

# Crown Lakeville Townhomes Executive Summary

11813 210th St West Lakeville, MN 55044

December, 2023

[www.CrownEq.com](http://www.CrownEq.com) [www.tapestryseior.com](http://www.tapestryseior.com)





### **Property Location and Zoning**

The development is comprised of 2 adjacent land parcels with a total of 12.65 acres.

#### Parcel 1

Parcel 1 consists of 9.75-acres including a single-family rental home located directly on County Road 70 (11813 210<sup>th</sup> Street West). Current Zoning is RH-2 High Density Residential. RH-2 allows a density range of 9-26 units per acre.

#### Parcel 2

Parcel 2 is 2.9 acres that was purchased to add storm water ponding to increase the overall project density and provide access to the east. The land seller completed a road that connects easterly to Keokuk and Interstate 35W.

### **Utilities**

All utilities are available to the site.

### **Municipal Entitlements and Closing**

Jan-23 Sketch Plan Application  
Jan-23 Sketch Plan Comments from City  
Mar-23 Sambatek-Preliminary Plans and Plat Application Submittal  
Mar-24 Preliminary Plat Approval  
May-24 Final Plat Approval  
Oct-24 HUD Closing

### **Preliminary Plat Phase Design Documents and Coordination**

- Existing Conditions Plan
- Preliminary Site Plan
- Preliminary Plat (budget provided separately w final 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 80-100-townhomes are proposed.

### **• Rental Townhomes Standard Features**

- Private entry
- Three-four bedrooms with 2 ½ baths
- Townhomes are configured as 4-unit or 5-unit buildings
- Double car garages accessed from front
- EV chargers
- Additional storage in garages
- Rear yards with patios or decks
- Hardwood floors throughout
- Nine-ten-foot ceiling heights
- First floor space can function as bedroom, family room, or office
- Fireplace
- Energy star appliances
- Granite counters in kitchen and granite vanities in baths
- Window Blinds
- Garage bicycle storage
- Dedicated laundry room with washer-dryer and storage
- Central air conditioning
- High speed internet, cable, or satellite access
- Remote accessibility for security, door locks, and smart thermostats
- Electronic maintenance requests, and rental payments

### **Kitchen**

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

### **Community Building Features**

- Business Center
- Clubhouse Lounge
- Fitness Center
- Media Center/Movie Theatre
- Resort Style Sundeck with Outdoor Pool/Spa

## **Community Features**

- Walking trails
- Dog park
- Wetland views

## **Rental Townhomes Energy Efficient Features**

All Crown rental developments attempt include solar panels installed on flat energy efficient white roofs made of TPO or PVC material. Flat roofs optimize the use of solar panels and increase energy efficiency. All developments seek certification based on the National Green Building Standard (NGBS), or Energy Star, which require the following increased energy efficiency features:

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

Certification from the National Green Building Standards (NGBS), Energy Star or a similar standard is required to qualify for the HUD Green Mortgage Insurance Premium program, which reduces MIP costs.

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, and to qualify for the 45L tax credit beginning January 1, 2024.

## **Inflation Reduction Act and 45L Credits**

The 45L tax credit is \$1,000 for dwelling units that are part of a building eligible to participate in the EPA's ENERGY STAR Multifamily New Construction Program. Projects are required to be certified to applicable ZERH program requirements, unless the project meets prevailing wage requirements, in which case the 45L tax credit is \$5,000 per dwelling unit. The amended 45L tax credit applies to qualified energy efficient homes acquired after December 31, 2022, and before January 1, 2033, for use as a residence during the taxable year. As the project budget includes prevailing wages, the property is eligible for approximately \$450,000 in gross credits.

## **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 with an approved green building standard/rating system
- Achieve and maintain an ENERGY STAR score of 75 or higher

### **Solar-Submetering and Master Metering**

Developers have received proposals from Cedar Creek Energy and are considering operating as the utility for all residents. Cedar Creek Energy is a Minnesota solar energy company that designs, installs, and maintains sun-powered solar systems that give commercial and residential property owners optimal payback, energy security, and clean energy.

