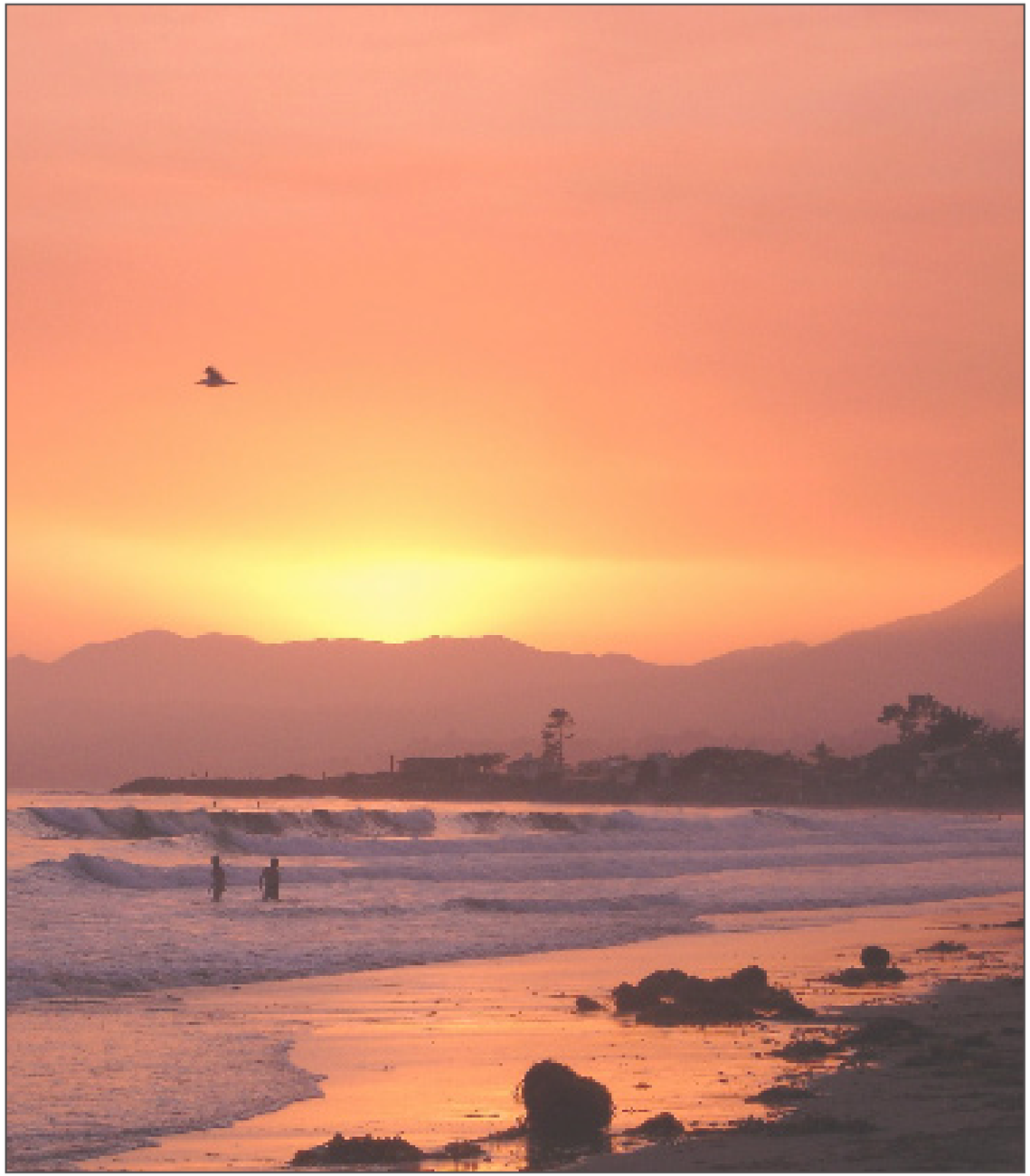
OFFERING MEMORANDUM

BERKSHIRE HATHAWAY HOMESERVICES

BERKSHIRE HATHAWAY
LUXURY COLLECTION

701 LINDEN AVENUE | CARPINTERIA

OFFERED AT $7,750,000



true california spirit

For sale for the first time in generations, The Palms property at 701 Linden Avenue in Carpinteria, California, is being offered as a complete package of real estate, business and brand together. Treasured by locals – regulars and celebrities alike – since the current owner's family began The Palms restaurant in the 1950's – and with a continuous brand history going back to the original Palms Hotel in 1912, the sale package is the rarest of opportunities to acquire prime real estate in an A+ Southern California beach town location, in an iconic building, along with an iconic business and brand.

Located on Linden Avenue which is the central commercial strip, T**he Palms building is only a few blocks away from Carpinteria Beach, informally known as the "world's safest beach"**. The town of Carpinteria has been a sort-of-secret coastal getaway for years, but is now evolving into its deserved place atop the list of small-town destinations for laid-back tourism and toes-in-sand relaxation.

