

Value-Add Acquisition Strategy

800 Queen Anne Ave N

Presented by:

Graham Street Capital
Investment Committee
January 2026



**GRAHAM
STREET
CAPITAL**

Executive Summary

Equity Structure Constraint Requires Strategic Decision

! The Constraint

The partnership structure is limited to **10 shares at \$500k each**, capping total equity at **\$5.0M**. This creates a significant gap for traditional financing scenarios (60-70% LTV) which require \$6M-\$8M in equity.

✓ The Opportunity

Despite the constraint, the asset is prime. 49 units in Queen Anne with **10% rent upside** via light renovation (\$10k/unit). Aggressive OpEx reduction (50%) unlocks cash flow even at higher leverage.

18.3%

TARGET IRR

2.0x

EQUITY MULTIPLE

\$3.8M

TOTAL PROFIT



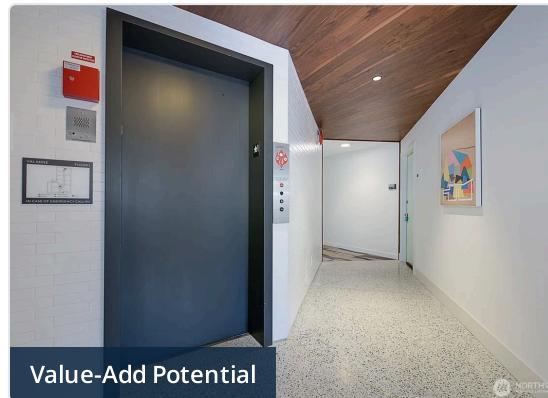
Strategic Decision Required

To proceed with the **\$5M equity cap**, we must utilize **80% LTV financing**.

Alternative: Restructure partnership to raise capital cap.

Property Overview

Diverse Unit Mix in Premier Queen Anne Location



Unit Type	Count	Avg SqFt	Current Rent
Studio	8	450	\$2,000
1 Bed / 1 Bath	25	650	\$2,400
1 Bed / 1.5 Bath	10	750	\$2,600
2 Bed / 2 Bath	6	950	\$3,200
TOTAL / AVG	49	674	\$2,473

Location Highlights

Located at 800 Queen Anne Ave N, the property sits in the heart of Lower Queen Anne. Walk Score of 94 ("Walker's Paradise"). Minutes from Climate Pledge Arena, Seattle Center, and South Lake Union tech hubs.

Scenario Analysis

Only 80% LTV Fits the \$5M Equity Cap

Metric	50% LTV	60% LTV	70% LTV	RECOMMENDED 80% LTV
Loan Amount	\$8,000,000	\$9,600,000	\$11,200,000	\$12,800,000
Equity Required	\$9,100,000	\$7,500,000	\$5,900,000	\$4,500,000
Equity Cap (10 Shares)	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Funding Gap / (Surplus)	(\$4,100,000)	(\$2,500,000)	(\$900,000)	+\$500,000
Shares Needed (@\$500k)	19 Shares	15 Shares	12 Shares	9 Shares
Viability	FAIL	FAIL	FAIL	PASS



Analysis Conclusion: To maintain the \$500k/share structure with a maximum of 10 partners, we **must** proceed with the 80% LTV scenario. All other options require raising the equity cap or increasing the number of partners.

Recommended Scenario: 80% LTV

High Returns with Manageable Risk

Value Creation Strategy

\$490k Investment Creates \$2.6M in Property Value



\$490,000

RENOVATION COST



+\$145,440

ANNUAL NOI INCREASE



+\$2,644,363

VALUE CREATED (@5.5% CAP)

5.4x

Equity Multiplier on Renovation Capital

For every \$1.00 invested in unit upgrades, we create \$5.40 in property value.

Operating Expense Analysis

Aggressive OpEx Reduction Drives Returns

Current OpEx Baseline	\$396,000
Target Reduction (50%)	\$198,000
Add: Property Manager	\$120,000
New Total OpEx	\$318,000
Annual Savings	+\$78,000

☒ Reduction Strategy

- Implement utility bill-back program (RUBS)
- Rebid insurance and landscaping contracts
- Install energy-efficient LED lighting & fixtures
- Reduce administrative overhead via automation

⚠ Critical Validation Required

A 50% reduction in base operating expenses is aggressive. Due diligence must confirm that the current \$396k figure includes one-time capital items or inefficiencies that can be permanently eliminated.

