

## Offering Memorandum

# 501 MAIN STREET & 1715 CANAL STREET

MERCED, CA 95340

INVESTMENT | OWNER/USER SALE OPPORTUNITY

**NAI Capital**  
Commercial Real Estate Services, Worldwide.



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## DISCLAIMER & CONFIDENTIALITY AGREEMENT

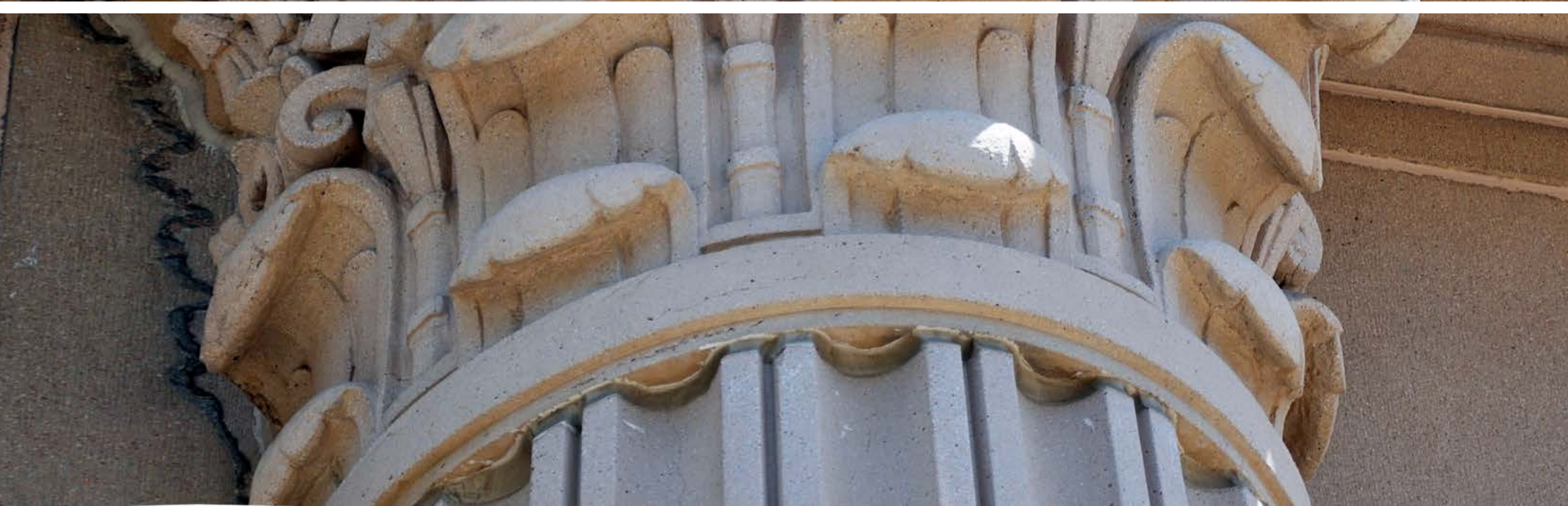
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To the extent Owner or any agent of Owner corresponds with any interested party, any interested party should not rely on any such correspondence or statements as binding Owner. Owner shall have no legal commitment or obligation to any interested party whatsoever until a binding written Real Estate Purchase Agreement has been fully executed, delivered, and approved by Owner and any conditions to Owner's obligations thereunder have been satisfied or waived.







# PROPERTY HISTORY

## Mondo Building/Bank of Italy, 2004

The completion of the Bank of Italy building is a watershed moment for the city. The Tolkin Group of Pasadena acted as developer and oversaw the \$3.5 million painstaking restoration. The reconstruction was so complete that in December 2004, it was placed on the National Register of Historic Places.

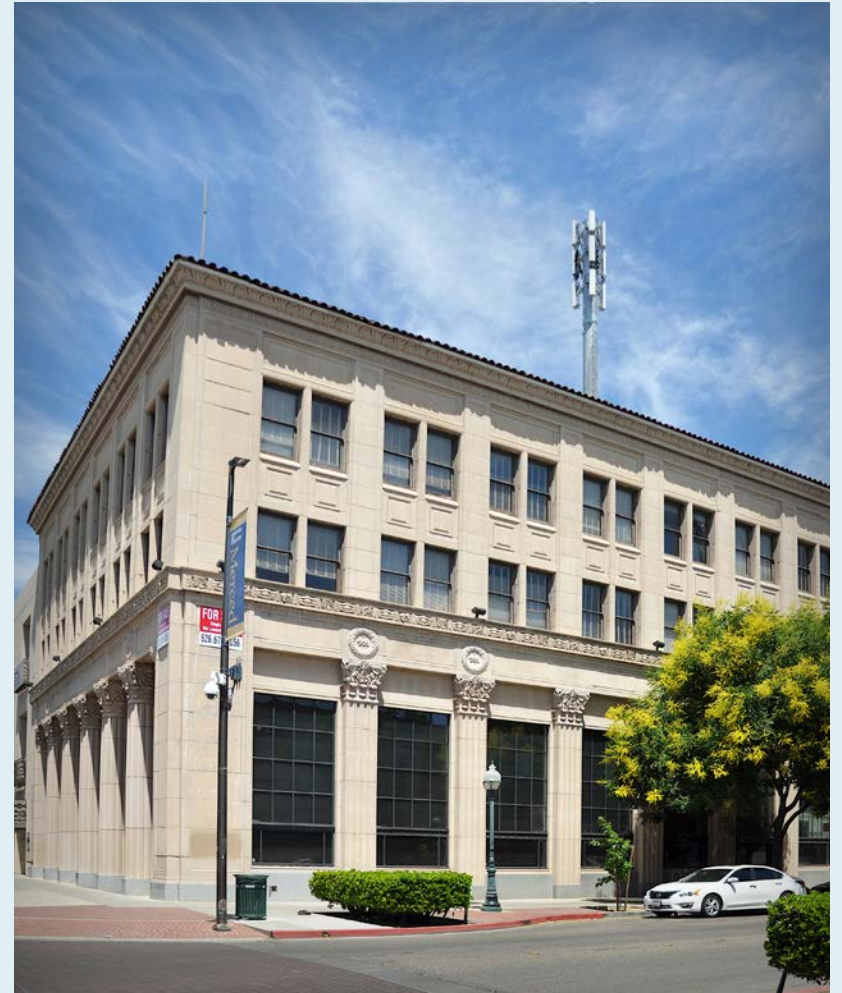
The Bank of Italy Building is situated in the historic center of downtown, the intersection of Main Street and Canal. Just as it was in 1928, the intersection is dominated by the landmark edifice.