In November 2022, the City of Carpinteria Planning Commission gave **preliminary conceptual guidance for a proposed 17-room new Palms Hotel + restaurant/bar.** This milestone moves forward an historic return to the Palms' hospitality roots; for a buyer who wishes to continue the process, there is a description, layout and financial analysis enclosed in addition to the Real Estate Value package.

Offering the ultimate gathering place for locals and a sought-after destination for tourists - Carpinteria and The Palms are welcoming, authentic and embody the true California spirit.

Click Here to View Property Website

Click Here to View Introductory Video

Information is deemed to be reliable, but not guaranteed.

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701 LINDEN: PROPERTY DATA

The property features over 10,600sf of mixed-use commercial and lodging space, on a lot size of over 11,400sf. The street level consists of The Palms large restaurant space, plus a small adjacent 2nd commercial space rented separately to a month-to-month tenant, and a 1-room apartment. Upstairs are vintage lodging units.

PROPERTY OVERVIEW

Address: 701 Linden Avenue, Carpinteria, CA 93013

Parcel Number: 003-311-007

Lot Size: 11,453 square feet / 0.263 acres

Square Footage (measured gross):

- Commercial - The Palms: 5,255 SF
- Commercial - Tenant: 591 SF
- Lodging - Downstairs: 580 SF
- Lodging - Upstairs: 4,230 SF

TOTAL Gross SQFT: 10,656 SF

Parking: On-site 9 spaces uncovered

Off-site 38 "zone of benefit" spaces

PROPERTY DETAILS

Zoning: Central Business District (CB)

Zoning Overlay: Visitor Serving Commercial Overlay District

The Palms Restaurant Seating Capacity: 117

The Palms Dance Floor Capacity: 40

Restrooms: 4 total (2 each for restaurant, bar)

Lodging Unit Mix (as currently used):

- 1 x 2-room (shared hall bath)
- 2 x 1-room (shared hall bath)
- 1 x 1-room/1-bath
- 2 x studio/office (shared hall bath)

THE CITY OF CARPINTERIA

Located on a beautiful coastal plain in sunny Southern California, Carpinteria is just south of Santa Barbara and a 90 minute drive from Los Angeles. It is a small-town beloved by locals and tourists alike. Noted for its pristine beaches, easy going atmosphere, and high-tech and agricultural industries, the city is a friendly community where vacationers, local artisans, boutique retailers and surfers all enjoy a wide variety of oceanfront and downtown recreation, shopping, and dining.

A DYNAMIC BEACH TOWN BY THE NUMBERS:

Population in 2021	13,196
Median Household Income	$87,000
Annual Visitors to Carpinteria Beach	891,000
Visitors to October's Avocado Festival	80,000
Hospitality Rooms	611
Vacation Rentals	202
Annual Visitor Spending	$30M

CLICK HERE TO VIEW 2021 ECONOMIC PROFILE

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LAND USE SUMMARY

Current Zoning and Use: The Palms property has had a number of uses over the years, including its start as a hotel and its current mixed-use as The Palms restaurant plus residential spaces. The zoning is Central Business District (CB), which allows flexibility of property use for a variety of purposes. The Visitor Serving Commercial Overlay (V) does restrict some of the potential uses, but might promote others.

Land Use: A serious buyer is advised to consult with a land-use planner and/or architect with expertise in the area, for best information as to the feasibility of the property use(s) a buyer has in mind. As a starting point, there are 2 recent land-use analyses, independently researched and written by different local land-use planning companies.

CLICK HERE FOR LAND USE ANALYSIS (SEPPS)

CLICK HERE FOR LAND USE ANALYSIS (DMI)

CLICK HERE FOR ZONING CODES

Property Highlights:

- The CB zoning allows for a multitude of commercial uses, including most all retail, restaurants and hotel/motel, as well as residential use.
- The Visitor Serving overlay disallows 100% residential use, and restricts residential or office use to the upper floors, though there is currently one apartment on the ground level. For example, complete redevelopment as a new residential-only apartment building, or as luxury condominiums, would very likely not be allowed.
- The City of Carpinteria is currently evaluating long-term street-side outdoor dining rules, which are temporary for now during the pandemic. It is unknown whether any potential future added outdoor sidewalk/street dining would require new parking.
- There is a zone of benefit parking credit which the property owners had paid into over a period of time, as described in the DMI land-use report. The credit is for 38 parking spaces off-site (i.e. nearby City of Carpinteria parking lots), based on a requirement calculated from the current property of 47 spaces, of which 9 parking spaces are on-site. A future modification of the property use could affect the parking requirements, Buyer is advised to research accordingly.

