

OFFERING MEMORANDUM

AAA & Chronic Tacos | The Marketplace at El Paseo Fresno, CA

TheMaffiaTeam



California State
University Fresno

SUNSET SQUARE

SAVE MART
SUPERMARKETS



Rio Vista
Middle School

verizon

H&R BLOCK

VANS

UPS

Robert's
Green Yarn

BROW SHAPES

Java Detour

SLEEP TRAIN

BECKY'S
BARBECUE PIT

SALLY'S
SALAD

FIVE GUYS
BURGERS and FRIES

NAIL SALON

PACIFIC
DENTAL SERVICES

menchie's

GNC

N Riverside Dr

DOWNTOWN
FRESNO

Burlington
coat factory

ROSS
DRESS FOR LESS

Marshalls

PETCO
Where the pets go.

KIRKLAND'S
Home Decor, Gifts & More

TILLY'S

ULTA
beauty

Famous
Footwear

maurices

Payless

TARGET

OLD NAVY

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Disclaimer

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The Material is intended solely for the purpose of soliciting expressions of interest from qualified investors for the acquisition of the Property. The Material is not to be copied and/or used for any other purpose or made available to any other person without the express written consent of Broker or Seller. The Material does not purport to be all-inclusive or to contain all of the information that a prospective buyer may require. The information contained in the Material has been obtained from the Seller and other sources and has not been verified by the Seller or its affiliates. The pro forma is delivered only as an accommodation and neither the Seller, Broker, nor any of their respective affiliates, agents, representatives, employees, parents, subsidiaries, members, managers, partners, shareholders, directors, or officers, makes any representation or warranty regarding such pro forma. Purchaser must make its own investigation of the Property and any existing or available financing, and must independently confirm the accuracy of the projections contained in the pro forma.

Seller reserves the right, for any reason, to withdraw the Property from the market. Seller has no obligation, express or implied, to accept any offer. Further, Seller has no obligation to sell the Property unless and until the Seller executes and delivers a signed agreement of purchase and sale on terms acceptable to the Seller, in its sole discretion. By submitting an offer, a purchaser will be deemed to have acknowledged the foregoing and agreed to release Seller and Broker from any liability with respect thereto.

Property walk-throughs are to be conducted by appointment only. Contact Broker for additional information.

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Property Information

The Investment

This AAA and Chronic Tacos retail pad offers the unique opportunity for an investor to acquire a fully leased retail shops pad to a Target-anchored retail center in the heart of the Central Valley. The property is 100% leased to a nationally recognized tenant in AAA (with a regional credit signature) and a local and growing franchisee. This is a strong retail location serving a wide trade area. With excellent exposure along Highway 99 and a prominent pad position along West Herndon Avenue, this is a well located asset that will garner a value much like other shops buildings in other populated suburban markets. An investor will capitalize on both ease of management and a diversified income stream with this property.

Location

The subject property is located at the southwest corner of West Herndon Avenue and North Riverside Drive in Fresno, California.

Lot Size

Approximately 1.14 acres, or 49,658 square feet.

Improvements

Construction is scheduled for completion in February 2017 of an approximately 6,500 square foot retail building demised into two suites for the **American Automobile Association (AAA)** and **Chronic Tacos**.

AAA | 4,000 Square Feet

Chronic Tacos | 2,500 Square Feet

Parking

There is ample parking on site and shared parking throughout the shopping center.

AAA Lease

Leased to **AAA Northern California, Nevada & Utah, a California non-profit mutual benefit corporation** for 10 years with landlord set to deliver the premises to tenant contingent free in February 2017. The rent is to commence the earlier of (i) 120 days after landlord delivers the premises to tenant; or (ii) the date tenant opens for business. The initial annual rent will be \$156,000. There are three five-year options to renew the lease. The annual rent increases by approximately 10% every five years during the initial term and at the beginning of each option period. The lease is net with the tenant responsible for its pro rata share of real estate taxes, insurance, and common area maintenance.

