

FOR SALE

OFFERING MEMORANDUM
1609-1615 GRAND AVE | SANTA BARBARA, CA 93103
\$2,500,000

OCEAN-VIEW DEVELOPMENT PARCELS



**BERKSHIRE
HATHAWAY** | California
HomeServices Properties

COMMERCIAL DIVISION



KEN SWITZER

COMMERCIAL SENIOR ASSOCIATE

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✉ | KenSwitzer1@yahoo.com

TABLE OF CONTENTS

- 3. Property Summary
- 4. Property Location
- 5. Financial Analysis
- 6. Demographic Profile
- 7. Concept Example
- 9. Floorplans
- 11. Renderings
- 12. Land-Use Summary
- 13. Land-Use Analysis

APN 027-270-038 & 027-270-037 | Lot Sizes 10,454 SF each (20,908 SF total)

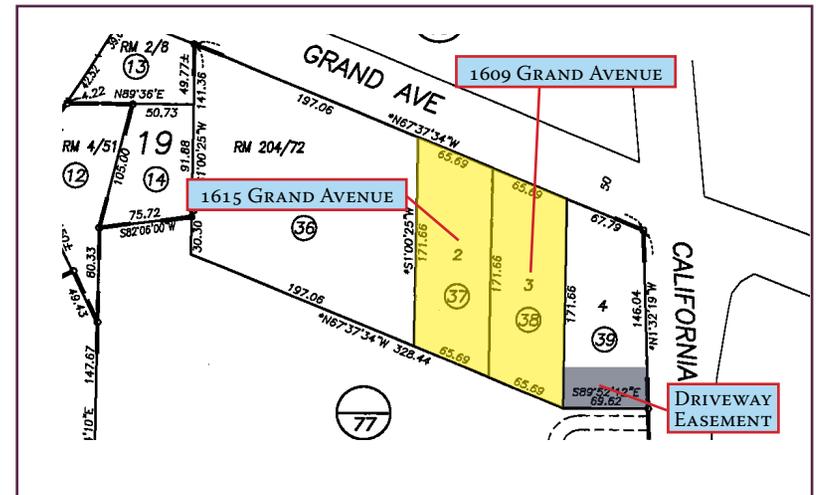
OVERVIEW

1609-1615 Grand Avenue are 2 adjacent parcels in Santa Barbara’s Lower Riviera neighborhood. They represent a unique opportunity to build up to 4 new ocean and city view homes in one of Santa Barbara’s best residential areas. Opportunities to develop multiple-home groupings in mature and valued neighborhoods of Santa Barbara are very rare.

The parcels are each zoned R-2, allowing 2 homes per parcel, or the possibility of a new 4-home subdivision across the 2 lots. The lots are gently sloping with approx. 10%-15% slope. Historically 2 older homes existed at the top of the parcels, they were taken down about 50 years ago. There is a 28’ wide easement across the bottom of the neighboring property on the corner with California Street, which allows easy access to 2 lower homes, as shown in the layout examples below. Please review the information in this piece as a starting point, but a serious buyer is advised to consult a land-use planner and architect with experience in development in the City of Santa Barbara.

R-2 Zoning	
Units Allowed per Lot (or fee simple with condo plan)*	Two (2) - detached or attached
Front Yard Setback	15’ min. 1 st story, 20’ for higher
Separation Between Units	15’ minimum
Height Limit**	30’ maximum
Fee Simple Units Allowed on 2 Contiguous R-2 Lots with Condo Plan*	Four (4) - detached or attached
Interior and Rear Yard Setback	6’ minimum for all heights
Open Space and Private Yards	See R-2 zoning rules***

* Consult a land-use planner and/or architect for feasibility of a new subdivision and layout possibilities for units.
 ** Neighborhood standards may result in lower approved heights depending on location on the property.
 *** R-2 zoning rules are in the City of Santa Barbara Municipal Code, Section 28.18.



