DWELLING PLACE OF GRAND RAPIDS
REAL ESTATE DEVELOPMENT AND ASSET MANAGEMENT COMMITTEE
UNAPPROVED MINUTES
August 10, 2020

MEMBERS PRESENT Rich Kogelschatz, George Larimore, Mike McDaniels, Eleanor Moreno, Larry Titley, Lee Nelson Weber, Troy Zapolski

MEMBERS ABSENT Juan Daniel Castro

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

The meeting was convened via conference call at 11:30 AM by Mr. Kogelschatz.

APPROVAL OF MINUTES **Minutes of the Dwelling Place RED & Asset Management Committee meeting of July 13, 2020 were approved by motion of Mike McDaniels, seconded by Lee Nelson Weber and carried unanimously.**

FIRST AND SECOND QUARTER MFI Ms. Long presented first and second quarter MFI numbers, noting that each metric average is now measured as a dollar-to-dollar comparison of the entire portfolio rather than an average of averages. Overall, the portfolio performed better than 2019 numbers in every metric except certification time. Additional comments and notable items discussed are as follows:

Net Cash Flow as % of GPI: Minimum maintenance repairs during COVID-19 resulted in decreased costs, but fewer unit turns, affecting Grandville, Kelsey, and New Hope. At 11.55% net cash flow, outperforming Midwest peers (8.84%).

Operating Expenses as % of GPR less DSC: Improved (Q1 87% to Q2 81%) with fewer expenses due to repairs not addressed during COVID-19. Notable expenses prior to the onset of the pandemic included facade repairs (Biermeister and Peterlien), HVAC (Calumet), CO_2 detectors (Herkimer), painting and drywall (LHA), and flooring replacement (New Hope). The PPP loan positively affected operating expenses by covering payroll costs for May, June, and part of July. On par with Midwest peers (81% compared to 80%)

Vacancy as % of GPR: Overall decline from last year (3.27%; 4% if calculated as it was last year, compared to 3.05% in 2019) but slightly better than Midwest peers (4.5). Despite fewer move-outs in Q2, the lack of move-ins since April 1 were down due to fallout from COVID-19. With homeless shelters overtaxed, there was less communication with those staff and with housing applicants.

Collection Rate: This metric indicated the largest impact from the COVID-19 pandemic, primarily affecting affordable-rate housing where there are no project-based subsidies and few residents with tenant-based subsidies. Several residents had employment affected by the shutdowns. Rental assistance from United Way and NeighborWorks grants have been disbursed primarily to residents without a housing subsidy. Overall comparable to 2019

(92.9%—89.9% if calculated as it was last year— v. 92% in 2019) and higher than midwest peers (83%).

Debt Service Coverage Ratio: Harvest Hill exited the Rural Development (RD) program on June 1. Residents who received assistance from the program may apply for a voucher within ten months; until then, Dwelling Place is subsidizing their rent. The property will now accept applicants up to 60% AMI, which should help turnover and gross potential rent rates.

Turnover (Annualized): An error in the report had Kelsey listed at 33%; it is actually 50%, bumping the average rate to 14%, lower than 2019 (20%) and Midwest average (17%). Some move-out cases are not reflected since they have not been cleared through probate, as courts have been closed.

Average Days Vacant: Though progress has been made in time for unit turns, COVID-19 negatively affected this metric: no vendors or maintenance to turn the units, no face-to-face meetings with referrals, difficulty getting referral documentation, and furloughed MSHDA staff slowing processing times. Overall higher than Midwest peers (69 days compared to 51). Filling units has begun again, but the process is still slow.

<u>Dwelling Place Metrics:</u>
Economic Vacancy: Slightly better than last year (3.8% v. 4.8%) as bad debt has been $30,000 less than budgeted, offsetting the high vacancy at some properties.

Tenant Receivables: Slightly higher than last year with spikes at properties with few subsidized units. Commerce also had higher numbers than usual, as tenants who pay the MSHDA-required $50 rent minimum are not able to panhandle or return cans due to the pandemic.

Recertification Time: Plans to target this metric for improvement proved difficult during COVID-19 as staff were unable to meet with residents and MSHDA's reduced staff had slow processing times. Portfolio average was -7 compared to -14 last year and a -30 goal.

NOI to Budget: Fewer expenses due to COVID-19 caused operating costs to be lower than budget except for Roosevelt, which had much higher than expected security expenses.

PROJECT UPDATES

Harrison Park: 33 of 45 units are leased; at least 7 additional move-ins are expected in August
Pine: 13 of 23 units are leased; 4-6 move-ins are expected in August. Vacant apartments have been more difficult to fill given the long process time for MSHDA and GRHC vouchers.
Plaza Roosevelt: Construction is ongoing with 44% completion at Grandville and 52% completion at Franklin; no delays on supplier side.
Ferguson: Construction is underway and demolition nearing completion; about 8-10% completed. Staff recently received a letter from Pioneer requesting an

additional 30 days of contract time to address pouring concrete behind the built-in bathtubs in each unit.
Madison Lofts: Planning to close in a few weeks.
Holland: The purchase of a single family home by another party has removed the ideal scenario for the project. Staff will meet with the city to discuss construction on 9th St. A contractor will be selected this week based on their revised proposals.
CLT: There is now a link to the CLT on the Dwelling Place website. The board will hold its first meeting soon and approve essential documents, including the bylaws, land lease, and homeowner selection policy. Outreach and virtual trainings for residents is in progress.

ADJOURNMENT The meeting was adjourned at 12:50 PM by Mr. Kogelschatz.