

HOMETOWNE STUDIOS

715 KIPLING STREET, LAKEWOOD, CO 80215

INI THE NEWELL TEAM



Confidential Offering Memorandum

PINNACLE
REAL ESTATE ADVISORS

HOMETOWNE STUDIOS

715 Kipling Street
Lakewood, CO 80215

Table of Contents

Executive Summary

Financial Analysis

Sales Comparables

Location Overview

INVESTMENT CONTACTS

Josh Newell, Owner/Principal
303.962.9559 | JNewell@PinnacleREA.com

Lindsey Santaularia, Director of Team Operations
303.962.9573 | LSantaularia@PinnacleREA.com



One Broadway, Suite A300
Denver, Colorado 80203
303.962.9555
www.PinnacleREA.com



EXECUTIVE SUMMARY



Property Overview

HomeTowne Studios

715 Kipling Street, Lakewood, CO 80215

Rooms:	147
Year Built/Renovated:	1971/2019
List Price:	\$11,500,000
Price/Room:	\$78,231
Price/SF:	\$143.53
Building Type:	Brick
Building Size:	80,120 SF
Lot Size:	2.37 Acres
Roof:	Flat w/ Mansard (2017)
Zoning:	C-R
Heating:	Hot Water Boilers (2022)
Parking:	1.01 Spaces/Room

Property Features

- Excellent Conversion Opportunity to Multifamily
- Located in an Opportunity Zone
- Recent Capital Improvements Include Newer Boiler & Roof
- Priced Below Comparable Properties & Replacement Cost
- Good Mix of Studios, 1Bd/1Ba & 2Bd/1Ba Units
- Walk to Public Transportation, Restaurants, Retail and Places of Employment
- One Mile to Oak Street Light Rail Station
- Less than One Mile to Denver Federal Center, a 600 Acre, 4.1m SF Office/Research Campus
- Quick Access to US Hwy 6, Downtown Denver & Rocky Mtns



Exterior Photos



Interior Photos



Interior Photos



FINANCIAL ANALYSIS



Unit Mix

Unit Type	Units	% Total	Average Unit SF	Total SF	Nightly Rent	Monthly Rent	Rent/SF	Annual Rent	Apartment Avg Rent	Apartment Monthly Rent	Apartment Rent/SF	Apartment Annual Rent
Studio	87	59.18%	300	26,100	\$65	\$172,006	\$6.59	\$2,064,075	\$975	\$84,825	\$3.25	\$1,017,900
1 Bed 1 Bath	46	31.29%	575	26,450	\$69	\$96,543	\$3.65	\$1,158,510	\$1,250	\$57,500	\$2.17	\$690,000
2 Bed 1 Bath	14	9.52%	650	9,100	\$73	\$31,086	\$3.42	\$373,030	\$1,475	\$20,650	\$2.27	\$247,800
Total	147	100.00%	419	61,650	\$67	\$299,635	\$4.86	\$3,595,615	\$1,109	\$162,975	\$2.64	\$1,955,700