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REAL ESTATE VALUE ANALYSIS: BUILDING, BUSINESS & BRAND

701 Linden Avenue
Carpinteria, CA 93013

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REAL ESTATE VALUE ANALYSIS

The total value of this offering is a combination of the following components shown within the following 2 pages:

1. Building and Land = **Real Estate Value**
   - The analysis on the following page shows a range of value for "bricks and mortar" and to be viewed for the sole use of a landlord.

2. "The Palms" = **Business & Brand Value**
   - A new owner of the property, continuing operations of the business themselves, will receive with this sale FEE, Liquor License and Dance License. All are included in the total value.
   - To calculate the stand-alone value of the business operations when the business owner is also the property owner, the market cost of the rent would be added to the operational expenses.
   - In addition, an equivalent labor cost would be included in the expenses, if the property owner is contributing their time to the operation of the property. In the case of The Palms business, both of these extra expense factors apply and are incorporated into the income-expense figures to determine the business' value.

Three scenarios were used to derive the **Real Estate Value shown on the analysis chart on the following page.**

1) freshen the existing condition,
2) perform an extensive upgrade from the existing condition,
3) new redevelopment

In consideration of the scenarios:

- The **"new redevelopment"** scenario does **not** necessarily mean building new from the ground up (which may not be possible for historical preservation reasons), but instead means a substantial re-build of the existing structure along with adding new square footage.

- The current condition is considered mostly serviceable for the commercial portions of the buildings, and have been or were in continuous use until the beginning of the pandemic in March 2020; the Lodging portions of the building may be considered in rougher condition and are more ambiguous as to their status and configuration.

- For the "freshen" and "extensive upgrade" scenarios, an additional capital cost factor is included for an **allowance for tenant improvements.**

- Cost factors for upgrades, tenant improvement allowances and hassle/holding costs, are all included in adding up the total buyer outlay, in order to determine real estate value through adjusted market capitalization rates.

Investor analyses are shown for 3 seperate purchases plus added investment scenarios, per assumptions on previous page:

FRESHEN EXISTING CONDITION	
Commercial SF	5,846 SF
Commercial Lease Rate	$3.00/SF
Comm. Net Operating Income	$210,456
Residential SF	4,810 SF
Residential Rent per SF	$3.00/SF
Residential Net Rent per SF	$1.95/SF
Res. Net Operating Income	$112,554
Total Net Operating Income	$323,010
Market Cap Rate - Low	4.25%
Market Cap Rate - High	4.50%
Value Before Costs - Low	$7,178,000
Value Before Costs - High	$7,600,325
Cost of Improvements per SF	$50/SF
Total Cost of Improvement	$532,800
Tenant Impovement Allowance	$250,000
Value After Costs - Low	$6,395,200
Value After Costs - High	$6,817,435
Risk/Hassle/Holding Cost Factor	0%
Current Real Estate Value - Low	**$6,395,200**
Current Real Estate Value - High	**$6,817,435**

EXTENSIVE UPGRADE OF EXISTING	
Commercial SF	5,846 SF
Commercial Lease Rate	$3.50/SF
Comm. Net Operating Income	$245,532
Residential SF	4,810 SF
Residential Rent per SF	$3.50/SF
Residential Net Rent per SF	$2.28/SF
Res. Net Operating Income	$131,313
Total Net Operating Income	$376,845
Market Cap Rate - Low	3.75%
Market Cap Rate - High	4.00%
Value Before Costs - Low	$9,421,125
Value Before Costs - High	$10,049,200
Cost of Improvements per SF	$100/SF
Total Cost of Improvement	$1,065,600
Tenant Impovement Allowance	$500,000
Value After Costs - Low	$7,855,525
Value After Costs - High	$8,483,600
Risk/Hassle/Holding Cost Factor	20%
Current Real Estate Value - Low	**$6,284,420**
Current Real Estate Value - High	**$6,786,800**

NEW REDEVELOPMENT	
Commercial SF	8,500 SF
Commercial Lease Rate	$4.00/SF
Comm. Net Operating Income	$408,000
Residential SF	6,500 SF
Residential Rent per SF	$4.00/SF
Residential Net Rent per SF	$2.60/SF
Res. Net Operating Income	$202,800
Total Net Operating Income	$610,800
Market Cap Rate - Low	3.50%
Market Cap Rate - High	3.75%
Value Before Costs - Low	$16.288,000
Value Before Costs - High	$17,451,429
Cost of Improvements per SF	$450/SF
Total Cost of Improvement	$6,750,000
Tenant Impovement Allowance	$0
Value After Costs - Low	$9,538,000
Value After Costs - High	$10,701,429
Risk/Hassle/Holding Cost Factor	35%
Current Real Estate Value - Low	**$6,199,700**
Current Real Estate Value - High	**$6,955,929**

Average of the 6 low/high real estate value calculations = $6,570,000

Real Estate Value ($6.57M) + Operation Value ($800K) + Brand Value ($400K) = $7,770,000

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THE PALMS:
BUSINESS & BRAND VALUE

The business has been in operation continuously since 1958 (until the beginning of the pandemic), demonstrating a durability which transfers to a higher value multiple on gross and net income figures. Pioneering a grill-your-own-entree concept, along with live entertainment and an always fun and comforting beach town local spirit, the business has thrived through decades of business cycles.

