

DWELLING PLACE OF GRAND RAPIDS
REAL ESTATE DEVELOPMENT AND ASSET MANAGEMENT COMMITTEE

December 14, 2020

Committee Approved January 11, 2021

MEMBERS PRESENT Juan Daniel Castro, Rich Kogelschatz, George Larimore, Mike McDaniels, Larry Titley, Lee Nelson Weber

MEMBERS ABSENT Eleanor Moreno

STAFF & GUESTS PRESENT Chris Bennett, Kim Cross, David de Velder, Rebecca Long, Scott Page, Zoe Post, Steve Recker, Dennis Sturtevant, Stephen Wooden

The meeting was convened via conference call at 11:32 AM by Mr. Kogelschatz.

APPROVAL OF MINUTES **Minutes of the Dwelling Place RED & Asset Management Committee meeting of November 9, 2020 were approved by motion of Mike McDaniels, supported by Larry Titley and carried without objection.**

THIRD QUARTER MFI Ms. Long presented third quarter MFI numbers; the portfolio overall has performed better than Q3 of 2019. Additional comments and notable items discussed are as follows:

Net Cash Flow as % of GPI: Increased from 5.56% (Q3 2019) to 8.2% (Q3 2020), on track with Midwest peers. Lower cash flow at some properties was due to vacancy loss due to a hold on units for the CLT (Grandville, New Hope), combined commercial/residential vacancy loss (Kelsey), and a higher than expected flooring cost (West Shore). Harvest Hill recently exited the RD program and has been subsidizing the subsidy loss while residents apply for tenant-based vouchers.

Operating Expenses as % of GPR less DSC: Improved from 91% (Q3 2019) to 84% (Q3 2020), higher than Midwest peers (78%). Slight increases due to heating/cooling costs (BSP), drywall repair (LHA), flooring replacement (West Shore), and advertising costs for a new property manager (Midtown).

Vacancy as % of GPR: Increased from 3.09% (Q3 2019) to 3.85% (Q3 2020) due to Covid-19 pandemic, but lower than Midwest peers (4.7%). Unit turns were slower, RSCs could not meet one-on-one with residents, and referrals for new residents were delayed.

Collection Rate: On track with last year (93% in 2019; 92.7% in 2020); higher than Midwest peers (76%), as many residents with income affected by Covid-19 have subsidies that fill the gap.

Debt Service Coverage: Consistent with previous quarter (2.55 Q2 v. 2.02 Q3); better than peers (1.97). Greatest decreases due to breakeven budgets (Harvest Hill, West Shore) and Harvest Hill departure from the RD program.
Turnover Percentage, Annualized: Improved from 20% (Q3 2019) to 14% (Q3 2020). Causes of higher percentages include resident deaths (Commerce,

Herkimer), aging into appropriate facilities (Herkimer) and a small number of properties (Kelsey). Other move-outs were for neighborhood safety concerns or did not cite a reason.

Average Days Vacant: Harshly affected by Covid-19 pandemic (52 days Q3 2019 v. 73 days Q3 2020) due to the same reasons cited in Vacancy as % GPR. Higher than Midwest peers (58 days).

Economic Vacancy: On track with last year (4% in Q3 2019; 4.4% in Q3 2020). Bad debt is nearly \$55,000 under budget but vacancy loss has increased.

Tenant Receivables: Slight increase from Q2 (2.9%) to Q3 (3.5%) and significant increase from Q3 2019 (1.9%). Properties most affected are those who do not have a housing voucher to adjust rent based on current income.

Recertification Time: There was an error in the portfolio average; Q2 was corrected to -5.8 and Q3 to -5.6. Due to the pandemic, property staff were unable to meet with residents in person to assist with recertification and much of MSHDA's staff was furloughed.

NOI to Budget: Well above budget at 116% and Q3 2019 (80%), partially due to limiting maintenance to emergency work orders only. Grandville, Harvest Hill, and New Hope had higher maintenance costs than budgeted.

PROJECT UPDATES AND OTHER NEWS

Joint Venture

CSI, a nonprofit operating in 4 different states, has recently approached Dwelling Place for collaboration in a joint venture with a 9% tax credit application to be submitted in February. The project includes the preservation and rehab of 108 units of low- to moderate-income senior housing under a co-op management model. CSI hopes to partner with Dwelling Place for its familiarity with Michigan LIHTC projects. **The committee reached consensus to proceed with a review of the project, George Larimore abstaining due to a conflict of interest.** Staff will gather more data and invite members of CSI to the January meeting.

CLT

Meetings are planned for January with the City of Grand Haven and Newaygo Public Schools. Mr. de Velder hopes to begin signing purchase agreements sometime in January.

ADJOURNMENT

The meeting was adjourned at 1:02 PM by Mr. Kogelschatz.