An Incomparable Location in a World-Class Community

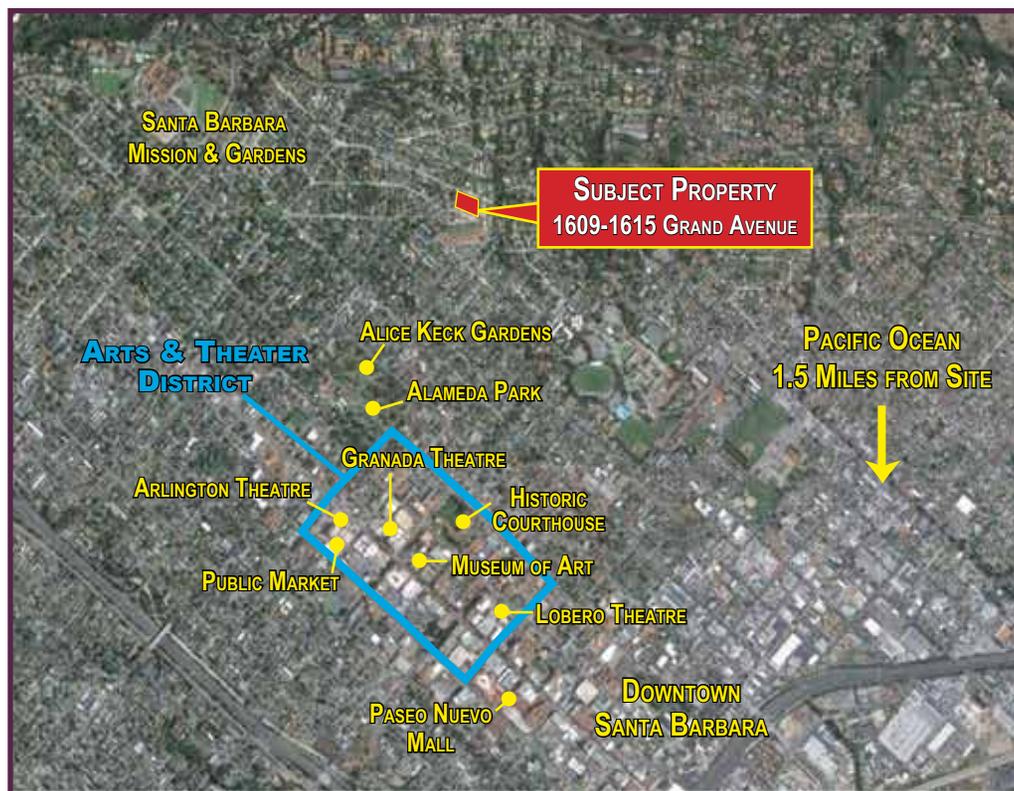
The parcels at 1609-1615 Grand Avenue are at the beginning of Santa Barbara's Riviera, just above the Upper East neighborhood. The premium location combines a proximity to downtown theaters, restaurants, museums, boutique shopping, beautiful parks and the Santa Barbara Mission, with the beginning of the Riviera hillside offering big ocean and city views. There is no other area in the city that provides this combination of location and views, both of which are highly valued by buyers of new construction in Santa Barbara.



Santa Barbara is one of the most desirable destinations in the world for vacation home buyers, as well as for re-locating retirees and successful entrepreneurs. The Grand Avenue location is ideal for the lifestyle of these types of buyers. This demographic will also value the lot topography which allows for all primary common rooms and master suite on a single level with big views.



The area offers a year-round moderate coastal climate, abundant sunshine, natural beauty between the ocean and mountains and a small-scale yet vibrant seaside community full of fine dining, arts, recreation and renowned architecture. Santa Barbara stands alone, yet is easily accessible by its own airport and just a 2-hour drive from Los Angeles and 5 hours from the Bay Area.

