



509 Canal Street – San Rafael
28 Units - \$6,250,000

The Harbor View Apartments is a 28-unit complex in the "Canal" area of San Rafael. There are 3-BR apartments and 25-2BR units. Overall, the building is in average condition and in need of remodeling and upgrading. Current rents are significantly below market rates. 13 of the units have deed-restricted rents.

The property is in an "opportunity zone," potentially allowing an investor to remodel the units to take advantage of the significant tax savings in doing so. There is an assumable Re-Development loan of approximately \$450,000 that is forgiven over the next 12 years. The loan will subordinate to a reasonable new first loan. For a long-term investor, the upside is tremendous

The building was built in 1961 with a garden courtyard design around a center swimming pool. There is covered parking along one side of the building providing one space per tenant. The building has two water heaters and a common laundry room. Gas fired wall heaters provide the heating and kitchens feature a gas stove.

www.509Canal.com

MLS #22017028

Updated: 09/22/20

509 Canal Street – San Rafael
28 Units - \$6,250,000**LOCATION**

Southeast area of San Rafael, known as the "Canal District"; an area of high-density housing generally built in the early 1960's.

The Canal is a management intensive area of apartments. Parking is limited due to the zoning allowances at the time of construction. The area is built on Bay mud and is in a flood zone. The City of San Rafael maintains regular inspections of these properties to ensure compliance with code. These are not properties suitable for an inexperienced investor.

OVERVIEW

This property is for a long-term hold Buyer. For someone holding the property for 10+ years, the issues of the "Below Market Rent" restrictions go away, and the rents can be brought fully up to market. The existing Re-Development loan with the City of San Rafael can be assumed by a new Buyer. It has an approximate balance of \$450,000. Over the course of the next 12 years, **a forgiveness of approximately \$500,000 in debt and interest will happen (see below).**

The property is priced considering the current low rents, need of work and the deed restriction for below market rents on 13 of the 28 units. The financial analysis assumes \$400,000 is spent on current repair needs (roof, windows, tub surrounds, and deck repair).

The Harbor View Apartments was built in 1961. It is a two-story garden complex built around a central swimming pool with 3-3BR apartments and 25-2BR units. Construction is wood frame on a slab foundation with a flat roof. Most upper story units feature a private deck. Many of the lower apartments have patios.

There is covered parking available on a 1:1 basis. There is one common leased laundry room for the tenant's use and two water heaters serving the complex. Apartments are separately metered for, and tenants pay their own PG&E. Kitchens have gas ranges and no disposals. Heat is by gas fired wall furnaces.

While the apartments have been maintained and somewhat upgraded through the years, this is a building that needs substantial modernization, upgrading and repair. Most wall furnaces have recently been replaced. The roof is near the end of its serviceable life. Windows are original single pane and excessive moisture is readily apparent in many of the units. Kitchen and bath vent fans are substandard. The building did receive a clearance for its most recent San Rafael strict code enforcement inspection in 2014. Call for complete disclosures and inspection reports.

Rents are significantly below the market. Projected market rents are assuming the same current condition. Remodeling should result in significantly higher rents. Many apartments do not have rental agreements. Rents and deposits to be confirmed with Estoppels to be provided.

**Opportunity
Zone**

The Canal area of apartments is the only area in Marin County that qualifies as an "Opportunity Zone." Investors that want to take on remodeling this project may qualify for substantial reduction of capital gains tax or the possibility of no tax on gains if held for the proper time period. Trading into an Opportunity Zone property allows for a possible substantial reduction in the gains of your trade property. This is a complicated tax issue that must be discussed with your financial advisor.

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Rent Control**

SB 1482 become effective on January 1, 2020. In general, apartment rents cannot be raised more than 5% plus the cost of living index in any one calendar year. The current cost of living index is at 1.1%, allowing for a maximum 6.1% annual increase in rents. Units that are under some other Federal or State restrictive program are possibly not under the requirements of this ordinance and might be able to be raised at a different rate. Section 8 tenancies and units under Re-Development restrictions, may be exempt. How the law affects this property is beyond the scope of the broker and should be confirmed by a prospective Buyer and their legal counsel.