3 Year Cash Flow

	Trailing 12 Months	Year 1	Year 2	Year 3
Gross Potential Rent	\$3,595,615	\$3,595,615	\$977,850	\$1,955,700
Vacancy/Collection Loss	(\$1,583,532)	(\$1,583,532)	(\$48,893)	(\$97,785)
Total Rental Income	\$2,012,083	\$2,012,083	\$928,958	\$1,857,915
Damages	\$2,012	\$2,012	\$0	\$0
No Show Fees	\$19,211	\$19,211	\$0	\$0
Laundry Income	\$2,204	\$2,204	\$6,174	\$12,348
Cancellation Fees	\$35,757	\$35,757	\$0	\$0
Utility Billback	\$0	\$0	\$52,920	\$105,840
Misc Income	\$72,848	\$72,848	\$8,820	\$17,640
Total Other Income	\$132,032	\$132,032	\$67,914	\$135,828
EFFECTIVE GROSS INCOME	\$2,144,115	\$2,144,115	\$996,872	\$1,993,743
Property Taxes	\$104,729	\$132,728	\$70,000	\$72,100
Insurance	\$95,616	\$95,616	\$75,000	\$75,000
Gas & Electric	\$106,097	\$106,097	\$60,000	\$120,000
Water & Sewer	\$67,605	\$67,605	\$35,000	\$70,000
Trash	\$9,588	\$9,588	\$9,000	\$18,000
Maintenance & Repairs	\$97,647	\$97,647	\$40,425	\$80,850
Supplies	\$50,038	\$50,038	\$0	\$0
Payroll/Contract	\$601,764	\$601,764	\$180,000	\$180,000
Telephone/Internet/Cable	\$58,979	\$58,979	\$0	\$0
Management Fee	\$94,706	\$94,706	\$29,906	\$57,076
Legal & Professional	\$61,340	\$61,340	\$10,000	\$20,000
Franchise Fee	\$102,636	\$102,636	\$0	\$0
Administrative	\$102,584	\$102,584	\$36,750	\$36,750
Advertisement	\$8,884	\$8,884	\$24,000	\$6,000
TOTAL EXPENSES	\$1,562,213	\$1,590,212	\$570,081	\$735,776
% Total Income	72.86%	74.17%	57.19%	36.90%
\$ / Unit	\$10,627	\$10,818	\$3,878	\$5,005
\$ / SF	\$29.54	\$30.06	\$10.78	\$13.91
Net Operating Income	\$581,902	\$553,903	\$426,790	\$1,257,967
Annual CAP Rate		4.82%	3.71%	10.94%
Debt Service - 1st Mortgage		(\$804,375)	(\$858,564)	(\$912,752)
Debt Coverage Ratio		0.69	0.50	1.38
Net Cash Flow		(\$250,472)	(\$431,773)	\$345,215
Annual Cash On Cash Return		-4.34%	-7.48%	5.98%
Capital Improvements (Loan Draws)		(\$3,333,334)	(\$1,666,667)	

Assumptions

Year 1:

Income

- 57% Occupied as Extended Stay Business Operations Continue Through End of Year 1
- Apartment Renovation/Conversion Begins on 43% of (Vacant) Units

Expenses

- Taxes: 2023 Estimated Commercial Rate
- Other Expenses Remain as Extended Stay Business Operations Continue Through End of Year 1
- Capex/Reserves: \$3,333,334
- 20% of Apartment Units Rent Ready at End of Year 1

Year 2:

Income

- Extended Stay Business Operations Cease
- Apartment Renovation/Conversion Begins on Other 57% of (Prior Extended Stay) Units
- 50% Apartment Occupancy
- 5% Vacancy/Collection Loss on the Occupied Apartment Units

Expenses

- Taxes Changed to Residential Rate
- Apartment Insurance Policy – Buckner Estimate
- Gas & Electric, Water/Sewer, Trash, Operational Maintenance & Repairs & Operational Legal Decreased Due to 50% Vacancy
- Operational Payroll at 100% Capacity During Lease Up
- 3% Management Fee
- Heavy Advertising Expense During Lease Up
- Capex/Reserves: \$1,666,667
- 100% of Units Rent Ready at End of Year 2

Year 3:

Income

- 100% Occupied
- 5% Vacancy/Collection Loss
- \$60/Unit/Month Utility Billback
- \$10/Unit/Month Miscellaneous Income
- \$7/Unit/Month Laundry Income

Expenses

- Typical Annual Apartment Expenses For Asset Type, Size & Unit Mix
- Taxes Increased 3%

Pricing Summary & Assumptions



Marketing Details		Returns		Apartment Exit Price Details	
List Price:	\$11,500,000	IRR - Leveraged	20.90%	Exit Price	\$19,933,934
List Price/Room:	\$78,231	IRR - Unleveraged	11.82%	Exit Price/Unit:	\$135,605
List Price/SF:	\$143.53			Exit Price/SF:	\$248.80
Renovation Cost:	\$5,000,000				

Loan Details			Reversion Value: Year 3	
Construction Loan:	\$10,725,000	65% LTC	Year 4 NOI (3% Increase)	\$1,295,706
Equity Required:	\$5,775,000	35% LTC	Exit CAP Rate	6.50%
Interest Rate:	7.50%		Exit Price	\$19,933,934
Term/Amortization:	5 Years	18 Months I/O	Less: Selling Expense	(\$250,000)
Monthly/Annual Payment:	\$67,031	\$804,375	Gross Sale Proceeds	\$19,683,934
			Ending Loan Balance:	(\$8,936,410)
			<u>Net Proceeds</u>	\$10,747,524