Tenant is responsible for a 10% administration fee on its common area expenses, utilities, real estate taxes, and insurance. Common area charges (excluding utilities, security, taxes, insurance, non-controllable costs, and non-recurring charges) shall not exceed by more than five percent of the previous year's charges.

Chronic Tacos Lease

Leased to **JBC Enterprises, LLC**, and guaranteed by **Chris Lee**, for 10 years with landlord set to deliver the premises to tenant contingent free in February 2017. The rent is to commence the earlier of (i) 150 days after landlord delivers the premises to tenant (estimated for February 2017); or (ii) the date tenant opens for business. The initial annual rent will be \$93,600. There are two five-year options to renew the lease. The annual rent increases by approximately 10% every five years during the initial term and at the start of each option period. The lease is net with the tenant responsible for its pro rata share of real estate taxes, insurance, and common area maintenance.

Tenant is responsible for a 10% administration fee on its common area expenses, which are inclusive of utilities, real estate taxes, and insurance. Tenant may also utilize 500 square feet of adjacent exterior space for outdoor seating for its patrons

Financial Analysis

Projected Gross Revenue

	Year 1	Year 10
Scheduled Base Rental Revenue	\$249,600	\$274,740
Expense Reimbursement Revenue	88,179	\$108,080
Total Potential Gross Revenue	\$337,779	\$382,820
Effective Gross Revenue	\$337,779	\$382,820

Annual Expenses

Common Area Maintenance - \$3.00/sf	\$19,500	\$25,443
Insurance - \$0.65/sf	\$2,860	\$3,732
Real Estate Taxes - Prop. 13	\$57,803	\$69,080
Management Fee	\$8,016	\$9,825
Total Operating Expenses	\$88,179	\$108,080

Net Operating Income

	\$249,600	\$274,740
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CAP Rate

	5.00%	5.50%
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General & Market Leasing Assumptions

General Assumptions	
Analysis Date	Feb-17
Total Rentable Area	6,500 SF
Total Area for CAM Reimbursement Calculations	6,500SF
General Inflation per Annum	3.00%
General Expense Growth per Annum	3.00%
Real Estate Tax Growth per Annum	2.00%
Management Fee	10% of Reimbursable Expenses
General Vacancy Loss	N/A
Completion of Lease-up	N/A: 100% Leased
End of Term Assumptions	Tenants Roll to Option

Price: \$4,992,000 (5.00% Return)

Financing

The property will be delivered free and clear of permanent financing.

Notes

The above net income is an estimate and does not provide for all potential costs and expenses (i.e. maintenance, repair, etc.) that may be required of the owner. Any reserves set forth herein are merely estimates and not based on any experience, physical inspection, or prior knowledge. All prospective purchasers are strongly advised to make an independent investigation to determine their estimate of costs and expenses prior to entering into an agreement to purchase.