**Development
Agency
Restrictions**

In 2002, this property, in exchange for a low interest rate \$250,000 loan, entered into a 30-year agreement with the San Rafael Re-Development Agency to make 13 of the units available for low income residents. While the owners have not designated specific apartments, 6 apartments must be available to very low-income residents and 7 apartments to low income residents. A formula determines the maximum rent that can be charged for these apartments as a percentage of the Marin County Median Income.

According to my read of the agreement, the maximum rent for the six very low-income units is 1/12 of 30% of 50% of the median income less an estimate cost of utilities, if not provided (\$93). The maximum rent for these units would therefore be \$1,695, without utilities being provided. The seven units at low income have a maximum rent calculated at 1/12 of 30% of 60% of the median income or \$2,053. As of April 1, 2020, the Median Marin County Income for a family of four is up from \$136,800 in 2019 to \$143,100 in 2020.

Recently the City of San Rafael confirmed that the deed restricted units can be rented under the Section 8 program at full market rents (as the tenant still pays affordable rent).

The restriction document is complicated, and Buyers are encouraged to review the document and confirm the City of San Rafael's posted numbers as these may be higher or lower than the Broker's numbers projected from the agreement. Call for a complete copy of this document.

**Development
Agency Loan**

In 2002, in exchange for the above restrictions, the owners were given a \$250,000, 30-year loan with deferring simple interest at 4%. The loan is now 17.5 years seasoned and has an approximate balance of \$425,000. At the end of the 21st year and each year thereafter, 10% of the principal balance and accrued interest are forgiven. The loan goes away at the end of the 30-year term with a zero balance.

Directions

From San Rafael, east on 2nd Street then at the first traffic light, right on E Francisco Blvd to Hoag Street, then left to Canal Street.

**SHOWING
and TERMS**

Showing Schedule: One unit is currently vacant for showing. Offers as received.

The property has been priced with consideration given to its current condition needing substantial repairs and the rental restrictions. The property is being sold in its "AS IS" condition.

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| ANNUAL PROPERTY INCOME | | | | | |
|--|---|--------------------|------------------|---------------|-------------------|
| | Unit Description | Unit Size | Current Rents | Market Rents | Market with Sec 8 |
| 3 | 3BR (2 second floor, 1 on first floor) | 880–1,020 sf | \$ 1,689 - 2,600 | \$ 2,600 | \$ 2,600 |
| 12 | 2BR (second floor w/balcony) | 720–814 sf | 1,193 – 2,500 | 2,400 | \$2,400 |
| 7 | 2BR (first floor, some w/patio) low income * | 690–814 sf | 1,312 – 1,498 | * 2,053 | 2,400 |
| 6 | 2BR (first floor, some w/patio) very-low income * | <u>690- 814 sf</u> | 1,312 – 1,498 | * 1,695 | 2,400 |
| | Laundry income | | <u>1,260</u> | <u>1,260</u> | <u>1,260</u> |
| | | 21,236 sf | | | |
| Total Monthly Income | | | \$43,839 | \$ 62,400 | \$ 69,100 |
| Gross Scheduled Income (GSI) | | | \$ 526,100 | \$ 748,800 | \$ 829,200 |
| Less 3% Vacancy Allowance (1% @ Current) | | | <u>5,300</u> | <u>22,500</u> | <u>24,900</u> |
| Gross Effective Annual Income | | | \$ 520,800 | \$ 726,300 | \$ 804,300 |

* Market rents for 13 units reflect current maximum allowed under the re-development contract.
Higher rents are obtainable by renting through the Sec 8 program.
The maximum rent limit changes each year with changes in Marin's Median Income.

