



PROSPECTUS

Investment Opportunities in Orland, California

Opportunity Zones along the I-5 Corridor in Northern California



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I-5 CORRIDOR

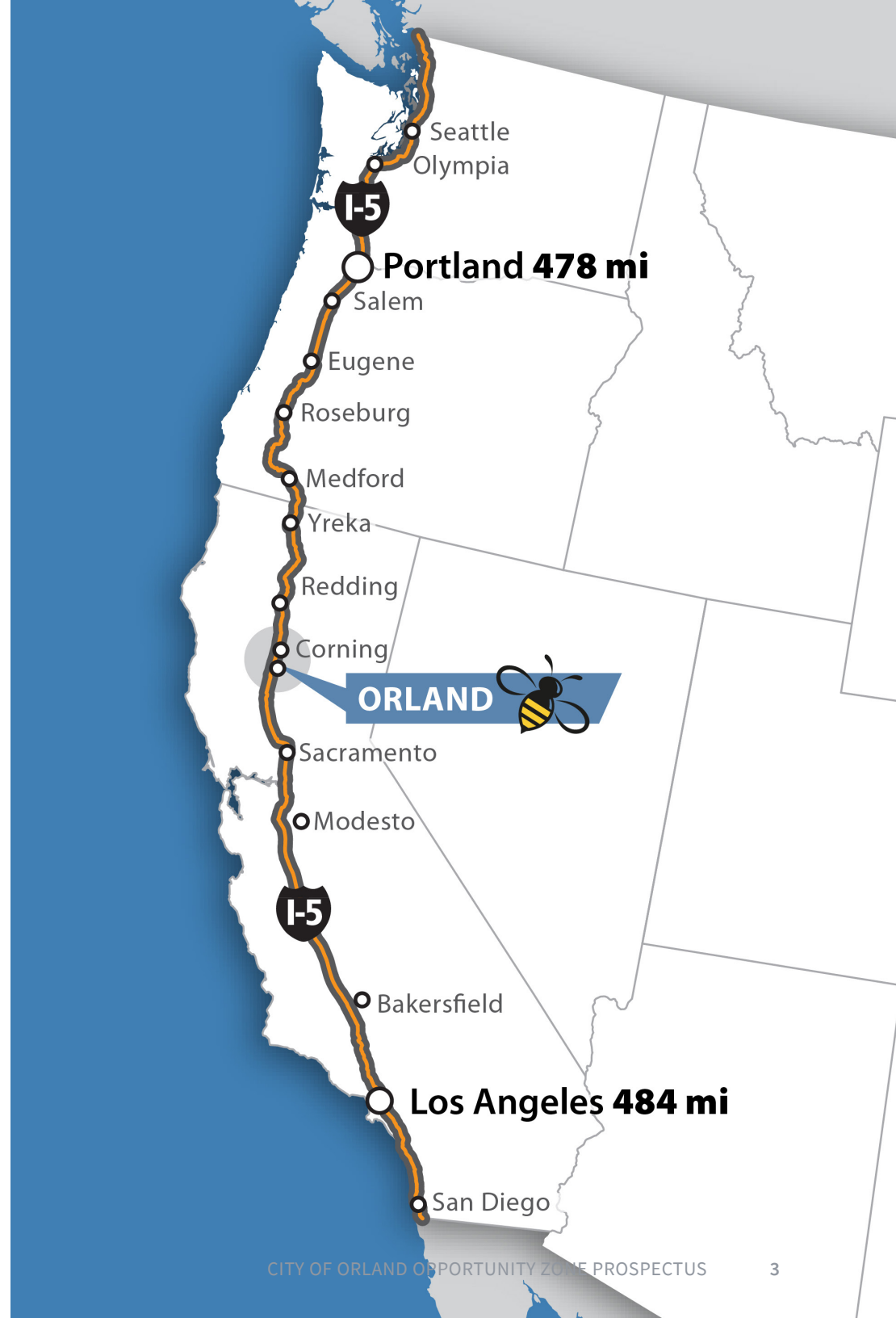
The West Coast's major transportation lifeline

WHY LOCATE ALONG I-5?

Midway between Portland and Los Angeles lies a region that caters to travelers and truckers on the busy I-5 Corridor, as well as supplying nut, fruit, and dairy products to a hungry world. The location is attracting fresh interest from investors and urban exiles who desire a lower cost small town environment that's friendly while still providing ample space between neighbors.