*Debt Quote Provided by Bank of Denver

Discounted Cash Flow Analysis		Year 1	Year 2	Year 3
IRR - Leveraged Cash Flow	(\$5,775,000)	(\$250,472)	(\$431,773)	\$11,092,739
IRR - Unleveraged Cash Flow	(\$11,500,000)	(\$2,779,431)	(\$1,239,876)	\$20,941,901

SALES COMPARABLES



Hospitality Comparable Sales

Best Western Plus
4590 Quebec St, Denver



Number of Rooms:	194
Year Built:	1974
Sale Price:	\$25,950,000
Sale Date:	8/18/2023
Price/Room:	\$133,763
Price/SF:	\$188.45

Stay Inn
12033 E 38th Avenue, Denver

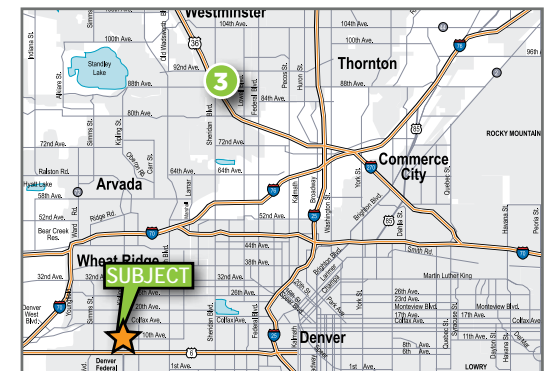
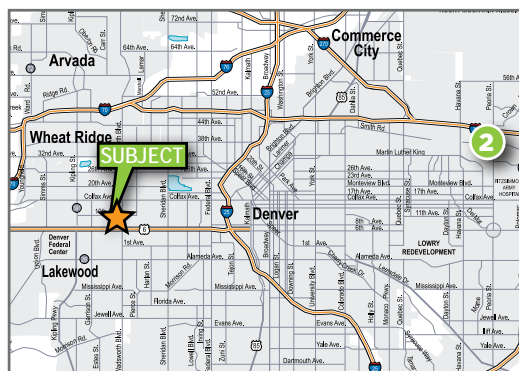


Number of Rooms:	95
Year Built:	1978
Sale Price:	\$9,000,000
Sale Date:	8/11/2023
Price/Room:	\$94,737
Price/SF:	\$315.79

Hampton Inn
5030 W 88th Place, Westminister



Number of Rooms:	106
Year Built:	1998
Sale Price:	\$11,000,000
Sale Date:	7/7/2023
Price/Room:	\$103,774
Price/SF:	\$215.69



Apartment Comparable Sales

The Atrium

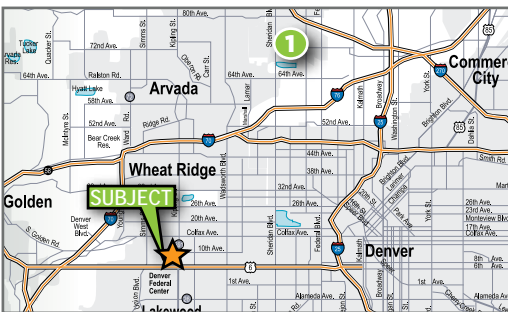
6980 Stuart Street, Westminister

1



Number of Units:	112
Year Built:	1974
Sale Price:	\$18,500,000
Sale Date:	3/23/2023
Price/Unit:	\$165,179
Price/SF:	\$278.48

Unit Mix:	
97	1Bd/1Ba
13	2Bd/1Ba
2	3Bd/1Ba



The Villas at Gage Pointe

8805 E 12th Avenue, Denver

2



Number of Units:	83
Year Built:	1973
Sale Price:	\$13,325,000
Sale Date:	6/6/2023
Price/Unit:	\$160,542
Price/SF:	\$236.42

Unit Mix:	
8	Studio
75	1Bd/1Ba



The Loop at Lamar Station

1450 Lamar Street, Lakewood

3



Number of Units:	138
Year Built:	1971
Sale Price:	\$26,650,000
Sale Date:	7/28/2023
Price/Unit:	\$193,116
Price/SF:	\$264.28

Unit Mix:	
19	Studio
88	1Bd/1Ba
29	2Bd/1Ba
2	3Bd/1Ba



LOCATION OVERVIEW



Location Overview



POPULATION

2 mile	46,586
5 mile	314,510
10 mile	1,059,022



HOUSEHOLDS

2 mile	20,787
5 mile	129,877
10 mile	460,172



AVERAGE HH INCOME

2 mile	\$90,949
5 mile	\$98,293
10 mile	\$107,159

Location Overview



HomeTowne Studios

DENVER FEDERAL CENTER

The Denver Federal Center campus encompasses approximately 600 acres and currently includes 4.1 million square feet of office and research space in approximately 44 buildings with over 6,000 employees within 28 federal agencies. The Denver Federal Center was originally acquired by the United States government in 1941 and was used as an arms manufacturing facility during World War II. Since that time, the campus has been converted to nonmilitary uses. In 2007 the General Services Administration (GSA) received approval of an Environmental Impact Statement (Master Site Plan) for the property.



