CROWN HOMES of INVER GROVE HEIGHTS

6680 South Robert Trail

Crown Equities
2001 Killebrew Drive
Minneapolis, MN 55425

WWW.CROWNEQ.CO


Coratel Inn & Suites by Jasper Inver Grove...
First Calvary Baptist Church
Lake Cove Village Apartments
Sunfish Lake
Musser Park
494
Southside Baptist Church
Salem Hills Park
Custom Arrangements
Harmon Park
65th St
Lennar at Enclave at Settlers Ridge
Molly Howe Design
6680 S Robert Trail
66th St
Canvas at Inver Grove Heights
Google Earth

PROPERTY LOCATION AND ZONING: The property is a 34-acre land parcel including a single-family rental home located directly on South Roberts Street.

SUMMARY-CITY PLANNING INFORMATION

- Comprehensive plan guides the property for LDR, which is a low-density development of 1 to 4 units/acre
- Southeast corner of the property the site is guided medium density, which is 4-8 units per acre.
- Recent proposal for medium density on the subject property was reviewed. Staff was supportive of increased density because of the constraints of the site
- Staff will support medium density for townhomes
- Property must be rezoned for medium density land use as either R3B or R3C
- All development in the northwest area is approved under the planned unit development (PUD)
- Seller sold a 4.5-acre parcel of land to the City of Inver Grove Height to be used as drainage easement. City will allow the 4.5 acres to be included in meeting green space requirements.
- Estimated municipal approvals can be completed in Q-4, 2022

SITE CHARACTERISTICS: The site is extensively wooded with slopes that will impact the site plan. Based on the topography, Crown is proposing lower density townhomes with walkout features overlooking wetlands. Trees will be retained to the extent possible.

MUNICIPAL ENTITLEMENTS AND CLOSING: Municipal approvals and construction commencement are projected in Q-4, 2022.

PROJECT DEVELOPER: 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 townhome rental projects using HUD financing programs.

PROPERTY MANAGER: Crown Management, LLC will provide leasing and management services.

DEVELOPMENT – RENTAL TOWNHOMES: Crown will utilize its experience in designing and developing the land parcel for approximately 90-rental townhomes. Crown will provide pre-development funding to include coordinating the completion of architectural, civil, mechanical, structural, and electrical plans. The company will coordinate all required third-party reports.

PROPOSED FINANCING AND EQUITY: Proposed financing is a construction loan in conjunction with CPACE to build and stabilize the development. Upon stabilization, the owners will seek a HUD 223f or other long-term permanent financing.

CROWN RENTAL TOWNHOMES - UNIT AMENITIES

- Three-four bedrooms with dedicated office spaces
- Double attached garage accessed from the rear of the building
- Dedicated laundry room with washer and dryer
- Patio & Front Yard
- Full appliances
- WiFi and security systems
- Electronically controlled access
- Wood floors
- Granite countertops
- Nine-foot ceilings

ENERGY STANDARDS: All Crown rental developments seek certification based on the National Green Building Standard (NGBS) or Energy Star, which require the following increased energy efficiency features to implement:

- Lower utility use
- Water efficiency
- Indoor environmental quality
- Building operations, and maintenance
- Certification from NGBS or a similar standard is required to quality for the HUD Green MIP program, which reduces MIP costs.
- Rents are projected to exceed $3,000 per month.

HUD GREEN MIP REDUCTION PROGRAM: In January, 2016, HUD instituted an MIP rate reduction for green housing. Through the "Green MIP Reduction" program, annual MIPs are reduced from 65-70 basis points to 25 basis points for all multifamily FHA-insured loan types on projects that commit to two goals:

- Meet certification through an approved green building standard/rating system
- Achieve and maintain an ENERGY STAR score of 75 or higher

This score shall be initially assessed through a Statement of Energy Design Intent (SEDI), developed by a Qualified Energy Professional.

ENERGY SAVING BUILDINGS

- Solar panels on the flat roof
- TPO roofing system
- Utility use is continually analyzed to verify the project energy savings

EXTERIOR FEATURES

- Central green spaces
- Playground
- Walking paths and sitting areas
- Dedicated wetlands
- City Park

UTILITIES AND OPERATING COSTS: All utilities, internet and cable or satellite are tenant paid.

ACCOUNTING, OPERATIONS AND MARKETING: Management utilizes the integrated multifamily property management Yardi software for the following functions:

- Yardi Multifamily Suite
- Property Management & Accounting
- Asset Management
- Digital Marketing Agency
- Leasing & Resident Services
- CRM
- Call Center
- Payment Processing
- Renters Insurance & Deposit
- Resident Screening
- Revenue Management
- Utility Billing
- Procure to Pay
- Construction Management
- Budgeting & Forecasting
- Market Data
- Document Management
- Learning Management

RENTAL MARKET-COSTAR

Crown Townhomes are the only townhome product in the market area that provide a fourth bedroom and double attached garages. Occupancy for stabilized 3-bedroom competitive properties in the primary market area exceed 97%.