👤 Management Efficiency

- Dedicated PM (\$120k) replaces 3rd party fees
- In-house maintenance vs. expensive vendors
- Direct oversight of vendor performance

Alternative Strategies

Three Paths Forward if Conservative Leverage is Preferred

Risk Assessment

Key Risks Require Validation During Due Diligence

OPEX ASSUMPTION RISK

50% reduction in operating expenses is aggressive and may not be fully achievable.

🛡 **Mitigation:** Detailed expense audit, vendor quotes, and validation of "one-time" vs recurring costs.

HIGH LEVERAGE RISK

80% LTV leaves little margin for error if NOI drops or cap rates expand.

🛡 **Mitigation:** Maintain 6-12 months of operating reserves; conservative underwriting on rent growth.

RENOVATION BUDGET RISK

\$10k/unit budget is lean for achieving 10% rent premiums.

🛡 **Mitigation:** Detailed scope of work, competitive contractor bids, and contingency fund.



Market Risk Mitigation

Queen Anne's high barriers to entry, strong demographics, and desirability provide a natural hedge against market volatility.

Unit Economics

Detailed Rent Roll Supports 10% Growth Projection

Partnership Structure

Legal Framework & Governance



Entity Formation

- Structure: Washington State LLC
- Management: Manager-Managed (Graham Street Capital)
- Liability: Limited to capital contribution



Voting Rights

- Day-to-Day: Manager discretion
- Major Decisions: Requires **75% Supermajority** approval
- Decisions Include: Sale, Refinance, Capital Calls >10%



Capital Contributions

- Initial Capital: \$500,000 per Share (Max 10 Shares)
- Additional Capital: Pro-rata capital calls if approved
- Dilution: Standard dilution for non-contributing members

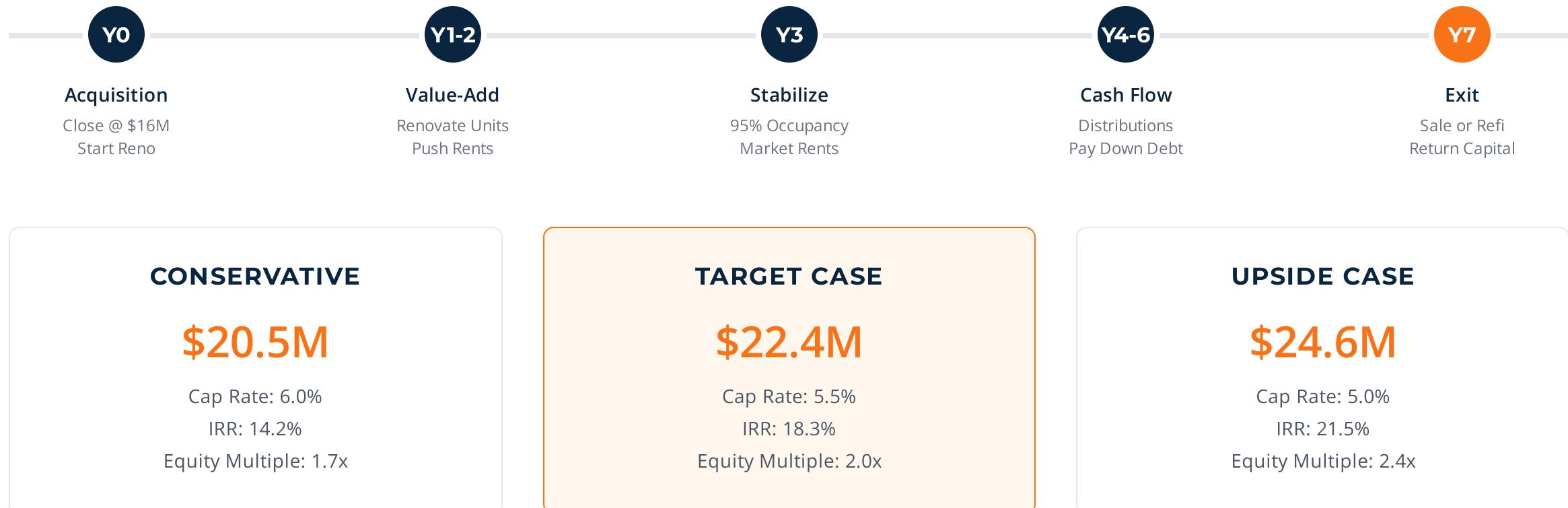


Distributions

- Frequency: Quarterly distributions of available cash flow
- Preferred Return: **8% Cumulative Pref** to Investors
- Split: 70% to Investors / 30% to Manager (after Pref)

Exit Strategy

7-Year Roadmap to Liquidity



Action Plan

Critical Next Steps for Committee

GRAHAM
STREET
CAPITAL

01 Select Structure

IMMEDIATE

Vote for 80% LTV or restructure to raise equity above \$5M.