GSA

28

FEDERAL AGENCIES

44

BUILDINGS

6,000

EMPLOYEES





St. Anthony Hospital



St. Anthony Hospital provides the expertise you need to manage your health and wellness.

St. Anthony Hospital is a full-service, acute care hospital and Level I Trauma Center located in Lakewood, Colorado. A primary receiving center for the region's most seriously ill and injured patients, it is the headquarters for Flight For Life® Colorado, an international model for air and ground transport services.

St. Anthony Hospital was created as a true healing environment—a place that nurtures the well-being of patients, guests and associates. It started as a dream of the Sisters of St. Franci. The hospital was opened in 1892 and dedicated on June 13, 1893. St. Anthony Hospital moved to its eco-conscious Lakewood campus in 2011. Today, this state-of-the-art facility, its patient-oriented processes, and advanced technology support physicians and associates across multiple award-winning areas of care.

Highlights of St. Anthony North Health Campus include 60,000 square feet of integrated physician clinics for both primary and specialty care, ambulatory surgery center, birthing center with private birthing suites, level III Trauma Center with 24/7 emergency services, 100 inpatient beds and outpatient diagnostics center with lab and imaging services.

St. Anthony believes that the best health care is designed with you in mind. They work hard to provide you with resources and solutions for every step in your health journey.

Offering Next Level Care in the Following Specialties:

- Spiritual Care
- Quality & Patient Safety
- Patient Rights & Policies
- Patient Privacy
- Billing & Financial Services
- Advance Directives



Location Overview

LAKWOOD

Encompassing approximately 44 square miles in Jefferson County, Lakewood sits between the Rocky Mountains and the heart of Denver. As the 5th largest city in Colorado by population, Lakewood is a key component of the 7 county Denver-Aurora-Lakewood Metropolitan Statistical Area. Surrounded by several major universities and research facilities, including the world renowned Colorado School of Mines, Lakewood has one of the most highly educated workforces in the country with 36% of residents holding a bachelor's degree or higher. The city has dedicated more than 7,100 acres to parks and open space, with approximately 200 miles of hiking and biking trails.

Lakewood has also become a hotbed for employment in the aerospace, financial services, technology firms and government sectors with corporations such as 1stBank, The Integer Group, and HomeAdvisor holding large employment centers in Lakewood. Government is Lakewood's most dense employment sector, largely due to the presence of the Denver Federal Center. Home to employees from 26 different Federal agencies, Lakewood boasts the largest concentration of federal agencies outside of Washington D.C. The city also hosts employment concentrations in the mining/oil and gas/energy related, medical device manufacturing, and renewable energy sectors. Recently, Denver's RTD program has made a concerted effort to bring light rail to Denver's west suburbs.

Lakewood has become the beneficiary of the RTD W Line which opened in 2013, giving significant boost to local business and commuters living in the city.



Location Overview

OPPORTUNITY ZONES

715 Kipling Street is located in an “**Opportunity Zone.**” Opportunity Zones were enacted as part of the 2017 tax reform package (Tax Cuts and Jobs Act) to address uneven economic recovery and persistent lack of growth that have left many communities across the country behind. In the broadest sense, the newly enacted federal Opportunity Zone (OZ) program provides a federal tax incentive for investors to invest in low-income urban and rural communities through favorable treatment of reinvested capital gains and forgiveness of tax on new capital gains.

In Colorado, Opportunity Zones may help address a number of challenges:

- Promoting economic vitality in parts of the state that have not shared in the general prosperity over the past few years
- Funding the development of workforce and affordable housing in areas with escalating prices and inventory shortages
- Funding new infrastructure to support population and economic growth
- Investing in startup businesses that have potential for rapid increases in scale and the ability to “export” outside the state of Colorado
- Upgrading the capability of existing underutilized assets through capital improvement investments

This economic and community development tax incentive program provides a new impetus for private investors to support distressed communities through private equity investments in businesses and real estate ventures. The incentive is deferral, reduction and potential elimination of certain federal capital gains taxes. U.S. investors currently hold trillions of dollars in unrealized capital gains in stocks and mutual funds alone—this is a significant untapped resource for economic development.