CoStar Minneapolis-St. Paul Overview

Though recovery has been slow-moving compared to other major U.S. metros, the Twin Cities multifamily market has shown remarkable resilience in the face of an unprecedented confluence of challenges: the COVID-19 pandemic, social unrest, and an unrelenting supply wave. Fueled by robust household formation and the overall lack of available for-sale housing inventory, the Twin Cities' apartment market saw record demand formation in 2021. Annual net absorption, which measures the difference between move-ins versus move-outs, eclipsed 11,500 units, more than double the market's previous all-time high posted in 2019 and almost four times the Twin Cities' historical annual average

Minneapolis' historic demand formation has coincided with a banner year of development. Approximately 9,600 units delivered in 2021, and while this figure narrowly outstrips the Twin Cities' previous annual record posted in 2020, it is about 70% higher than the pre-pandemic peak set in 2018 and roughly doubles the market's 10- year annual average. In terms of net deliveries as a percentage of existing inventory, Minneapolis finished 2021 in the top six among the 50 other markets in the United States with at least 75,000 units of stock.

Despite the metro's unprecedented supply wave, for the first time since 2017, annual demand outpaced net deliveries in 2021, compressing Minneapolis' overall vacancy rate by more than 50 basis points from the market's all-time apex reached at the end of 2020.

However, with demand outpacing supply by over 3,000 units in aggregate since the onset of the pandemic, the metro's current overall vacancy rate of 5.9% remains inflated by more than 100 basis points relative to the five- year pre-pandemic average.

On the back of the Twin Cities' unprecedented demand and tightening vacancy rates, annual rent growth reached a 20-year high at the end of 2021, with apartment asking market rents in Minneapolis growing 3.5% on a year-over-year basis. While this figure is approximately 100 basis points higher than the Twin Cities' 10-year average annual rent growth, it markedly trails the U.S. average year-over-year increase of 11.4% in 2021. Considering Minneapolis did not have any rent growth in 2020, its worst year in over a decade, combined with the Twin Cities' average annual rent growth outperforming the U.S. average by roughly 40 basis points in the four years leading up to the pandemic, 2021's rent performance seems less impressive.

The Twin Cities' seemingly ever-expanding supply pipeline will continue to weigh on the metro's rent performance. With approximately 15,000 units currently under construction (near an all-time high), and CoStar's Base Case scenario projecting Minneapolis' net deliveries to outpace demand formation by nearly 2,000 units overall in 2022, moderate rent growth is anticipated. According to CoStar's Base Case forecast, Minneapolis' annual rent growth is projected to contract by nearly 50 basis points from 2021 to just over 3.0% by the end of 2022, which is expected to rank last among all major markets for the second consecutive year.

Weighing further on the metro's rent growth in the second half of 2022 and beyond is the recently passed rent control policy in the city of St. Paul, which is set to take effect in May and will make the state capital of Minnesota the first Midwest city to enact rent control policies. The new ordinance, arguably the most stringent in the entire country, caps annual rent increases for all rental housing at 3%, regardless of year built, size, occupancy, or inflation.

Even though supply pressure exists across Minneapolis' downtown, urban and suburban submarkets alike, the impacts are not felt equally among landlords. The Twin Cities' shifting apartment demand drivers initially brought about by the confluence of the pandemic and social unrest are holding firm. As the renter pool continues to seek more affordable rent, safer neighborhoods, and larger spaces to accommodate additional remote activities, suburban apartment performance is still markedly outperforming its downtown and urban counterpart.

The Twin Cities' robust job growth, record demand formation, tightening vacancy, and strong rent growth witnessed in 2021 underpin bullish market sentiment within the metro's multifamily capital markets sector. Minneapolis apartment sales volume reached an all-time high in 2021, more than doubling the metro's 10-year annual average. In fact, the $2.4 billion that traded hands last year exceeds the Twin Cities' previous annual record posted in 2017 by more than 50% and ranks in the top 30 nationally.

The Twin Cities metro is home to 16 Fortune 500 companies, the highest concentration per capita nationally, which is a primary reason the region consistently ranks among the best in the nation regarding workforce educational attainment, labor force participation rate, and unemployment rate. Thanks to its stable, diverse economy, the Twin Cities multifamily market sustained nearly a decade-long stretch of strong demand and tight vacancy rates leading up to the onset of the COVID-19 pandemic. However, the pandemic has weakened segments of the economy and shifted demand drivers for apartment properties.

