

## INVESTMENT MEMORANDUM

**Asset Location:** 1107 S Mariposa Ave, Los Angeles, CA 90006

**Property Type:** Multi-Family / Co-Living Income & Development Site

**Zoning:** R3-1 (Multiple Dwelling Zone / High-Density Transit Corridor)

**TOC Status:** Transit Oriented Communities (TOC) Eligible

**Offered Price:** \$1,650,000

## EXECUTIVE SUMMARY & INVESTMENT THESIS

This exceptional offering features a versatile multi-family asset situated on a prime ±5,901 sq. ft. flat lot in the high-demand rental core of Los Angeles' Koreatown (90006). Architecturally laid out to maximize short-term cash flow while securing long-term real estate equity, this property represents a quintessential **"Covered Land Play."** Incoming investors can capitalize on an immediate, highly resilient income stream via a turnkey co-living and detached back-unit setup. Crucially, **all current tenants are on Month-to-Month leases at rents significantly below current market rates.** This delivers an incoming buyer dual advantages: immediate operational flexibility and massive rental upside. Concurrently, the underlying R3 zoning coupled with TOC density bonuses provides a frictionless transition into a high-density apartment or condominium development site when the entitlement or market timing is optimal.

### PROPERTY & DEVELOPMENT HIGHLIGHTS: Premium R3 Zoning & TOC Upside

Unlike restrictive R1 or R2 parcels, the R3 zoning designation legally permits the construction of high-density multi-family housing. Positioned strategically within Koreatown's core transit infrastructure, the site qualifies for **LA's Transit Oriented Communities (TOC) incentives**, unlocking massive development advantages:

- **Density Bonus:** A projected **60% to 80% increase** over baseline zoning limits, allowing for a future build of up to **11–12 residential units**.
- **Favorable Development Metrics:** Enhanced Floor Area Ratios (FAR), increased height allowances, and dramatically reduced parking requirements that significantly slash subterranean construction costs.
- **Proof of Concept:** The immediate submarket demonstrates rapid gentrification and high-end infill development. Notably, the nearby property at **1110 S Mariposa Ave** successfully executed this exact playbook, constructing a modern apartment complex that commanded a **\$3,040,000** sale price in late 2023.

## CURRENT PROPERTY CONFIGURATION & RENT ROLL

The property is currently optimized into two distinct structural components, yielding a total of 8 Bedrooms and 5 Bathrooms with a highly resilient operational footprint.

**Strategic Buyer Note:** Every unit listed below is occupied on a **Month-to-Month** basis with **under-market rents**, ensuring frictionless vacancy management for developers or an immediate path to market-rate stabilization for value-add investors.

### Unit & Rental Income Breakdown (All month to month)

Unit Designation	Layout / Configuration	Current Monthly Rent	Annualized Gross
Front Unit (6 Bed 4 Bath & share kitchen)	5 Private Bedrooms / 3 Shared Baths	\$4,000 (\$800/rm x 5)	\$48,000
Front Unit (6 Bed 4 Bath & share kitchen)	1 Private Bedroom / 1 Private Bath	\$1,000	\$12,000
Back Unit (Detached)	2 Bed / 1 Bath + Private Kitchen	\$1,550	\$18,600
<b>Total Operational Portfolio</b>	<b>8 Beds / 5 Baths / Shared Front Kitchen</b>	<b>\$6,550</b>	<b>\$78,600</b>

### Utility Expense Mitigation

The property features a landlord-favorable utility cost-sharing structure that insulates the owner from traditional single-meter overhead inflation:

- **Electricity & Water (Master Metered):** The landlord is responsible for 2/3 (66.7%) of the bill, while the Back Unit tenants legally reimburse or absorb 1/3 (33.3%) of the total expense.
- **Gas (Dual Metered):** The landlord covers the front co-living building meter only. The back unit is completely separated, with tenants paying 100% of their gas consumption directly to the utility provider.
- **Estimated Current NOI: \$39,500 – \$41,000** (*Adjusted for property taxes, owner-allocated utilities, property insurance, and localized maintenance variables*).

## VALUATION & PRICING JUSTIFICATION

A dual-layered underwriting approach balances current cash-flow realities against intrinsic land value to justify the competitive asset positioning.

**The Income Value Perspective:** Calculated strictly on current below-market rents (\$78,600 GSI), a baseline valuation sits near \$1.25M, reflecting a 15.9 GRM. While this acts as a reliable floor for traditional multi-family buyers, it discounts the land's highest and best use and ignores the **immediate recapture potential of market rents** due to the month-to-month tenancy.

**The Intrinsic R3 Land Value Perspective:** Infill land parcels with high-density R3 designations in Koreatown command immense premiums from institutional developers. Raw land or tear-down structures within this zip code trade consistently between \$1.3M and \$1.5M entirely independent of current operational rental income.

## MULTI-TIER ACQUISITION STRATEGIES

This asset offers an incoming buyer multiple highly viable operational avenues, broadening its appeal across several distinct investor pools:

### Strategy A: The Covered Land Play (Developer Focus)

An institutional or mid-tier builder utilizes the turnkey room-rental cash flow (\$6,550/month) to offset debt service, property carrying costs, and taxes while navigating the standard 12-to-24-month LA City entitlement and architectural permitting process. Because **all tenants are month-to-month**, the transition to structural clearance and groundbreaking avoids the typical friction and lengthy timelines associated with long-term leases.

### Strategy B: High-Yield Value-Add (Traditional Investor Focus)

An investor maintains the existing structural footprint but captures the significant rental upside. Because current rents are substantially below market, a buyer can leverage the flexible **month-to-month status** to systematically modernize the 5 co-living rooms and adjust lease agreements closer to current Koreatown market rates. This allows gross income to be aggressively optimized almost immediately upon acquisition.

### Strategy C: Premium House Hacking (Owner-User Focus)

An owner-user can occupy the entirely private, detached 2 Bed / 1 Bath back unit by providing proper notice to the month-to-month tenant, all while managing or outsourcing the front building's 6 co-living rooms. The combined \$5,000/month generated from the front building effectively subsidizes or completely neutralizes the owner's primary mortgage payment, building massive equity with zero out-of-pocket housing costs.

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Direct: 213.925.6391 | License # 01474940 | 15301 Ventura Blvd Building B, Suite 300, Sherman Oaks, CA 91403