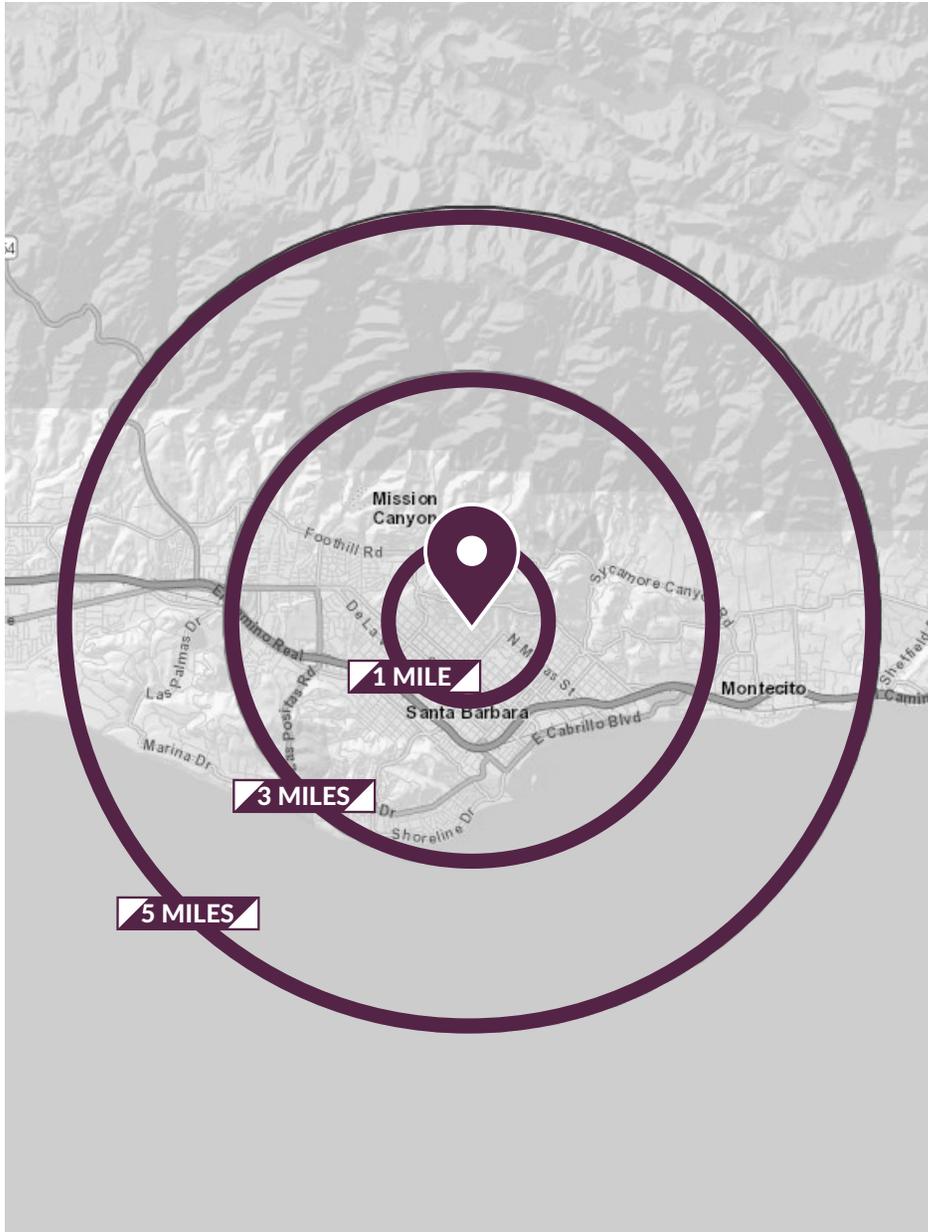


Example of Cost Estimates for a 4-Home Subdivision

Purchase Price	\$2,500,000
Number of Units (detached)	Four (4)
Land Cost Per Unit	\$625,000
Average Unit Size	2,300 SF
Construction Cost Per Square Foot	\$400/SF
Construction Cost Per Unit	\$920,000
Soft Costs Per Unit (architects, consultants, permits, fees)	\$185,000
Holding/Financing Costs Per Unit	\$50,000
Total Costs Per Unit	\$1,780,000
Total Project Costs	\$7,120,000

Pro-Forma New Home Sale Prices and Net Return Estimates

Average Sale Price Per Square Foot	\$1,150/SF
Average Unit Size	2,300 SF
Average Sale Price Per Unit	\$2,645,000
Number of Units	Four (4)
Total Gross Revenues	\$10,580,000
Sales (4.5%) / Marketing (0.5%) / Closing (0.5%)	\$580,000
Total Net Revenues	\$10,000,000
Total Net Profit	\$2,880,000
Annual Return (ROI) @ \$2.5M Purchase - 3 Years	38.4%
Annual Return (ROI) @ \$2.5M Purchase - 4 Years	28.8%



2018 Summary	1 Mile	3 Mile	5 Mile
Population	16,624	94,139	116,110
Households	8,020	37,157	45,839
Families	3,369	19,320	24,558
Average Household Size	2.05	2.46	2.45
Owner Occupied Housing Units	2,346	14,476	19,808
Renter Occupied Housing Units	5,674	22,681	26,031
Median Age	40.9	38.4	39.9
Median Household Income	\$69,105	\$76,104	\$78,729
Average Household Income	\$110,422	\$113,089	\$118,723

2023 Summary	1 Mile	3 Mile	5 Mile
Population	17,300	96,963	119,458
Households	8,340	38,237	47,106
Families	3,485	19,826	25,174
Average Household Size	2.05	2.47	2.46
Owner Occupied Housing Units	2,622	15,887	21,617
Renter Occupied Housing Units	5,718	22,350	25,489
Median Age	41.7	39.2	40.7
Median Household Income	\$80,925	\$89,218	\$92,897
Average Household Income	\$130,607	\$134,669	\$140,841