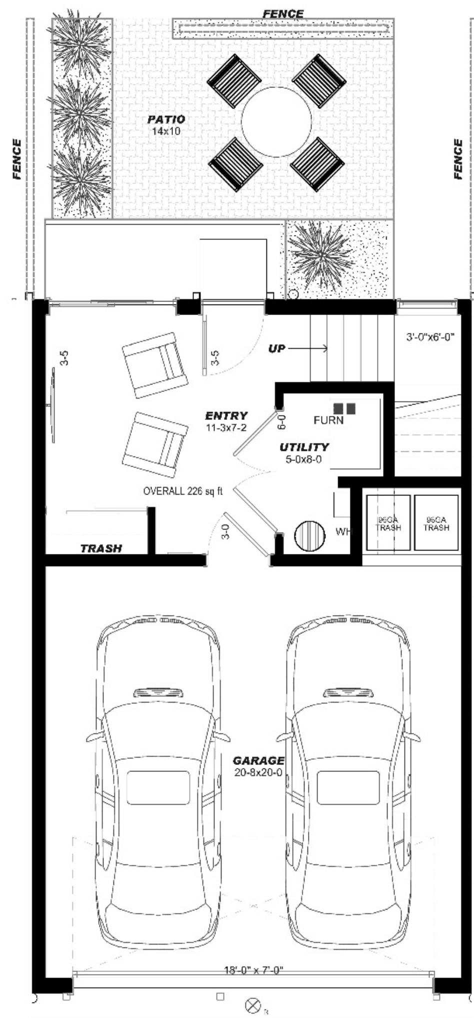
As Minneapolis-St. Paul begins to emerge from the pandemic, stagnant population, and workforce growth, which have lagged other major U.S. markets since 2019, present the most significant constraints to multifamily demand. As of December 2021, the Twin Cities' unemployment rate had fallen to 2.8 percent, roughly 150 basis points below the national average and among the lowest of all major U.S. metropolitan areas. Despite still recovering job losses, such a tight labor market has created workforce shortages in the Twin Cities.

Compounding the metro's labor force concerns is the metro's population loss over the first 12 months of the pandemic, marking the first year in more than two decades of resident decline in the Twin Cities, according to the most recent data obtained from the U.S. Census Bureau. The region's population loss from July 2020 through June 2021 was entirely driven by the metro's two urban counties, Hennepin, and Ramsey, as these were Minneapolis' only two counties to lose residents over this time frame. These two counties, home to the Twin Cities of Minneapolis and St. Paul, registered a combined loss of nearly 22,100 residents, outpacing the growth witnessed in the metro's 14 other suburban and exurban counties by roughly 1,900 residents, or 0.1%. Moreover, according to the U.S. Census Bureau's American Community Survey, Minneapolis' forecasted five-year change in the prime renter cohort of 20- to 34-year-olds is virtually flat. Only a handful of major metros, such as Detroit and Baltimore, come in lower.

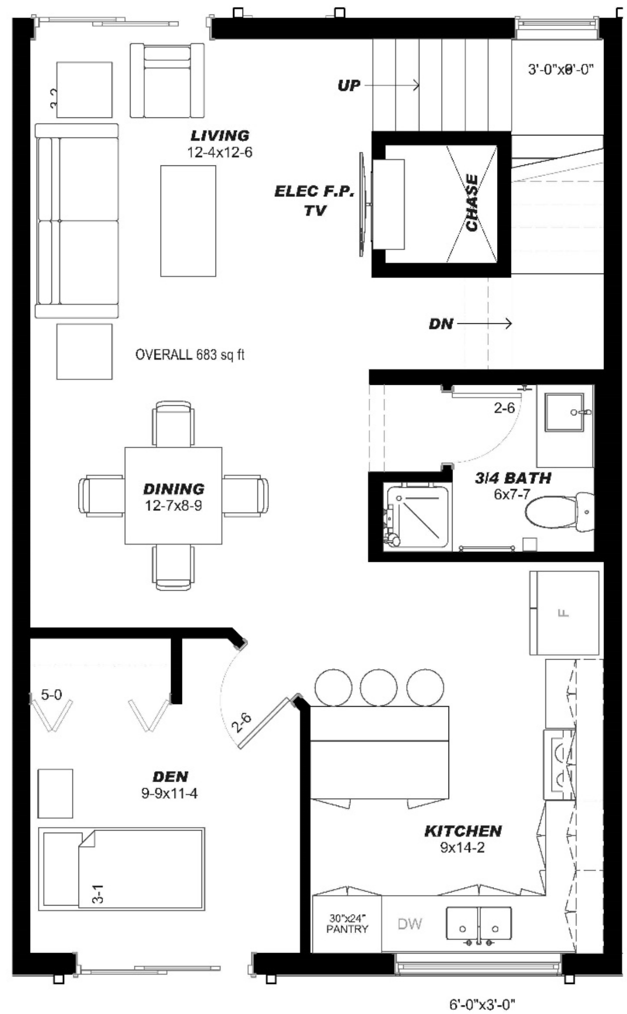
Another pertinent demand driver for apartments relates to the current lack of affordable single-family homes for sale in the Twin Cities, forcing high-income households to rent. Rising single-family home prices, fueled by robust demand and near historical low inventory levels, should continue to bolster demand for the Twin Cities apartment market. According to data obtained from Minneapolis Area Realtors (MAR), as of January 2022, the metro's monthly supply of single-family homes for sale was down 20.0% year over year to just 0.8 months, well below the five to six months typically seen in a balanced market. As a result, the median sales price increased 10.4% year over year to $332,250, near an all- time high for the Twin Cities metro. According to a recent study done by the Minnesota Population Center analyzing U.S. census data of the nation's 56 largest metropolitan areas, the housing shortage in the Twin Cities is now the worst in the nation, topping even high- demand metros such as Los Angeles, Seattle, Denver, and Austin. With exorbitant construction costs, supply chain constraints, and sustained depressed mortgage rates, historically low levels of homes for sale are likely to continue for the foreseeable future, providing strength to the Twin Cities' apartment leasing environment.