Financial Analysis | Cash Flow Projection

	Year:	1	2	3	4	5	6	7	8	9	10
	Begins:	Feb-2017	Feb-2018	Feb-2019	Feb-2020	Feb-2021	Feb-2022	Feb-2023	Feb-2024	Feb-2025	Feb-2026
	Ends:	Jan-2018	Jan-2019	Jan-2020	Jan-2021	Jan-2022	Jan-2023	Jan-2024	Jan-2025	Jan-2026	Jan-2027
STATISTICS											
Net Rentable Area in SF		6,500	-	-	-	-	-	-	-	-	-
Avg Base Rental Revenue PSF/mo.		\$3.20	\$3.20	\$3.20	\$3.20	\$3.20	\$3.49	\$3.52	\$3.52	\$3.52	\$3.52
Total Operating Expenses PSF/yr.		\$13.57	\$13.88	\$14.19	\$14.52	\$14.85	\$15.19	\$15.53	\$15.89	\$16.25	\$16.63
Absorption & Turnover Vacancy		-	-	-	-	-	-	-	-	-	-
General Vacancy		-	-	-	-	-	-	-	-	-	-
Potential Gross Revenue											
Base Rental Revenue		\$249,600	\$249,600	\$249,600	\$249,600	\$249,600	\$271,870	\$274,740	\$274,740	\$274,740	\$274,740
Scheduled Base Rental Revenue		249,600	249,600	249,600	249,600	249,600	271,870	274,740	274,740	274,740	274,740
Expense Reimbursement Revenue		88,179	90,188	92,246	94,352	96,507	98,714	100,974	103,286	105,655	108,080
Total Potential Gross Revenue		337,779	339,788	341,846	343,952	346,107	370,584	375,714	378,026	380,395	382,820
General Vacancy		-	-	-	-	-	-	-	-	-	-
Effective Gross Revenue		337,779	339,788	341,846	343,952	346,107	370,584	375,714	378,026	380,395	382,820
Operating Expenses											
Common Area Maintenance - \$3.00/sf		19,500	20,085	20,688	21,308	21,947	22,606	23,284	23,983	24,702	25,443
Insurance - \$0.65/sf		2,860	2,946	3,034	3,125	3,219	3,316	3,415	3,517	3,623	3,732
Real Estate Taxes - Prop. 13		57,803	58,959	60,138	61,341	62,568	63,819	65,095	66,397	67,725	69,080
Management Fee		8,016	8,199	8,386	8,577	8,773	8,974	9,179	9,389	9,605	9,825
Total Operating Expenses		88,179	90,189	92,246	94,351	96,507	98,715	100,973	103,286	105,655	108,080
NET OPERATING INCOME		249,600	249,599	249,600	249,601	249,600	271,869	274,741	274,740	274,740	274,740
CASH FLOW BEFORE DEBT SERVICE		\$249,600	\$249,599	\$249,600	\$249,601	\$249,600	\$271,869	\$274,741	\$274,740	\$274,740	\$274,740

Rent Roll

Tenant	Sq. Ft.	Monthly Rent PSF	Annual Rent PSF	Annual Rent	Term	Rent Commence. Date	Lease Expiration Date	Rental Increase Date(s)	Rental Increase Amount	Options	End-of-Term Assumption
AAA	4,000	\$3.65	\$39.00	\$156,000	10 yrs.	3/1/2017 ¹	2/28/2027	3/1/2022	\$171,840	3 @ 5 yrs. Opt. 1: \$188,640 Opt. 2: \$207,840 Opt. 3: \$228,400	Option
Chronic Tacos Mexican Grill	2,500	\$3.12	\$37.44	\$93,600	10 yrs.	3/30/2017 ²	3/31/2027	4/1/2022	\$102,900	2 @ 5 yrs. Opt. 1: \$113,400 Opt. 2: \$124,500	Option
	Leased	6,500	100.00%								
	Vacant	0	0.00%								
	TOTAL	6,500	100.00%								

¹Per the lease, the rent commencement date is estimated to begin 120 days after landlord's delivery of premises to tenant (expected to occur by February 2017) or upon tenant's opening for business. For purposes of this valuation, the ARGUS analysis assumes that the tenant commences rent on February 1, 2017.

²Per the lease, the rent commencement date is estimated to begin 150 days after landlord's delivery of premises to tenant (expected to occur by February 2017) or upon tenant's opening for business. For purposes of this valuation, the ARGUS analysis assumes that the tenant commences rent on February 1, 2017.

Tenant Profiles



Tenant Name: American Automobile Association (AAA)

Lessee: AAA Northern California, Nevada & Utah

No. of Locations: Approx. 1,100+

Website: www.aaa.com

About: AAA is a federation of clubs throughout North America. It is a non-profit member service organization, with more than 56 million members in the United States and Canada and has been in business for 115 years. AAA was founded for the purpose of lobbying for driver and passenger rights, fair laws and safer vehicles. Since its inception, the company has broadened its horizons to include all types of travel-related services, as well as offer a variety of insurance and financial products and services. The company primarily provides services that include roadside assistance, battery service, and other various services. AAA is headquartered in Heathrow, Florida.