“With quality agricultural products and close access to food processing facilities and distribution channels, this region is perfectly suited to focus on providing value-added food products to serve both regional and global markets.”

DON SCHJELDAHL
SITE SELECTION SPECIALIST WITH DSGADVISORS





ORLAND HIGHLIGHTS

Camp Fire (2018) caused many former Paradise residents to relocate their homes and businesses to Orland

Butte-Glenn Community College is expanding its presence in Orland with a new 13,700 SF facility (classrooms, science lab, computer labs, conference and training rooms).

California Northern Railroad (CFNR) connects with Union Pacific in Davis, CA

Amazon Delivery Station, (Orland Airport Industrial Park)

Black Butte Lake draws additional visitor traffic

Cooperative City Manager and Economic Development Commission

ABOUT ORLAND, CA

Located at the hub of Hwy 32 and I-5, with quick, convenient access to the North State's largest city, Orland's affordable homes and small town vibe are attracting new transplants. Orland experienced a growth spurt after the 2018 Camp Fire in nearby Butte County caused a housing shortage for regional employees. Chico (20 miles west) is an easy commute.

The "Queen Bee Capital" ships almost half a million bees around the world and has deep roots in agriculture/food production and building materials. Orland features a compact business district with space available for retail close to I-5 and larger industrial properties at the edge of town. Orland is actively working to bring new development to the area and has a historical commitment to housing.

Visit our story map for more information:
<https://tinyurl.com/go-i5-prospectus>



COMMUNITY INDICATORS – ORLAND, CALIFORNIA



8,510

Total Population
2020³



34.6

Median Age
2020²



2.84

Average Household Size
2020¹



2,931

Total Households
2020¹

INCOME



\$47,395

Median Household
Income 2018⁴



\$60,614

Average Household
Income 2018⁴



\$55,364

Median Family
Income 2018⁴

HOUSING



\$355,000

Median Home Sales Price
2020⁵



\$228

Home Price
per SF⁵

Following the Camp Fire in Butte County (Nov. 2018), Orland experienced a spike in population and home sales. The population grew 4.24% from 2018 to 2019 compared to 1.1% growth the year before.⁶ The median home sales price jumped from \$241,250 (Nov. 2018) to \$355,000 (Jan. 2020).⁴ By 2025, Orland's population is expected to grow to 8,690.³ This represents annual growth of 0.42% from 2020.

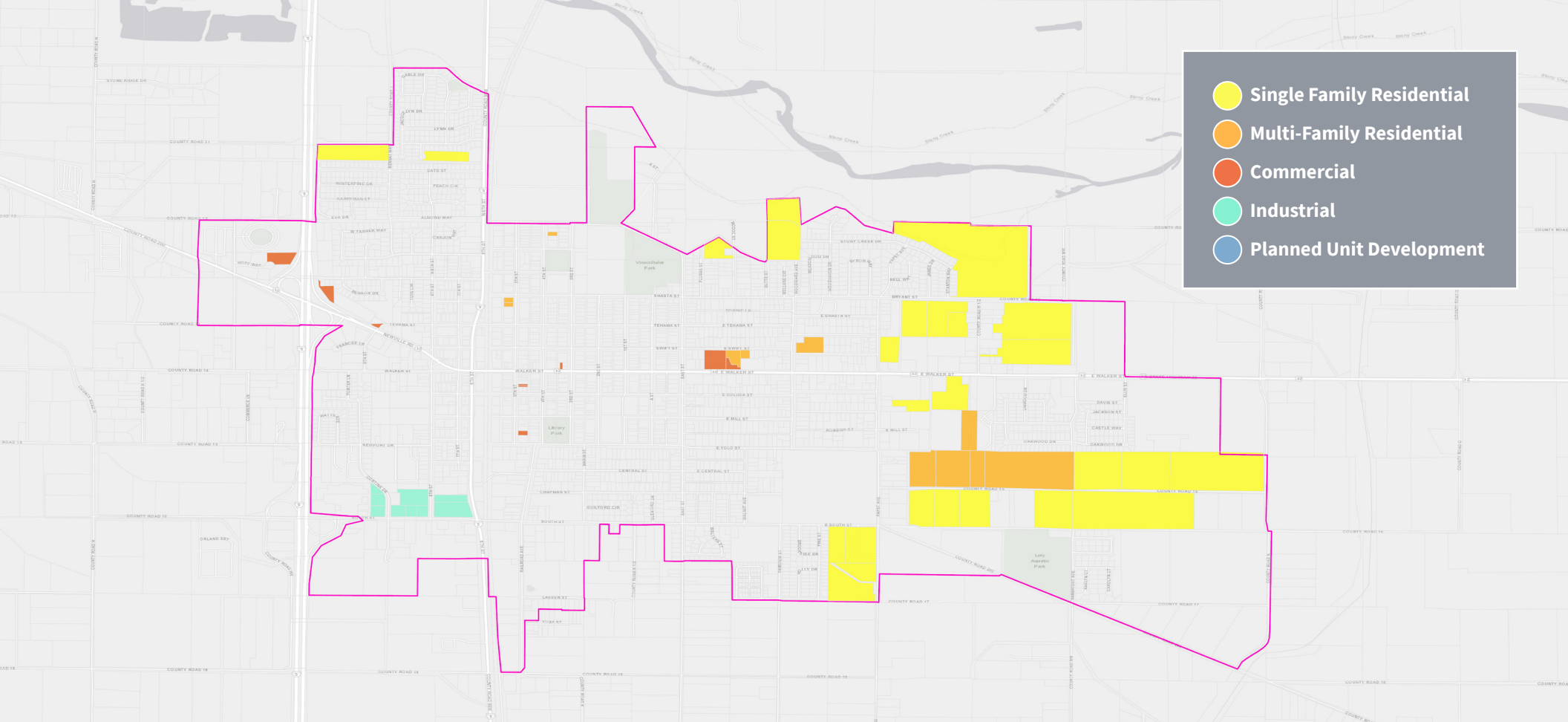
Sources:

1. CA Dept. of Finance E-5 Population and Housing Estimates, 2020.
2. Esri Business Analyst, July 2020 (2010 U.S. Census Data).
3. Peloton, "The Impacts of Camp Fire Disaster on Housing Market..." Sept. 2020. p. 13-14 (CA Dept of Finance).
4. Peloton, p. 51 (ACS 2014-2018, figures for Glenn Co.).
5. Peloton, pp. 23, 27 (SNVMLS).
6. Peloton, p. 9 (CA Dept. of Finance).



Key Development Sites

City of Orland, California



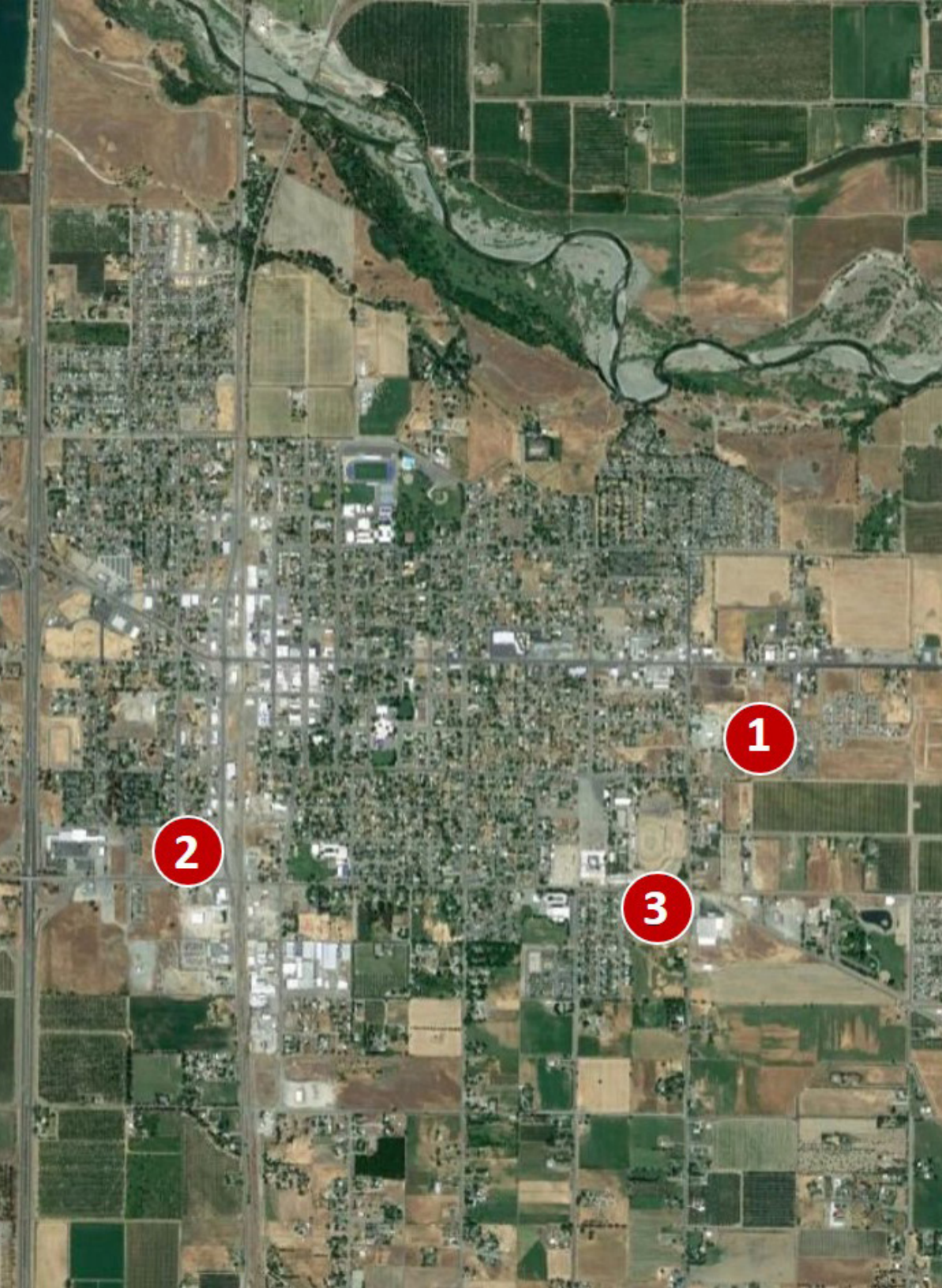
OPPORTUNITY SITES IN THE ORLAND AREA

A total of 56 opportunity sites have been identified in Orland, based on existing property listings as of March 2020 and the input of City Staff. Those sites, shown above, are classified according to land uses. All properties and parcels located within the City of Orland are within a qualifying Opportunity Zone. Developments located in Opportunity Zones can increase investors' return over time, as illustrated in the scenarios on the next few pages. There are two qualifying Opportunity Zone census tracts within this project area.

CENSUS TRACT 101 includes all portions of Orland with the exception of properties on the west side of I-5.

CENSUS TRACT 102 encompasses a much larger extent of Glenn County, extending north to the Tehama County border.

Three key development sites are highlighted on the next few pages, including development scenarios. More information about Opportunity Zones follows.



KEY DEVELOPMENT SITES IN ORLAND

The following three development sites in the City of Orland, were selected to assess the market conditions and financial feasibility to develop the sites based on a proposed use and market conditions found in the greater Orland area. What follows is an overview of each site, followed by financial feasibility summaries and assumptions to deliver a project to meet a specified rate of return (IRR). All sites are located in the Census Tract 101 Opportunity Zone.