Conceptual 4-Home Subdivision Highlights

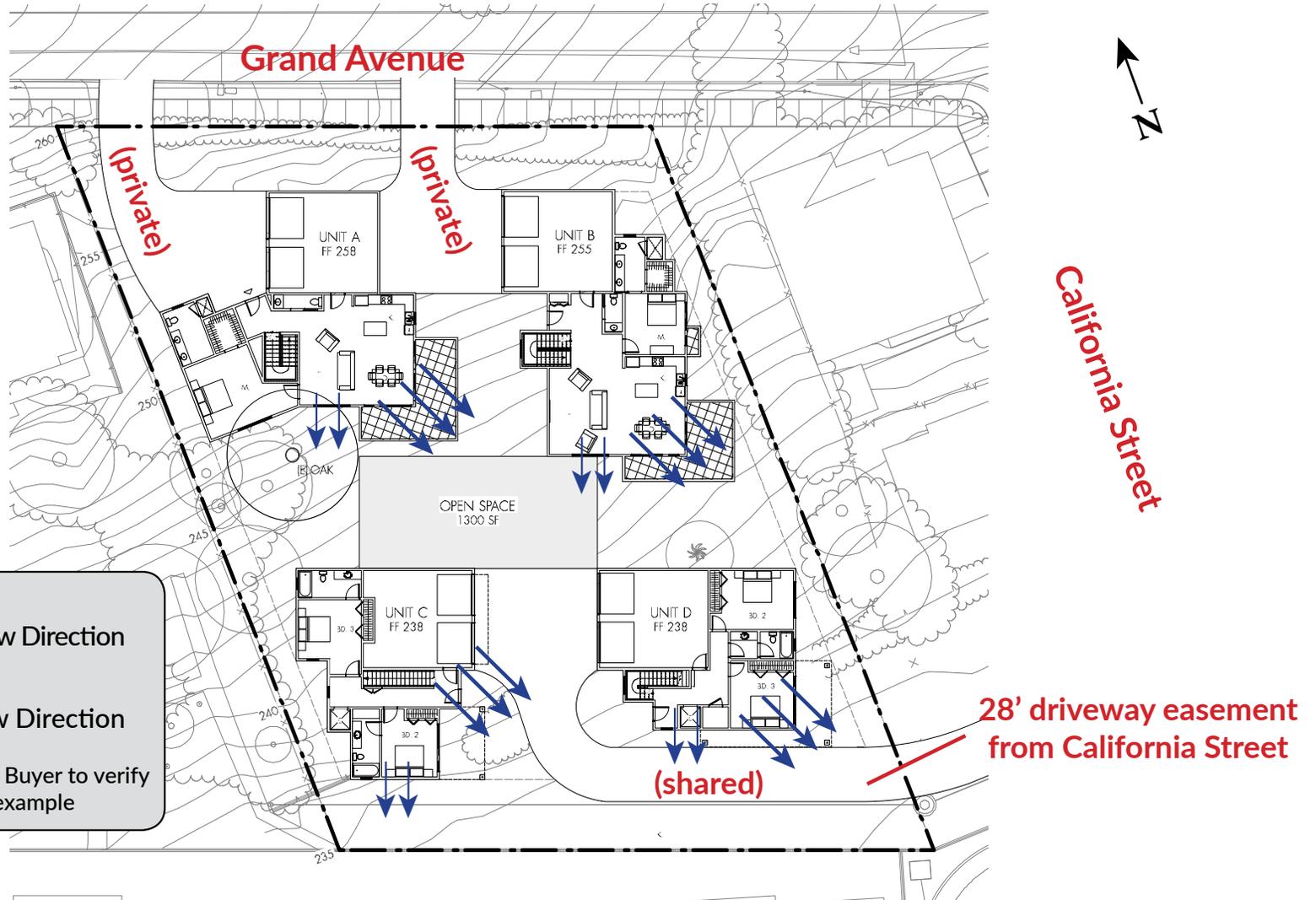
- This concept is suggested as an example to maximize profit for a developer. An owner-occupant builder or a “hybrid” buyer might consider other configurations or densities.
- The layout of the homes attempts to conform with City of Santa Barbara zoning and land-use rules, but Buyer is advised to confirm with consultants to their satisfaction.
- The architecture and street profile are designed to minimize neighbor objections.
- The layout allows for 4 detached homes with private yard space, all achieving ocean/city views.
- The upper 2 homes have private driveways off Grand Avenue, the lower 2 homes share driveway over easement accessed from California Street.
- All 4 floorplans have all of the primary use areas on a single level – kitchen, dining, living room, master suite and ocean-view decks.
- The upper 2 homes achieve the single-level primary use areas on the entry level with attached garage. The lower 2 homes have the primary use areas above the garage level but with elevator.



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 C E A R N A L
 A N D R U J A T S
 A R C H I T E C T S
 IN FIELDS DESIGN

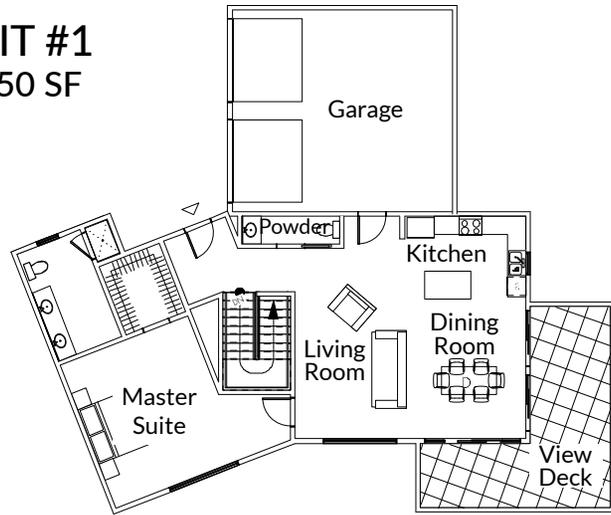
A SITE SECTION/ELEVATION
 Scale: 1" = 30 ft