Utility submetering is the implementation of meter systems that allows the operator of a multi-unit property to bill each unit for individual utility usage through the installation of additional meters behind a utility meter.

Submetering can be managed by a third-party entity that does not produce electricity, gas or water but resells utilities to the customers behind the utility meter. Utility submetering can also be the installation of an additional meter on the customer side of a utility meter to obtain data about a specific end use or uses inside a facility. Utilities may install these meters on specific appliances as part of utility-managed interruptible service rates or demand response.

Submetering differs from master-metering, where a landlord purchases energy at a commercial customer rate and then sub-meters electricity to tenants at a residential or smaller commercial rate.

In Minnesota, a public utility and the Public Service Commission cannot limit the availability of submetering to a building occupant when the building is served by a public utility's master meter which measures the total electric energy delivered to the building (Minn. Stat. §216B.022).

<https://www.ncsl.org/energy/utility-submetering>

### **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, National Land Holdings, LLC will provide "turnkey" municipal approvals, site planning and coordinate legal representation.

### **Appraised Value**

JLL has been retained to complete a land appraisal by National Land Holdings, LLC based on the completion of municipal approvals.

## **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.

## **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
- Imagine Lakeville Movie and Entertainment Center

### Located within Close Driving Distance

- Amazon-Shakopee
- Mall of America
- Mystic Lake Casino
- Minnesota Zoo
- Canterbury Park
- Valleyfair Amusement Park
- Lifetime Fitness

### Population and Household Income

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

### Parks & Recreation

- Substantial natural areas with over 1,600 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.

## **Development Team and Entities**

### **Purchase Agreement Contract Holder**

National Land Holdings, LLC

### **Developer**

Crown Equities, LLC

[www.CrownEq.com](http://www.CrownEq.com)

[www.TapestrySenior.com](http://www.TapestrySenior.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**

