

KANSAS CITY 70 UNIT OFFERING



54 UNITS
INDEPENDENCE, MO

PRESENTED BY:
PACIFIC SANDS

16 UNITS
KANSAS CITY, MO

PRESENTED BY



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KANSAS CITY 70 UNIT OFFERING

We are pleased to announce Pacific Sands Funds latest opportunity. Pacific Sands is currently under contract to purchase a 54-unit apartment project for \$3.025m or \$56k per unit AND a 16-unit apartment project for \$1.85m or \$116k per unit.

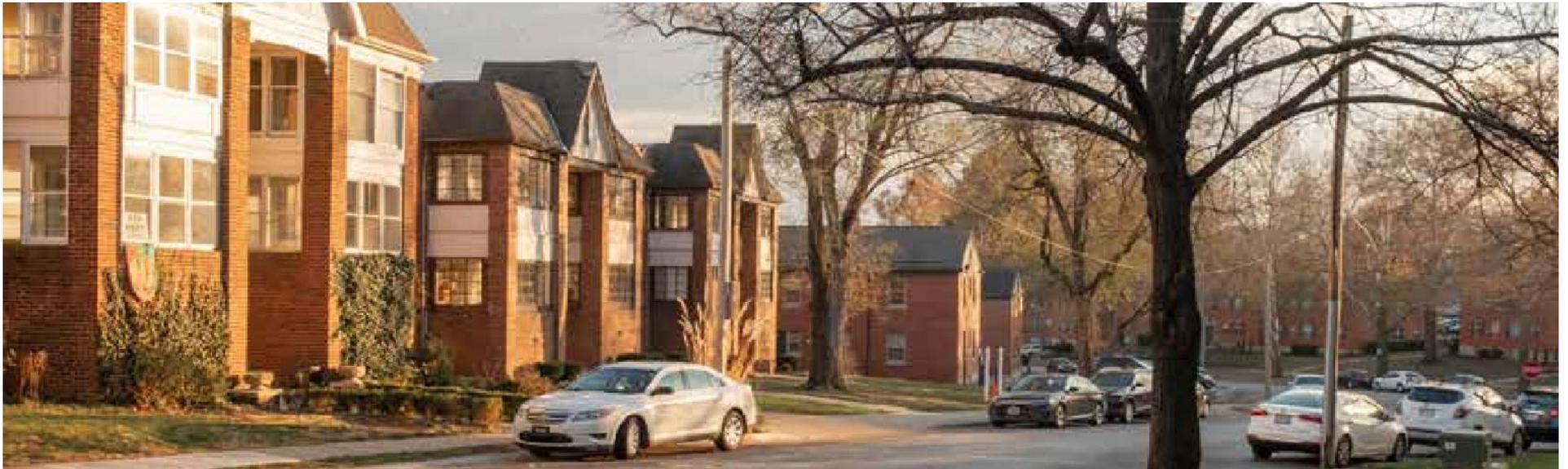
The 56-unit apartment project is located in Independence, MO, which is in close proximity with two other projects we own. We see an excellent opportunity to synergize our management staff and therefore reduce operating costs. The property is located with direct major highway access and offers some of the best schools and hospitals in the area. This property was constructed in 1971 with minimum deferred maintenance, and we have experience working with the seller on some of our previous deals.

The 16-unit apartment property is located in Kansas City, MO, between Westport and Country Club Plaza, which is expected to fuel strong demand with its exclusive collection of office, retail, restaurant, hotel and residential properties. This property was constructed in 1920 and has been well maintained. We see upside in capturing market rents for these units via overhaul on the interiors, exteriors, as well as adding an additional 2 units on the lower level.

To date, we are in contract to close on both properties. We anticipate the close of both properties to be in May-July 2021.

These acquisitions are strong investments that together stand to benefit from up to \$1.02m in proposed capital improvements, improved property management, and increased average rents of more than 20%. Based on a thorough rental survey and multiple opinions from brokers and property managers in the local area, the current rental rates for the properties appear to be under market with upside in rents after capital improvements.

We are attracted to Kansas City and this market due to its educated work force, low cost of living, high disposable income, and lack of rent control barriers. We have been investing in Kansas City for the last 2.5 years and are bullish about these particular investments. Investment highlights are outlined on the following pages.



INVESTMENT HIGHLIGHTS



Strategy

Within the first 2 years, we plan to increase the rents substantially (up to 36% projected), while performing CAPEX improvements to draw a higher quality tenant base. The rents are currently significantly under market, and we believe with CAPEX improvements to the buildings will generate higher market rents.



Value-Add Opportunities

By conducting several easy value-add activities, we expect the Investor IRR to be 14.19% within a 10-year time period for the portfolio.

Our assumptions include a 19% and 36% rent increases within the first 12-18 months and 3.5% rent increases after stabilization. We have an exit pro-forma Cap Rate of 6.00% for both properties based upon future market rents.



Quality Construction

The 16-unit apartment is comprised of two 2-story brick buildings built in 1920. The 54-unit apartment is comprised of three 2-story brick buildings built in 1971. We plan to upgrade the interior and exterior of the units as part of our strategy to increase rents.



Purchase Price

\$4.875m for the combined portfolio with \$1.02m budgeted for CapEx upgrades.



Equity Raise

Up to \$2.50m. GP to invest up to 10% of total equity needed. PSF has the option to raise up to an additional \$2.50m for a third property (yet to be identified).