Conceptual 4-Home Development Layout

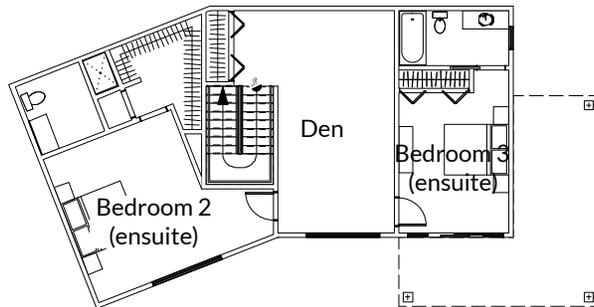


Conceptual 4-Home Development Floorplans

UNIT #1
2,550 SF

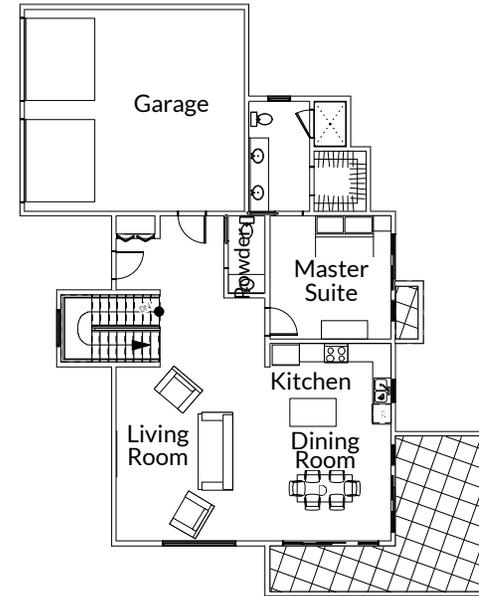


ENTRY LEVEL

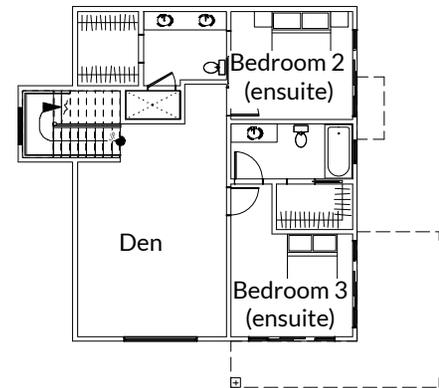


LOWER LEVEL

UNIT #2
2,365 SF



ENTRY LEVEL



LOWER LEVEL



C. J. ARNAL
ANDRUIA ARCHITECTS
ARCHITECTURE
INTERIOR DESIGN

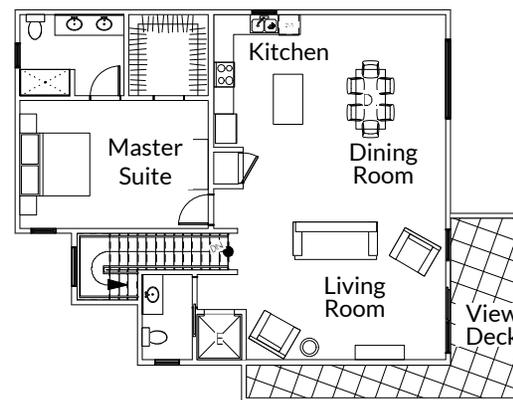
Conceptual 4-Home Development Floorplans, cont.

UNIT #3
2,135 SF

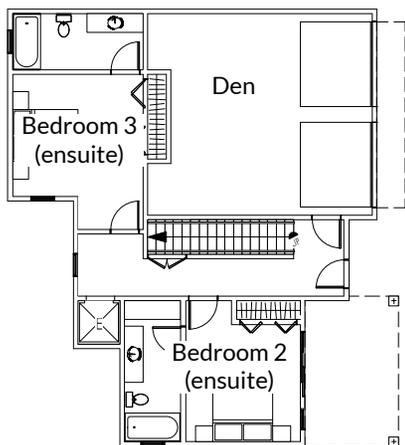


UPPER LEVEL

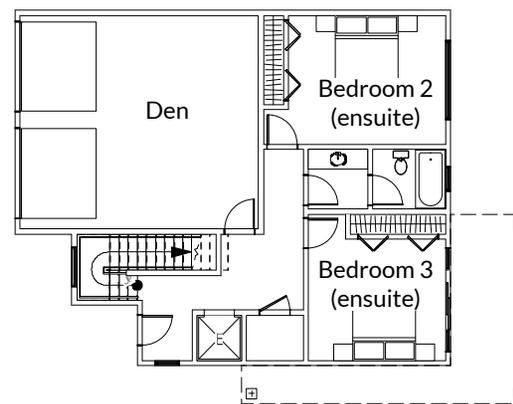
UNIT #4
2,115 SF



UPPER LEVEL



LOWER LEVEL



LOWER LEVEL



C. EARNAL
ANDRUEA T.S.
ARCHITECTURE
INTERIOR DESIGN

RENDERINGS

1609-1615 GRAND AVENUE | SANTA BARBARA

These renderings are a more recent detailed concept, and differ slightly from the initial conceptual layout above. The renderings were produced by a local experienced architect and are intended to conform to local zoning and design constraints, but no government approvals have been attempted.



