

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

June 14, 2021

Committee Approved July 12, 2021

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

STAFF PRESENT Chris Bennett, Kim Cross, David de Velder, Rebecca Long, Dennis Sturtevant

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

APPROVAL OF MINUTES **Minutes from the April 12, 2021 Real Estate Development & Asset Management Committee were approved by consensus of the committee.**

FIRST QUARTER MFI Ms. Long presented 2021 first quarter MFI numbers; Harrison Park and Pine Avenue Apartments added to MFI portfolio in the 1st quarter. Due to CLT conversion, the unit numbers at both Martineau Apartments and Grandville Homes were reduced by two; they now have 21 and 8 units respectively in MFI – this change affected 1st quarter numbers compared to those of 2020, particularly Average Days Vacant. There was a move to measure Dwelling Place metrics at the property level, with the exception of Resident Satisfaction, Curb Appeal, NOI to Budget and Recertification – all of which will be measured once a year except Curb Appeal which once it resumes will be measured three times a year. All Dwelling Place metrics were consequently removed from the 1st quarter report presentation.

Results of all First Quarter 2021 Metrics were compared to the results of First Quarter 2020, the last “normal” quarter before the pandemic started to have an impact on the portfolio; overall the performance of 1st quarter 2021 is actually better than that of 1st quarter 2020.

Net Cash Flow as % of GPI: Slightly improved from 4th quarter 2020 (11.41%), and nearly double the Cash Flow from Q1 2020, 6.83% compared to Q1 2021, 11.59%. A little bit lower than our NeighborWorks’ peers who were at 19%. Lower cash flow at some properties was due to timing of grant draws (Commerce), vacancy loss (Goodrich & Kelsey), RD exit residual effects (Harvest Hill), and higher OpEx costs (Kelsey, Midtown, West Shore & White River).

Operating Expenses as % of GPR less DSC: Improved from 82% (Q4 2020) to 77% (Q1 2021), and 10% better than the 87% from Q1 2020. A bit higher than our NeighborWorks’ Midwest peers who performed at 68%. Higher OpEx at some properties due to higher utilities (Bridge Street, Kelsey, West Shore & White River), heating, cooling an electrical (Bridge Street), and awning repair (Goodrich).

Vacancy as % of GPR: Increased from 4.07% (Q4 2020) and 3.19% (Q1 2020) to 4.85% (Q1 2021) primarily due to the ongoing effects of the pandemic. Slightly higher than our NeighborWorks’ Midwest peers at 4.2%. Several small properties with increased vacancy (Chaffee, Goodrich, Lenox and Kelsey) where it only takes 1 or 2 move outs to affect vacancy.

Collection Rate: One of the metrics hit harder by the effects of the pandemic. Q1 2021 rate only 1% lower than the Q1 2020 rate of 95%, and consistent with Q4 2020 rate of 94%. We outperformed our NeighborWorks' Midwest peers whose collection rate was 91%.

Debt Service Coverage: Outperformed previous quarter (2.31 Q1 2020 v. 1.94 Q4 2020), and better than Q1 2020 performance of 2.21. We're slightly lower than our NW Midwest peers who performed at 2.61.

Turnover Percentage, Annualized: Q1 2021 turnover rate of 16% consistent with rate from Q1 2020 of 15%, and slightly higher than Q4 2020 rate of 13%. Lower than our NW Midwest peers whose turnover rate was 17%. Reminder that these numbers are annualized, even a small amount of turnover at a small property will result in a high percentage (Goodrich & Lenox).

Average Days Vacant: Continues to feel the effects of COVID-19. Q1 2021 average of 60 days improved from Q4 2020 average of 77 but remains higher than the average from Q1 of 2020 of 45. Slightly higher than NW Midwest peers with 54 average days.

CLT HARVEST HILL

Chris Bennett and David DeVelder explained the opportunity for building on the land at Harvest Hill along Childsdale Ave., underutilized property, to create CLT units. This is a potential target for Brownfield use, depending on the number of units. They also shared preliminary plans from Kim DeStitger based on initial look at zoning and topography. There is potential to convert existing buildings to condominium structure.

PROJECT UPDATES AND OTHER NEWS

Chris Bennett gave a brief update on construction progress – Ferguson at 75% completed. Currently tracking for August target completion for the second and third floor, with all floors completed and some remaining masonry work on the outside of the building. Chris Bennett gave update on Holland First United Methodist Church project, both churches in the middle of their congregational approval process, expect more information within the next week. Chris Bennett relayed that Plaza Roosevelt Franklin is completely leased up and Grandville is nearing the completion of lease up. Dennis Sturtevant relayed that there have been preliminary conversations with the Dominican Sisters regarding leasing the commercial space at Ferguson; they're looking for temporary space for 2-3 years. Dennis Sturtevant gave an update regarding the CLT and local political issues related to different interpretations of the law.

ADJOURNMENT

The meeting was adjourned at 1:04 PM by Mr. Kogelschatz.