Crown Lakeville Apartments
Executive Summary
11813 210th St West
Lakeville, MN 55044
December, 2024

www.CrownEq.com
www.TapestryCompanies.com

Property Location and Zoning
The development consists of 9.75-acres including a single-family rental home located directly on County Road 70 (11813 210th Street West). Current Zoning is RH-2 High Density Residential. RH-2 allows a density range of 9-26 units per acre.

Utilities
All utilities are available to the site.

New Road
A new road has been constructed adjacent to the wetlands. This road provides access to the East which facilitates connections with 35W and retail directly north of the property.

Site Characteristics
The site is extensively wooded.

Municipal Entitlements and Closing

April, 2024	Preliminary Plat Resubmittal
September, 2024	Preliminary Plat Approval
TBD	Final Plat Approval

Preliminary Plat Phase Design Documents and Coordination
- Existing Conditions Plan
- Preliminary Site Plan
- Preliminary Plat
- Preliminary Grading Plan
- Preliminary Erosion Control Plan
- Preliminary Utility Plan
- Preliminary Landscape Plan/Tree Replacement Plan
- Preliminary Stormwater Management Report
- Preliminary Street Lighting Plan
- Project Management/Coordination
- Preliminary City Fee Estimate
- Site Plan Renderings
- Presentation graphics

Proposed Development
A total of 182 units are proposed configured in 2 buildings with underground parking.

Community Features
- Community-Wide WiFi
- Business Center
- Clubhouse Lounge
- Fitness Center
- Walking/Biking Trails
- Gameroom
- Media Center/Movie Theatre
- Resort Style Sundeck with Outdoor/Indoor Pool/Spa
- Indoor Pool with Sunroom
- Bicycle Storage
- Conference Rooms
- Desk Space in Unit
- Outdoor Grilling
- Pet Spa
- Dog Park
- Storage Lockers
- Outdoor Courtyard
- Underground Heated Parking
- Window Blinds

Proposed Unit Features
- Nine-foot Ceilings
- Fireplace
- High Speed Internet Access
- Wi-Fi
- Washer/Dryer
- Cable Ready
- Storage Units
- Double Vanities

Kitchen
- Dishwasher
- Ice Maker
- Stainless Steel Appliances
- Island Kitchen
- Eat-in Kitchen
- Microwave
- Oven
- Range
- Refrigerator
- Freezer

Living

- Simulated wood flooring
- Walk-In Closets in 2 Bedroom Plans
- Window Coverings
- Balcony

Architectural Plans-Alternative 1-Approved 2 Buildings

Drawings are in process. Proposed are the following:

- One Bedroom
- One Bedroom/Den
- Two Bedrooms/Den
- Three Bedrooms

Architectural Plans-Alternative 2-1 Building

- Proposed 1 building with 2 levels of parking
- Unit mix consists of smaller flat, 1- and 2-bedroom units
- Enhanced exterior common spaces
- Wetland views from 505 of units
- Architectural plans in process

Energy Standards

All Crown rental developments seek certification based on the Energy Standards, which require the following increased energy efficiency features to implement:

- Lower utility use
- Water efficiency
- Indoor environmental quality
- Building operations, and maintenance

Certification from Energy Star or a similar standard is required to quality for the HUD Green MIP program, which reduces MIP.

Developers are also seeking to create plans and specifications that meet the DOE Zero Energy Ready Multifamily Program.

DOE is finalizing this new ZERH program version that will allow dwelling units in all multifamily residential buildings to qualify for ZERH certification upon release, and to qualify for the 45L tax credit beginning January 1, 2024.

Project Developer
Tapestry is a national developer, manager and owner of assisted living and memory care facilities. An affiliated company, Crown Equities is a national developer and owner of affordable and multifamily market rate housing to include both adaptive reuse and new construction. Principals have completed the development of many rental developments using HUD financing programs.

An affiliate of Crown will provide "turnkey" municipal approvals, site planning and coordinate legal representation.

Appraised Value
JLL completed a land appraisal for National Land Holdings, LLC based on the completion of municipal approvals. The value established from the JLL appraisal is $25,000 per unit with all municipal entitlements.