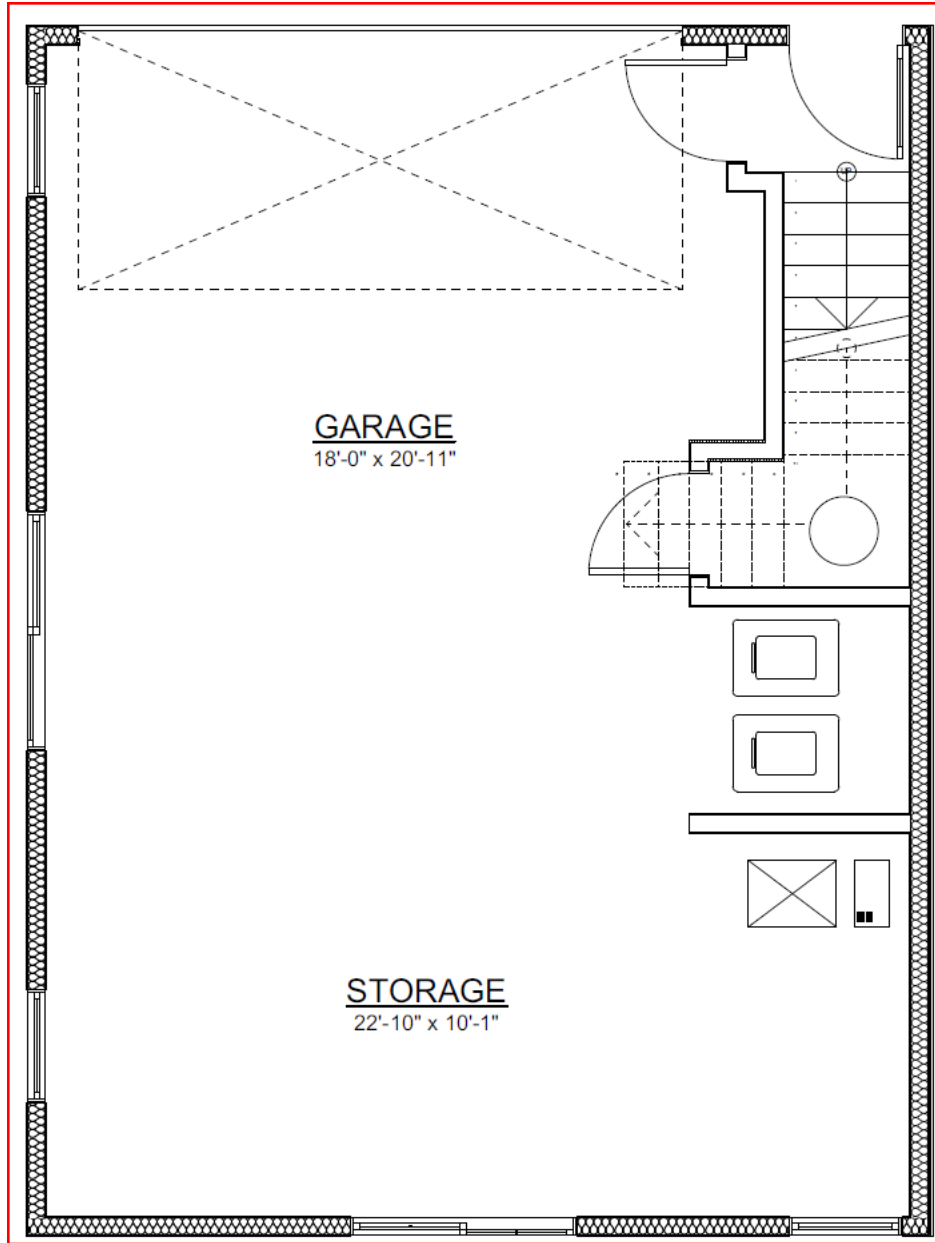
JIT Services, LLC

<https://www.jitservicesinc.com>

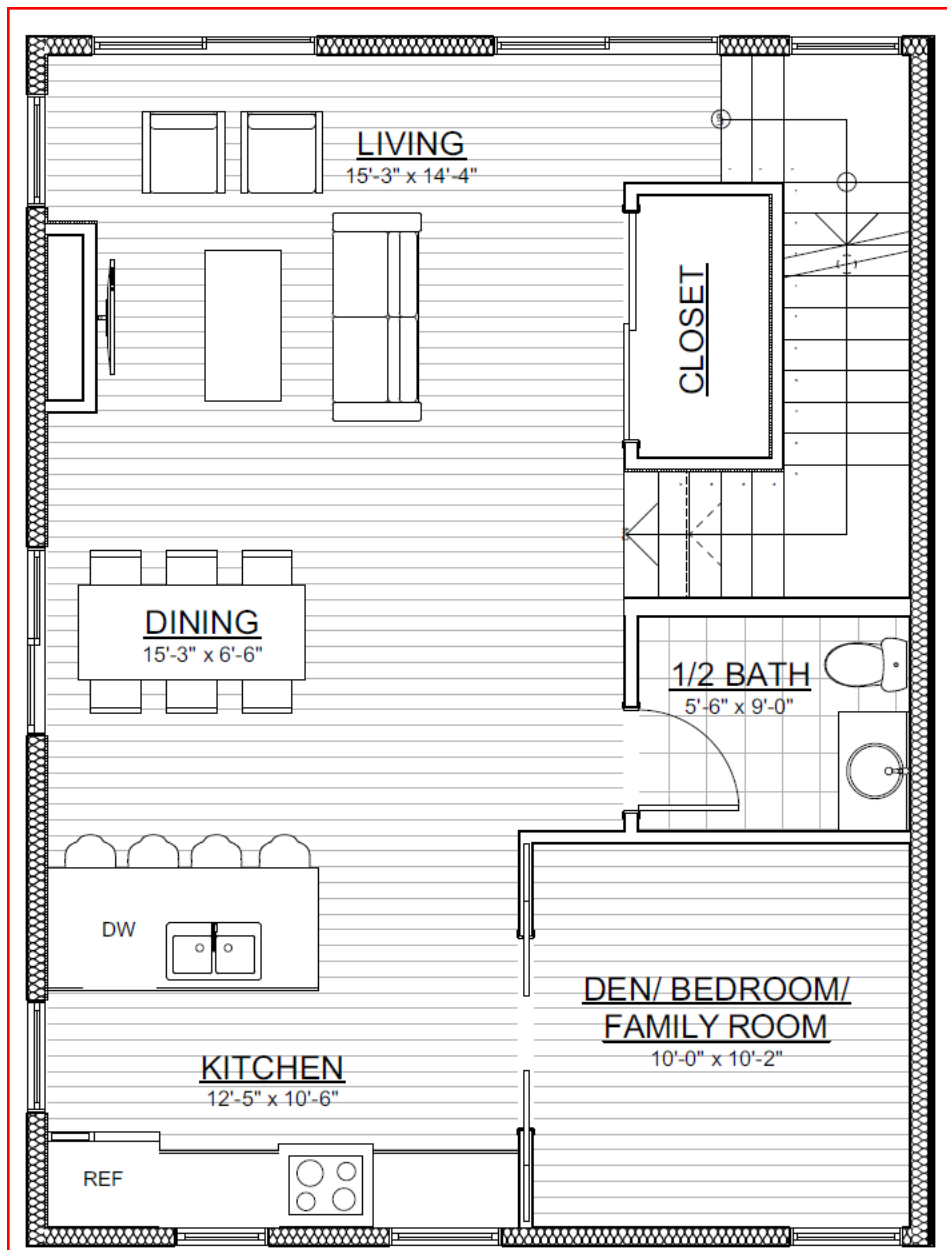
**Solar Installations**

Cedar Creek Energy, LLC

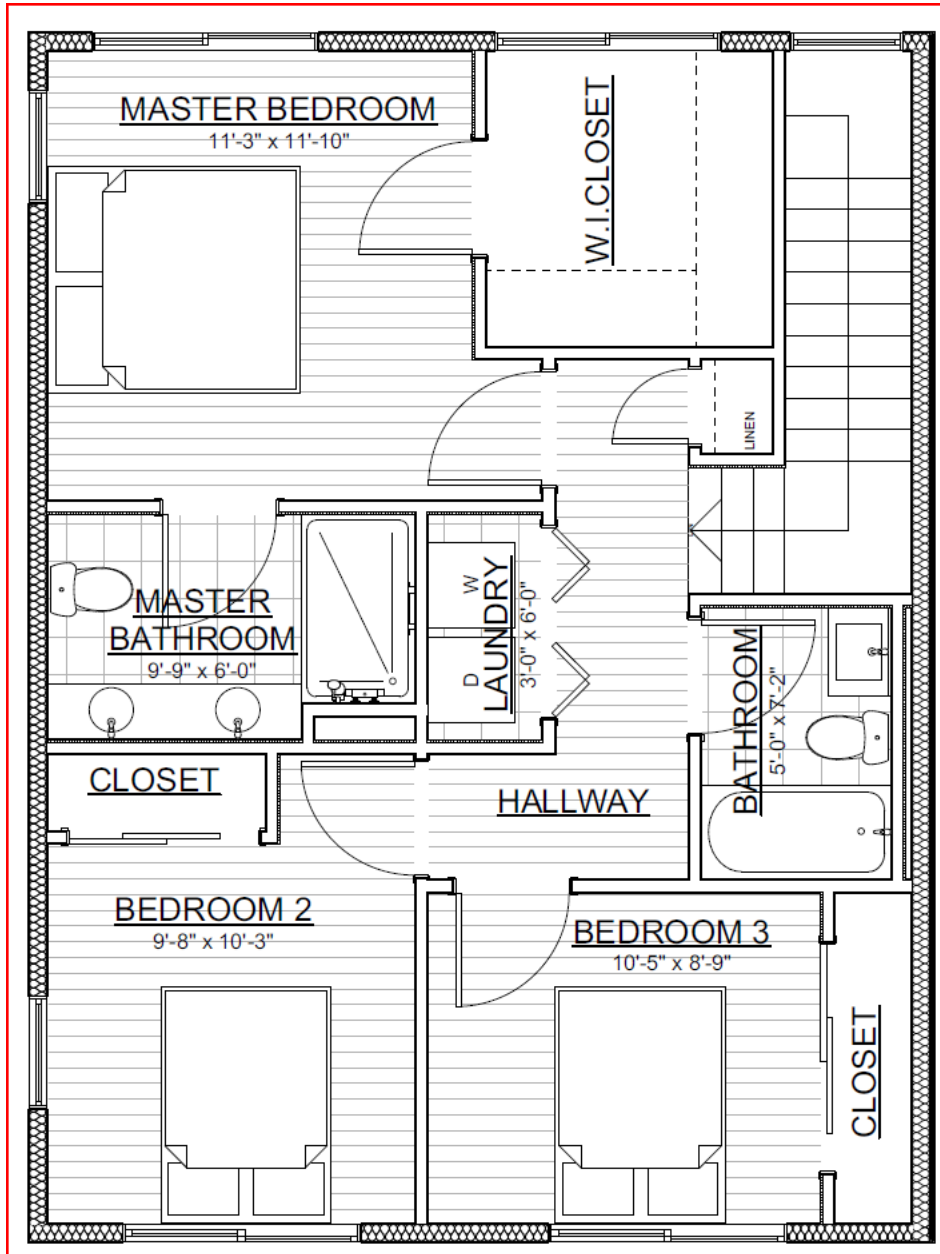
# Unit Plans



Entry-Garage-Storage



**Floor 2-Living**



**Floor 3 Bedrooms**

## Articles-Build for Rent

### **Built-to-rent housing is on the rise in the Twin Cities**

The Twin Cities area is among the top metros in the U.S. building the most single-family homes for rent.

#### **Why it Matters**

[Built-to-rent housing](#) offers a new home with property management perks, and without the need for a down payment or long-term commitment, *Axios'* Felix Salmon reports.

#### **What's Happening**

Those houses have found a growing demand among [would-be buyers](#) who can't afford — or find — a single-family home, as well as those opting not to buy for lifestyle reasons, Doug Ressler of real estate research firm Yardi Matrix tells Axios.

#### **Activity**

The metro area has 623 [single-family rentals](#) under construction, per a recent report from listing service RentCafe. That puts it among the top 20 nationwide for built-to-rent construction.

#### **Twin Cities**

The Twin Cities' outer suburbs are a [prime spot for those rentals](#), with more zoned land and big employers, says Ressler, a senior research officer at Yardi Matrix, which provides data for RentCafe.

