

# OFFERING MEMORANDUM TIERRA ALEGRE APARTMENTS

3355 E. Fort Lowell Road Tucson, AZ 85716

CALL FOR OFFERS: Friday July 22<sup>nd</sup>, 2022



**MULTI-FAMILY & INVESTMENT SALES TEAM** 



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### **DISCLAIMER**

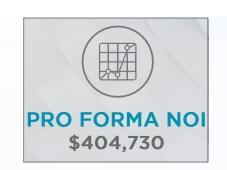
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## **PROPERTY INFORMATION**





LOCATION:

3355 E. Fort Lowell Rd Tucson, Arizona 85716

(Marchell)

**SITE AREA:** 

1.86 Acres | 80,992 Sq. Ft.



**RENTABLE SQFT:** 

37,936 Sq. Ft.



ASSESSOR PARCEL NUMBER(S):

111-04-208A & 111-04-209A



**ZONING:** 

R-4



**ACCESS:** 

Ingress/Egress Semi-Gated



PARKING

~ 142 Spaces 1.97 Per Unit



**ROOF/STORIES:** 

Flat - Built Up / Two



YEAR BUILT/STYLE:

1982 & 1983



LANDSCAPING:

Queen palms, rock, large shade trees, shrubbery, grass, and ground cover



UTILITIES:

(Responsibility)

Electricity: Tucson Electric (Tenant)

Water: City of Tucson (Owner)
Sewer: City of Tucson (Owner)



**METERING:** 

Electric: Individual

Common Area Meter: Gas & Electric

Water: Master-metered

Hot Water: In-Unit water heaters



**HEATING/COOLING:** 

AC – Roof Units



**CONSTRUCTION:** 

Frame & Stucco



FINANCING:

Cash or Conventional

UNIT DESCRIPTION	NO. OF UNITS	% OF TOTAL	SQ. FT. PER UNIT
Studio	12	17%	352
1BD/1BA	31	43%	469
Office (1BD/1BA)	1	1%	469
Manager's Suite (1BD/1BA)	1	1%	668
2BD/1BA	27	38%	668
Total/Average (Monthly)	72	100%	527

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## **PROPERTY SUMMARY**



Located on Fort Lowell Road sits Tierra Alegre Apartments. A beautiful 72-unit apartment complex comprised of a mix of studio, 1BD, and 2BD units. This property has an abundance of upside for potential investors and is primed for a renovation and repositioning. The sprawling common grounds in the middle of the buildings feature lush grass, a sparkling blue pool and hot tub, a BBQ area, and the property's shared laundry facility. There is an abundance of parking spots at the property, both inside the semi-gated area and in the perimeter parking lot.

An on-site office is located at the property and is part of the 72-unit count. Currently the manager lives in the unit next door to the office. The walls of these units were combined, so the managers suite and the office are now somewhat combined. The managers suite used to be a 2BD unit, but with the reconfiguration it is now a large 1BD unit. The office is a 1BD unit with a working bathroom and kitchen.

The units are all in similar condition with some having minor improvements, but no major renovations. A majority of the 2BD units have a dishwasher in unit. In unit cooling comes from wall mounted AC units located in all bedrooms and the living room.

The units are individually metered for electric and mastermetered for water, sewer, and trash. There is also a common area gas and electric meter.

## **OPPORTUNITY SUMMARY**

Primed for a heavy value-add, Tierra Alegre Apartments presents investors with an opportunity to completely reposition the asset. The ownership has been renting for well below market for a significant amount of time. Many of the residents have been at Tierra Alegre for multiple years, and leases have converted to month-to-month. Managers have recently given out rental increase notices to all tenants starting August 1st, or at the end of their current lease. These increases are to a flat cost based on unit type. Studios will now be \$700, 1BDs will now be \$800, & 2BDs will be renting for \$900. These increases are still low compared to market rent comps and subsidized housing standards.

A fully-renovated complex could command significant increases in rents compared to current operations. Rents, even after the rental increases, are still well under market compared to nearby properties. An investor can also look to implement utility reimbursement (RUBS) to recoup some of the utility expense. Along with rental increases, a professional third-party management team can help to reduce payroll/management expenses and operate the complex professionally.

Neighboring properties that have gone through renovations show significant upside and potential rent growth opportunities for investors who go through similar repositioning.

