



Investment Opportunity – Peppertree Farms, Poway, CA
\$1,100,000 First Trust Deed



Poway's Premier Equestrian Boarding Facility

PEPPERTREE FARMS
BOARDING AND TRAINING FACILITY



Executive Summary:

The subject property is located in central east Poway, at the NWC of Poway Road and Highway 67, San Diego County, CA. The site borders the heavily traveled Highway 67 corridor which provides convenient linkage to central Poway and Interstate 15 to the west, Ramona to the north and El Cajon/East County to the south.

The Peppertree Farms equestrian facility and the 20 acre corner parcel are situated on 50 acres nestled in the foothills of Iron Mountain just north of Poway Road and east of Highway 67. The Peppertree facility site boasts 80 covered stalls complete with individual tack rooms, 3 arenas, a 2,000 sqft house/office, a 5,000 sqft steel barn, and a 3,900 sqft owner's residence with a four car 1,400 sqft garage.

Loan Amount:	\$ 1,100,000
Security:	1st Trust Deed
Loan to Value:	31%
Loan Term:	3 years
Investor Annual Return:	8.0%
Guarantor:	Yes

Uses:

Purchase 20 acre parcel	\$ 600,000
Peppertree deferred maintenance	400,000
Soft costs	100,000
Total Uses	<u>\$ 1,100,000</u>

Background:

In 2004 Pacific Horizon Mortgage Investors I, LLC (PHMII) loaned \$1,800,000 to Lucidi Family Limited Partnership (Lucidi) for the construction of the Equestrian Facility located on 30 acres at 15015 Lucidi Farms Way, the North West corner of State Hwy 67 and Poway Road, in Poway Ca. The facility originally consisted of 80 covered stalls complete with individual tack rooms, a well, a 2,000 sqft house/office, a 5,000 sqft steel barn, 3 arenas, various

turnouts and miscellaneous tractors and farm equipment. In April of 2005, PHMII increased its loan to \$2,000,000 to cover additional improvements and in February 2007 added another \$360,000 to complete the 3,900 sqft owner's residence with a 1,400 sqft garage.

In 2008, the Lucidi's moved to Arizona and over time, their interests changed to running their business in Arizona. In December of 2009, they defaulted on their payments to PHMII which resulted in the start of foreclosure by PHMII and the immediate installation of a Receiver. In January 2011, PHMII completed its foreclosure and took possession of the facility with 57 of the 80 stalls occupied.

Valuation:

In April 2004 the 30 acre facility, as proposed, was appraised at \$5,000,000. In December 2006, the facility as completed was appraised at \$6,500,000. In December 2010, an Opinion of Value from an Equestrian Facility Broker was received of \$2,500,000 to \$2,900,000 for the 30 acre piece only.

In 2005, the adjacent 20 acre vacant lot at the intersection of Poway Rd and Route 67 was sold for \$1,400,000. Peppertree Farms, LLC is currently in escrow to purchase this lot for \$600,000. All contingencies have been removed and \$100,000 has been released to the seller, Home Bank of California.

Plan:

Between January 12, 2011 and April 18, 2011, PHMII has been evaluating the facility and its operations. PHMII has deeded the property to a single purpose subsidiary entity named "Peppertree Farms, LLC" (Pepper Tree). Our consensus is that Peppertree is a very viable facility and we have taken steps to improve the premises and its operation. Due to the owners departure in 2008, the resident manager (Melissa) was left "in charge", but with virtually no money to tend to any maintenance. Despite that, she continued operations and, because of her high degree of knowledge and caring for the horses, maintained excellent relationships with the Boarders and Trainers. In the 3 months of ownership by PHMII, occupancy has risen from 73% to 91%. Equipment has been fixed, maintenance is improving, and a deferred maintenance budget of approximately \$400,000 has been developed which will correct all drainage issues, improve all stalls, arenas and turnouts, pathways and roads, and improve landscaping while making it easier to care for.

In addition, the adjacent 20 acres that we have in escrow, grading was completed by Lucidi prior to 2004 for 3 additional arenas, a staging area, and a parking area. Our plan is to add a private road on the 20 acre parcel that will join into the existing road on the 30 acre lot at the bottom of the hill (and down past the existing horse stalls). The benefits here are numerous. This affords ample parking and room for temporary boarding on the 20 acres which opens the facility to hosting shows which can generate significant additional revenue. The much improved ingress and egress will be designed to take the traffic away from the barns and allow more maneuverability for trailers thus providing horses and boarders a better experience.

Economics:

Balance Sheet:

Cost of existing 30 acre facility:	\$2,500,000
Cost of new 20 acres to east:	600,000
Cost of drainage and 30 acre facility improvements:	<u>400,000</u>
Total Cost:	\$3,500,000

Annual Income & Expense (Existing Stabilized):

Income

Stall Rental:	\$444,600
2,100 sq ft house rental:	24,000
3,900 sq ft house rental:	51,400
Supplemental Income:	<u>33,000</u>
Total Income:	\$553,000

Expense

Vacancy, Credits, and discounts	\$ 45,000
Hay & Supplements	83,000
Landscaping and Mucking labor	110,000
Onsite Management	40,000
Property Tax	27,000
Other	<u>71,000</u>
Total Expense:	\$ 376,000

Net Operating Income: \$ 177,000

\$1,100,000 @ 8% per annum, interest only: \$ 88,000

Cash Flow after debt service \$ 89,000

Estimated Market Value after acquisition of 20 acres and completion of improvements: \$5,300,000

Market / Comp Survey:

[Market Comparables](#)

[Public Boarding Facilities Survey](#)

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