Symbolic of the decline of downtown in the 1970's, the building fell from its grandeur and by the time the Agency acquired the property in 2002, the building had been vacant for more than a decade. Its restoration included complete reconstruction of the classical facades lining Canal and Main Street, upgrades, and reconstruction of the historic interior.

The entire building has been occupied by The Regents of the University of California as a tenant for UC Merced's administration offices. Their lease expires May 20, 2019.



The new purchaser of 501 W. Main Street will enjoy the benefits of the income from the UC Merced lease through May 20, 2019 plus the ongoing income from the Verizon rooftop lease through June 2023.







# INVESTMENT HIGHLIGHTS



- Located within Opportunity Zone - Significant Tax Advantages May be Available



- The Premier Investment | Owner/User Facility in the Heart of Merced



- Enjoy the income from this 100% Government leased building through May 20, 2019 while preleasing the building or preparing for owner/user occupancy



- Cornerstone office Building, located at the NWC Main St. and Canal St. in the center of Downtown Merced's retail and office scene.



- A One-of-a-Kind Opportunity to Purchase an Iconic Merced User Building



- Distinct Architectural Features. Listed on the National Registry and Historic Places (Bld #04001135)



- Built in 1928 as Bank of Italy, and restored in 2003 and 2004



- 2006 CRA Award of Excellence, Special Citation Merced Redevelopment Agency



- Walker's Paradise score of 91



- Pride of Ownership Asset



- Located in the hub of culture and performing arts, galleries, fine restaurants and the seat of government with county courts, City Hall and administrative buildings.



- One block from the new UC Merced Downtown Center with 370 employees



- 1/2 block from Mainplace Merced with Regal Cinemas, Cold Stone Creamery, ASIP Coffee Roasters and J&R Tacos.



- ½ block from the El Capitan Hotel being redeveloped with a 4 story new structure with 114 rooms. This boutique hotel will have a restaurant, coffee shop, meeting rooms and retail space to be finished in 2020.



# OFFERING SUMMARY



## Location

<b>Address</b>	501 W. Main St. & 1715 Canal St. Merced, CA 95340
<b>Tenant</b>	Regents of The University of California until 5/20/2019
<b>County</b>	Merced
<b>Assessor's Parcel No.</b>	031-141-006
<b>Number of Buildings</b>	1
<b>Land Area</b>	Approximately .17 Acres
<b>Stories</b>	3 + Basement
<b>Year Built</b>	1928 and restored in 2004
<b>Ownership</b>	Fee Simple
<b>National Register of Historic Places</b>	Classical Revival Architecture Style
<b>Historic Significance</b>	Architecture/Engineering
<b>Designer</b>	Kingsbury E. Parker

## Offering Summary

<b>Price</b>	\$3,950,000.00
<b>Rentable Square Feet</b>	±18,446 Square Feet
<b>Basement</b>	±5,358 Square Feet. The basement is not included in the Rentable Area or Price per Square foot but can be used for storage, filing area etc.
<b>Price Per Rentable Square Foot</b>	\$214.13
<b>CAP Rate – Current to 5.31.2019</b>	8.93%
<b>Net Operating Income – Current to 5.31.2019</b>	\$352,974.36
<b>CAP Rate – Pro Forma 6.1.2019 to 5.31.2020</b>	7.91%
<b>Net Operating Income – Pro Forma 6.1.2019 to 5.31.2020</b>	\$312,513.40



# RENT ROLL



## Rent Roll - Current

	Tenant Name	Square Footage	% of Total	Monthly Base Rent	Annual Rent	Rent/SF	Increase Dates	Rental Increase	Lease Begin	Lease End	Options
1	The Regents of The University Of California	18,112 [1]	100%	\$27,214.53	\$326,574.36	\$1.50	N/A		5/19/2004	5/20/2019	Tenant did not exercise their 5 year option.
2	Verizon Wireless (Roof)	0	0%	\$2,200.00	\$26,400.00	N/A	7/1/2019 yearly thereafter	\$2,577.00 2%	7/1/1993	6/30/2023	
	<b>Total</b>	<b>18,112 [1]</b>	<b>100%</b>	<b>\$29,414.53</b>	<b>\$352,974.36</b>						

[1] Calculations does not include basement

## Rent Roll - Pro Forma 6/1/2019 - 5/31/2020

1st Retail *	6,242	33.83%	\$8,426.70	\$101,120.40	\$1.35
Mezz. *	1,230	6.67%	\$1,353.00	\$16,236.00	\$1.10
2nd *	5,487	29.75%	\$6,858.75	\$82,305.00	\$1.25
3rd *	5,487	29.75%	\$6,858.75	\$82,305.00	\$1.25
Roof Current Lease Verizon Wireless	0.00	0.00%	\$2,200 X 1 \$2,577 X 11	\$2,200.00 \$28,347.00	N/A
<b>Total</b>	<b>18,446 [2]</b>	<b>100%</b>	<b>\$26,042.78</b>	<b>\$312,513.40</b>	
Basement	5,358	N/A			\$0.00