All purchasers to verify condition of entire property. Seller makes no representations or warranties on condition.



## **PROPERTY HIGHLIGHTS**



## PROPERTY HIGHLIGHTS

- Laundry facilities
- Gated pool
- On-site office
- Communal BBQ & picnic area
- Semi-Gated perimeter
- Well maintained grass common grounds
- Abundance of parking spaces



## **UNIT HIGHLIGHTS**

- Below market rents
- Dishwashers in some units
- Ceiling Fans
- Opportunity to renovate and increase rents
- Wall-mounted air conditioning
- Individually metered for electric and gas

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## **FINANCIAL** ANALYSIS

								,	
				TOTAL	CURRENT A	VERAGE RENT	ACTUAL REN	T INCREASES ST	ARTING 8/1/22
UNIT DESCRIPTION	NO. OF UNITS	% OF TOTAL	SQ. FT. PER UNIT	RENTABLE SQ. FT.	PER UNIT	PER MONTH	PER UNIT	PER MONTH	PER SQ. FT.
Studio	12	17%	352	4,224	\$485	\$5,820	\$700	\$8,400	\$1.99
1BD/1BA	31	43%	469	14,539	\$556	\$17,236	\$800	\$24,800	\$1.71
Office (1BD/1BA)	1	1%	469	469	\$0	\$0	\$0	\$0	\$0.00
Manager's Suite (1BD/1BA)	1	1%	668	668	\$0	\$0	\$900	\$900	\$1.35
2BD/1BA	27	38%	668	18,036	\$663	\$17,901	\$900	\$24,300	\$1.35
Total/Average (Monthly)	72	100%	527	37,936	\$569	\$40,957	\$811	\$58,400	\$1.54
Annual						\$491,484		\$700,800	

Income Statement	8/1/2022 Rents + ProForma	Pro Forma Per Unit	2021 Actuals	2021 Actuals Per Unit	T-5 Actuals	T-5 Actuals Per Unit
RENTAL INCOME						
Gross Market Rent	\$700,800	\$9,733				
Vacancy Loss	-\$35,040	-5.0%				
Concessions & Bad Debt	-\$10,512	-1.5%				
Net Rental Income	\$655,248	\$9,101	\$435,741	\$6,052	\$480,785	\$6,678
RUBS	\$21,600	\$300		\$0		\$0
Laundry Income	\$10,000	\$139	\$7,957	\$111	\$9,643	\$134
Other Income	\$5,000	\$69	\$4,980	\$69	\$3,396	\$47
TOTAL INCOME	\$691,848	\$9,609	\$448,678	\$6,232	\$493,824	\$6,859
<b>OPERATING EXPENSES</b>						
General & Administrative	\$5,000	\$69	\$7,355	\$102	\$5,906	\$82
Payroll	\$50,000	\$694	\$90,478	\$1,257	\$87,334	\$1,213
Advertising	\$5,000	\$69		\$0	\$0	\$0
Professional Fees	\$5,000	\$69	\$7,975	\$111	\$10,800	\$150
Repairs & Maintenance & Turnover	\$54,000	\$750	\$40,626	\$564	\$23,575	\$327
Contract Services	\$7,500	\$104	\$3,400	\$47	\$5,280	\$73
Utilities	\$80,000	\$1,111	\$77,960	\$1,083	\$68,414	\$950
TOTAL VARIABLE	\$206,500	\$2,868	\$227,794	<u>\$3,164</u>	\$201,310	\$2,796
Property Taxes	\$16,026	\$223	\$16,733	\$232	\$16,026	\$223
Property Insurance	\$12,000	\$167	\$11,534	\$160	\$12,000	\$167
Management Fee	\$34,592	5%	\$21,682	5%	\$24,130	5%
Reserves	\$18,000	\$250				
TOTAL EXPENSES	<u>\$287,118</u>	<u>\$3,988</u>	\$277,743	<u>\$3,858</u>	<u>\$253,465</u>	\$3,520
NET OPERATING INCOME eld   PICOR	<u>\$404,730</u>	<u>\$5,621</u>	\$170,935	<u>\$2,374</u>	\$240,359	<u>\$3,338</u>

## **UNDERWRITING ASSUMPTIONS**



#### Rent Roll & Income

Owners have given all tenants notice of rental increases beginning August 1st 2022. This was an average increase of over \$200 per month per unit

#### Vacancy/Concessions

Vacancy Loss & Concessions/Bad Debt are underwritten at 5% & 1.5% respectively. This is based upon submarket averages and Tucson market averages.