For the year end 2015, AAA Northern California, Nevada & Utah reported total revenue of \$685.70 million with net income of \$21.53 million and total members' equity of \$344.91 million.



FILE PHOTO



Tenant Name: Chronic Tacos

Lessee: JBC Enterprises, LLC

Guarantor: Chris Lee

No. of Locations: 37

Website: www.eatchronictacos.com

About: Chronic Tacos is a fast casual Mexican grill that utilizes third-generation recipes for made-to-order menu selections that are completely customizable. The main items served at its locations include: tacos, burritos, and bowl-ritos. The first location opened in Newport Beach in 2002, and since then has grown to include 37 restaurants in two different countries and seven different states. The franchise expansion began by 2014, shortly after a majority stake in the company was purchased by Calivan in 2012. A majority of the locations (35) are found in California, Nevada, Utah, and British Columbia. The brand promotes the serving of generous portions of fresh, delicious food in a unique atmosphere and it has been clear with the expansion through franchisees that Chronic Tacos has been a successful hit with its customers.



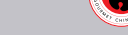
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Site Plan



HERNDON AVENUE

RIVERSIDE DRIVE



PHASE I



TARGET

GOLDEN STATE BOULEVARD



Aerial | The Marketplace at El Paseo

The Marketplace at El Paseo

What used to be an old fig farm has now been transformed into one of Fresno's newest shopping centers – The Marketplace at El Paseo. The 650,000+ square foot hybrid power center consists of big box retail, lifestyle retail, restaurants and services across 75 acres of land. It is the largest retail center along Herndon Avenue, east of Highway 99. The shopping center is anchored by Target and includes other prominent national retailers such as Burlington Coat Factory, Marshalls, Ross Dress for Less, Old Navy, ULTA Beauty, and Famous Footwear. The development of the Marketplace at El Paseo has been long awaited by the nearby underserved community and is now a popular shopping destination for the region. The subject property is located in the Phase I of the project, whereas Phase II of the project will be built on an empty lot just south of where Burlington Coat Factory is located.

Phase II of the development, which is currently underway, will include well known retailers such as Forever 21, HomeGoods, Michaels, Off Broadway, Express, GAP Outlet, Bath & Body Works, Levi's, Torrid, and J. Crew Factory, among others.



Aerial | Northwest View

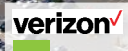
Agricultural Land

Fresno's Residential Growth

The rapid growth in northwest Fresno has spurred the development of residential units throughout the area to accommodate the growing demand for housing. Within a one mile radius from the property are roughly 550 lots under development, with another 405 lots planned and an additional 300 apartment units proposed. Overall, the northwest region of Fresno has nearly 5,000 housing units either planned, proposed, or currently in development.



N Golden State Blvd



N Riverside Dr

Future Retail



W Herndon Ave



Proposed Residential Development (300 Units)

Residential Development (134 Units)



Aerial | Southeast View

California State University Fresno

Fresno Yosemite International Airport



DOWNTOWN FRESNO



FASHION FAIR

NORTHGATE



ARBOR FAIRE



TOWNE SQUARE



BROADWAY FAIRE



MARKETPLACE AT EL PASEO



Rio Vista Middle School

River Bluff Elementary

Proposed Residential Development (300 Units)

Phase 2

Future Retail

Residential Development (134 Units)