LAND USE SUMMARY

1609-1615 GRAND AVENUE | SANTA BARBARA

PROPERTY PROFILE		DATE: 6/23/2014
Section 1.0 Basic Zoning Information (as applicable)¹		
		Additional Comments
Address(es)	1609 Grand Avenue 1615 Grand Avenue	
APN (s)	027-270-038 027-270-037	
Jurisdiction	City of Santa Barbara	
Zoning	R-2 – Two Family Residential	Lower Rivera Neighborhood
General/Comprehensive Plan Land Use Designation	Medium Density – 12 dwelling units per acre	
Urban/Rural	Urban	
Applicable Overlays		
<i>Hillside</i>	Hillside Design District	
<i>Design District/Review Body</i>	Architectural Board of Review (ABR)	
Parcel Area (Gross/Net)	0.241 acres each	
Minimum Lot Width/Depth	Must contain at least 7,000 SF and sixty feet (60') of frontage on a public street.	For newly created lots.
Existing Structures 50+ yrs old	Unknown	
Minimum Lot Area	7,000 SF (w/ 60' street frontage)	For newly created lots. Slope density applies.
Setbacks		
<i>Front</i>	Ground Floor: 15' Upper Story: 20' Garage/Carport: 15'	
<i>Rear</i>	Buildings: 6' Parking: 3'	
<i>Side/Interior</i>	Buildings: 6' Parking: 3'	
Maximum Height	30'	
Accessory Structures Allowed	Yes	
Residential Second Units Allowed	Yes	
Parking Requirements	Two spaces per residence	If on the same lot, one covered space and one uncovered space may be provided.
Water District/Wells	City of Santa Barbara	
Sanitary Dist./Private System	City of Santa Barbara	

Section 2.0 Known Physical/Site Constraints		
City of Santa Barbara MEA - Mapped Constraints		
<i>High Fire</i>	N/A	Immediately outside of High Fire area

<i>Archaeology</i>	American Period/Early 20 th Century	A Letter Report confirming no cultural resources exist on site will be required.
<i>Geology/Soils</i>	Milpitas Stony Fine Sandy Loam	Additional Soils Analysis will be required at Building Dept. review.
<i>Slopes</i>	15-30%	
Section 3.0 Historic Permits, Existing Conditions of Approval & Title Information (as applicable)		
Historic Permit Highlights	Final Map 20,779	
Adopted Conditions of Approval Affecting Property	Conditions of Approval associated with Final Map 20,779 (See Resolution 06-103- Attachment 3.2)	
Title Report	Not included in this analysis.	
CC&Rs	See Resolution 06-103 (Attachment 3.2)	
Parcel Validity	Final Map 20,779	
Section 4.0 Permit Process, Anticipated Permit Timeline, Public Agency Application Fees		
See Section 4.0 of the report describing the anticipated permit process for the proposed development. Listed below is the permit, or permits required, the application fee and estimated timeline once the application is submitted		
Permit Type	Current Fee	Estimated Timeline²
Tentative Subdivision Map for Residential Condominiums	Refer to City of Santa Barbara website for current fee amounts, santabarbaraca.gov	12-16 months for entitlement
Pre-Application Review Team		12-16 months for entitlement
CEQA Exemption – DART (Assuming exemption from CEQA analysis)		12-16 months for entitlement
Architectural Board Review (All development scenarios)		12-16 months for entitlement

¹ The information provided herein has been acquired from available public agency resources and is deemed reliable but not guaranteed

² This is only an estimate as the actual timeline could be greatly affected by the workload and responsiveness of public agency staff, project team members, and by public controversy or other unforeseen circumstances.

Date Prepared: 6/23/14

Date Prepared: 6/23/14



PRINCIPAL PLANNERS
SUZANNE ELLEDGE • LAUREL F. PEREZ

23 June 2014

Ken Switzer
BHHS California Properties
1170 Coast Village Road
Montecito, CA 93108
kenswitzer1@yahoo.com

Subject: 1609 & 1615 Grand Avenue
Zoning Information Profile (ZIP) Report

Dear Ken:

Thank you for the opportunity to provide you with this zoning information profile of the subject properties, which are identified as 1609 and 1615 Grand Avenue (Assessor's Parcel Numbers 027-270-038, -037; see Attachment 1.1 for APN page and Site Aerial). The properties are vacant and are located in the City of Santa Barbara.

Future development will be required to comply with the applicable regulations of the City of Santa Barbara. It is our understanding that you are marketing the properties and established the sale price to reflect the development potential of two detached condominiums on each parcel. You have asked our firm to prepare a report that identifies the current applicable zoning regulations and development potential to help guide future development decisions to supplement your market materials. Additionally, the report includes a discussion regarding flexibility with building siting and driveway access, as well as evaluating a comprehensive development proposal versus individual lot development.