### **RUBS**

The Resident Utility Bill Back amount was based on a percentage (50%) of full opportunity income if new owner implements a RUBS program of \$50 per unit per month.

### Other/Laundry Income

Based upon owner's current collections, the laundry is underwritten at \$10,000. If purchasers install washer/dryers in-unit, this income would be removed. Other income is based on nearby standard comparable complexes and actuals.

#### Payroll & Management Fees

Payroll and management costs were reduced to market comparable pricing. Current ownership overcompensates staff due to long time relationship.

#### Repairs/Maintenance

Proforma repair cost is based on a traditional complex of comparable size and similar size units. Current ownership has minimized costs with on-site maintenance.

#### Insurance

Insurance is assumed at \$12,000 per year or \$167 per unit based on owner's current policy and market comparables. This is a slight upward adjustment from current to account for increases in the market.

#### **Utilities**

Utilities were raised slightly to \$80,000 per year or \$1,111 per unit. This slight adjustment accounts for continued increases in utility costs which is predicted in Tucson, AZ.

## **RENT COMPS - STUDIOS**



## SUBJECT PROPERTY: Tierra Alegre ADDRESS: 3353 E Fort Lowell Rd.

**DISTANCE to SUBJECT** 0 miles

# of STUDIO UNITS / TOTAL 12 / 72

AVG. STUDIO SIZE: 352 SF

RENT PER SQ FT: \$1.99

YEAR BUILT: 1983

OCCUPANCY: 100%

Utilities (Tenant): Electric

Utilities (Owner): Water, sewer, & trash

**RENT** 

**STUDIO** \$700

**COMMENTS:** Currently managed by a long-term on-site team. Rents are well below market rate, but ownership has recently given rental increases to all tenants at the above rate. Owner pays for water, sewer, & trash costs. No current bill back program in place. Amenities include: Pool, laundry facility, office, & BBQ area.



## PROPERTY NAME: Lind Commons ADDRESS: 3493 E Lind Rd.

**DISTANCE to SUBJECT** 0.21 miles

# of STUDIO UNITS / TOTAL

28 / 52

AVG. STUDIO SIZE: 440 SF

RENT PER SQ FT: \$1.80

YEAR BUILT: 1981

OCCUPANCY: 96%

Utilities (Tenant): Electric

Utilities (Owner): Water, sewer, & trash (RUBS)

**RENT** 

**STUDIO** \$793

**COMMENTS:** Owner charges utility costs back to residents, but owner will pay \$150 monthly. The property is rent restricted (low income) and was renovated in 2015. Amenities include: pool, playground, spa, laundry room & sport courts.



## PROPERTY NAME: Country Club Terrace ADDRESS: 3401 N Country Club Rd.

**DISTANCE to SUBJECT** 0.4 miles

# of STUDIO UNITS/

**TOTAL** 

24 / 76

AVG. STUDIO SIZE: 460 SF

RENT PER SQ FT: \$1.74

YEAR BUILT: 1972

OCCUPANCY: 99%

Utilities (Tenant): Master Metered for

all utilities

Utilities (Owner): Master Metered for

all utilities

**RENT** 

**STUDIO** \$799

**COMMENTS:** Owner charges some utility costs back to residents via a RUBS Program.

Amenities include: heated swimming pool, grilling area, laundry room, clubhouse, & security patrol. Property has a boiler/chiller system.

## **RENT COMPS - 1 BEDROOMS**



## SUBJECT PROPERTY: Tierra Alegre ADDRESS: 3353 E Fort Lowell Rd.

**DISTANCE to SUBJECT** 0 miles

# of 1BD UNITS / TOTAL 31 / 72

**AVG. 1BD SIZE:** 469 SF

RENT PER SQ FT: \$1.71

YEAR BUILT: 1983

OCCUPANCY: 100%

Utilities (Tenant): Electric

Utilities (Owner): Water, sewer, &

trash

**RENT** 

**1BD/1BA** \$800

**COMMENTS:** Currently managed by a long-term on-site team. Rents are well below market rate, but ownership has recently given rental increases to all tenants at the above rate. Owner pays for water, sewer, & trash costs. No current bill back program in place. Amenities include: Pool, laundry facility, office, & BBQ area.