03 Verify Reno Costs

Obtain three contractor bids to validate \$10k/unit scope.

05 Secure Financing

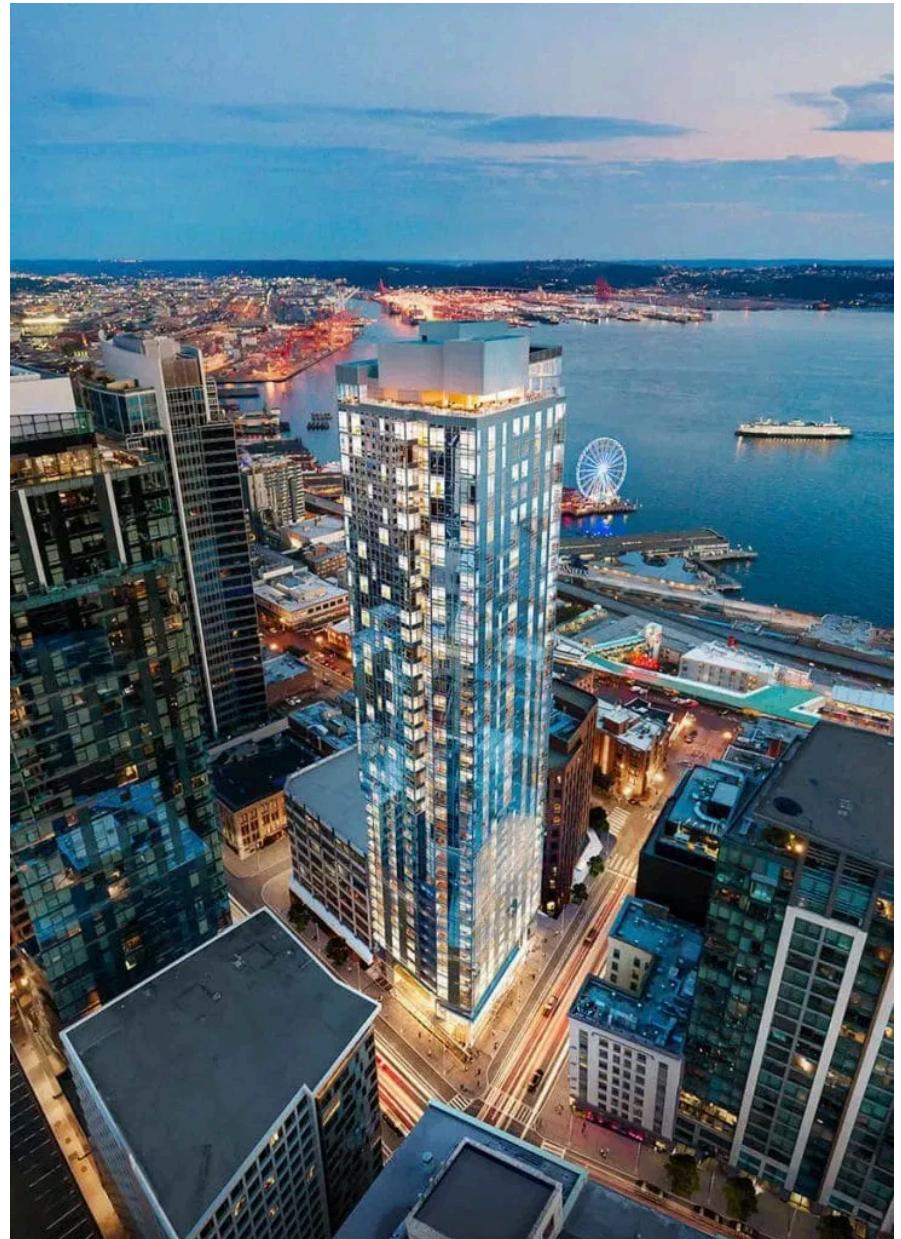
Lock target 6.5% rate and start underwriting.

02 Validate OpEx Reduction

Audit expenses to confirm 50% OpEx reduction is feasible.

04 Legal Formation

Draft Operating Agreement with final share and capital call terms.



Final Recommendation

Proceed with 80% LTV Strategy

Fits Capital Constraints

The 80% LTV structure is the **only viable path** to stay within the \$5M equity cap (10 shares @ \$500k).

Compelling Returns

Aggressive OpEx management and strategic renovations drive an **18.3% IRR** and **2.0x Equity Multiple**.

COMMITTEE ACTION ITEM

Approve 80% LTV Acquisition

Target Closing: Q2 2026