| ANNUAL PROPERTY EXPENSES | | | |
|--|-------------------|-------------------|-------------------|
| Taxes (new @ 1.188% +\$6,036) | \$ 77,300 | | |
| Sewer (paid with tax bill) | 24,100 | | |
| Insurance (Current) | 17,400 | | |
| Professional Management allowance (4%) | 20,900 | | |
| Resident Manager allowance (1/2 month rent) | 12,000 | | |
| PG&E (house meter) | 7,600 | | |
| Water (current) | 29,000 | | |
| Refuse (current) | 14,900 | | |
| Maintenance, Repairs & Reserves (est. 6% income) | <u>31,300</u> | | |
| Total Annual Expenses | \$ 234,500 | \$ 234,500 | \$ 234,500 |
| Net Operating Income (NOI) | \$ 286,300 | \$ 491,800 | \$569,800 |

| PROPERTY SUMMARY | | | |
|-------------------------|---|----------------------------------|-------------------------------------|
| Asking Price: | \$6,250,000 | Approximate Building | 21,236 sq. ft. |
| Repair Allowance | <u>400,000</u> | Size (Buyer to verify): | (Appraiser) |
| Upgraded Price | \$6,650,000 | | |
| Number of Units: | 28 | Approximate Lot Size: | 27,159 sq. ft. (Assessor) |
| GRM (upgraded) | @ \$6,650,000 improved: 12.2 @ Current 8.0 - 8.9 @ Market | Price/ sq. ft. (upgraded) | \$ 301/sq. ft. improved: |
| | | CAP Rate (upgraded). | 4.3% current 7.4 – 8.6% @ market |

The information stated above was obtained from sources we believe to be reliable, but make no representations or warranties, expressed or implied, as to its accuracy. Acreage and square footage are approximations and have not been confirmed.

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Aerial View



Courtyard View

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Left Corner Exterior



Right Corner Exterior

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Canal Street Frontage



Courtyard View



Building Entrance



Typical Living Room



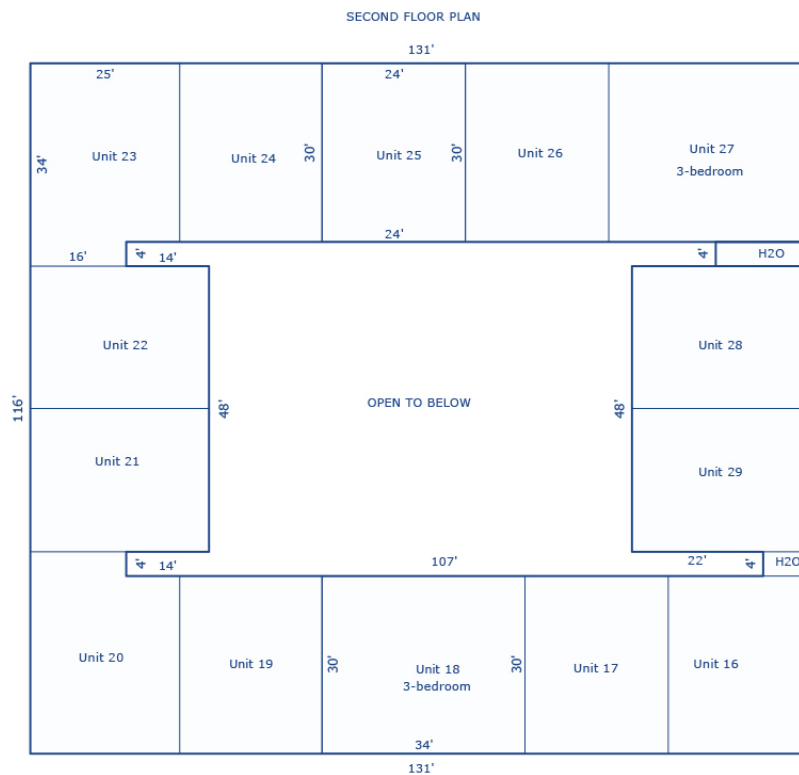
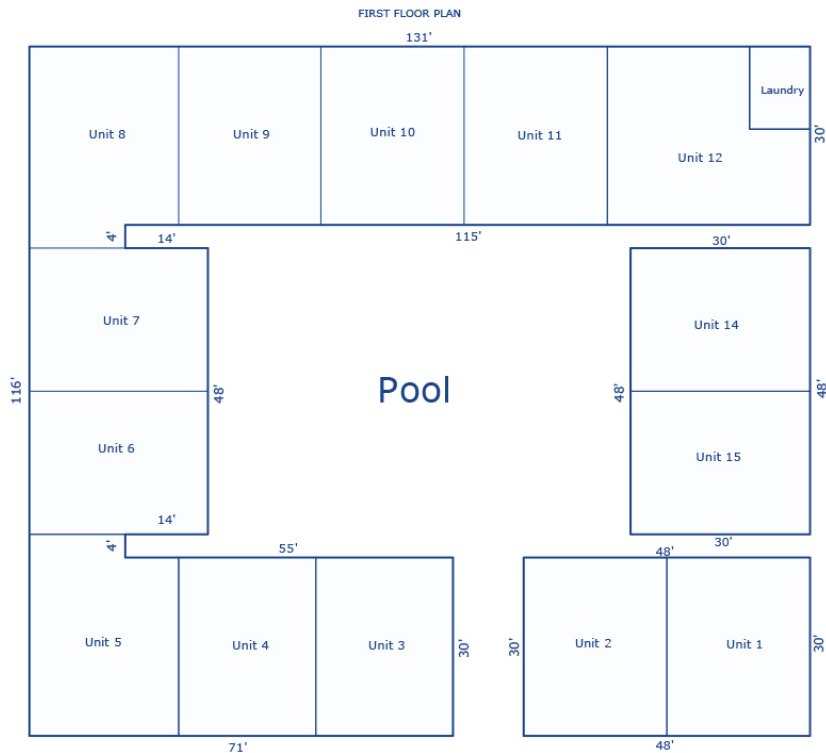
Typical Kitchen