## PROPERTY NAME: Country Club Terrace ADDRESS: 3401 N Country Club Rd.

**DISTANCE to SUBJECT** 0.4 miles

# of 1BD UNITS / TOTAL 52 / 76

AVG. 1BD SIZE: 550 SF

RENT PER SQ FT: \$1.65

YEAR BUILT: 1972

OCCUPANCY: 99%

Utilities (Tenant): Master Metered for

all utilities

Utilities (Owner): Master Metered for

all utilities

**RENT** 

**1BD/1BA** \$909

**COMMENTS:** Owner charges some utility costs back to residents via a RUBS Program.

Amenities include: heated swimming pool, grilling area, laundry room, clubhouse, & security patrol. Property has a boiler/chiller system.



## PROPERTY NAME: Sandpiper ADDRESS: 2401 E Glenn St.

**DISTANCE to SUBJECT** 0.98 miles

# of 1BD UNITS/ TOTAL 56 / 64

AVG. 1BD SIZE: 571 SF

RENT PER SQ FT: \$1.77

YEAR BUILT: 1975

OCCUPANCY: 98%

Utilities (Tenant): Master Metered for

all utilities

Utilities (Owner): Master Metered for

all utilities

RENT

**1BD/1BA (528sqft)** \$1,035

**1BD/1BA (604sqft)** \$1,055

**COMMENTS:** Owner uses a RUBS Program to charge water, sewer, & trash costs back to residents. Amenities include: pool, BBQ area, laundry room, billiards, & clubhouse. Property has a boiler system.

## **RENT COMPS - 2 BEDROOMS**



#### **SUBJECT PROPERTY: Tierra Alegre** ADDRESS: 3353 E Fort Lowell Rd.

**DISTANCE to SUBJECT** 0 miles

# of 2BD UNITS / TOTAL 27 / 72

AVG. 2BD SIZE: 668 SF

**RENT PER SQ FT:** \$1.35

1983 YEAR BUILT:

OCCUPANCY: 100%

**Utilities (Tenant):** Electric

Water, sewer, & **Utilities (Owner):** 

trash

RENT

\$900 2BD/1BA

**COMMENTS:** Managed by a long-term on-site team. Rents are well below market, but owners hav recently given rental increases to all tenants at the above rate. Owner pays for water, sewer, & trash costs. No current bill back program in place. Amenities include: Pool, laundry facility, office, & BBQ area, 2BDs units have dishwashers.



#### **PROPERTY NAME: Lind Commons** ADDRESS: 3493 E Lind Rd.

**DISTANCE to SUBJECT** 0.21 miles

# of 2BD UNITS / TOTAL 12 / 52

754 SF AVG. 2BD SIZE:

RENT PER SQ FT: \$1.28

1981 YEAR BUILT:

OCCUPANCY: 96%

**Utilities (Tenant):** Electric

Water, sewer, & **Utilities (Owner):** trash (RUBS)

RENT

2BD/1BA \$963

**COMMENTS:** Owner charges utility costs back to residents, but owner will pay \$150 monthly. The property is rent restricted (low income) and was renovated in 2015. Amenities include: pool, playground, spa, laundry room & sport courts.