- Restaurant seating capacity of 117 people indoors, with potential for future outdoor street dining seating
- The only dance permit in Carpinteria, dance capacity is for an additional 40 people
- Zone of benefit parking for 38 spaces (every 4 restaurant seats require 1 parking space, plus parking for other uses)
- Full liquor license, which allows expanded service until 2am, the only place in Carpinteria which can serve liquor in the highly profitable late-night hours

The Palms brand is included in this sale offering, along with the real estate andthe business. The brand value of "The Palms" is considered as a distinct and additional value consideration beyond the value of the business operation. While the revered and established brand since 1912 undoubtedly helps to drive the business operations and its resulting value, in special circumstances such as this one, the brand itself is attributed further value. Why? The uniqueness and starquality of The Palms brand can offer the next owner avenues for leveraging new revenue streams, which may not have been fully realized by the current owner.

Here are a few examples of ways to newly leverage for profit The Palms brand:

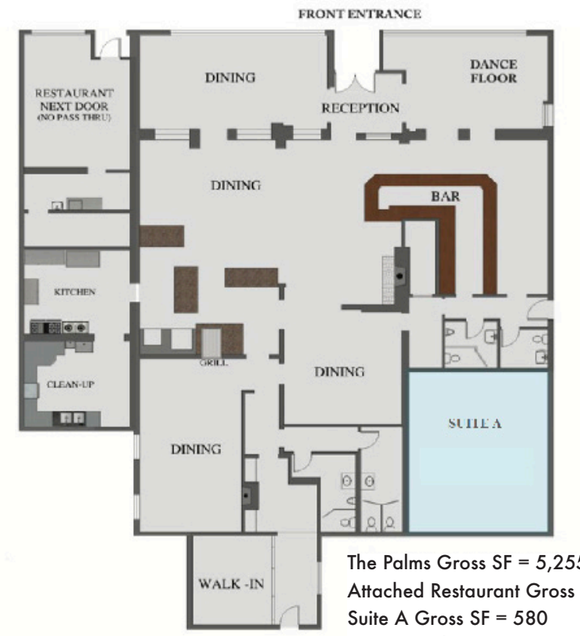
- **TOURISM ITINERARY DESTINATION** Marketing reach beyond Carpinteria and the Santa Barbara area The Palms since 1912 can be part of a destination itinerary for visitors from Los Angeles, Palm Springs and further
- **EVENT DESTINATION VENUE** The Palms brand has nostalgic value and a "cool factor" image for many locals and repeat visitors who grew up with The Palms, allowing a new owner to leverage the brand for enhanced revenues from wedding receptions, rehearsal dinners, birthdays, and other celebrations
- **EXPANSION / FRANCHISING** Leverage The Palms brand to new locales
- **MERCHANDISING** Maximize the love and nostalgia of The Palms into many possible merchandising revenue streamsfactor" image for many locals and repeat visitors who grew up with The Palms, allowing a new owner to leverage the brand for enhanced revenues from wedding receptions, rehearsal dinners, birthdays, and other celebrations.

While business financials are confidential for serious buyer inquiries, based on the gross and net figures and backing out rent and owner labor, **we are estimating the value of the business & brand to be approximately $1.2M.**

CURRENT FLOOR PLAN

ENTRY LEVEL

LINDEN AVENUE



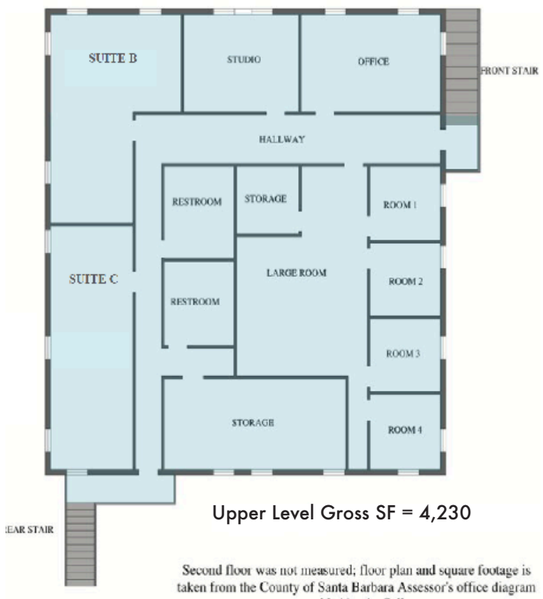
The Palms Gross SF = 5,255
Attached Restaurant Gross SF = 591
Suite A Gross SF = 580
Lower Level Gross SF = 6,426

PARKING AT REAR (9 UNCOVERED SPACES)

UPPER LEVEL

7TH STREET

= COMMERCIAL = LODGING



Upper Level Gross SF = 4,230

Second floor was not measured; floor plan and square footage is taken from the County of Santa Barbara Assessor's office diagram provided by the Seller.