Financing and Preferred Equity
Proposed financing is the HUD 221d4 program, which provides non-recourse construction and permanent financing. Crown is also in discussions with preferred equity investors to participate in project development and ownership or a sale of the approved property.

The City, Location and Demographics
The City of Lakeville is a suburban community located ten miles south of 494 accessed from I-35. It is situated about twenty miles south of downtown Minneapolis. Lakeville is one of the fastest growing cities in the Twin Cities metro area. Lakeville is considered one of Minnesota's safest cities. The school districts are considered among the best in Minnesota. Lakeville South High School is located approximately 8 minutes from the development. Located in the immediate area are the following:
- Walmart Supercenter
- Aldi
- Emagine Lakeville Movie and Entertainment Center

<u>Located within Close Driving Distance</u>
- Burnsville Mall
- Amazon-Shakopee
- Mall of America
- Mystic Lake Casino
- Minnesota Zoo
- Canterbury Park
- Valleyfair Amusement Park
- Lifetime Fitness
- Lakeville South High School

Population and Household Income

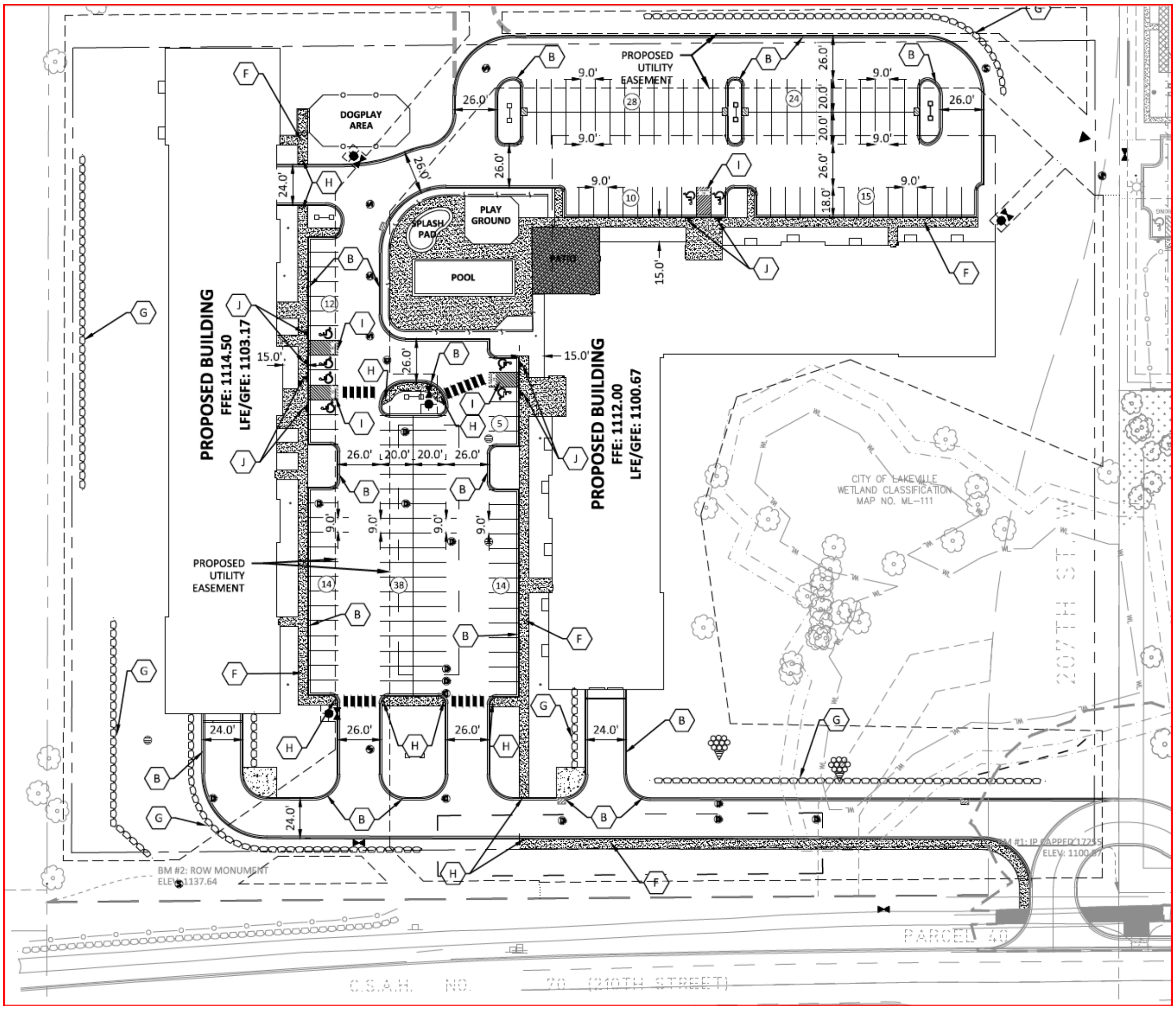
- Population: 67,692
- Median Household Income: $110,075
- Population Change Since 2010: 18,000