#### PROPERTY NAME: Vistas On Fort Lowell ADDRESS: 3828 E Ft Lowell Rd.

**DISTANCE to SUBJECT** 0.58 miles

# of 1BD UNITS/ TOTAL 17/57

658 SF AVG. 2BD SIZE:

RENT PER SQ FT: \$1.82

YEAR BUILT/RENO: 1984 / 2021

OCCUPANCY: 91%

Electric **Utilities (Tenant):** 

Water, sewer, & **Utilities (Owner):** 

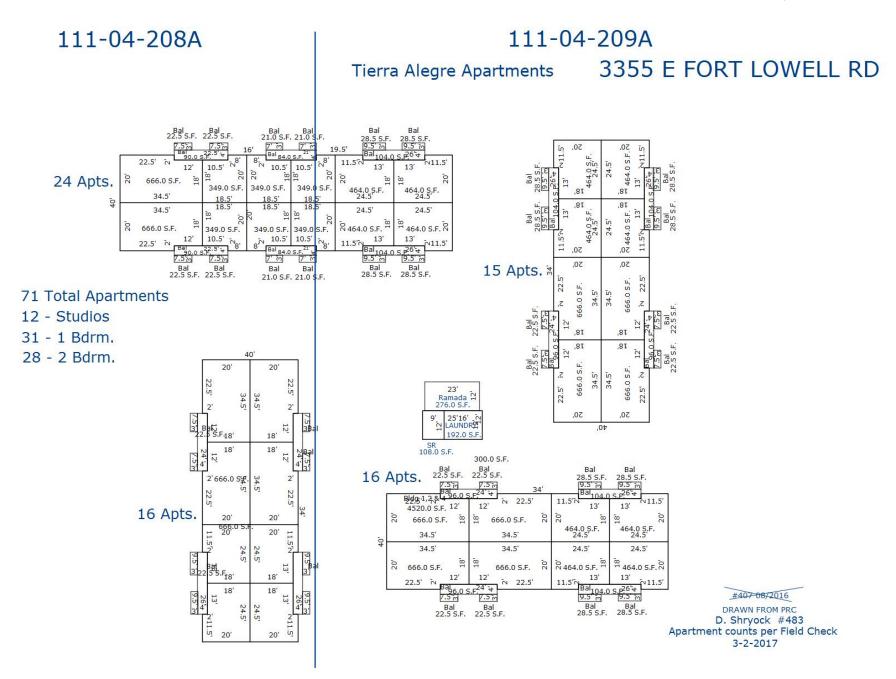
trash

**RENT** 

\$1 199 2BD/1BA

**COMMENTS:** No gas at the property and owner pays for water, sewer, & trash usage. The property is currently being renovated. 45 units have been completed featuring new cabinets, countertops, & flooring. Amenities include: pool, BBQ station, laundry room, & dishwashers in some units.

## **PROPERTY LAYOUT**



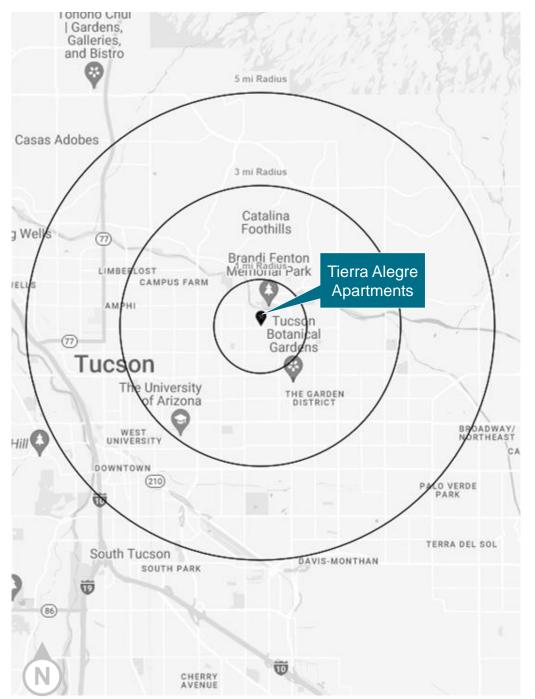
Sketch by Apex Sketch

## **TRADE MAP**



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## **DEMOGRAPHIC OVERVIEW**



### 2021 DEMOGRAPHIC OVERVIEW

	1 MILE	3 MILES	5 MILES
POPULATION	17,691	113,089	263,920
HOUSEHOLDS	8,903	53,906	122,489
AVG HOUSEHOLD INCOME	\$52,656	\$62,781	\$68,225
DAYTIME POPULATION	4,696	61,536	171,947
RETAIL EXPENDITURE	\$188.39 M	\$1.27 B	\$3.04 B

Source: Sites USA -Applied Geographic Solutions 11/2021, TIGER Geography - RF5

### 2026 DEMOGRAPHIC PROJECTIONS

	1 MILE	3 MILES	5 MILES
POPULATION	18,163	116,923	274,065
HOUSEHOLDS	9,033	55,114	125,889
AVG HOUSEHOLD INCOME	\$59,236	\$71,863	\$77,296