❶ ROYCE SITE (PAIGEWOOD WEST)

Apartment development similar in scale and density to Paigewood apartments to the east.

❷ SOUTH STREET COMMERCIAL

Multiple commercial sites available along South Street.

❸ PENBROOK SUBDIVISION

Single-family subdivision already reviewed and with an active subdivision approval by the City.



0411600110

FEATURED SITE

PAIGEWOOD WEST (ROYCE SITE)

LOCATION:

West of existing Paigewood Apartments

APN	041-160-011
Ownership	Private
Acreage	6.5 Acres
Zoning	R-1 (Single-Family)
Development Issues	General Plan Amendment to change Zoning Designation
UTILITIES:	
Water	8" water main to east at Paigewood
Wastewater	10" sewer main to east at Paigewood
Stormwater	On-site storage likely through leach lines and leach field (similar to Paigewood)

Sources: Esri, HERE, Garmin, Inter
Kadaster NL, Ordnance Survey, Esri Japan
GIS User Community, Source: Esri, Dig

SCENARIO: RENTAL APARTMENT

PAIGEWOOD WEST

6.0% Adjusted IRR on Project Cost



Specifications

Site Location	West of Paigewood Apartments
Density	10 units per acre
Site Size	6.4 acres
Total Number of Units	64 units
Average Unit Size	1,000 SF
Average Number of Bedrooms	2.5 Bedrooms

Calculations

REVENUE	Per SF	Per Unit	Total
Gross Sales/Rents	\$15.60	\$15,600	\$998,400
NOI		\$10,700	\$684,800
DEVELOPMENT COSTS	Per SF	Per Unit	Total
Direct Costs	\$145	\$145,000	\$9,280,000
Land, Fees, Indirect Costs, Financing	\$54	\$54,148	\$3,465,472
TOTAL DEVELOPMENT COSTS	\$199	\$199,148	\$12,745,475

Disclaimer: All IRR scenarios and feasibility metrics presented in this prospectus assume certain business, economic, market and financial conditions assessed at a specific moment in time. Accordingly, actual market results may vary and as such the prospectus findings should be verified and due diligence performed when looking to specific development proposals and projects.