Common Laundry

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BUILDING FLOORPLAN



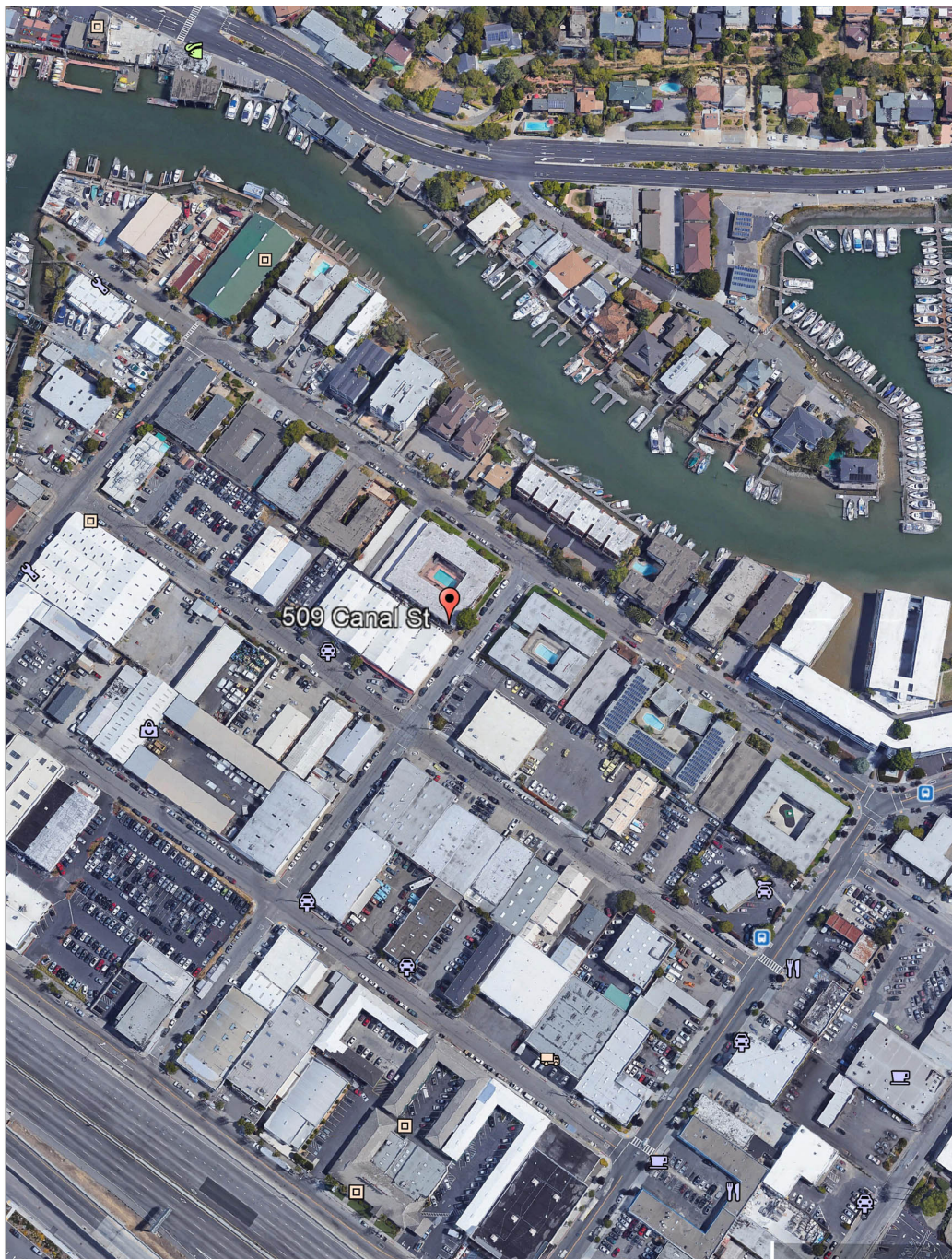
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PARCEL MAP AP# 014-192-04