Source: Sites USA -Applied Geographic Solutions 11/2021, TIGER Geography - RF5

## TRAFFIC COUNTS VEHICLES PER DAY (VPD)

E. FORT LOWELL RD	22,542 VPD	(2021)
N. COUNTRY CLUB	11,611 VPD	(2021)

Source: Pima Association of Governments

## **EXTERIOR PHOTOS**











## **EXTERIOR PHOTOS**











## **INTERIOR PHOTOS - STUDIO**











## **INTERIOR PHOTOS - 1BD**











## **INTERIOR PHOTOS - 2BD**



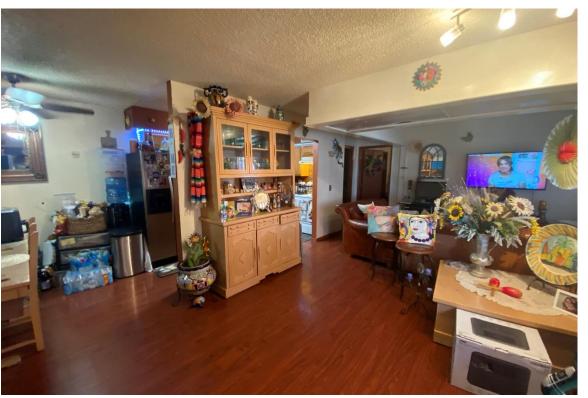








## INTERIOR PHOTOS - MANAGER -











## **AMENITY PHOTOS**











#### TIERRA ALEGRE APARTMENTS - 3355 E. FORT LOWELL ROAD TUCSON, AZ 85716

## **BIRDS-EYE VIEW - NORTH**



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#### TIERRA ALEGRE APARTMENTS - 3355 E. FORT LOWELL ROAD TUCSON, AZ 85716

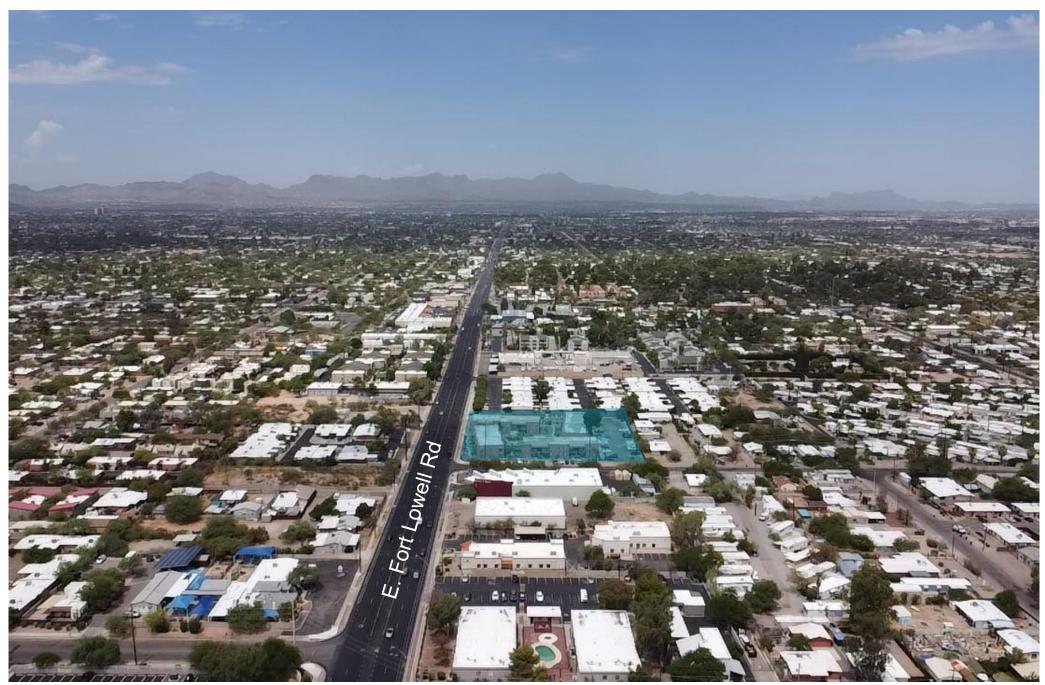
## **BIRDS-EYE VIEW - EAST**



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#### TIERRA ALEGRE APARTMENTS - 3355 E. FORT LOWELL ROAD TUCSON, AZ 85716

## **BIRDS-EYE VIEW - WEST**



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## **BIRDS-EYE VIEW-SOUTH**



## **DRONE PHOTOS**











### ARIZONA: THE BEST STATE FOR BUSINESS

#### **Quality Jobs Tax Credit\***

Provides up to \$9,000 of income or premium tax credits over a threeyear period for each net new job to the state and concurrent qualifying capital expenditures.