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FINANCIAL ANALYSIS FOR HOTEL / F&B RENOVATION CONCEPT

The Palms building was originally constructed as a hotel in 1912, as prominently depicted in many photos of historic Carpinteria. In the 1950's the downstairs of the building became home to the Palms Restaurant which generations of locals and visitors have known, while the upstairs retained much of its early hotel configuration.

A restoration of the property to its hotel roots along with a modified smaller food & beverage (F&B) footprint, was recently considered by the City of Carpinteria Planning Commission in November 2022. In the public hearing, commissioners gave feedback and direction for some minor adjustments and mitigations, then provided unanimous backing in concept to a 17-room hotel layout plus restaurant and bar. With the positive momentum of this hearing, the proposal provides a platform for a new owner to visualize and analyze an exciting and profitable new chapter for the Palms property – an homage to the origin of Carpinteria's most famous property, and a vision which is embraced by civic leaders.

In the following pages, see the concept plans followed by an example of a financial analysis of a renovation using this plan, showing outcomes for a range of hotel Average Daily Rates (ADR). Please contact agent for details of the Planning Commission direction regarding suggested adjustments to the plans and hotel operations. A staff report for the hearing as well as the full video by clicking on the links below.

CLICK HERE FOR
FULL STAFF REPORT

CLICK HERE FOR
LINK TO FULL VIDEO
OF CITY HEARING

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BOUTIQUE HOTEL: CONCEPT PLAN

FINANCIAL ANALYSIS

The total value of this offering is in consideration of the enclosed 17-Room Hotel Plan that recently went before the City of Carpinteria for Conceptual Review and received initial approval from the Planning Commission.

The proposed Hotel concept entails converting the existing restaurant (The Palms), office and six apartment units into a 17-room hotel with an attached bar/cafe:

- **GROUND LEVEL:** the contemplated remodel would include a ground level lobby/reception and bar/seating area within the footprint of the "Palms" building. The ground level would also include six hotel rooms situated around the rear and Seventh Street (side) perimeter of the building. Several of the rooms would feature private patios facing the parking lot and/or Seventh Street.
- **SECOND LEVEL:** The second level plan contemplates an additional 11 hotel rooms accessed from a shared hallway.
- **BAR/CAFE:** The portion of the present "Oaxaca Fresh" restaurant included in the conceptual proposal would be partitioned off from the other half of the "Oaxaca Fresh" restaurant space (located on the adjacent northerly parcel) and converted into a small cafe (oriented to Linden Avenue) and back-of-house operations for the hotel and bar (i.e., kitchen, storage, restrooms, etc.).
- **EXTERIOR:** although, nothing formally has been developed, the plan would be modest in scope, and likely include the re-introduction of additional windows onto the rear elevation of the building (facing the onsite parking lot and Yucca Lane), replacing some windows on the Linden A venue frontage with operable windows for the bar/seating area, creation of private patios for some of the ground level hotel rooms, and landscaping improvements to the grounds.
- **PARKING:** The existing nine-space surface parking lot, located at the rear of the property and accessed from Yucca Lane is proposed to be maintained.

On the following page, is a rough example of a financial analysis for a hotel + food/beverage renovation concept as currently proposed to show a final product capitalization rate at time of operation, based on an annual Net Operating Income (NOI), divided by the cost of total investment to reach the opening date.

Below is a rough example of a financial analysis for a hotel + food/beverage renovation concept as currently proposed, to show a final product capitalization rate at time of operation, based on an annual Net Operating Income (NOI), divided by the cost of total investment to reach the opening date. **The 4 income columns vary depending on Average Daily Rates (ADR) of between $428/night and $526/night.** *The example has several other assumptions for holding cost / opportunity cost rate, renovation financing rate, time periods, etc. – these assumptions have attempted to be realistic based on best knowledge today, but are not guaranteed. Buyer to rely on their own methodology and estimates.*

NET INCOME SCENARIOS	$1.30/SF ADR	$1.40/SF ADR	1.50/SF ADR	1.60/SF ADR
Number of Hotel Rooms	17	17	17	17
Average Room Size (SF)	329	329	329	329
ADR per Square Foot	**$1.30**	**$1.40**	**$1.50**	**$1.60**
Average Daily Rate	$428	$461	$494	$526
Occupancy Rate	75%	75%	75%	75%
Revenue Per Available Room	$321	$345	$370	$395
Total Annual Revenue	$1,990,409	$2,143,517	$2,296,626	$2,449,734
Expense Ratio	70%	70%	70%	70%
Total Lodging NOI	**$1,393,286**	**$1,500,462**	**$1,607,638**	**$1,714,814**
Beverage NOI	$125,000	$125,000	$125,000	$125,000
Food NOI	$75,000	$75,000	$75,000	$75,000
Parking NOI	$50,000	$50,000	$50,000	$50,000
Retail Goods NOI + Other NOI	$50,000	$50,000	$50,000	$50,000
TOTAL ANNUAL NOI	**$1,693,286**	**$1,800,462**	**$1,907,638**	**$2,014,814**

