Dwelling Place of Grand Rapids Nonprofit Housing Corporation

Program Review Report

Midwest Region
Conducted: June 28, 2021
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INTRODUCTION/OVERVIEW

A comprehensive review of Dwelling Place of Grand Rapids Nonprofit Housing Corporation (DPGR) was conducted by the Organizational Assessment Division (OAD) of NeighborWorks® America and concluded with a remote assessment the week of June 28, 2021. The primary objective of the review is to assist the organization in enhancing its performance and capacity by facilitating an evaluation of its operations and capacity in all lines of business and areas covered by the acronym PROMPT®: Production/Program Services, Resource and Financial Management, Organizational Management and Board Governance, Management, Planning and Technical Operating and Compliance Systems.

Interviews were held with the organization's board, staff and partners to explore recent accomplishments and future goals and challenges. The review included an analysis of the organization's internal management and service delivery systems, and as an examination of financial records, production reports, and selected policies, procedures and contracts. At the end of the remote visit, a debriefing meeting was held with the members of the Dwelling Place of Grand Rapids Nonprofit Housing Corporation senior management team wherein key preliminary observations, findings, analysis, conclusions and recommendations were presented and discussed.

This report summarizes the discussions and recommendations that emerged from the review process. Please refer to the appendices for further details. NeighborWorks America's Organizational Assessment Division appreciates the cooperation, assistance and attention the organization extended to the reviewers and sincerely hopes that the review process and this report will assist the organization in achieving its goals and in the improvement of its performance.

PROMPT® Assessment

I. PRODUCTION/PROGRAM SERVICES

Dwelling Place of Grand Rapids Nonprofit Housing Corporation has exceeded this performance objective.

Established in 1980, DPGR's mission is to improve people's lives by creating quality, affordable housing, providing essential support services, and serving as a catalyst for neighborhood revitalization. According to their website, DPGR is one of the largest and most effective community development corporations in the state of Michigan. The organization owns and manages over 1,400 affordable housing units across West Michigan with over 70 staff. DPGR also partners with other community development corporations (CDCs) in five large affordable housing projects (1,500 units) spread across Michigan. Extending from the Heartside Neighborhood of Grand Rapids, where DPGR was founded, the organization has properties in nine other Grand Rapids neighborhoods and nine communities throughout Kent, Muskegon, Oceana, and Ottawa Counties.

Over the three years, DPGR's community building and engagement (CBE) team had many notable accomplishments, initiated several community groups, collaborated on many community projects, coordinated many volunteers, and deployed funding to improve the community and lives of its residents. In this period, they trained 180 resident leaders through various workshops, sent 12 residents to the NeighborWorks America Community Training Institute (CLI), facilitated 14 resident-driven groups, recorded nearly 2,000 volunteer hours, and created 180 community connections (2021).

The property management line of business (LOB), referred to as affordable housing management internally, manages daily operations of the portfolio of rental housing properties. The portfolio includes supportive housing projects, elderly projects, special needs projects, rural developments, and downtown artist live/work projects. The property management portfolio includes 1,159 owned units, 267 third-party managed units for Genesis Nonprofit Housing Corporation, and 27 commercial spaces. The department has a staff of 36 and collaborates with asset management, facility management, resident services, and CBE departments to achieve performance goals. The staff prepare regular data-driven reports and analyses of individual property and portfolio performance. Overall, the managed portfolio beat the region in five out of seven NeighborWorks America Multifamily Initiative (MFI) metrics, received large cash distributions from the portfolio, and increased resident satisfaction during the COVID-19 stay-at-home orders. Asset and partnership management fees are included in this LOB in addition to property management-related fees for services. The department maintained a net profit for all three years. The chief financial officer (CFO) projects continued profitability, with slightly lower profitability margins in 2021.

The real estate development LOB has produced 234 new multifamily units in the production period, generating $4.1 million in developer fees on a combined budget of $56 million. Current projects in the development pipeline are expected to generate $6.7 million in developer fees from the rehabilitation of 309 units and construction of 157 new units, representing a combined development budget of more than $114 million. A highlight of the construction pipeline is the Dwelling Place Community Land Trust (DPCLT). This single-family homeownership model fulfills a need in rural communities and provides a case study for other potential land trust models in Michigan. The departments are adequately staffed for the pipeline of rehabilitation and new construction projects, and leadership continually evaluates organizational staffing and structure to support strategic goals. DPGR's ownership portfolio consists of 2,721 units, of which 1,149 are wholly-owned units, 261 are jointly-owned units and 1,311 are owned as a member of the Michigan Nonprofit Housing Corporation. The portfolio generates value for the organization through asset and partnership management fees and surplus cash distributions, captured in the property management LOB performance. In the review period, this department generated $4.5 million in revenue. Net income was $2.5 million, and all years were positive.