COMBINED INVESTMENT HIGHLIGHTS SUMMARY

This portfolio presents a unique opportunity for the following reasons:



Equity Multiple for Investors

Investors projected to realize 2.46X levered return on the initial Contributed Capital over the 10-Year period



IRR Projections for Investors

Projected Investor IRR is 14.19% over the 10-year hold period



Investment Amounts

\$50,000 minimum investment with \$5,000 increments



Attractive Investor Split

6% preferred return or 75% of the NET profits whichever is higher (except for first year). In the first year stabilization period, we do not expect much cash flow, and we anticipate most cash flow in that year will go to capital improvements.



Fee Structure

Pacific Sands Funds will earn compensation through acquisition, disposition, loan, and Property/Asset Management Fees in addition to a share of the cash flow and profits as shown in the Private Placement Memorandum.



Important Dates

Funds Due Date:
06/15/2021 (Brookside);
05/01/2021 (Mercier)
Closing Date:
07/02/2021 (Brookside);
05/15/2021 (Mercier)

FUND B PROJECTIONS

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Potential Gross Income	\$676,528	\$808,561	\$836,861	\$866,151	\$896,466	\$927,842	\$960,317	\$993,928	\$1,028,715	\$1,064,720
Vacancy %	19.50%	6.07%	5.56%							
Vacancy Allowance	(\$131,951)	(\$49,061)	(\$46,492)	(\$48,119)	(\$49,804)	(\$51,547)	(\$53,351)	(\$55,218)	(\$57,151)	(\$59,151)
Concession Allowance	(\$10,536)	(\$12,168)	(\$12,593)	(\$13,034)	(\$13,490)	(\$13,963)	(\$14,451)	(\$14,957)	(\$15,481)	(\$16,022)
Bad Debt Allowance	(\$5,268)	(\$6,084)	(\$6,297)	(\$6,517)	(\$6,745)	(\$6,981)	(\$7,226)	(\$7,479)	(\$7,740)	(\$8,011)
Effective Gross Income	\$528,773	\$741,249	\$771,478	\$798,480	\$826,427	\$855,351	\$885,289	\$916,274	\$948,343	\$981,536
Payroll	(\$22,650)	(\$23,639)	(\$24,292)	(\$24,964)	(\$25,655)	(\$26,366)	(\$27,097)	(\$27,848)	(\$28,621)	(\$29,416)
Contract Services	(\$10,575)	(\$14,741)	(\$15,257)	(\$15,562)	(\$15,873)	(\$16,190)	(\$16,514)	(\$16,845)	(\$17,181)	(\$17,525)
Maintenance & Repairs	(\$38,865)	(\$53,848)	(\$55,753)	(\$56,869)	(\$58,006)	(\$59,166)	(\$60,349)	(\$61,556)	(\$62,787)	(\$64,043)
Make Ready	(\$10,575)	(\$14,741)	(\$15,257)	(\$15,562)	(\$15,873)	(\$16,190)	(\$16,514)	(\$16,845)	(\$17,181)	(\$17,525)
Utilities	(\$46,586)	(\$66,038)	(\$68,276)	(\$69,641)	(\$71,034)	(\$72,455)	(\$73,904)	(\$75,382)	(\$76,889)	(\$78,427)
Administrative	(\$4,399)	(\$6,288)	(\$6,498)	(\$6,628)	(\$6,760)	(\$6,896)	(\$7,033)	(\$7,174)	(\$7,318)	(\$7,464)
Marketing	(\$6,874)	(\$10,231)	(\$10,546)	(\$10,757)	(\$10,972)	(\$11,192)	(\$11,416)	(\$11,644)	(\$11,877)	(\$12,114)
Other	(\$5,024)	(\$7,976)	(\$8,191)	(\$8,355)	(\$8,522)	(\$8,692)	(\$8,866)	(\$9,044)	(\$9,224)	(\$9,409)
Insurance	(\$30,250)	(\$31,212)	(\$31,836)	(\$32,473)	(\$33,122)	(\$33,785)	(\$34,461)	(\$35,150)	(\$35,853)	(\$36,570)
Management Fees	(\$31,726)	(\$44,475)	(\$46,289)	(\$47,909)	(\$49,586)	(\$51,321)	(\$53,117)	(\$54,976)	(\$56,901)	(\$58,892)
AM Fees - GP	(\$10,575)	(\$14,825)	(\$15,430)	(\$15,970)	(\$16,529)	(\$17,107)	(\$17,706)	(\$18,325)	(\$18,967)	(\$19,631)
Property Taxes	(\$30,083)	(\$33,095)	(\$35,595)	(\$39,060)	(\$42,185)	(\$46,169)	(\$50,075)	(\$54,657)	(\$59,539)	(\$64,808)
Lender Escrowed Reserve	(\$17,750)	(\$18,000)	(\$18,000)	(\$18,000)	(\$18,000)	(\$18,000)	(\$18,000)	(\$18,000)	(\$18,000)	(\$18,000)
Total Operating Expenses	(\$265,934)	(\$339,108)	(\$351,220)	(\$361,748)	(\$372,117)	(\$383,529)	(\$395,052)	(\$407,445)	(\$420,339)	(\$433,824)
<i>Expense Ratio</i>	<i>50.29%</i>	<i>45.75%</i>	<i>45.53%</i>	<i>45.30%</i>	<i>45.03%</i>	<i>44.84%</i>	<i>44.62%</i>	<i>44.47%</i>	<i>44.32%</i>	<i>44.20%</i>
Net Operating Income	\$262,839	\$402,140	\$420,258	\$436,731	\$454,310	\$471,823	\$490,237	\$508,829	\$528,004	\$547,711

	5-Year Hold	7-Year Hold	10-Year Hold
LP IRR	12.05%	13.45%	14.19%
LP Multiple	1.55X	1.89X	2.46X
Project Level IRR	15.21%	16.43%	16.70%