TOTAL INVESTMENT COST	
Purchase Price	$7,750,000
Building Square Feet(gross)	11,115
Renovation Cost per SF	$550
Total Renovation Cost	$6,113,250
Soft Costs (est. 10% of reno.)	$611,325
Holding Time Period (months)	30
Holding/Opportunity Cost Rate	8.5%
Holding Cost - Taxes + Insurance	$271,250
Holding Cost - Purchase + Soft	$1,776,782
Renovation Time (months)	15
Renovation Financing Rate	10%
Renovation Financing Cost	$764,156
Total Renovation Costs	$9,536,763
TOTAL INVESTMENT COST	**$17,286,763**

TOTAL INVESTMENT COST	**$17,286,763**	**$17,286,763**	**$17,286,763**	**$17,286,763**
TOTAL ANNUAL NOI	**$1,693,286**	**$1,800,462**	**$1,907,638**	**$2,014,814**
CAPITALIZATION RATE	**9.80%**	**10.42%**	**11.04%**	**11.66%**

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KOGEVINAS
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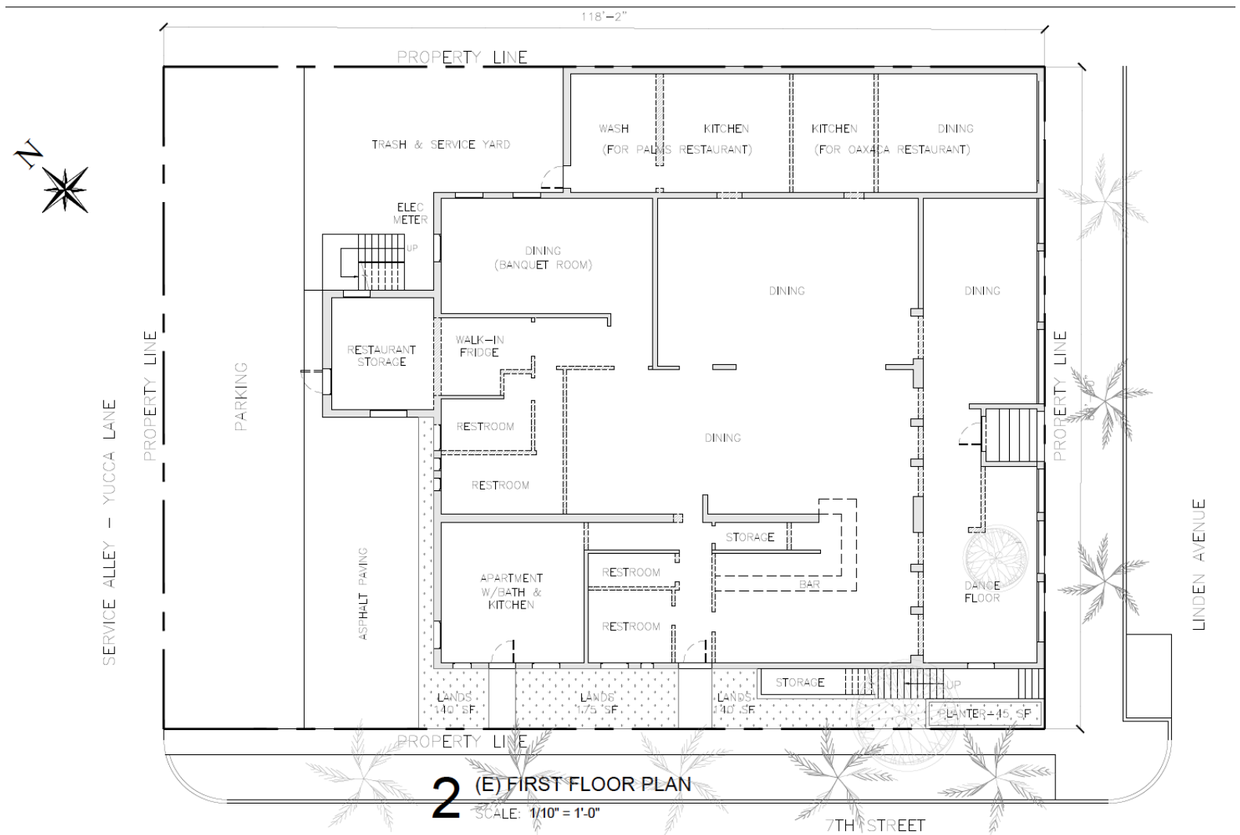
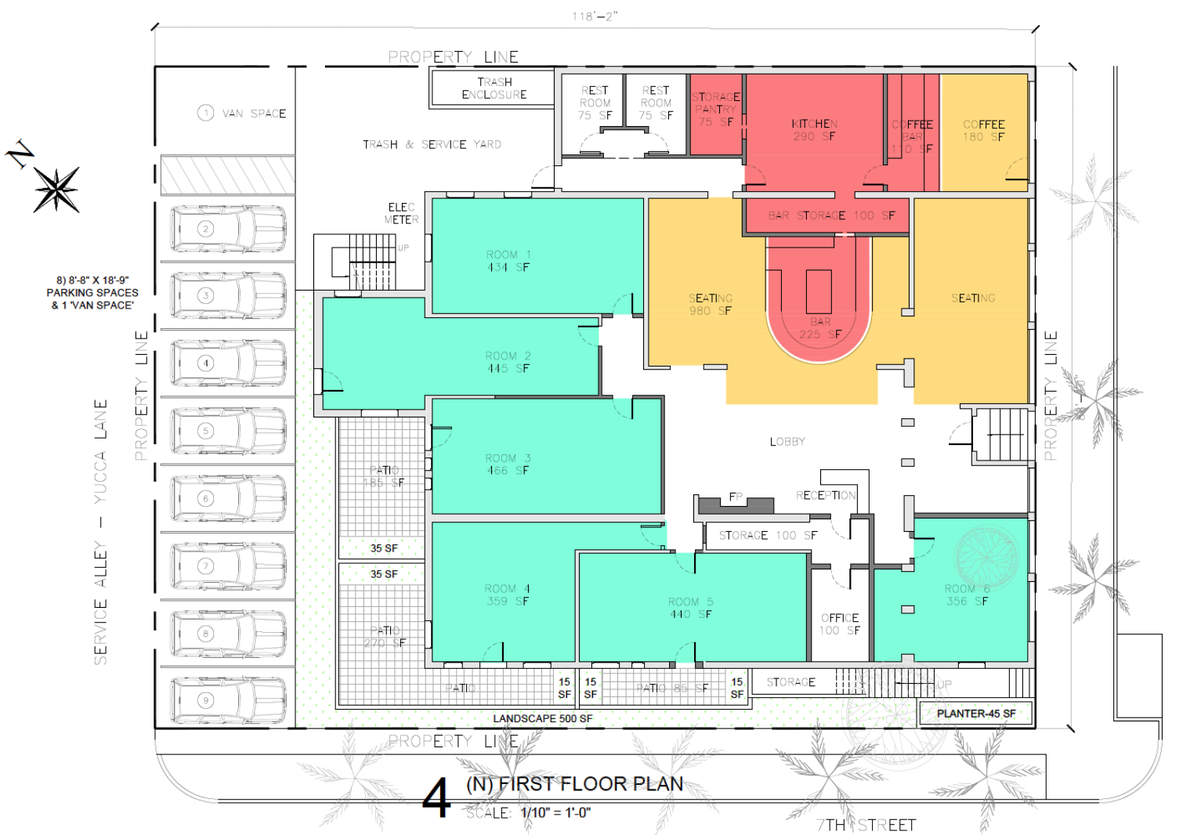
BOUTIQUE HOTEL:
CURRENT FLOOR PLAN