\* Market Leasing Assumptions

[2] New Boma Measurements

# INCOME & EXPENSES

SCHEDULED GROSS INCOME (SGI)		Current 1-Jun 18	Pro Forma 1-Jun 19	Pro Forma Annual Rent New Tenant(s)	OPERATING EXPENSES		Current 1-Jun 18	Pro Forma 1-Jun 19
Annual Base Rent Regents of University of CA		\$326,574.36	\$281,966.40		Maintenance		\$5,000.00	\$5,150.00
Annual Base Rent Verizon Wireless Roof		\$26,400.00	\$30,547.00		HVAC (Heat, Ventilation, Air)		\$10,000.00	\$10,300.00
Expense Reimbursement		\$98,100.00	\$106,433.00		Plumbing		\$500.00	\$515.00
<b>Total Operating Income</b>		<b>\$451,074.36</b>	<b>\$418,946.40</b>		Elevator Inspection & Repair		\$4,300.00	\$4,429.00
Total Operating Expenses		-\$98,100.00	-\$106,433.00		Roofing		\$1,000.00	\$1,030.00
<b>Net Operating Income (NOI)</b>		<b>\$352,974.36</b>	<b>\$312,513.40</b>		Management		\$16,000.00	\$14,129.00
					Electricity		\$5,000.00	\$5,150.00
					Electric Repairs		\$1,000.00	\$1,030.00
					Fire Life Safety		\$3,500.00	\$3,500.00
					Office Supplies		\$600.00	\$618.00
					Telephone		\$1,500.00	\$1,545.00
					Gas		\$3,500.00	\$3,605.00
					Water & Sewer		\$1,900.00	\$1,957.00
					Insurance		\$9,000.00	\$9,270.00
					Property Tax (current)		\$35,000.00	\$43,896.00
					Misc.		\$300.00	\$309
					<b>TOTAL EXPENSES</b>		<b>\$98,100.00</b>	<b>\$106,433.00</b>

## Notes:

[1] Real Estate Taxes are based on the Owner's 2018 budget. It is the responsibility of the investor to reassess taxes in accordance with the anticipated purchase price. No Prop 13 protection in UC Merced lease so increase in taxes can be passed through to Tenant. Pro Forma real estate taxes are base upon new estimated taxes on the sale price.



# LEASE ABSTRACT

## Tenant

The Regents of the University of California

## Co-Tenancy

Roof Top leased to Verizon Wireless

## Premises

18,112 +/- SF plus a 5,358 SF Basement

## Lease Commencement

05/19/2004

## Lease Expiration

05/20/2019

## Lease Term

10 years. Tenant is in first of two 5 year options. Tenant did not exercise their 2nd five year option on deadline date of 5.20.2018

## Lease Type

NNN

## Rent Increases

CPI minimum 2% maximum 8%

## Use

UC Merced Administration Offices

## Property Taxes

Landlord Pays – Tenant reimburses

## Utilities

Landlord Pays – Tenant reimburses

## Property Insurance

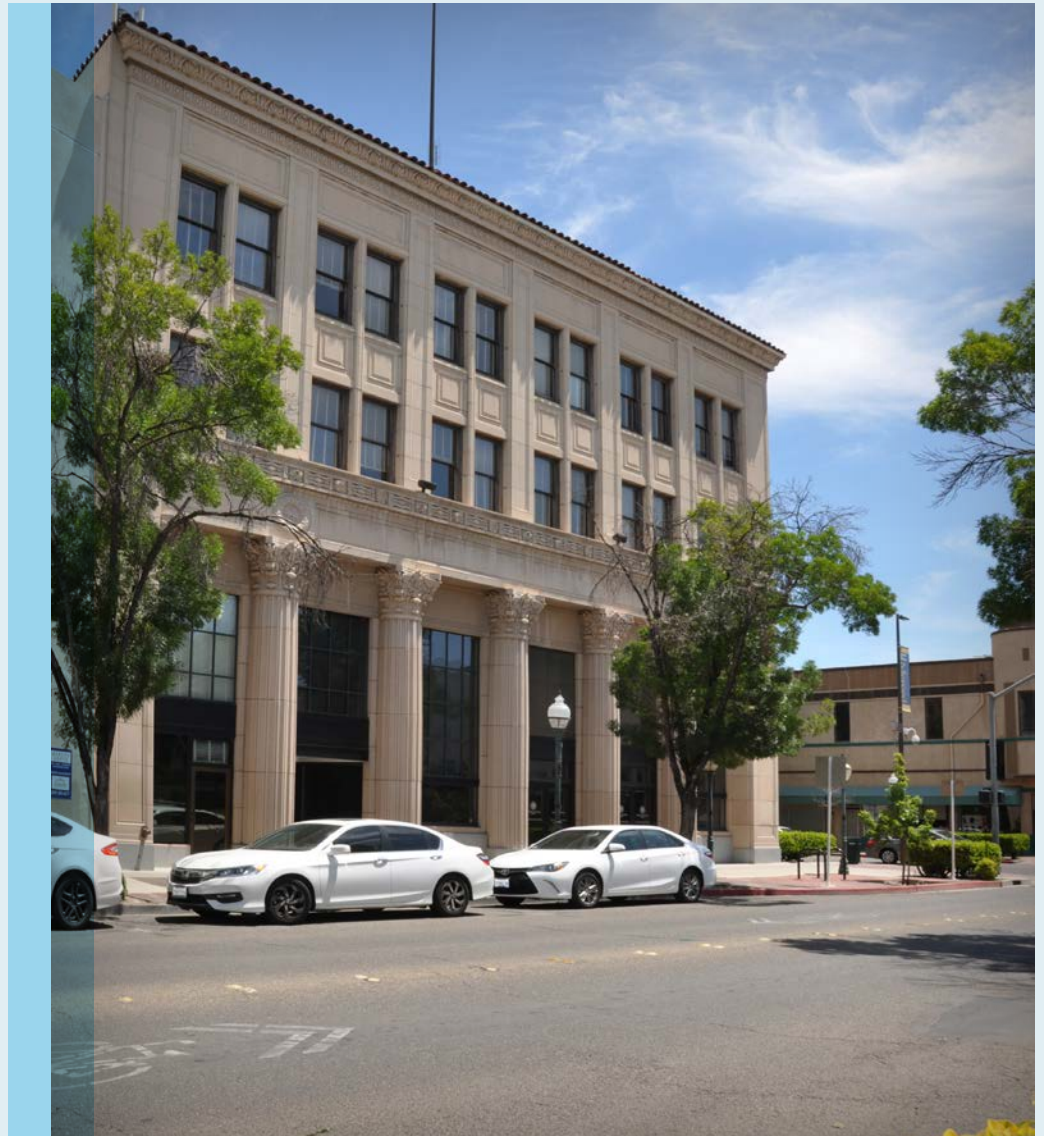
Landlord Pays – Tenant reimburses except for the Earthquake Insurance unless required by Landlord's lender