#### **Quality Facility Tax Credit\***

Provides **refundable income tax credits up to \$20,000** per qualifying net new job to eligible manufacturing companies that invest in one or more qualifying facilities.

#### **Additional Depreciation\***

Accelerates depreciation to substantially reduce business personal property taxes.

#### **Exemption for Machinery and Equipment & Electricity\***

Provides Transaction Privilege Tax (sales tax) and Use Tax exemptions.

### Research & Development Tax Credit\*

Provides an Arizona income tax credit for increased research and development activities conducted in this state. The R&D tax credit is equal to 24% of the first \$2.5 million in qualifying expenses, plus 15% of the qualifying expenses in excess of \$2.5 million. Beginning in 2023, the tax credit rates will be 20% of the first \$2.5 million in qualifying expenses plus 11% of the qualifying expenses in excess of \$2.5 million.

#### **Diverse Workforce**

As one of the fastest growing megaregions in the U.S., the continuing inmigration of talent at all levels positively impacts the regional economy and translates into increased workforce availability. The local military installations have over 8,000 active airmen and provide a skilled veteran pool for businesses to tap.

Source: Sun Corridor, Inc.

\* Source: AZCommerce.com

### **Oro Valley**

Is located in northern Pima County approximately three miles north of the Tucson city limits. Nestled between the Catalina and Tortolita mountain ranges, the town sits at an elevation of 2,620 feet and covers more than 36 square miles.

Incorporated in April 1974 and home to more than 45,184, the Town of Oro Valley employs the council-manager form of municipal government. Oro Valley is administered by a seven-member Town Council.

Source: orovalleyaz.gov

#### **Rio Nuevo Tax Increment Finance District**

Rio Nuevo is the only tax increment finance district (TIF) in the state of Arizona. In partnership with developers, investors and lenders, Rio Nuevo invests in projects designed to expand the tax base and bring patrons and new businesses to Downtown Tucson. Rio Nuevo helps defray the steep costs of major new development and property improvements.

### **Town of Marana: Job Creation Incentive Program**

Helps businesses to locate or expand in Marana by receiving reimbursement from reallocation of construction sales tax on new construction or expansion projects to qualifying employers. *Source: Sun Corridor, Inc.* 









25% **EDUCATION-**SOME COLLEGE





\$53,700 **MEDIAN HOUSEHOLD** INCOME



3.6% UNEMPLOYMENT **RATE** 

Source: BLS, BOC, Moody's Analytics 4/7/22

## LARGEST EMPLOYERS

- 1. UNIVERSITY OF ARIZONA-16,000
- 2. RAYTHEON MISSILE SYSTEMS-13,000
- 3. DAVIS-MONTHAN AFB- 9.100
- 4. WALMART STORES 7.450

hr.arizona.edu, Tucson.com, BLS, cbp.gov

## RECENT INDUSTRY ARRIVALS & EXPANSIONS

- 1. AMAZON
- 2. CATERPILLAR SURFACE MINING & **TECHNOLOGY**
- 3. HEXAGON MINING
- 4. BECTON DICKINSON
- 5. TUSIMPLE



39,616 UNIVERSITY OF ARIZONA **TOTAL ENROLLMENT, 2021** 

- #10 SPACE SCIENCE
- #23 NURSING
- #46 TOP PUBLIC SCHOOL
- #52 UNDERGRAD ENGINEERING PROGRAMS
- #62 COLLEGES FOR VETERANS
- #64 BEST BUSINESS SCHOOLS
- #99 BEST GLOBAL UNIVERSITY

UNIVERSITY OF ARIZONA TOP PROGRAMS U.S. News & World Report

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## **BROKER CONTACTS**

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