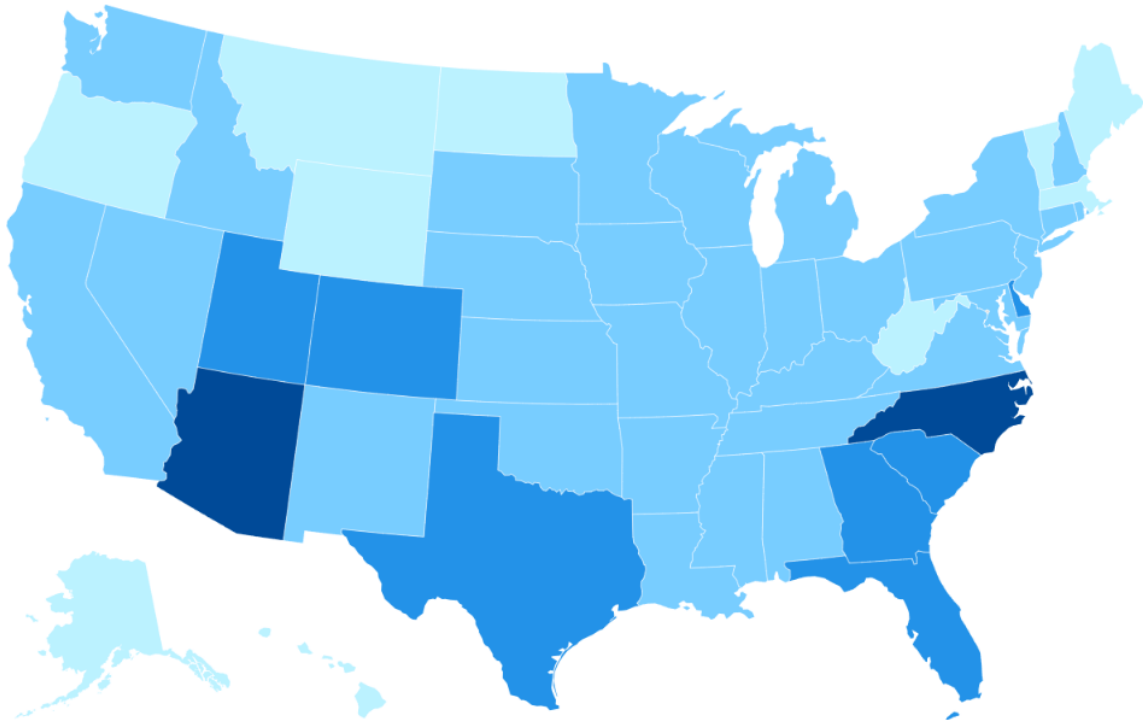
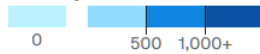
Eden Prairie-based Integrate Properties is developing 180 built-to-rent homes in Albertville and Victoria, offering a pool, dog park, clubhouse and homes that range from about 1,300 to 3,000 square feet, the firm's owner Ian Peterson tells Axios.

#### **Resident Profile**

The properties have proved particularly appealing to three types of people, says Peterson: empty nesters (who are especially interested in snow removal and lawn care services), millennials and those who relocate to the area for work.

## Single family built-to-rent units planned or under construction, per million residents

As of May 15, 2023



Data: National Rental Home Council, U.S. Census Bureau; Chart: Thomas Oide/Axios

**By the numbers:** In Minnesota, there are 212 built-to-rent units planned or under construction per million residents, according to the National Rental Home Council.

- Nationwide, the average is 345.

**Between the lines:** [Inventory levels](#) of local homes for sale keep sliding. While [Twin Cities homebuilding](#) picked up in May, it still lagged this time last year, per Housing First Minnesota.

**Zoom out:** "Built-to-rent housing is quickly emerging as an essential, and highly desirable, sector of America's housing market," says David Howard, CEO of the National Rental Home Council.

<https://www.axios.com/local/twin-cities/2023/07/01/minnesota-built-to-rent-housing>

## **New Developments of Upscale Rental Homes Growing in Twin Cities Area**

It is part of a larger national trend of high-end, lease-only communities with rent payments of up to \$4,500 — and a list of luxurious amenities.

By **Erin Adler** Star Tribune 7/27/23

<https://www.startribune.com/upscale-rental-homes-catch-on-in-twin-cities-metro-area/600185458>

## **Build-To-Rent Home Project Underway in Maple Grove From PCCP, Sotarra, the Business Journal reported earlier this year.**

<https://www.bizjournals.com/twincities/news/2022/09/16/company-single-family-rental-maple-grove.html>

Many would-be homeowners in the Twin Cities are being sidelined by a nation-leading shortage of housing that is pushing median prices to record highs.

However, now an influx of newly built rental communities is providing an alternate path for people to get into single-family homes. In exchange for a monthly rent commensurate with a mortgage payment, residents receive their own four walls, an attached garage and even a yard they don't have to mow.

In the Twin Cities, over 500 units of built-to-rent homes spread over eight developments are either completed, under construction or have gained municipal council approval.