Interviews with funders and partners confirmed the importance of and value-added by all DPGR's LOBs to its communities. Partners echoed the same message that DPGR's excellent reputation precedes them. The commitment, knowledge and passion of DPGR staff always shine through the great services they deliver in the community.

A. Community Building and Engagement

According to their 2021 CBE work plan, their programs support residents, commercial tenants and near-neighbor engagement, leadership, and participation in their communities. They work to cultivate active communities where residents feel a sense of ownership and participate in cultural, civic and community-based organizations, following the NeighborWorks America Theory of Change. This LOB is managed by two co-directors and is supported by 12 staff, of whom three are interns. The CBE team works closely with the resident services team as they view it as a significant part of building a collaborative community, in line with their mission of being a catalyst for neighborhood revitalization.

The board resident engagement committee provides oversight of the CBE LOB. The committee is responsible for working with the co-directors to develop short and long-term plans for increasing and maintaining resident engagement. They also review and analyze the annual resident surveys, review and approve CBE yearly budgets, monitor the effectiveness of resident engagement strategies and help the board understand their responsibilities regarding increasing resident engagement. The committee provides oversight for resident engagement and volunteer programs focused on leadership development, resident to resident support, maintenance and beautification, community art and life skills. Annually, the CBE team and the resident services team prepare and present a report to the full board to overview the services and programs provided.

In their 2020 report, DPGR distributed over 80 houseplants and 100 individual gardening kits and provided flower workshops to 82 participants. Through their resident and civil leadership initiative, they reached 448 new residents with their newsletter, 27 resident leaders participated in leadership workshops and the Grand Rapids Neighborhood Summit, and two resident leadership councils were launched. Through their arts in the community initiative, DPGR infused art in the lives of DPGR residents with events, contactless kits, virtual workshops and digital exhibitions. They distributed 80 children's art kits at seven properties, painted 12 birdhouses at New Hope homes, 20 residents attended a mini-fil festival at Roosevelt apartments, distributed 150 stay-at-home art kits, and featured 29 local artists at 106 Gallery.

Over the three years, 2019 – 2021, the CBE team facilitated and/or collaborated on numerous projects and initiatives. Projects include:

- US Census Neighborhood Engagement - Using the $10,000 United Way grant, in 2019 and 2020, the CBE team dedicated significant time to educate residents, staff and partners about the importance of the Census.
- Activation of Pekich Park - In the summer of 2019, they hosted a series of positive neighborhood-focused activities in Pekich park. The events were designed in response to requests by neighbors and business owners and were intended to explore community gardening, increase access to fresh food, and bring neighbors together.
- Window Activation - In the fall of 2019, DPGR deployed two Neighborhood Information Stations along the south divisions in the Heartside neighborhood. The kiosks feature neighborhood

news, showcase images of artwork created by neighbors and share local events. The team updates and adds content every month. In the winter of 2021, DPGR transformed two vacant storefronts into visually engaging and vibrant spaces promoting holistic health during the COVID-19 pandemic. The project was intended to increase information about resources available for homeless individuals and residents feeling isolated.