1ST FLOOR CONVERSION



2 (E) FIRST FLOOR PLAN
SCALE: 1/10" = 1'-0"



4 (N) FIRST FLOOR PLAN
SCALE: 1/10" = 1'-0"

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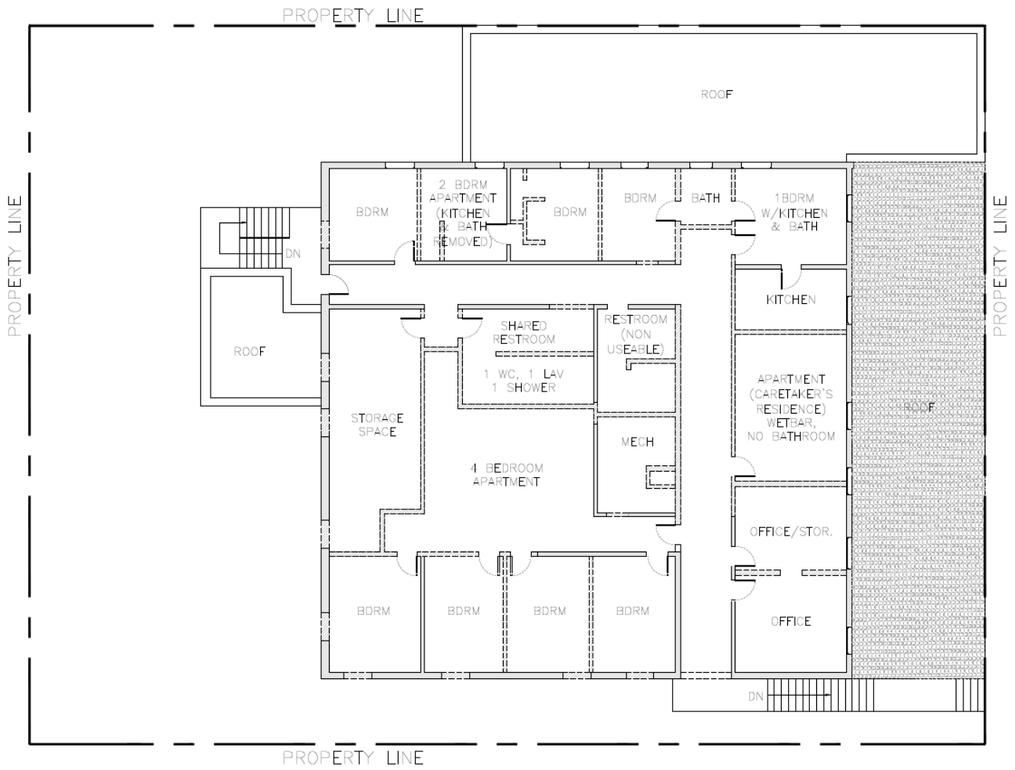
BOUTIQUE HOTEL:
CURRENT FLOOR PLAN