- Parks & Recreation
- Substantial natural areas with over1,600 acres of public park and open space
- Bike and walking trails of approximately 118 miles of pedestrian and bike trails

Amazon

Amazon built a massive fulfillment center in Lakeville in 2021 The 750,000-square-foot facility employs hundreds of people and is the largest building in Airlake Industrial Park – five football fields long and 48 feet high.

The Lakeville building will complement Amazon's fulfillment center in nearby Shakopee, which is an even larger 855,000-square-foot facility that opened in 2017. Amazon's Shakopee facility is approximately 25-minutes from the development.


PROPOSED UTILITY EASEMENT
DOGPLAY AREA
SPLASH PAD
PLAY GROUND
POOL
PATIO
PROPOSED BUILDING
FFE: 1114.50
LFE/GFE: 1103.17
PROPOSED BUILDING
FFE: 1112.00
LFE/GFE: 1100.67
PROPOSED UTILITY EASEMENT
CITY OF LAKEVILLE
WETLAND CLASSIFICATION
MAP NO. ML-111
207TH ST. W.
BM #2: ROW MONUMENT
PARCEL 40

Development Team and Entities

Purchase Agreement Contract Holder
National Land Holdings, LLC

Developer
Crown Equities, LLC
www.CrownEq.com
www.TapestryCompanies.com

Attorney
Larkin Hoffman
https://www.larkinhoffman.com

Architect
Distyle Design, Inc.
https://www.distyledesign.com

Civil Engineer
Sambatek
https://www.sambatek.com

Geotechnical
Braun Intertec
https://braunintertec.com

Environmental
Braun Intertec
https://braunintertec.com

Market Feasibility
JLL
https://www.us.jll.com

Land and Stabilized Value Appraisal
JLL
https://www.us.jll.com

Property Tax Forecasts
CBRE
https://www.cbre.com

Solar Consulting Services and Energy Management
Southern Energy Management, LLC
https://southern-energy.com

Resident Submetering Services
JIT Services, LLC
https://www.jitservicesinc.com

Solar Installations
Cedar Creek Energy, LLC
https://cedarcreekenergy.com

1 Bedroom-Den

2 Bedroom and Den

COSTAR INSIGHT

Minneapolis' multifamily market poised for quick recovery amid nation-leading demand

One of the nation's lowest 'years-of-supply' underscores a fast projected rebound in the fundamental landscape

By Brian Anderson
CoStar Analytics
September 30, 2024 | 10:14 A.M.

The Twin Cities multifamily market enters the year's final quarter at an inflection point.

From a demand standpoint, the region is on pace for its second straight quarter of top-five all-time absorption, or the change in occupancy, once again ranking among the strongest nationally. While unprecedented demand over the past six months and receding supply have pushed year-to-date absorption, or the change in occupancy, above net completions for the first time since 2021, the region is still contending with a cumulative supply and demand imbalance of over 8,000 units since the first quarter of 2020.

That is due to four consecutive record-setting years of development that added nearly 50,000 units since the pandemic's onset, a figure that outpaces the total inventory expansion witnessed in the 18 years leading up to the pandemic. The still-elevated vacancy rate underpins considerable oversupply conditions, a noteworthy outlier joined mainly by Sun Belt markets.

In fact, among the 50 largest markets nationally by inventory, Minneapolis is the only Midwest market to rank among the 10 for inventory expansion, supply and demand imbalance and vacancy rate expansion since the first quarter of 2020. Now, as the construction pipeline substantially declines over the next 12 to 18 months, there's one question on the minds of property managers and apartment investors: "How long will it take to fill these new units?"