## Roof & Structure

Landlord

## Maintenance & Repairs

Landlord Performs & Pays - Tenant reimburses. Landlord responsible latent defects in Tenant Improvements



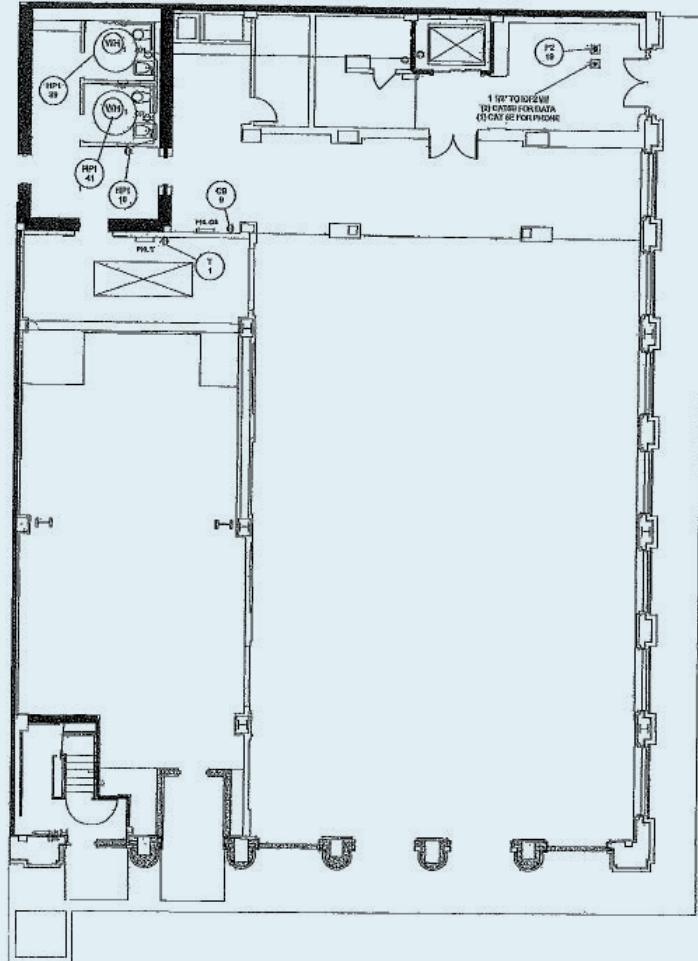






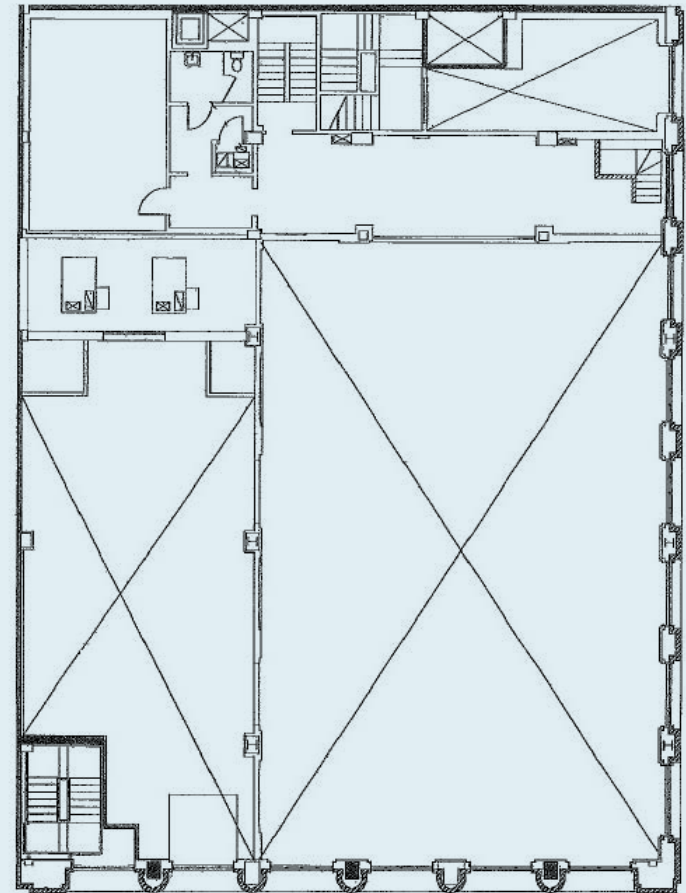
## First Floor Plan

**± 6,242 Rentable Square Feet-Retail Portion**



## Mezzanine Floor Plan

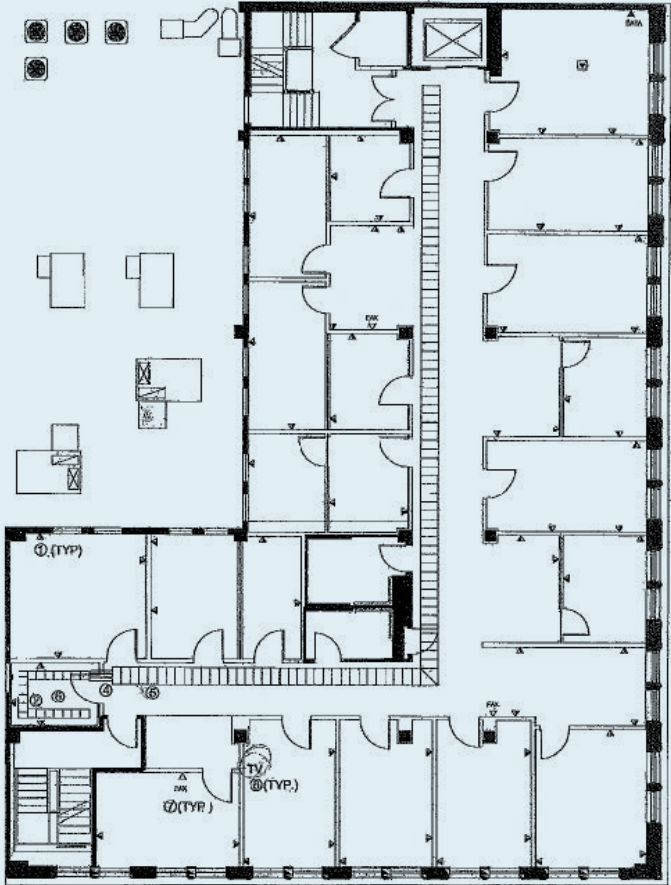
± 1,230 Rentable Square Feet



# FLOOR PLANS

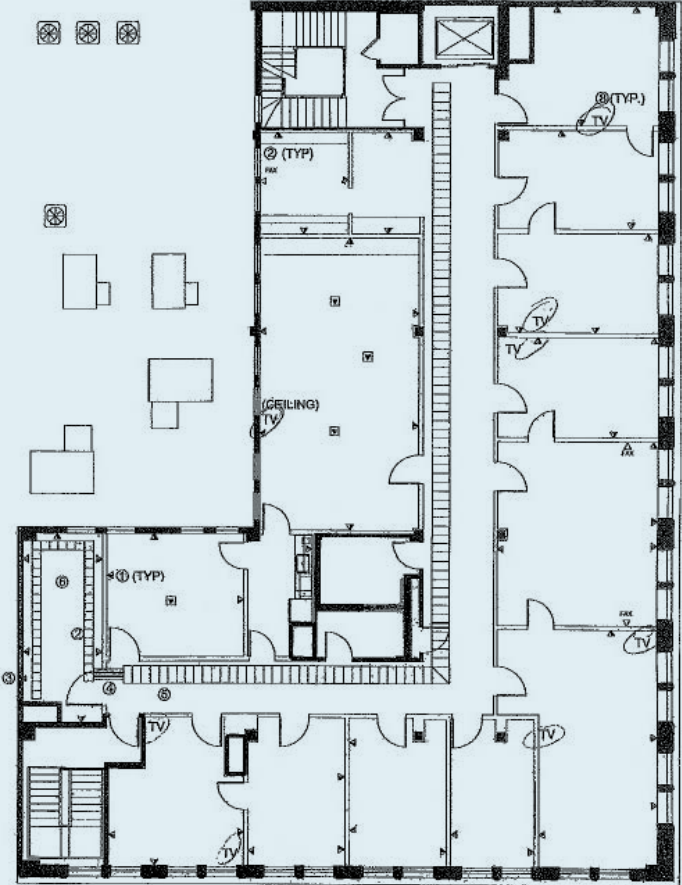
## Second Floor Plan

± 5,487 Rentable Square Feet



## Third Floor Plan

± 5,487 Rentable Square Feet