- Heartside Historic Walking Tours – The program is funded by Downtown Grand Rapids Inc. and supported by DPGR in collaboration with the Heartside Downtown Neighborhood Association and the South Division Economic Development Work Group. Free six-week series of one-hour interactive digital presentations, led by Grand Rapids Running Tours, shared the history of one of Downtown Grand Rapid's most intact historic neighborhoods.
- Creation of Little Slice of Heaven Park, Bethlehem Neighborhood Park – In the fall of 2018 and 2019, working with the community and using grant funds provided by Republic Services ($50,000) and MSHDA ($24,000), DPGR embarked on a process to develop and implement a plan to creatively transform an entire block in the Muskegon Heights neighborhood of Bethlehem Park.
- Creation of New Hope Homes Playground and Garden Space – In early 2020, using additional funds from Republic Services ($50,000), DPGR created a vibrant, multi-use space around the 12 duplexes at New Hope Homes. The project involved creating a playground area, four raised garden beds and improvements to the landscaping.
- Community Arts Initiatives – In addition to facilitating and collaborating on multiple art events, the Community Art Club was launched in 2021. DPGR serves on a steering community with 32 community members (artists, partners, historians). Recently, the program received funding to commission five murals throughout the Heartside to show the neighborhood's history. The Economic Development Group supports the project.
- Facilitated with other partners Mental Health Aid Training in 2019 and 2020.
- Worked with residents, business owners, and stakeholders to create a brand statement and a marketing plan for the South Division commercial corridor, which DPGR has called home for over 40 years.
- Clean Sweep 2019 – Neighborhood clean-up with the help of Community Action Volunteers of Aquinas (CAVA).
- National Night Out 2019 – Neighborhood event series focused on strengthening relationships between residents and local police forces through food, fun and friendship.
- Community Listening Sessions with the Grand Rapid City Commission – In collaboration with the Heartside Downtown Neighborhood Association, DPGR coordinates two digital listening sessions with residents and the Grand Rapid City commission to discuss issues impacting their neighborhood.
- Welcome Home Baskets – As part of their mission, DPGR provides residents with welcome home baskets. The program provides between 50 and 100+ baskets annually, depending on new housing developments coming online, attrition rated at properties and items donated.
- Gardening and beautification initiatives – Create engagement opportunities for residents and volunteers at and around DPGR properties. The team engages people of all ages in activities

around health, public spaces, land stewardship, nutritious cooking and the creation of seasonal beauty. Seasonal garden club meetings create opportunities to learn together, plant flowers, participate in hands-on workshops, and grow, share, and produce. Winter programming will provide off and on-site program opportunities. Property Days are an opportunity for volunteers to work alongside DPGR residents and staff to improve a property through projects like community art, construction, maintenance, and landscaping.

- Financial Capability Coaching – Launched in 2020, the program is intended to promote behavioral changes towards financial health. The program was placed on hold as the VISTA hired to continue the program accepted another position. DPGR is looking to re-launch the program in the fall of 2021.

According to the 2021 work plan, the DPGR CBE team will be focusing on improvements in the following areas:

- Increasing resident and commercial tenant awareness of and engagement in community planning processes.
- Investigating initiatives that facilitate strong community relationships and connections across sectors.
- Streamlining communications strategies connecting residents to opportunities.
- Improving tracking processes and the collection of resident stories of impact.
- Additional priorities include strengthening leadership-building opportunities through current programming facilitated by resident services coordinators and growing awareness of community opportunities through improved communication with residents.

DPGR's team tracks the impact of their programs using surveys, participation numbers, verbal reporting from residents/community participants and sharing of key highlights. Surveys are used to measure both immediate and long-term impact, relationship building and program usefulness and provide input on adjustments to the initiative areas.

Table one shows DPGR's CBE production (data on resident involvement).

Table 1: CBE Production (data on resident involvement)

	FY 2018	FY 2019	FY 2020	FY 2021 YTD	Types of Activities
Resident Leaders Trained	33	109	27	11	Local leadership trainings including the Neighborhood Summit, Grand Rapids City Academy, QOL Workgroup trainings and Civize Me, Mental Health Trainings, Trainings about Redlining and the History of Heartside, Neighbor Knowledge Exchange which is a resource fair and training event.
Resident Leaders Trained at CLI	6	6	0	0	Planning 6 in October 2021
Resident Driven Groups	7	1	3	3	Technical support for the QOL work groups AND the Heartside Downtown Neighborhood Association. Support for HDNA. Launched Resident leadership Councils
Community Connections	Not tracked	Not tracked	Not tracked	180	Began tracking in 2021, going forward, will use CRM to track
Volunteer Hours	521	1348	76	30	Bulb planting, property improvements, welcome basket creation, gardening clean up, event support

Source: Data provided by DPGR

Community Leadership Institute (CLI)

In the fall of 2019, DPGR organized resident leaders from Muskegon Heights and together with the staff, they attended the CLI conference in Chicago. The team was comprised of five residents from Roosevelt apartments and from the surrounding community, plus two DPGR staff. Following the conference, over the next 10 months, team members worked together to complete projects. These projects included a naming competition for the park space adjacent to Roosevelt Apartments, hosting an annual summer BBQ, and commissioning a sculpture to be installed in the park. Due to the pandemic, the team had to rethink the summer BBQ. Instead, the team decided to have a door decorating competition. To highlight the work completed by the CLI team, DPGR produced an eight-page report, which provides a summary of the CLI event, a detailed description of completed projects, bios for all participants and future projects and community needs. According to the report, part of the CLI team's goal was to connect neighbors from Roosevelt apartments to the surrounding neighborhood and vice-versa. The team planned to have a large community cookout to form these connections. Although the cookout was canceled due to the COVID-19 pandemic, residents still forged connections with several outside groups and leaders.