FEATURED SITE

SOUTH STREET COMMERCIAL

LOCATION: North side of South Street, bounded by 6th St and Cortina

APN	040-270-025;040-281-015; 040-281-016; 040-281-017;040-282-003; 040-282-004
Ownership	Private
Acreage	6.6 Acres
Zoning	PD (Planned Development)
Development Issues	Multiple parcels available to develop. Portion recently purchased for affordable housing development

UTILITIES:	
Water	Available along all three sides of development. Existing 6" water main may need to be upgraded depending on user demand
Wastewater	Available along all three sides of development
Stormwater	On-site storage likely through leach lines

SCENARIO: NEIGHBORHOOD RETAIL CENTER

SOUTH STREET COMMERCIAL

6.8% Adjusted IRR on Project Cost



Specifications

Site Location	North side of South Street, bounded by 6th St and Cortina
Floor Area Ratio (FAR)	0.18 FAR
Site Size	6.6 acres
Gross Building Area	51,900 SF
Rentable Building Area	50,343 SF
Parking Ratio	3.33/1,000 SF (Surface Parking)

Calculations

BASE RENT	Per SF	Rent/SF	% of Total
Anchor	30,206	\$15.00	60%
Drug and In-Line	20,137	\$18.00	40%
OPERATING INCOME		\$16	\$815,600
NOI		\$15	\$764,900
DEVELOPMENT COSTS	Per SF	Total	
Direct Costs (including parking)		\$163	\$8,186,700
Land, Fees, TI , A & E, Financing		\$76	\$3,843,300
TOTAL DEVELOPMENT COSTS		\$239	\$12,030,000

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FEATURED SITE

PENBROOK SUBDIVISION

LOCATION:

SW corner of E. South Street and Papst Avenue

APN	041-262-028
Ownership	Private
Acreage	5.7 Acres
Zoning	R-1 (Single-Family Detached)
Development Issues	Existing approvals for SF subdivision set to expire 9/2020. City Council set to approve extension to 9/2021
UTILITIES:	
Water	As designed with subdivision, the water tied into E. South Street and looped through site
Wastewater	Proposed design flowed south and east before connecting with an existing main in Papst Avenue located 600' south
Stormwater	Storm drainage was piped northerly and then easterly with gravity storm drains before connecting to an open drainage channel to NE

SCENARIO: SINGLE-FAMILY SUBDIVISION

PENBROOK SUBDIVISION

9.0% IRR on Project Cost



Specifications

Site Location	E. South Street and Papst Avenue
Density	4 units per acre
Site Size	5.75 acres
Total Number of Units	23 units
Average Unit Size	1,900 SF
Average Number of Bedrooms	3.25 Bedrooms

Calculations

REVENUE	Per SF	Per Unit	Total
Gross Sales/Rents	\$224	\$425,000	\$9,775,000
DEVELOPMENT COSTS	Per SF	Per Unit	Total
Direct Costs	\$140	\$266,000	\$6,118,000
Land, Fees, Indirect Costs, Financing	\$56	\$107,170	\$2,464,912
TOTAL DEVELOPMENT COSTS	\$196	\$373,170	\$8,582,910

Opportunity Zone Note: For-sale residential projects are not well-aligned with Opportunity Zone program because of the requirement to hold a development for 10 years to obtain maximum benefit from the OZ investment.

HYPOTHETICAL AFFORDABLE HOUSING PROJECT

100% Affordable Rental Units for 2.4 acre site

This is a hypothetical case, not tied to a specific site.