Opportunity for Investors

The Opportunity Fund creates an additional incentive to invest in communities by deferring and possibly eliminating the capital gain tax on long-term investments. Some investors have a social investment drive – they want their capital to improve communities they know and love. Volatility in the stock-market has many investors sitting on unrealized capital gains; they can transfer these into Opportunity Funds putting the full value of the capital gain to work.

Benefits of an Opportunity Zone Investment:

- 1. Deferral.** No up-front tax bill on the rolled-over capital gain and investors can defer their original tax bill until the earlier of a) December 31, 2026 or b) the sale of the Opportunity Zone investment
- 2. Reduction of tax on the rolled-over capital gain investment for long-term holding.**
 - A 5 year holding increases the rolled-over capital gains basis by 10%
 - A 7 year holding increases the rolled-over capital gain investment basis 5% for a total of 15%
- 3. Tax-free appreciation.** If an Opportunity Fund investment is held for 10 years, the taxpayer pays no capital gains tax on appreciation

Source: Colorado Office of Economic Development and International Trade (Jan 2019)

Disclaimer

This confidential Offering Memorandum, has been prepared by Pinnacle Real Estate Advisors, LLC (“Pinnacle REA”) for use by a limited number of qualified parties. This Offering Memorandum has been provided to you at your request based upon your assurances that you are a knowledgeable and sophisticated investor in commercial real estate projects and developments. Pinnacle REA recommends you, as a potential buyer/investor, should perform your own independent examination and inspection of the property located at 715 Kipling Street in Lakewood, Colorado (the “Property”) and of all of the information provided herein related to the Property. By accepting this Offering Memorandum, you acknowledge and agree that you shall rely solely upon your own examination and investigation of the Property and you shall not rely on any statements made in this Offering Memorandum or upon any other materials, statements or information provided by Pinnacle REA or its brokers.

Pinnacle REA makes no guarantee, warranty or representation about the completeness or accuracy of the information set forth in this Offering Memorandum. You are responsible to independently verify its accuracy and completeness. Pinnacle REA has prepared the information concerning the Property based upon assumptions relating to the general economy, its knowledge of other similar properties in the market, and on other market assumptions including factors beyond the control of the Pinnacle REA and the Owner of the Property. Pinnacle Real Estate Advisors make no representation or warranty as to either the accuracy or completeness of the information contained herein, and the information set forth in this Offering Memorandum is not intended to be a promise or representation as to the future performance of the Property. Although the information contained herein is believed to be accurate, Pinnacle REA and the Property Owner disclaim any responsibility or liability for any inaccuracies. Further, Pinnacle REA and the Property Owner disclaim any and all liability for any express or implied representations and warranties contained in, or for any omissions from, the Offering Memorandum and for any other

written or oral communication transmitted or made available to you. Pinnacle REA shall make available to you, as a qualified prospective investor, additional information concerning the Property and an opportunity to inspect the Property upon written request. This Offering Memorandum and the contents are intended to remain confidential except for such information which is in the public domain or is otherwise available to the public. By accepting this Offering Memorandum, you agree that you will hold and treat Offering Memorandum in the strictest confidence, that you will not photocopy or duplicate it, or distribute it. You agree you will not disclose this Offering Memorandum or its contents to any other person or entity, except to outside advisors retained by you and from whom you have obtained an agreement of confidentiality, without the prior written authorization of Pinnacle REA. You agree that you will use the information in this Offering Memorandum for the sole purpose of evaluating your interest in the Property. If you determine you have no interest in the property, kindly return the Offering Memorandum to Pinnacle REA at your earliest convenience.

Investment Contacts:

Josh Newell, Owner/Principal
303.962.9559 | JNewell@PinnacleREA.com

Lindsey Santaularia, Director of Team Operations
303.962.9573 | LSantaularia@PinnacleREA.com



INVESTMENT CONTACTS

Josh Newell
Owner/Principal
303-962-9559
JNewell@PinnacleREA.com

Lindsey Santaularia
Director of Team Operations
303-962-9573
LSantaularia@PinnacleREA.com