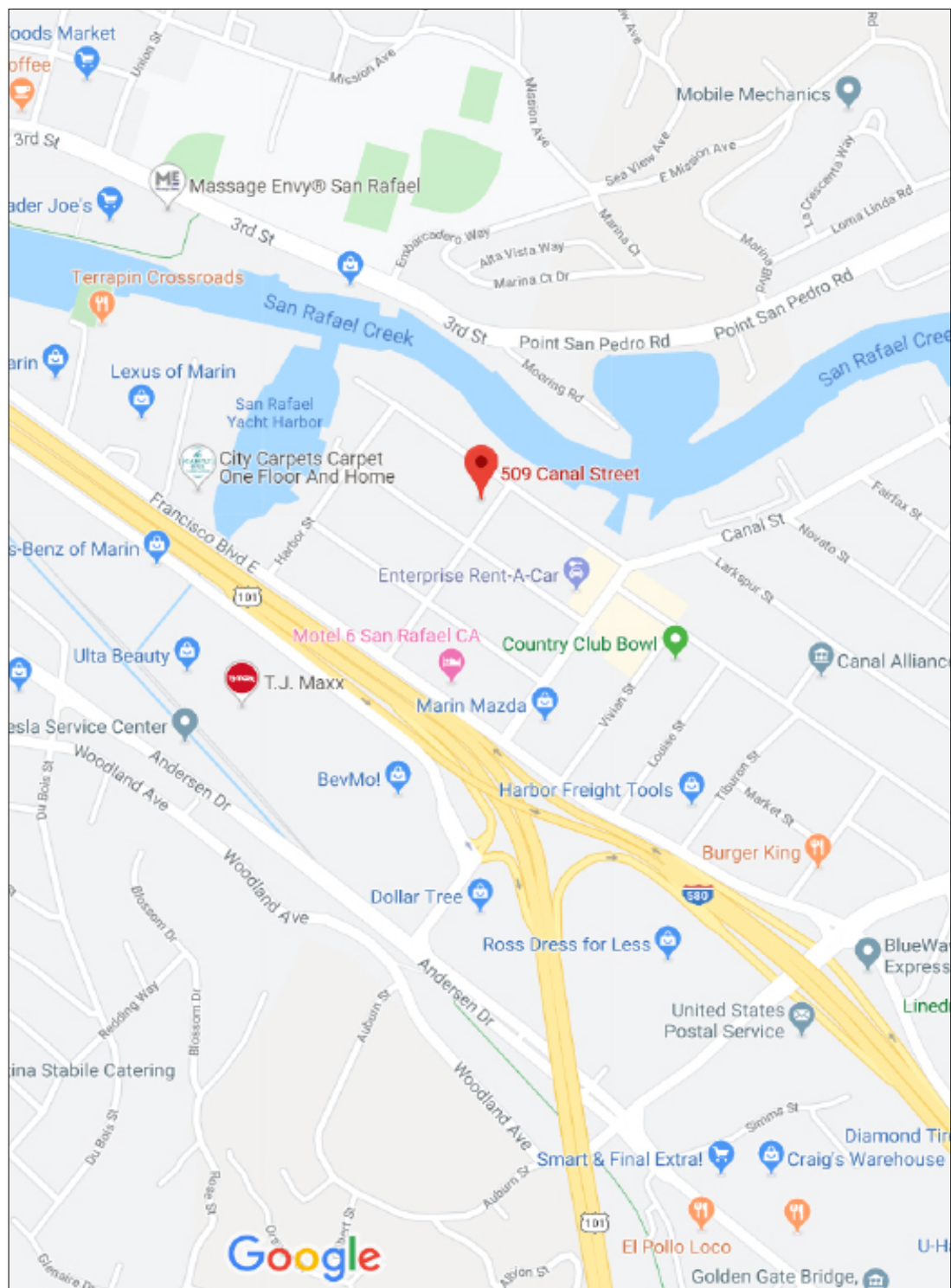
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AERIAL MAP