The City, Location and Demographics

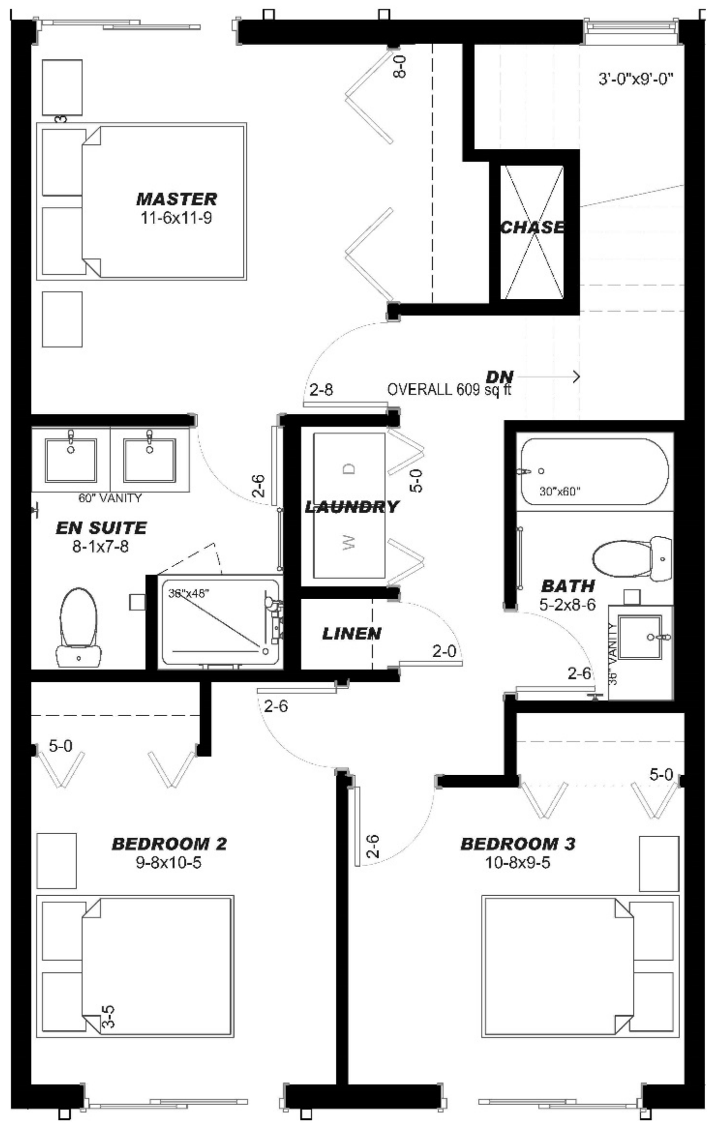
Inver Grove Heights is a city in Dakota County, Minnesota, United States. The population was 35,801 at the 2020 census. The city was formed on March 9, 1965, with the merger of the village of Inver Grove and Inver Grove Township. It is one of 186 cities and townships in the seven-county Minneapolis-Saint Paul metropolitan area. Inver Grove Heights is 9 miles southeast of Saint Paul and within 15-minutes from Minneapolis-St. Paul International Airport. Inver Grove Heights is located within the16th-largest metropolitan statistical area in the country and third-largest metropolitan area in the Midwest, with a population of 3,690,261 at the 2020 census.



FIRST FLOOR PLAN



SECOND FLOOR PLAN



THIRD FLOOR PLAN