2ND FLOOR CONVERSION



1 (E) SECOND FLOOR PLAN
SCALE: 1/10" = 1'-0"

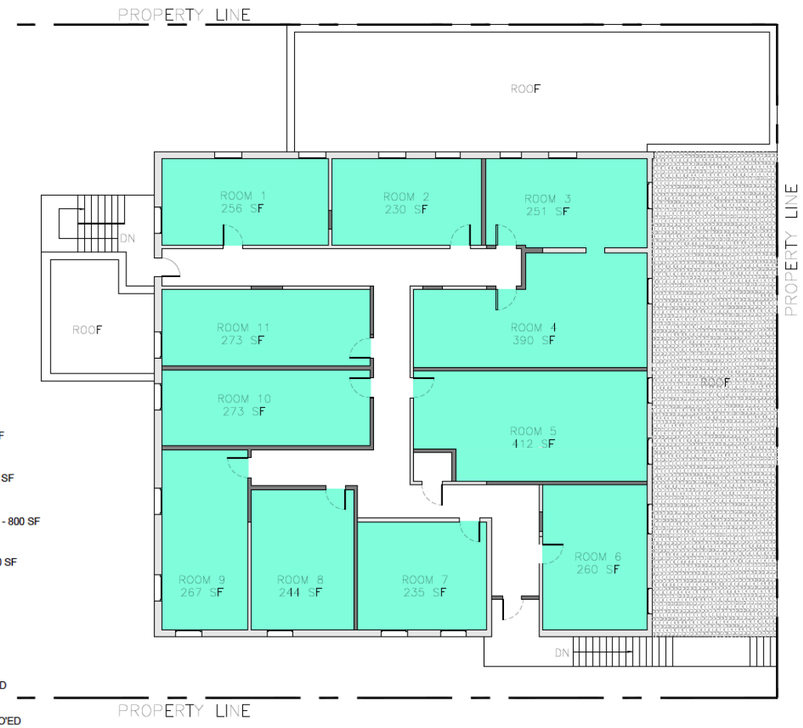
EXISTING SITE COVERAGE
- BLDG FOOTPRINT 6820 SF
- HARDSCAPE 3156 SF
- LANDSCAPE 505 SF

PROPOSED SITE COVERAGE
- BLDG FOOTPRINT 6820 SF
- HARDSCAPE 2945 SF
- LANDSCAPE 660 SF

BLDG AREA
1ST FLOOR
- 6820 SF GROSS
- 6290 SF NET
2ND FLOOR
- 4295 SF GROSS
- 3990 SF NET

LEGEND

- (E) WALLS TO REMAIN
- (N) WALLS
- EXISTING LANDSCAPING - 505 SF
- PROPOSED LANDSCAPING - 660 SF
- CAFE / COFFEE - KITCHEN / BAR - 800 SF
- CAFE / COFFEE - SEATING - 1160 SF
- 17 HOTEL ROOMS - 5850 SF
- ADDITIONAL S.F. AREA - N.A.
- EXISTING WALLS TO BE DEMO'ED
- WINDOWS, DOORS AND BUILT-IN MILLWORK TO BE DEMO'ED
- SD CM SMOKE & CARBON MONOXIDE DETECTORS
- D1 W1 DOOR & WINDOW SCHEDULE KEYS



3 (N) SECOND FLOOR PLAN
SCALE: 1/10" = 1'-0"

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Carpinteria, CA 93013

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"It's time for a new generation now,
and time for somebody to continue on and take it to the next limit."

-Bill Bennett
3rd Generation Palms Owner

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