DWELLING PLACE OF GRAND RAPIDS
REAL ESTATE DEVELOPMENT AND ASSET MANAGEMENT COMMITTEE
December 9, 2019
Committee Approved January 13, 2020

MEMBERS PRESENT Juan Daniel Castro, Rich Kogelschatz, George Larimore, Mike McDaniels

MEMBERS ABSENT Mike DeVries

STAFF PRESENT Jessica Beeby, Chris Bennett, Kim Cross, Rebecca Long, Scott Page, Zoe Post, Steve Recker, Dennis Sturtevant, Stephen Wooden

The meeting was convened at 11:37 AM by Mr. Kogelschatz.

APPROVAL OF MINUTES **Minutes of the Dwelling Place RED & Asset Management Committee meeting of November 11, 2019 were approved by motion of George Larimore, supported by Juan Daniel Castro and carried unanimously.**

3RD QUARTER MFI Ms. Long presented third quarter MFI numbers; additional comments and notable items discussed are as follows:

Net Cash Flow as % of GPI: Overall decreased (Q2 5.74% to Q3 4%) and is significantly lower than Midwest peers (17%). These numbers are due to real estate taxes paid for a majority of properties during this quarter.

Operating Expenses as % of GPR less DSC: Increased from previous quarter (Q2 87% to Q3 91%) and higher than Midwest peers (74%). This was affected by real estate taxes, flooring replacement at BSP, elevator maintenance at Goodrich, water main break repairs at Peterlien, and incorrect billing at Roosevelt.

Vacancy as % of GPR: Overall performing well with outliers due to long referral processing times caused by GRHC staffing changes, and units held for Ferguson transfers. Better than the Midwest average (4.4%) and improved from Q2 (2.96%) to Q3 (2.67%).

Collection Rate: Overall increased slightly (Q2 92% to Q3 93%), which is below the Dwelling Place threshold (95%) but higher than Midwest peers (88%). Rates were affected by affordable properties where tenants consistently pay late.

Debt Service Coverage Ratio: Decreased (Q2 2.05 to Q3 1.89) due to taxes paid and is in line with last year's numbers (1.78).

Turnover (Annualized): Overall turnover has remained consistent and is comparable to Midwest peers (18% vs. 16%). Several properties not meeting the threshold had more move-outs than the previous year, including some resident deaths.

Average Days Vacant: Portfolio average increased (Q2 47 days to Q3 52 days) due to rehabbing some Grandville homes, holding units for Ferguson transfers, and GRHC referral delays. Other properties had several unit turns in the first quarter but have improved in the second and third quarters. Portfolio performed better than Midwest peers (59 days).

Economic Vacancy: Overall improved (Q2 4.8% to Q3 4%). Ms. Long explained that unlike other metrics, economic vacancy accounts for total bad debt and vacancy against total gross potential rent. To address similar disparities in the portfolio averages caused by variation in the size of the properties, next year Ms. Long will calculate other metrics to account for total units (rather than averaging averages).

Tenant Receivables: A correction was made to New Hope Homes (10%, not 11.2% is correct); overall improvement from last quarter (Q2 2.2% to Q3 1.9%).

Recertification: Overall, numbers improved from 2018, but most properties did not meet the threshold (30 days prior to the due date for properties with a subsidy and 15 days prior for those without), and 4 properties went past the recertification due date. This is largely due to receiving information late from MSHDA.

NOI to Budget: The portfolio NOI to budget number was corrected from 92% to 80%. Properties exceeding 100% of the budget provided by the finance department include BSP (flooring replacement), Peterlien (water main break), Roosevelt (incorrect billing).

Curb Appeal: The consistency of this metric is improving, however, there remains some subjectivity in the evaluations and not all properties are reviewed every quarter. Staff are working to develop better training and tools to ensure this metric is reliable.

16TH & RIVER HOLLAND LOT

A vacant lot in Holland opposite Midtown on 16th St. is available for a purchase outright. If acquired, the lot could be added to the development with First UMC or added to the CLT, though there are no concrete plans at this time. After some discussion, a **motion to approach Scott Weirda with a purchase option and to pursue acquisition of these properties directly was made by George Larimore, seconded by Mike McDaniels, and carried unanimously.**

CLT UPDATE

The committee received a memo outlining the work completed for the CLT and a list of tasks yet to do. After some discussion, the committee requested a final —or nearly final—business plan to review at the January meeting in order to make an official recommendation on the CLT to the full Dwelling Place Board.

PROJECT UPDATES AND OTHER BUSINESS

Plaza Roosevelt: Construction underway and on schedule despite disagreements with Ferris State University over the voting structure of the condo association.

Harrison Park: Several units will be turned over for occupancy this week and 18 units are scheduled for a final cleaning and inspection.

Pine: Occupancy approvals for 5 townhomes to be rented by the end of the month, 4 units shy of the end-of-year goal. This could be made up in early 2020.

Ferguson: Draft response activity plan nearly finalized to be sent in to EGLE for review. No additional contamination was found inside the building; Hooker DeJong will design a vapor ventilation system to address vaping intrusion found on the driveway. HUD will allow residents to stay in their temporary locations as long as necessary and they will not lose their eligibility in the interim.

The Keeler building at 56 Division Ave, which has 137 units and 8 live/work units for mixed-income residents under a 9% LIHTC deal, is for sale by Jim Azzar. A potential bargain sale would include a purchase price for Dwelling Place of approximately $7.2 million; the difference between this price and the estimated value of $9.6 million would be considered a charitable contribution. **The committee reached consensus to proceed with consideration of the development.** Staff will schedule a meeting with Hooker DeJong and Pioneer to inquire about estimated construction costs.

ADJOURNMENT The meeting was adjourned at 1:18 PM by Mr. Kogelschatz.