + CPI (AB 1482)
Parking Type:	Tuck under carports and garages
Unit Mix:	14-Studios / 45-1 Bdr and 16- 2 Bdr / 1 Bath
Amenities	Pool, Gated Entry, Laundry Facility, BBQ, Courtyard

The Island Apartments represents an opportunity to acquire a well maintained and professionally managed asset in a historically strong rental market. Amenities include gated entry, private balcony/patio, high speed internet access, laundry facilities, pool, storage, BBQ area in park like setting. Close to public transportation and shopping. Next to Alondra Park Golf Course.

Recent Seller Improvements include new roof, new decking, new exterior painting, new windows and touch up landscaping. The property has 74 parking including carports and garages.



Property Location



The city of Torrance is an ocean oriented community located along the coastal edge of Los Angeles County approximately 20 miles southwest of downtown Los Angeles and 10 miles south of the Los Angeles International Airport. The city is situated within an area commonly referred to as the South Bay, which includes other ocean oriented communities such as Redondo Beach, Hermosa Beach and Manhattan Beach.

The city is a well balanced community with a population estimated at 147,067 as of the 2020 census and within a land area of 20.49 square miles. Torrance, which was incorporated in 1921 is the eighth largest city in Los Angeles County. It is conveniently situated between Los Angeles and Orange County and is bounded by the Pacific Ocean on the west.

TBD

Appraisal

The appraiser used the Income Capitalization Approach and the Sales Comparison Approach with most weight being given to the Income Approach. The Income Approach was based on EGI of \$346,754, operating expense of \$143,081, and a NOI of \$203,672. A 5.5% cap rate was applied to the NOI for a value of \$3,703,135 or \$3,700,000 rounded. The Sales Approach valued the property on a price per unit. This price ranged from \$154,999 to \$157,767 with the appraiser using \$156,000 x 24 units for a value of \$3,744,000 or \$3,750,000 rounded. The bank will rely on the Income Approach value of \$3,700,000.

Flood

Based on information from CoreLogic Flood Services dated 9/25/2019, the subject property is located in Flood Zone X of Map Number 06037C 1945F. NFIP Flood Map dated 9/26/2008. The property does not require flood insurance.

Environmental

A RSRA Environmental Assessment Report was completed by Sierra Delta Consultants LLC on 10/9/2019. There was no significant or recognized environmental conditions at the site. No additional environmental investigation is recommended at this time. The report was reviewed by the underwriter and Chief Credit Officer on 10/16/2019 and there is no additional comment.

Borrower Profile

Purpose of transaction / Executive Summary

Borrowing Entity: ABC LLC

Guarantors: John & Mary Smith

Experience: 30 + years experience; see attached SREO

Underwriting Spreadsheet

Underwriting Spreadsheet						
OPERATING HISTORY	2021	2022	2023 YTD YTD	# Months-YTD Annualized	In Place Underwriting	Market Rents Rent Control
Gross Scheduled Income	\$726,000	\$726,000	\$726,000	\$726,000	\$726,000	\$900,000
Laundry Income	\$10,226	\$12,446	\$12,000	\$12,000	\$12,000	\$12,000
RUBS Program	\$3,000	\$3,600	\$4,200	\$4,200	\$12,000	\$12,000
Administration	\$0	\$0	\$1,500	\$1,500	\$3,000	\$3,000
Total Gross Potential Income	\$739,226	\$742,046	\$743,700	\$743,700	\$753,000	\$927,000
Less Vacancy Allowance	\$0	\$0			(\$37,650)	(\$46,350)
% Vacancy	0.00%	0.00%			5.00%	5.00%
Gross Operating Income	\$739,226	\$742,046	\$743,700	\$743,700	\$715,350	\$880,650
OPERATING EXPENSES						
Real Estate Taxes	\$35,000	\$36,000	\$0	\$0	\$118,750	\$118,750
Other Taxes & Assessments	\$0	\$0	\$0	\$0	\$0	\$0
Insurance	\$13,199	\$5,002	\$0	\$0	\$15,000	\$15,000
Undetailed Combined Utilities	\$67,488	\$64,853	\$48,800	\$48,800	\$16,500	\$28,500
Trash	\$18,692	\$20,958	\$21,000	\$21,000	\$7,200	\$7,200
Building Maint & Repairs	\$49,671	\$111,561	\$12,000	\$30,000	\$30,000	\$30,000
Payroll(Janitorial, Salaries)	\$0	\$0	\$0	\$0	\$0	\$0
Payroll Taxes / Workers Comp	\$0	\$0	\$0	\$0	\$0	\$0
General & Administrative	\$8,334	\$11,586	\$0	\$9,000	\$9,000	\$9,000
Gardening / Landscaping	\$11,150	\$7,170	\$0	\$0	\$0	\$0
Off Site Professional Mgt	\$50,000	\$52,000	\$0	\$0	\$28,614	\$35,226
Resident Mgr Salary	\$14,000	\$16,800	\$0	\$0	\$12,600	\$12,600
Resident Mgr Apt Allowance	\$24,000	\$24,000	\$0	\$0	\$0	\$0
Contract Services	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous expenses	\$0	\$0	\$0	\$0	\$7,154	\$8,807
Replacements / Capex	\$0	\$0	\$0	\$0	\$9,000	\$9,000
Total Operating Expenses	\$291,534	\$349,930	\$81,800	\$99,800	\$265,818	\$274,083
Net Operating Income	\$447,692	\$392,116	\$661,900	\$643,900	\$449,533	\$606,568
Debt Service (Amortized)	(\$373,151)	(\$373,151)	(\$373,151)	(\$373,151)	(\$373,151)	(\$373,151)
DSCR (Amortized)	1.20	1.05	1.77	1.77	1.20	1.63
DSCR (Interest Only)	1.44	1.27		2.14	1.45	1.96
CDCR (Amort) 1st & 2nd TD	1.20	1.05		1.77	1.20	1.63
Stress Test						
Breakeven Occupancy					85%	70%
Breakeven Interest Rate					7.758%	11.199%
Stress LTV: Interest Rate + 1%	6.850%				59.01%	79.62%
Stress LTV: Interest Rate	5.850%				50.39%	59.01%
Notes/Capex/Comments 2022 R & M includes \$135,000 for total building window replacement & \$24,680 for pool re surface YTD Capex not annualized						