Section 1.0 Basic Zoning Information

We have provided a *Property Profile Summary* of zoning information for your quick reference (see Attachment 1.2). The information in this letter report is presented in the same order as it appears in the *Property Profile Summary*.

The subject properties are located in the R-2 (Two-Family Residence) Zone, such that the properties are restricted to residential uses of medium density in which the principal use of land is for two-family dwellings. The General Plan designation is Medium Density Residential which allows a maximum of 12 dwelling units per acre. Condominium projects may be permitted in the R-2 zone and are subject to specific physical standards in regards to private storage space, utility metering, laundry facilities, unit size, etc. These "Physical Standards for Condominiums" are within the *Residential Condominium Development* zoning code section which is included in Attachment 1.3.

1625 STATE STREET, SANTA BARBARA, CALIFORNIA 93101
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Mr. Ken Switzer
23 June 2014
Page 2 of 6

There are also additional development standards that are applicable to the R-2 zone, specifically regarding distance between buildings on the same lot as well as information regarding common open yards and private outdoor living space requirements. Please refer to Attachment 1.4 for all R-2 zone information.

Property Setbacks

The property setbacks are as follows:

Front:	Ground floor of any building or structure: 15 feet Upper stories: 20 feet Garage or carport, opening that does not face street: 15 feet
Interior/Side:	Structures – 6' Covered/Uncovered Parking – 3'
Rear:	Structures – 6' Covered/Uncovered Parking – 3'

Section 2.0 Known Physical Site Constraints

All properties have highly expansive soils with a very high erosion potential as indicated in the City's Environmental Assessment Mapping (see Attachment 2.1). Per the City's Map, no biological resources exist on the properties. The properties are outside of the High Fire Hazard area and have moderate landslide potential due to the topography and existing slope of the site. Based on these potential physical site constraints, a soils investigation report or preliminary foundation analysis may be required prior to approval of a development project as part of the environmental analysis process in order to ensure soil stability for the proposed development and improvements. While the Planning Division may not require such reports or analyses prior to discretionary approval, the Building Department will require these reports prior to building permit issuance.

Property Overlays

Hillside Design District

The properties are located in the Hillside Design District, and are therefore subject to specific design guidelines and review by the City's Architectural Board of Review (ABR). These guidelines encourage blending new structures into the natural surroundings, minimizing exposed foundations and undersides of structures, and setting back higher

Mr. Ken Switzer
23 June 2014
Page 3 of 6

portions of the structure to reduce overall appearance of height. These guidelines also suggest minimizing and mitigating visual effects of grading for driveway purposes, as well as using various architectural features to break up unacceptable massing. Although the City does not regulate maximum floor areas for new development on R-2 zoned properties, the ABR does evaluate a project's compatibility with the surrounding neighborhood in terms of architectural design and size.

ABR guidelines also provide parameters for vegetation removal, tree removal and replacement as well as the requirement to provide a landscape plan as part of the development application. The *Hillside Design District* guidelines as well as the *ABR Design Guidelines and Meeting Procedures* are located via the following link: <http://www.santabarbaraca.gov/Resident/Home/Guidelines/>. Please see the *Single Family Design Guidelines* hyperlink for the Hillside Design District guidelines. The *ABR Design Guidelines and Meeting Procedures* has its own hyperlink. Both sets of guidelines should be reviewed and incorporated into future development on each of the lots.

Archaeological Resources

Both properties have the potential to contain archaeological resources specific to the American period and the early 20th century period. Due to this classification, a *Letter Report Confirming No Archaeological Resources* (also called a "Letter Report") will need to be prepared by a City-approved Archaeologist to determine if any cultural resources exist on site prior to development approval. The Letter Report is required in areas/depths that are not expected to result in the discovery of prehistoric deposits or early historical period resources. This Letter Report will determine if a) resources exist on site, or b) additional study is required via a full Phase 1 Archaeological Resources Report. Please see Attachment 2.2 for more information.

Section 3.0 Historic Permits

The subject lots were part of a 5-lot subdivision, recorded as Final Map 20,779 in August 2010 (see Attachment 3.1 for Final Map). Page 1 of Resolution 06-103 includes reference to the subject properties, indicating that the final configuration of each would allow for development of two units on each property (see Attachment 3.2). As part of the previously approved final map, the developer was required to construct off-site public improvements on Grand Avenue and California Street. These improvements included sidewalks, parkways, landscaping, driveway aprons, and sewer lateral repair. Please see Attachment 3.2 for the complete list of Final Map 20,779 Conditions of Approval for more information regarding these public improvements. It is possible that the City will

Mr. Ken Switzer
23 June 2014
Page 4 of 6

identify additional public improvements required as project conditions for a new development.