	Units	%	Avg SF	Total SF	Max Hsg Expense	Utility Allowance	Effective Rent	PSF	Annual Income
<u>30% AMI</u>									
1BR	1	3%	700	700	\$393	\$59	\$334	\$0.48	\$4,008
2BR	2	6%	900	1,800	\$472	\$70	\$402	\$0.45	\$9,648
3BR	1	3%	1,100	1,100	\$545	\$86	\$459	\$0.42	\$5,508
Subtotal	4	11%		3,600					\$19,164
1BR	2	6%	700	1,400	\$525	\$59	\$466	\$0.67	\$11,184
2BR	2	6%	900	1,800	\$630	\$70	\$560	\$0.62	\$13,440
3BR	1	3%	1,100	1,100	\$727	\$86	\$641	\$0.58	\$7,692
Subtotal	5	14%		4,300					\$32,316
<u>50% AMI</u>									
1BR	4	11%	700	2,800	\$656	\$59	\$597	\$0.85	\$28,656
2BR	7	19%	900	6,300	\$787	\$70	\$717	\$0.80	\$60,228
3BR	4	11%	1,100	4,400	\$908	\$86	\$822	\$0.75	\$39,456
Subtotal	15	42%	900	13,500			\$713	\$0.79	\$128,340
<u>60% AMI</u>									
1BR	2	6%	700	1,400	\$787	\$59	\$728	\$1.04	\$17,472
2BR	6	17%	900	5,400	\$945	\$70	\$875	\$0.97	\$63,000
3BR	3	8%	1,100	3,300	\$1,090	\$86	\$1,004	\$0.91	\$36,144
Subtotal	11	31%		10,100					\$116,616
<u>Managers Unit</u>									
2 BR	1		900	900	\$0	\$0	\$0	\$0.00	\$0
Total	36	100%	900	32,400			\$686	\$0.76	\$296,436
Other Income					\$10				\$4,320
Project Based Voucher Income									\$33,876
(Less) Vacancy					5.0%				(\$16,732)
EGI									\$317,900
(Less) Operating Expense & Reserves					\$5,300				(\$190,800)
NOI							\$3,531		\$127,100
							<u>Per Unit</u>		
Supported Debt					4.50%	35	\$54,056		\$1,946,000
Federal Tax Credit Equity (9%)							\$289,722		\$10,430,000
State Tax Credit Equity (13%)							\$0		\$0
Deferred Developer Fee							\$5,139		\$185,000
Total Financing							\$348,917		\$12,561,000
(Less) Development Costs							(\$374,861)		(\$13,495,000)
Feasibility Gap									(\$934,000)
Per Unit (rounded)									(\$25,900)



About Opportunity Zones

Benefits of Investing in
Opportunity Zones

ABOUT OPPORTUNITY ZONES

Opportunity Zones (OZ) are a federal program designed to spur community investment by providing tax benefits to investors (IRS Code Section 1400Z).

Federal Tax Benefits to Investors

- 1 DEFERS** the payment of taxes on previously earned capital gains that are invested in Opportunity Funds. Deferred gain is recognized at the end of 2026 or when the asset is sold, whichever comes first
- 2 REDUCES** the amount of tax due on previously earned capital gains. If investment is held for at least 5 years by 2026, then the basis on the original investment increases by 10%
- 3 PERMANENTLY EXCLUDES** taxable income on new gains earned on Opportunity Fund investments if investment is held for at least 10-years

Limitations on Source of Funds and Timing of Investments

- Investments are limited to capital gains earned from prior investments
- OZ investor must invest in **Opportunity Fund** within 180 days of the date that the capital gain is recognized
- To maximize benefits, funds must be invested in OF by December 31, 2021
- To qualify for the 10-year exclusion of capital gains, investment must be made by June 28, 2027
- OZ investments must be sold no later than Dec. 31, 2047 in order to be eligible for the 10-year gain exclusion

FEDERAL INFORMATION:

<https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions>

CALIFORNIA STATE TOOLKIT:

<https://opzones.ca.gov/toolkit/>

HYPOTHETICAL EXAMPLE OF OZ BENEFITS

Situation

- Sale of asset on December 31, 2020
- Original basis was \$1 million. Sale value is \$1.5 million. Gain is \$500,000
- Invest capital gain of \$500,000 in Opportunity Fund by June 28, 2021 (6-months from gain)
- Opportunity Fund holds property for 10 years and sells on June 28, 2031 for \$1.25 million. Investor's profit is \$750,000

Resulting Tax Benefits

BENEFIT 1

Tax on original capital gain of \$500,000 that is realized on December 31, 2020 is not due until April 15, 2027

BENEFIT 2

Basis on original \$1 million investment is increased by 10% to \$1.1 million. Adjusted capital gains on original investment is reduced from \$500,000 to \$400,000

BENEFIT 2

The investor's profit of \$750,000 is excluded from federal taxable income



Interested in Exploring Investment Opportunities in Orland?

Please Contact The Agencies Below



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530.865.1600



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