Rent Roll

Unit #	# Bedrooms	# Baths	Current Rent	Market Rent	Move In Date	Section 8	Vacant
1	2	2.00	\$2,500.00	\$2,500.00	6/1/2023	No	No
2	1	1.00	\$2,000.00	\$2,500.00	6/1/2017	No	No
3	2	2.00	\$2,000.00	\$2,500.00	6/1/2023	No	No
4	2	2.00	\$2,000.00	\$2,500.00	6/1/2017	No	No
5	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
6	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
7	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
8	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
9	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
10	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
11	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
12	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
13	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
14	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
15	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
16	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
17	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
18	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
19	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
20	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
21	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
22	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
23	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
24	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
25	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
26	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
27	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
28	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
29	2	2.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
30	0	0.00	\$2,000.00	\$2,500.00	6/1/2019	No	No
Total Rental Income			\$60,500.00	\$75,000.00			
Laundry Income			\$1,000.00	\$1,000.00			
RUBS Program			\$1,000.00	\$1,000.00			
Administration			\$250.00	\$250.00			
Total Monthly Income			\$62,750.00	\$75,000.00			

Market Rents based on recent move ins. Many long term tenants for past 5 to 7 years.

Tax Return & Guarantor Spreadsheet

Guarantor John & Mary Smith

	2021	2022	2023	PFS-SREO	Underwriting	
W2 Income	\$0	\$0	\$0	\$0	\$0	1
Dividends / Interest	\$0	\$0	\$0	\$0	\$0	2
Schedule C	\$0	\$0	\$0	\$0	\$0	3
Schedule E	\$0	\$0	\$0	\$0	\$0	4
K1's	\$0	\$0	\$0	\$0	\$0	5
Other Income	\$0	\$0	\$0	\$3,000,000	\$0	6
Other Income	\$0	\$0	\$0	\$0	\$0	7
Other Income	\$0	\$0	\$0	\$0	\$0	8
Total	\$0	\$0	\$0	\$3,000,000	\$0	9
Personal Housing Debt	\$0	\$0	\$0	\$120,000	\$0	10
Consumer Debts	\$0	\$0	\$0	\$0	\$0	11
Revolving Credit	\$0	\$0	\$0	\$0	\$0	12
Other Debts	\$0	\$0	\$0	\$0	\$0	13
Total Debts	\$0	\$0	\$0	\$120,000	\$0	
Cash Flow	\$0	\$0	\$0	\$2,880,000	\$0	

Comments

W2 Income	1	
Dividends / Interest	2	
Schedule C	3	
Schedule E	4	
K1's	5	
Other Income	6	
Other Income	7	
Other Income	8	
Total	9	
Personal Housing Debt	10	
Consumer Debts	11	
Revolving Credit	12	
Other Debts	13	
Total Debts		
Cash Flow		

Narrative

Global Cash Flow

	Total Annual Personal Housing Debts (PITI)		\$120,000
	Total other consumer and revolving debts		\$0
	Total Housing		\$120,000
	Annual Income		\$725,000
	W2		\$0
	SREO		\$700,000
	Other		\$25,000
A	Total Income		\$725,000
	Preview DTI Ratio (Front & Back)		16.55%
	Post Close Liquidity (% Loan)	0.00%	\$0
	Net Worth (X Loan Amt)	0.00	\$0
	# of Dependents	2	\$12,000
	Other Living Expenses		\$72,500
	Income Taxes		\$145,000
C	Total Living + Housing Expenses		\$349,500
	Gross Cash Flow		\$375,500
B	Subject Property NOI		\$449,533
	Subject Property Debt Service		\$373,151
	Subject Property Cash Flow		\$76,381
	Total Cash Flow		\$451,881
D	Subject Property Debt Service		\$373,151
	Global DCR (A + C) divided by (B + D)		1.63

Other