

Executive Summary

The Ceeley project is a mixed-use project in Fairview Village in east Multnomah County (east Portland metro area). Two parcels make up the project which is located at the SW corner of the NE Market Drive/NE Village Street intersection. The two parcels combined total 45,613 SF or 1.05 acres. The building will be constructed on the intersection parcel along with additional on-site parking. The second parcel is a fully completed 62-stall parking.

The mixed use-project is a four-story building with 11 apartments on floors 2, 3, & 4. The ground floor is planned for 4-5 commercial offices spaces. The 33 apartments and 4-5 office spaces total 37-38 units with residential use over 77% of the leasable space.

Opportunity Zone Benefits: The project is located in Fairview's Opportunity Zone which is one of the 86 designated zones in Oregon. Investors seeking favorable capital gains treatment will benefit from the capital gains tax deferral through 2026 and the step-up basis which is maximized if investment occurs in 2019. The step-up basis on owed capital gains is 15% if investment occurs in 2019. The step up in basis drops to 10% for investment after 2019. The project will be held for 10 years to secure the Federal capital gains tax waiver. All these benefits increase the projected returns beyond most capital investment opportunities.

Immediate Surroundings: This is an infill project with the following amenities within one block: a recently renovated 137,000 SF Target store, a new 26,000 VA clinic, the Fairview Post Office, the Fairview Library, Fairview's City Hall and Fairview's main park. The substantial public investment adjacent to the site plus the general amenities of Fairview Village make this project attractive to both residential and office tenants. A local developer is completing a 180-unit multi-family project along NE Halsey abutting Fairview Village. This developer also has approval for a 71-unit mixed use project directly across the street from this project. Lastly, Providence Hospital bought the 5.0-acre parcel across the intersection in December 2009.

Beyond these immediate neighbors; Amazon recently opened a fulfillment center a mile away with 1,500 full-time jobs. Other large local employers include: Boeing, On Semiconductor, Microchip, Honda, US Bank, Subaru and FedEx. The Port of Portland is continuing to invest at its 221-acre Gresham Vista Business Park which is immediately southeast of Fairview Village.

Market: Vacancy rates for east county remains below 5% which has been the case for the last 5-7 years. Portland's Inclusionary Zoning (IZ) requirements has led developers to shift their focus outward to the East Multnomah County to avoid the IZ restrictions. Vacancies due to new construction in the area are not expected to increase for two reasons. Rents in nearby Portland are much higher and will increase due to a drastic drop-off in new construction starts due to the IZ restrictions. Job creation across the Portland Metro area remains strong with a steady influx of 25,000 – 30,000 new residents per year to the tri-county area. Oregon's rent control law does not apply to projects less than 15 years old so newer Portland projects will increase rents due as the shortfall between supply and demand grows.

East County is more affordable area than Portland so to East Multnomah will continue to be a very attractive option as Portland rents increase and new supply in Portland fails to keep up with growth.

Project Status: Building permits were applied for in May with permits expected in September. The project qualified for the City of Fairview’s Incentive Program for vacant land. This wavier reduced permitting costs by over \$200,000. The completed parking lot and sitework completed around building pad allows building construction to begin this fall with revenue by the fall of 2020.

Equity: The developer is leaving \$1,000,000 of land value in the project for a fifteen percent (15%) share in the fund. Eighty-five percent (85%) of the LLC will be sold at the rate of \$420,000 per five percent (5%) to raise \$7,140,000. Net Operating Income and reports prepared by the third-party property management company will be distributed monthly. Annually, a CPA will prepare all required tax forms and send K-1s to each investor accordingly.

Returns: The estimated internal rate of return based on the 10-year hold to secure the federal capital gains waiver is over 11%. This estimate does not address the added benefits of the capital gains deferral, step-up and waiver after ten-year hold which are unique to each investor.

<u>Share Ownership</u>	<u>Level of Investment</u>
5%	\$420,000
10%	\$840,000
15%	\$1,260,000
20%	\$1,680,000
25%	\$2,100,000
30%	\$2,520,000
35%	\$2,940,000
40%	\$3,360,000
45%	\$3,780,000
50%	\$4,200,000
55%	\$4,620,000
60%	\$5,040,000
65%	\$5,460,000
70%	\$5,880,000
75%	\$6,300,000
80%	\$6,720,000
85%	\$7,140,000