CHRONIC TACOS MEXICAN GRILL



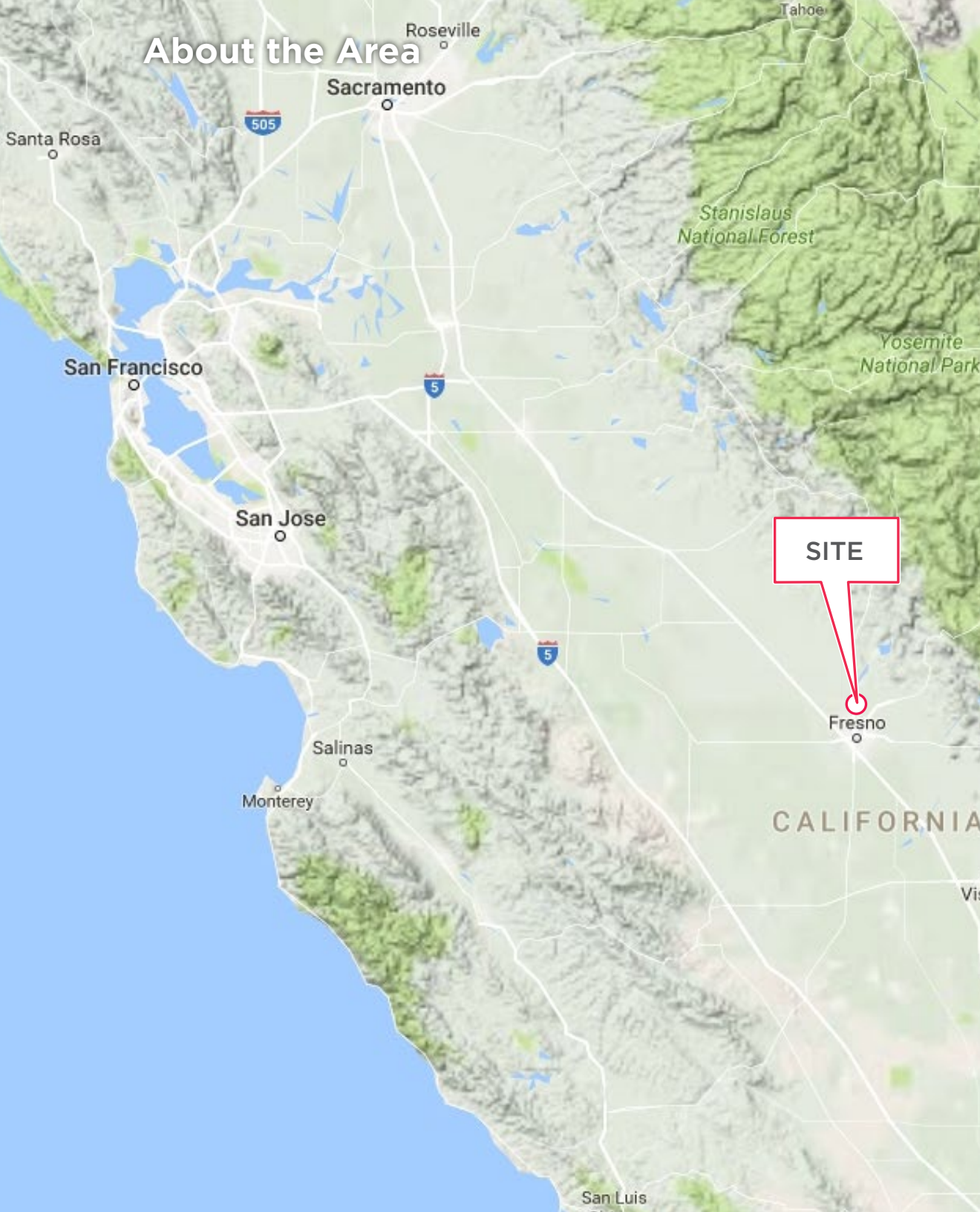
Island Waterpark

W Herndon Ave (21,244 AADT)

Golden State Blvd (23,837 AADT)

99 / (64,000 AADT)