Nationwide, 49,000 single-family rentals were started last year, compared to 14,000 in 2009, according to Census Bureau New Residential Construction data. Even though that only accounts for 4% of all housing construction, single-family rentals are fast becoming a vital opportunity for people looking to graduate from an apartment, young families seeking enrollment at desirable school districts or even downsizing empty nesters.

The build-to-rent charge is being led locally by Wheaton, Ill.-based Watermark Equity Partners. Since building out its first Twin Cities project, a 66-unit development in Maple Grove, Watermark has gone on to develop additional communities in Eagan, Inver Grove Heights, Plymouth and Woodbury.

Cory Hausladen, a development manager at Watermark's Twin Cities office, said resident demographics are wide ranging, -and the developments benefit the broader community because renters eventually buy homes in the area since their kids are already enrolled in schools there.

However, it's not always easy to get neighbors behind the idea. Ian Peterson, president of Eden Prairie-based Integrate Properties, previously served as director of operations at Watermark. Now he's developing two single-family rental communities of his own: a 66-unit project in Albertville called Preserve and Rolling Hills South, a 110-unit project in Victoria

Peterson said he invests a lot of time up front to educate city staff, planning commissions and city councils on what the communities really are.

"Typically, when you take a rental community into a city, they have preconceived notions of, 'Great, we're going to have 70 people living here and multiple families in one unit, and cars up on blocks and things like that,' "

Peterson said.

Data from the Harvard Joint Center for Housing Studies may help to dispel the worries of local policy makers and suggests built-for-rent developments are family-friendly.

According to its April report, 39% of households in new single-family rentals had children, compared with only 14% of households in multifamily units. Occupants of new single-family rentals also have a median household income of \$77,000, compared with \$42,000 for all renter households. Owners of new single-family homes have a median income of \$114,000.

### **Increased competition**

While such developments are on the rise, a true boom in single-family rental projects has yet to hit the Twin Cities in the way it has in metro areas like Dallas, central Florida and Phoenix. That could change as single-family development behemoths Lennar Corp. and D.R. Horton Inc. pledge billions of dollars into the rental platform.

In a late-2020 conference call outlining its commitment to investing in built-to-rent developments, D.R. Horton President and CEO David Auld said, "A large percentage of the population in the U.S. is never going to own a home, as sad as that is to say."

Even with the threat of increased competition from established, national homebuilders, Peterson isn't worried about his developments being overshadowed. He calls the current crop of projects in the Twin Cities A+ communities, meaning they're highly amenitized to include clubhouses, pools, workout facilities, dog parks and walking trails.



On top of all that, maintenance is handled by property managers. "Everything down to your furnace filter and water softeners are taken care of every month," he said.

Hausladen also said Watermark's properties are differentiated by their quality. "We're putting in high-end finishes like granite countertops and smart home technology. All of those things you want when you're going to look for a house."

### **What's next**

Even as single-family developments begin to dot the Twin Cities, the area will never see the levels of development being felt in the Sun Belt, said Matt Mullins, vice president of Golden Valley-based real estate consulting firm Maxfield Research.

"In the Twin Cities, we're producing barely anything in ... single-family built-for-rent or even town-home rentals, for that matter," Mullins said.

He attributes that to high barriers of entry, such as regulatory and permit fees, that when added together limit the metro area's capacity for scaling on the same level.

Mullins is still hoping to see much more development in the sector but isn't holding his breath until a national builder moves in to do it cheaper.

"Unfortunately, it's a product type that's really in the South, where it's flourishing the most right now," he said.

Now that built-to-rent developments have a proven track record, institutional investors are diving in as the single-family rental sector balloons.

In the third quarter of last year, investors scooped up a whopping 18% of all homes listed for sale in the U.S., accounting for \$64 billion in transactions, according to data from Redfin. In the Twin Cities, that amounted to \$1 billion across 1,849 homes sold, roughly one out of every 10 home sales.