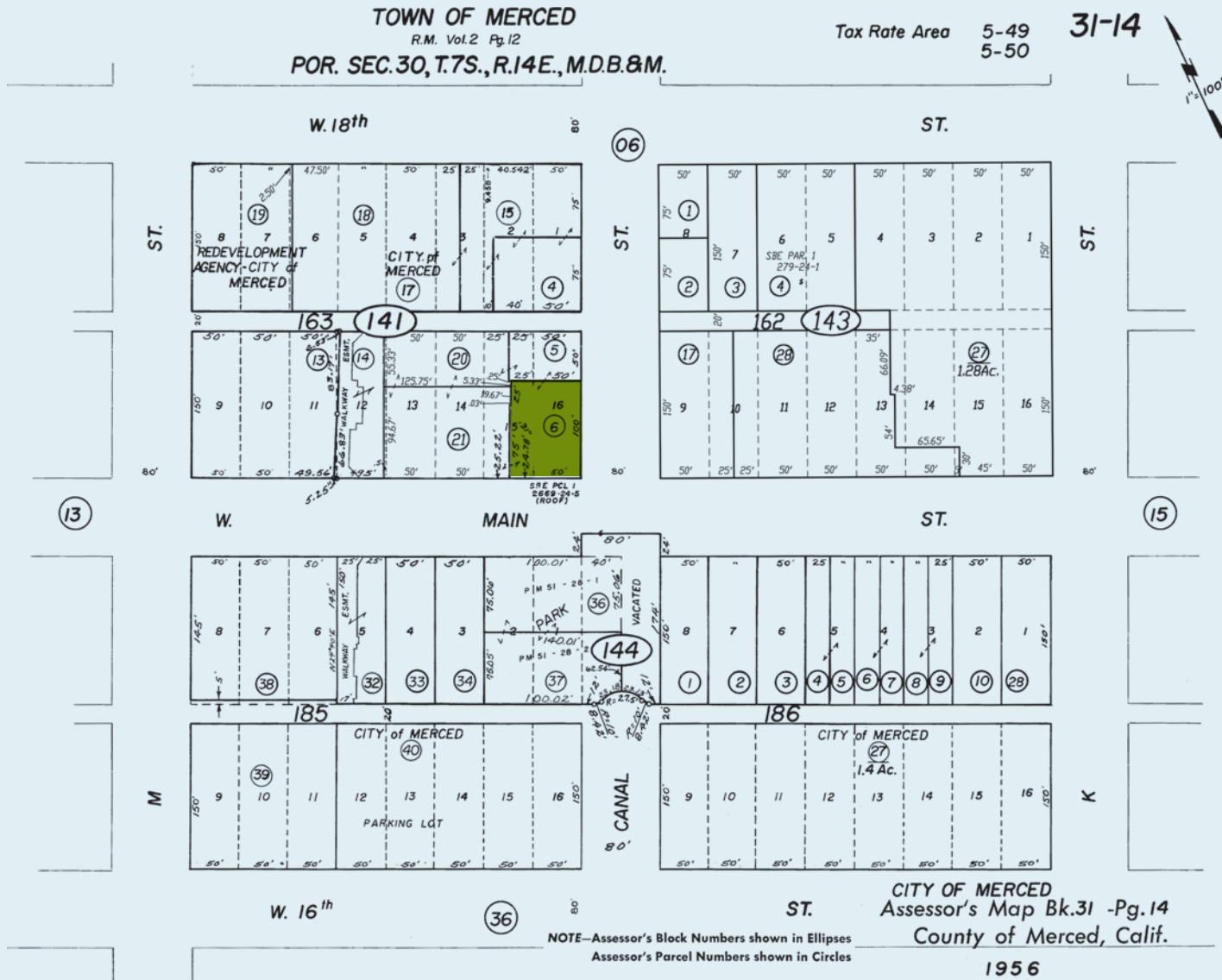


# SURROUNDING RETAILERS





# PARCEL MAP





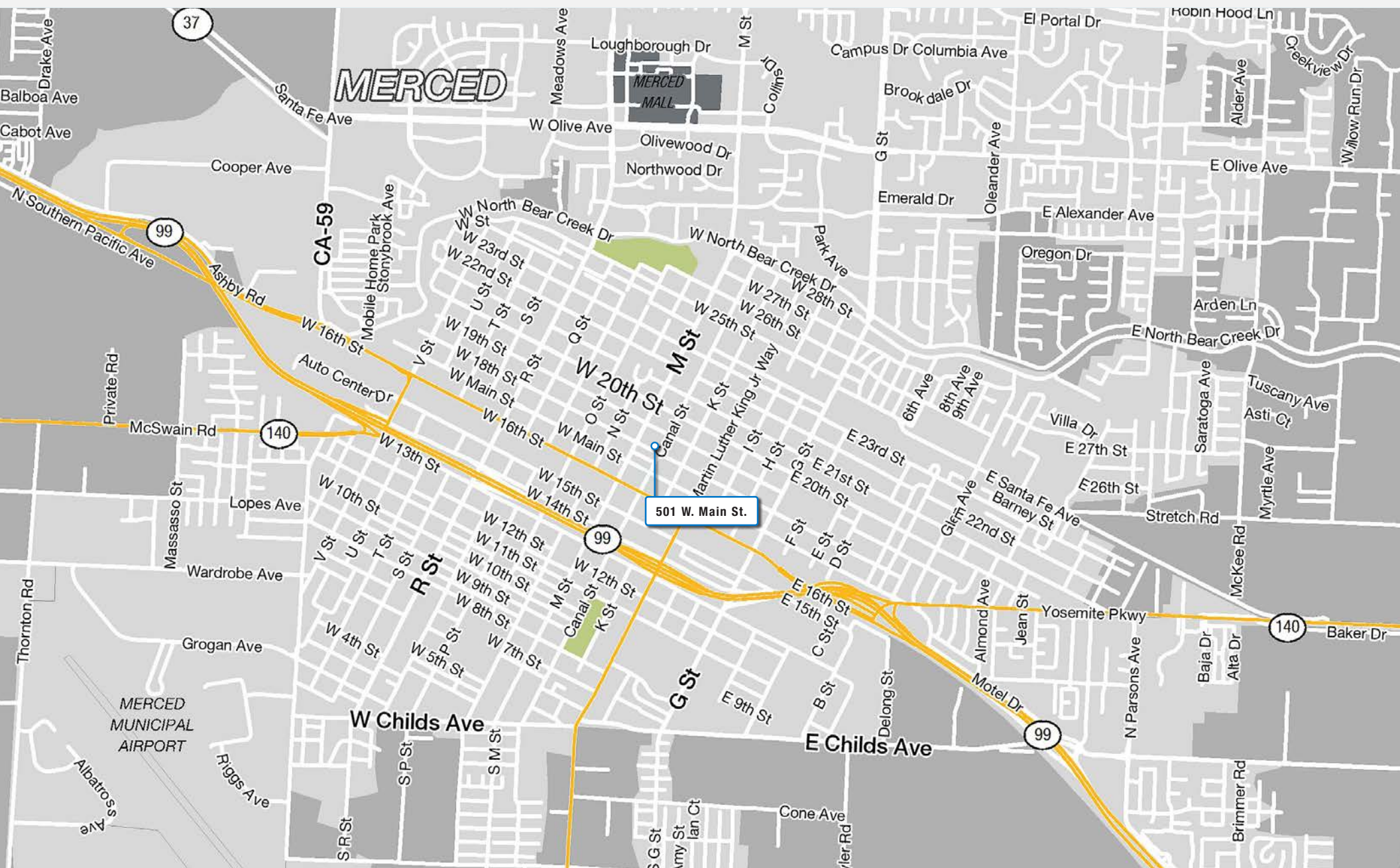
# PUBLIC PARKING LOT MAP

## DOWNTOWN MERCED

approximately 1,400 Parking spaces

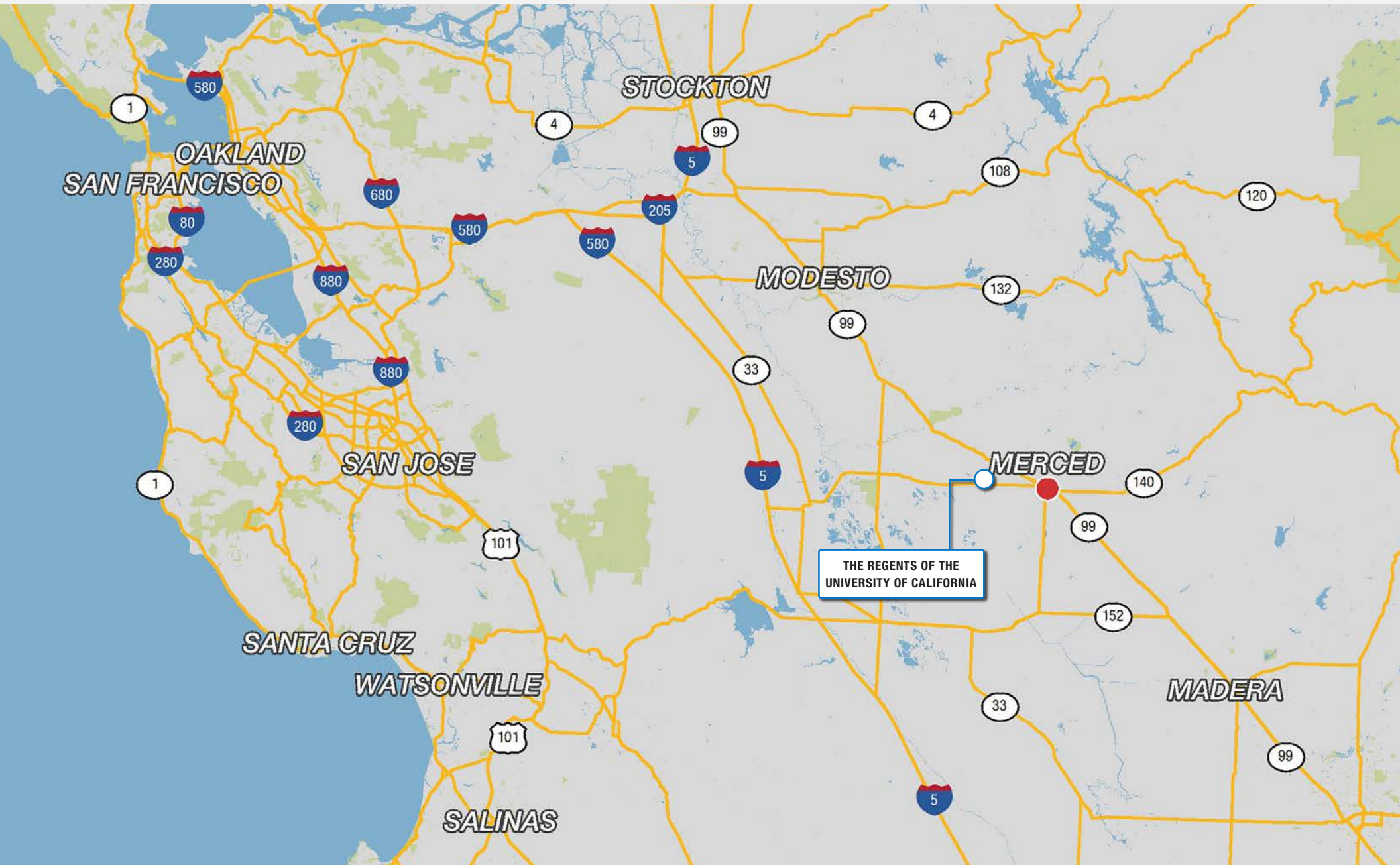


# CITY OF MERCED, CA





# REGIONAL MAP



# MERCED COUNTY, CA












# SECTION 04

# MERCED & DEMOGRAPHICS

	1 Mile	3 Miles	5 Miles
 Population			
2018	18,680	89,170	102,992
2023 - Projected	19,268	91,762	106,028
 Median Age			
2018	29.70	30.30	30.00
 Households			
2014	5,347	26,388	29,847
2019 Projected	5,341	27,122	30,731

	1 Mile	3 Miles	5 Miles
 Average Household Income			
2018	\$42,300	\$64,749	\$68,316
2023 - Projected	\$50,390	\$74,995	\$79,367
 Daytime Employees			
2018	12,140	33,489	36,099

## Merced, California

The City of Merced is a dynamic community located in the Central Valley of California. The City is located approximately 110 miles southeast of San Francisco and 310 miles northwest of Los Angeles. The City has a population of about 86,750 as of 2018. Merced is located on Highway 99, the dominant north- south freeway in California, and is served also by Highways 140 and 59. Merced enjoys friendly small town living in a mid-size city. The University of California Merced campus opened in 2005 and provides new educational and economic opportunity, adding to the already-established growth in the region. To date the state has invested more than \$500 million in construction and development of the 2,000 acre site. Upon completion of the 2020 Project, UC Merced will be able to accommodate up to 10,000 students and as many as by 25,000 students when the campus grows to full capacity in about three decades.