About the Area



General Overview

Fresno is the fifth-largest city in California, the seat of Fresno County, and located in the heart of the state's highly productive San Joaquin Valley agricultural region. As of 2016, Fresno had an estimated population of 520,000, making it the largest inland city in California and the 34th-largest in the nation. It is located in the center of the expansive Central Valley, approximately 200 miles north of Los Angeles and 170 miles south of the state capital, Sacramento. Businesses and residents alike benefit from Fresno's location in the only seismically stable part of the state. The City is the cultural and economic center of the Fresno-Clovis metropolitan area. Fresno is the second-largest metropolitan area in the Central Valley with a population of 1,081,315, after Sacramento. Fresno is served by a main north-south freeway, State Route 99. Other highways include State Highways 168 (east-west), 41 (north-south) and 180 (east-west). Interstate 5 connects Fresno with Mexico to the south and Canada to the north.

Fresno serves as the economic hub of Fresno County and California's Central Valley. The unincorporated area and rural cities surrounding Fresno remain predominantly tied to large-scale agricultural production. In fact, Fresno County's more than \$3 billion agriculture business makes it the top county for agriculture in the country. Grapes, lettuce, cotton, and tomatoes are the leaders among its more than 250 crops. Fresno is unique in that it is home to many business incubators that serve as a resource hub for business entrepreneurs and new companies. Some of these incubators are found at California State University, Fresno. Many of the businesses formed at the incubators have gone on to become internationally known in the business world and include everything from engineering to fashion design disciplines.

While Fresno is best known for its agricultural industry, other core industries in the area are clean energy, food processing, healthcare, logistics and distribution, manufacturing, and water technology. Sony Music Distribution/Sony Computer Entertainment is located in Fresno. Other companies based in Fresno include Valley Yellow Pages, Zacky Farms, California Ag Today Media, and Saladino's.

About the Area

SITE

Site Information

The subject property is strategically located in the first phase of The Marketplace at El Paseo at the southwest quadrant of West Herndon Avenue and North Riverside Drive in northwest Fresno. The property is situated at the northeast corner within the shopping center, making it highly visible to the travelers along West Herndon Avenue. This is a prime location for retail, as there are more than 35,000 households with a population in excess of 106,000 within a five mile radius. Additionally, the local economy is further fueled by strong average household income of \$82,760. The site is also advantaged by the ease of accessibility provided by its placement along West Herndon Avenue (21,244 AADT) - a major east-west arterial that traverses through Fresno - and with ingress/egress to Highway 99 (64,000 AADT) directly west of the subject property.

Furthermore, River Bluff Elementary School (872 students), Rio Vista Middle School (833 students), Saroyan Elementary School (730 students), and Norman Liddell Elementary School (700) are all located in an approximately one mile radius from the subject property. The popular golf courses, First Tee of Fresno and Riverside Golf Course, are just north of the property.

Demographics

SWC of W Herndon Ave. & N. Riverside Dr, Fresno, CA

	3 Mile	7 Miles	10 Miles
Population Summary			
2010 Total Population	42,432	190,624	401,534
2016 Total Population	46,029	199,286	416,521
2021 Total Population	48,929	207,873	432,524
2016-2021 Annual Rate	1.23%	0.85%	0.76%
Average Household Income			
2016	\$86,904	\$73,576	\$69,126
2021	\$95,367	\$79,948	\$74,904
Median Home Value			
2016	\$279,017	\$254,341	\$245,229
2021	\$355,078	\$316,513	\$299,608

Major Employers in Fresno, CA	# of Employees
Community Medical Centers	4,789
City of Fresno	2,938
Saint Agnes Medical Center	2,400
Kaiser Permanente	2,000
California State University, Fresno	1,562
State Center Community College District	1,178
Fresno Economic Opportunities Commission	973
AmeriGuard Security Services	567
Guarantee Real Estate	544
Geil Enterprises, Inc.	500



FILE PHOTO



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