

## CASE STUDY 6: VALUE ADD REPOSITIONING OPPORTUNITY

### REPOSITIONING OF THOMAS JEFFERSON LAW CAMPUS

San Diego, CA

- 73,442 SF Mixed Use Commercial Portfolio
- Acquired three building portfolio formerly occupied by Thomas Jefferson School of Law
- Collected cash flow from Thomas Jefferson Law until 2010 and then refurbished the buildings and re-leased to three new tenants



### OPPORTUNITY

In 2008, PacVentures uncovered the opportunity to purchase the former Thomas Jefferson School of Law campus located in the Old Town neighborhood of San Diego, California, which was quietly being marketed. The Thomas Jefferson School of Law campus comprised of three separate buildings totaling 73,442 square feet and fronts Interstate 5 with expansive bay views. The Law school enrollment was growing at a rapid rate and the school desired to construct a new campus in Downtown San Diego. PacVentures saw a unique opportunity to reposition the buildings to maximize the value of the real estate.

### RESULTS TO DATE

PacVentures entered into a purchase agreement to acquire from the Seller/Tenant (Thomas Jefferson School of Law) on March 10, 2008, and PV Old Town, LLC (a PacVentures affiliate in a 1031 exchange) closed escrow in May 2008. PV Old Town purchased the entire portfolio for \$13 million or \$177 per square foot. Torrey Pines Bank financed \$10.875 million at a 6.00% interest rate at acquisition. The Thomas Jefferson School of Law completed construction at its new campus and vacated the subject property in 2010.

PV Old Town signed new leases with Old Town Academy for the 2120 building, and a pet day care/veterinary facility for the 2143-47 building. PV Old Town also responded to a request for proposal from the U.S. Government to lease the 2121 building to the Veteran's Administration ("VA") for a veteran's treatment facility including a 40 bedroom domiciliary. Upon winning the selection and City Council approval for the conditional use (where PV Old Town overcame significant neighborhood opposition), and after executing a lease with the VA, PV Old Town refinanced the property with US Bank with a \$12.525 million loan.

PV Old Town subsequently sold off the 2143-2147 building for \$2.359 million in June 2014, and the 2120 building for \$4.85 million in January 2015. PV Old Town and the VA collaborated and combined forces to create an efficient timeline to get the new 48,000 square foot space built-out. PV Old Town completed the core and shell requirements of the Lease and the total tenant improvement was approximately \$9 million dollars (which

was ultimately paid by the VA). Although there was significant neighborhood opposition to the intended use, numerous design changes and timeline adjustments and challenges in obtaining the necessary permits and government approvals, PV Old Town and the VA were able to achieve many synergies and create the successful Aspire Center, the only program in the country designated for Veterans of Iraq and Afghanistan with TBI and PTSD. It is one of five new residential treatment programs that the VA plans to open across the country and is serving as a flagship installation for the Veteran Administration. The VA was pleased with PV Old Town's diligent effort on constructing the premises for its use in an expedited timeline.

In November 2014, PV Old Town refinanced the VA Aspire building with a \$9.25 million loan at 4.30% interest rate with Deutsche Bank. The building was appraised at that time for \$13.44 million.

To date, PV Old Town has raised \$2.4 million and distributed roughly \$2.439 million. We estimate the cash on cash return for the remaining investment will be approximately 21.32% per annum on the outstanding capital of \$1,320,000.

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