Looking ahead, though, investors may find greater returns in single-family rental developments due to their efficiencies in building and maintenance. Institutional investors with scattered site rentals need to hop in the car and drive to every location to perform maintenance, something that can be done just by walking at a Watermark development, Hausladen said.

With projects dotting the northwest and southeast metro, Peterson anticipates the next batch of developments to reach the north or northeast metro, or as far south Prior Lake.

## **BY THE NUMBERS**

The map and information below show single-family rental developments in the Twin Cities that have gained municipal approval, are under construction or are completed. It does not include attached town home communities.

### **1. Canvas at Inver Grove Heights**

City: Inver Grove Heights  
Address: South Robert Trail and 70th Street  
Units: 120  
Bedrooms: 2 to 5  
Square footage: 842 to 2,966  
Price per month: Yet to be set  
Completion date: Early 2022  
Developer: Watermark Equity Group  
Site size: 33 acres

### **2. Rolling Hills South**

City: Victoria  
Address: 10580 Victoria Drive  
Units: 110  
Bedrooms: 2 to 5  
Square footage: 1,300 to 3,000  
Price per month: \$2,500 to \$4,100  
Completion date: First homes available January 2023  
Developer: Integrate Properties  
Site size: 30 acres

### **3. Canvas at Woodbury North**

City: Woodbury  
Address: Southwest of Hudson Road and east of Manning Avenue South  
Units: 91  
Bedrooms: 3 to 5  
Square footage: 1,200 to 2,966  
Price per month: \$2,400 to \$4,150  
Completion date: Expected spring 2024  
Developer: Watermark Equity Group  
Site size: 26 acres

#### **4. Canvas at Woodbury**

City: Woodbury

Address: 4644 Oak Point Lane

Units: 81

Bedrooms: 3 to 5

Square footage: 1,500 to 2,966

Price per month: \$3,124 to \$3,909

Completion date: First homes in fall 2022, final in fall 2023

Developer: Watermark Equity Group

Site size: 23 acres

#### **5. The Preserve at Albertville**

City: Albertville

Address: 50th Street between Main Avenue and County Road 19

Units: 70

Bedrooms: 2 to 5

Square footage: 1,500 to 2,173

Price per month: \$2,500 to \$4,000

Completion date: First homes available May 2022

Developer: Integrate Properties

Site size: 20 acres

#### **6. Mills Creek**

City: Maple Grove

Address: 8601 Goldenrod Lane N

Units: 66

Bedrooms: 2 to 4

Square footage: 1,000 to 1,600

Price per month: \$1,800 to \$2,300

Completion date: May 2020

Developer: Watermark Equity Group

Site size: 15 acres

#### **7. Edgewater on Cook Lake**

City: Maple Grove

Address: Between 73rd Avenue North and Brockton Lane North

Units: 58

Bedrooms: 2 to 4

Square footage: 1,200 to 1,765

Price per month: Average \$3,000

Completion date: Construction has yet to begin

Developer: Excelsior Group

Site size: 19 acres

### **8. Beacon Ridge**

City: Plymouth  
Address: 5305 Fountain Lane N  
Units: 37  
Bedrooms: 2 to 5  
Square footage: 1,500 to 3,200  
Price per month: Average \$4,000  
Completion date: June 2021  
Developer: Watermark Equity Group  
Site size: 15 acres

### **9. Summerwell**

10339 Orchard Lane North  
Maples Grove, MN  
Units: 220  
Bedrooms: 2-4  
SF-1,200-3,000  
Rent: \$2,704 - \$3,756  
Completion Date: 2024  
Developer: Greystar  
<https://www.summerwellmaplegrove.com>

### **10. Olive Lane Townhomes**

17610 102nd Pl N, Maple Grove, MN 55311  
Units: 136  
Bedrooms: 2-4  
SF: 1,390-2,462  
Rents: 2,725-\$4,850  
Completion Date: 2/2024  
Developer: Excelsior Investments LLC  
Site size: 53.53 acres  
<https://www.olivelanetownhomes.com>