Located in the heart of the San Joaquin Valley, a portion of California's Great Central Valley, Merced is the region's hub for education, culture, and business. The community offers abundant shopping, pleasant neighborhoods and tree-lined streets. Bicycle paths along the creeks link major City parks. Merced's housing remains affordable compared to many other California locations. Merced revitalized downtown is emerging as the entertainment center of the area. Annual events and festivals bring regional and even national recognition. Merced's Valley location southeast of San Francisco provides easy access to the central California coast, Sierra Nevada mountains and national parks, and major cities. Merced has historically been the "Gateway to Yosemite", and residents also enjoy short drives to skiing, beaches, fishing, and other outdoor attractions.



# CITY OF MERCED

## Downtown Merced

Merced's revitalized downtown is emerging as the entertainment center of the area. Annual events and festivals bring regional and even national recognition. Merced has a pedestrian friendly downtown and retains the charm of a small town. Downtown is a where families, students and individuals can meet in an "outdoor mall" setting amid brick paved walking areas, alleys decorated with murals and Italian trellises, a multicultural arts center, live playhouse, a number of historical buildings, shopping, music, restaurants and movies. Downtown Merced is the center of entertainment and dining in a perfect college town.

The iconic 501 W. Main Street Office building blends a very successful development project in an office/retail urban environment in the middle of Downtown Merced's 100% block, Main Street, Canal Street and K Street. This premier Owner/User Building is surrounded by Mainplace Merced, (also development by Tolkin Group), with Cold Stone Creamery, and Regal Hollywood Merced 13 Cinema, M-Lofts (also developed by Tolkin Group); Merced County's Administrative Offices and Court house; Merced City Hall; and Federal Building.



# CITY OF MERCED

Also 2 ½ blocks away is the newly completed UC Merced Downtown Center opened in February 2019 which is home to UC Merced's administrative offices with 370 employees.

The El Capitan Hotel ½ block away is being redeveloped with a 4 story new structure with 114 rooms. This boutique hotel will have a restaurant, coffee shop, meeting rooms and retail space. Completion date is expected in 2020.

The Merced Center is one block away that includes the newer \$8 million Merced College Business Resource Center with 220 students plus a new parking garage for 335 vehicles.

The Merced Center is a direct extension of Fresno Pacific University's main campus. The center offers classes in Early Childhood Development, Business Administration: Organizational Leadership Emphasis and Liberal Arts. All courses are offered in the evening and are taught by experienced faculty.

Parking for The Regents of the University of California building is easy with street parking and nearby parking lots controlled by the city.



## Housing

Prices are reasonably low by California standards which assist with growth rates far higher than many communities due to affordability. The city is located on the State Highway 99 Corridor of the Central Valley). As of 2018, Median Home value is \$231,700. Home values have gone up 11.9% over the past year and Zillow predicts they will rise 8.6% in the next year. The median rent price in Merced is \$1,450.00 per month. Most national retail stores are located within Merced with several new projects underway as a result of population growth, demand by the local population and needs of UC Merced, its employees, faculty and students.



# COUNTY OF MERCED

Merced County is located in the heart of the San Joaquin Valley (also known as the Central Valley) of California [www.co.merced.ca.us](http://www.co.merced.ca.us)). As of 2018 the county population was 272,673 up from the 2010 United States Census of 255,793 and the total area of the county is approximated 1,980 square miles.

The City of Merced is the County seat and is the largest of six incorporated cities, which included Atwater, Livingston, Los Banos, Gustine, and Dos Palos. There are eleven urban communities including, Castle, Delhi, Franklin/Beachwood, Fox Hills, Hilmar, Le Grand, Planada, Santa Nella, University Community, Villages of Laguna San Luis and Winton.

Residents of Merced County enjoy warm summer temperatures highs in the 90s degrees F. and winter highs averaging in the 50s degrees F. With an exceptional central location in the state, coupled with train, bus, and air services, county residents are only two hours from San Francisco, Monterey, Lake Tahoe and Yosemite National Park.

## History

The county derives its name from the Merced River, or El Rio de Nuestra Senora de la Mercedes (River of Our Lady of Mercy); named in 1806 by an expedition headed by Gabriel Moraga, which came upon it at the end of a hot dusty ride. Merced County was formed in 1855 from parts of Mariposa County.

## Transportation

The community is served by the rail passenger service Amtrak, by four airports (Merced Regional Airport, Castle Airport, Gustine Airport and Los Banos Municipal Airport), by "The Bus" which provides local service in Merced as well as connecting service between most cities in Merced County, "CatTracks" which is operated by the University of California, Merced, "YARTS" which is the Yosemite Area Regional Transportation System connecting Merced with Yosemite National Park, and Greyhound buses.

## Agriculture

Merced County is one of the most productive agricultural areas in the County. Agriculture commodities grossed \$3.47 billion in 2016.

## Merced County Major Employers

Rank	Employer	No. of Employees
1	Foster Poultry Farms	3,844
2	County of Merced	2,210
3	University of Calif. Merced	1,607
4	Mercy Medical Center	1,300
5	Merced City School District	1,161
6	Hilmar Cheese	1,000
7	Dole Packaged Foods	987
8	Merced Community College	971
9	Wal-Mart	900
10	Merced Unified High School Dist.	891
11	AT&T Mobility	800
12	Liberty Packing Company	635
13	Ingomar Packing Company	625
14	Golden Valley Health Center	600
15	Quad Graphics	600
16	City of Merced	584
17	Quinto Solar Project	500



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