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STREET MAP



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COMPARABLE SALES

460 CANAL STREET

Number of Units: 13
Unit Configuration: 7-2BR (\$1,837-2,500)
4-1BR (\$1,668-2,000)
2-Studios (\$970-1,147)

This is a waterfront building built in 1960 and in excellent condition. The property also has eight boat docks that are not currently rented. Rent are a fair amount below market. \$307,000/unit.

MLS #: 21928207



\$4,000,000
Sale Pending

Gross Rent Multiplier (GRM) 12.8 GRM. **Price/square foot:** \$338/sf **CAP Rate:** 4.1%

150 BELVEDERE STREET – SAN RAFAEL

Number of Units: 28
Unit Configuration: 28 1BR (\$1,280 – 1,320)

28 1BR apartments in very good condition with significantly below market rents. Five separate buildings on one lot. All windows have been replaced. \$207,000/unit.

Older 2018 sale.

MLS# non-MLS



\$5,800,000
November 2018

Gross Rent Multiplier (GRM) 12.7 GRM. **Price/square foot:** \$377/sf **CAP Rate:** 3.7%

129 – 137 CANAL STREET – SAN RAFAEL

Number of Units: 40
Unit Configuration: 40-2BR

Comparable location to subject property. Buyer was credited \$500,000 for differed maintenance. Quiet off-market sale. Rents considerably below market. Large 2BR units. \$280,000/unit.

Older 2018 sale.

MLS #non-MLS



\$11,200,000
June 2018

Gross Rent Multiplier (GRM) ?. **Price/square foot:** \$234/sf **CAP Rate:** ?

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COMPARABLE SALES

355 CANAL STREET – SAN RAFAEL

Number of Units: 43
Unit Configuration: 5-3BR, 31-2BR and 6-1BR

Location similar to subject property. 1962 construction.
\$223,000/unit.

Older 2017 sale.

MLS # 21724306



\$9,600,000
May 2017

| | | | |
|------------------------------------|------------------|---------------------------------|------------------------|
| <i>Gross Rent Multiplier (GRM)</i> | 12.0 GRM. | Price/square foot: \$228 | CAP Rate: 4.75% |
|------------------------------------|------------------|---------------------------------|------------------------|

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ATTENTION

This brochure has been prepared to provide summary information to co-operating brokers and prospective purchasers to establish a preliminary level of interest in the property presented. It does not, however, purport to present all material information regarding the subject property, and is not a substitute for a thorough due diligence investigation. The information contained in this brochure has been obtained from sources we believe to be reliable; however, Michael J Burke and Golden Gate Sotheby's International Realty have not conducted a thorough investigation regarding these matters and make no warranty or representation regarding the accuracy or completeness of the information provided. References to square footage, age and some expenses are approximate.