A "years-of-supply" analysis can be used to estimate how long it will take to absorb recent and upcoming construction, helping contextualize the development risk, and it shows that it may not be as long as many anticipate. The calculation takes the current under-construction stock plus vacancies in apartments built since 2020, divided by the average annual absorption over the past three years in apartments built since 2020.

In this context, Minneapolis' implied 1.9 years of supply ranks fourth lowest among the nation's 50 largest markets, marking a notable shift down the development risk spectrum when accounting for demand-side conditions.

Alternatively, the nine other primarily Sun Belt markets that also rank in the top 10 for the oversupply risk metrics since the pandemic's onset remain at risk of an extended period of recovery according to this analysis. While these markets are witnessing peak completions coinciding with moderating demand, Minneapolis' affordability has been a primary driver of sustained resiliency in demand, reducing the development risk.

With elevated rates and a pullback in construction lending, trailing 12-month construction starts have fallen by over 60% from peak levels to a six-year low. This has cooled the market's under-construction stock from a peak of 19,000 units in early 2023 to 8,500 units currently. CoStar's house view forecast calls for net completions to fall to 9,700 units in 2024, well below last year's tally of 12,000 units.

Looking forward, while subdued urban demand and continued office-using job losses present risks to the downside, strong underlying suburban demand drivers coinciding with a stark slowdown in supply pressure will set the stage for vacancies to tighten below 7% again by the end of 2025 and for rent growth to accelerate thereafter.

https://product.costar.com/home/news/shared/178899313

Oct 7, 2024 -News

Twin Cities expected to see steepest drop in new apartments

- Nick Halter

Largest projected increases and decreases in apartment construction, by U.S. metro area

Completed construction 2019-2023 compared to projected construction 2024-2028

Bar chart showing the largest projected increases and decreases in apartment construction. The 5 U.S. metros with the largest projected increases are Wichita, Kan., Bozeman, Mont., Santa Rosa, Calif., Ocala, Fla., and Albuquerque, N.M. The 5 U.S. metros with the largest projected decreases are Houston, Baltimore, Deltona, Fla., Lexington, Ky. and Minneapolis.

Largest projected increases

Wichita, Kan.
+249.9%
Bozeman, Mont.
+249.6
Santa Rosa, Calif.
+137.3
Ocala, Fla.
+137.2
Albuquerque, N.M.
+136.8

Largest projected decreases
Houston
-33.6
Baltimore
-36.3
Deltona, Fla.

-37.2
Lexington, Ky.
-39.3
Minneapolis
-41.9

Data: RentCafe; Note: Includes apartment constructions with 50 or more units; Chart: Axios Visuals

The Twin Cities is expected to see the biggest decline in apartment construction of any major metro in the country, according to a recent report.

Why it matters: A recent building boom has helped the Twin Cities remain one of the most affordable places to own or rent, and an impending slowdown could threaten that status.

Stunning statistic: Builders are on pace to break ground on about 5,000 apartments in the metro this year, compared to an average of nearly 13,000 per year between 2019 and 2023, according to federal building permit numbers analyzed by Axios.

Zoom in: While higher interest rates have caused a slowdown nationwide, there are several factors at play in the Twin Cities market.

- Developers overbuilt here, particularly in downtown Minneapolis and the southwest suburbs. Developers — and investors — will be reluctant to build more until the new units get filled.

- Some developers have warned that St. Paul's rent control policy and the threat of one in Minneapolis are scaring away investors (though advocates counter that the slowdown also reaches into the suburbs).

What we're watching: One local developer told Axios that the recent cuts to interest rates won't make a difference. Rents will need to increase significantly before developers are willing to spend more.

- Minneapolis-based developer Sean Sweeney posted in August that rents in the city would need to grow "15-20% to justify the cost of new construction."

- Rents will likely start rising to the tune of 3.5% or 4% in the second half of 2025, Brent Wittenberg, Twin Cities apartment market expert with Marquette Advisors, predicted during a May event.

The big picture: RentCafe, which is predicting a 42% drop in new apartments in the Twin Cities, is predicting a nearly 4% decline nationally.