Section 4.0 Permit Process, Anticipated Timeline

We have identified three options for property development that appear to be feasible based on property zoning and lot size, and have identified their associated permit processes. In all scenarios, a total of four residential units could be constructed, given the property size and zoning. Below is a bulleted list of these possible development scenarios:

Development Scenario 1:

- 4 Condominiums on one(1) merged lot
- Provides building siting flexibility as well as potential to share development standards and/or amenities (driveway access, laundry facilities, etc.)
- Tentative Map for Condominiums required by Staff Hearing Officer
- Architectural Board of Review approval required
- Timeframe – Twelve (12) to Sixteen (16) months to complete entitlement

Development Scenario 2:

- Two Condominium Units on each existing lot
- Tentative Map for Condominiums required by Staff Hearing Officer
- Architectural Board of Review approval required
- Timeframe - Twelve (12) to Sixteen (16) months to complete entitlement

Development Scenario 3:

- 2 units on each existing lot – duplex or detached (single ownership/rentals)
- Condominiums not proposed
- ABR approval required
- Timeframe – Eight (8) to Twelve (12) to complete entitlement

Development Scenario 1:

Scenario 1 involves merging the two lots into a single lot that provides greater flexibility for site layout by removing property lines and related setbacks, and allows the owner to proceed with a single development proposal for four detached condominiums. It also could provide more opportunities for shared development standards/amenities such as laundry facilities, private storage space, and open yard requirements.

Mr. Ken Switzer
23 June 2014
Page 5 of 6

Development Scenario 2:

Scenario 2 would allow four detached condominiums but would limit the amount of flexibility with building siting and site layout as each lot would have to adhere to property line setbacks and provide the required aforementioned amenities and open spaces requirements for condominiums on each individual lot.

Development Scenario 3:

Scenario 3 would require the least amount of discretionary approvals, as two residences either attached or detached, under single ownership, are an approved use on each lot within the R-2 zone. While condominiums are also an approved use, they are subject to additional development and physical standards that require discretionary review and approvals.

Development Scenarios 1 and 2 - Application Processing:

Processing a Tentative Map for Condominiums, including ABR preliminary review, typically takes twelve (12) to sixteen (16) months to gain entitlement approval. Development plans including architectural, grading, and landscape plans, will be subject to review and approval by the City's Architectural Review Board (ABR) as well as the City Planning Commission or Staff Hearing Officer (dependent on the number of units proposed).

In-Lieu Fee

Another requirement for new residential development within the City of Santa Barbara is the payment of a pro-rated inclusionary housing in-lieu fee to support the City's affordable housing stock. Payment on an in-lieu fee is triggered for all residential developments involving 1-9 units. The in-lieu fee is calculated in a manner sufficient to make up the monetary difference between the estimated development cost of a two-bedroom unit condominium and the price of a two-bedroom dwelling unit affordable to a low-income household calculated according to the City's Affordable Housing Policies and Procedures.

A pro-rated inclusionary housing fee will be assessed per unit or lot based on the current Department of Housing and Urban Development published the Area Median Income - please contact City of Santa Barbara Community Developing Housing Programs staff for the current fee. To reduce the financial impact on projects of 4 units or less, the due date for payment of the in-lieu fee is postponed until just prior to issuance of the

Mr. Ken Switzer
23 June 2014
Page 6 of 6

Certificate of Occupancy. If one of the units is occupied by the owner and the owner qualifies as Middle Income household, the in lieu fee would not apply.

Please note that Scenario 3 would not be required to pay the inclusionary housing in-lieu fee because a rental development project does not meet the definition of "residential development" for this purpose. A "residential development" is one that requires a tentative subdivision map.

Please see Attachment 4.1 for more information regarding these requirements.

Conclusion

This concludes our report. We appreciate the opportunity to be of service to you and would be pleased to provide you with additional services upon request. Should you have any questions or require additional information, please call me at (805) 966-2758 x16.

Sincerely,
SUZANNE ELLEDGE
PLANNING & PERMITTING SERVICES, INC.



Trish Allen, AICP
Senior Planner

Disclaimer

Suzanne Elledge Planning & Permitting Services, Inc. (SEPPS) makes every effort to provide the most accurate information possible. However, it is provided without warranty or claim of reliability. It is accepted by the client on the condition that errors or omissions shall not be made the basis for any claim, demand or cause for action. The information and data were obtained from sources believed to be reliable, but SEPPS does not guarantee its accuracy. This report is intended to investigate zoning, policy and other regulatory issues which may apply to the subject property. This report does not evaluate compliance with the Uniform Building Code or the structural integrity of buildings or other site improvements. It is the responsibility of the client to perform proper due diligence before acting upon any of the information provided or making decisions relating to purchasing or development of the subject property.

VIEW OF VACANT PARCELS FROM GRAND AVENUE



APPROXIMATE VIEW FROM ENTRY LEVEL OF UPPER HOMES



**BERKSHIRE
HATHAWAY** | California
HomeServices Properties

COMMERCIAL DIVISION



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