Table two shows the financial performance of DPGR's CBE LOB.

Table 2: CBE Financial Performance

	FY 2018	FY 2019	FY 2020	FY 2021 YTD
Revenues				
Grant Income	255,684	458,253	355,591	48,845
Program Fees	155	0	0	0
Other Income	0	0	2,520	0
Total Revenues	255,839	458,253	358,111	48,845
Expenses				
Personnel Expenses	154,748	231,800	244,633	68,401
Program Expenses	90,510	197,524	103,889	11,563
Total Expenses	245,259	429,324	348,522	79,964
Net Income	(154,593)	(231,800)	(244,633)	(68,401)

Source: Data provided by DPGR

The CBE LOB operates at a loss; however, it is mission-critical and will continue to be funded through other profitable LOBs.

B. Property Management

DPGR specializes in developing affordable multifamily, commercial and mixed-use projects. Established in 1992, it has gained nearly 30 years of experience in managing high-quality, affordable housing across eight communities within four counties of West Michigan. DPGR housing programs are diverse and include supportive housing projects, elderly projects, special needs projects, rural developments, and downtown artist live/work projects. The property management portfolio includes 1,159 owned units, 267 third-party managed units for Genesis Nonprofit Housing Corporation, and 27 commercial spaces. The department has a staff of 36 and collaborates with asset management, facility management, resident services, and CBE departments to achieve performance goals. It uses Yardi for the accounting and management of the property, which provides a wealth of data for analysis. Staff prepare regular reports and analyses of individual property and portfolio performance, evidenced in the property management MFI metric results, high annual cash distributions, and increased resident satisfaction. While COVID-19 challenged the portfolio, resulting in higher vacancy, longer turnover and recertification slowdown. According to data gathered from NeighborWorks America affiliates available through the MFInsights system, the portfolio outperformed the Midwest region in most metrics and achieved a higher level of resident satisfaction than the previous year. The department maintained a net profit for each year in the review period and the CFO projects continued profitability by managing to a breakeven or better budget.

Property management is overseen by the Chief Operating Officer (COO) and is supported by six senior property managers, 19 property and assistant property managers, two office managers, six custodians, a housing compliance specialist (currently open), and a property management coordinator. Since

2002, DPGR has utilized a "blended management" approach to collaboration. Blended management defines roles of each department and an appeal process aimed at finding the best solutions to complex tensions between departments. It was initially meant to bridge property management and resident services on resident issues and has now infused relationships among all departments. DPGR updated the blended management policy in 2019, which informs interdepartmental collaboration, strategizing and problem-solving.

Following is a summary of the roles of other departments within the property management function:

- CBE provides resident leadership, engagement, and surveys through their AmeriCorps VISTA volunteers and various community-building projects available to residents and their neighbors.
- Facility management has a dotted line of responsibility to the COO and consists of a director of facility management, a maintenance director, and 17 maintenance technicians. Besides providing property maintenance, the department works closely with real estate development to set standards for finishes and systems for new and rehabilitated properties.
- Resident services provide resident services to the portfolio, led by the director and nine coordinators. DPGR's resident support services program has a team of 10 highly qualified, well-trained staff who address concerns, including any health and safety issues in a timely and professional manner. As encouraged by the blended management policy, the resident services staff often advocate for residents and help work out plans to retain residents. DPGR received a $600,000 racial equity grant from a large local health nonprofit to support outreach into minority communities and collaborate with community partners.
- Asset management consists of the director and an open assistant position. The director provides a critical connection point among the departments by analyzing and reporting various data from Yardi and other data collection systems while providing long-term portfolio management.

DPGR is respected in the region for leadership in affordable housing development and management, as reflected in the portfolio's diversity of owned, managed, and joint-venture units. Success is supported by collaboration with service partners, residents of communities in their service area, and an active volunteer program. Residents of the DPGR portfolio have access to a comprehensive menu of programs available through partnerships that include: Salvation Army referrals for people experiencing chronic homelessness, state and NeighborWorks America trainings and conferences, insurance company health and safety training, downtown improvement district ambassador program, programs with healthcare providers and the GVSU School of Nursing, and the FUSE program which provides resources to improve the quality of life for those who fell through the system. The staff emphasizes collaboration in providing services that meet resident needs and that of the larger community.

Oversight of the property management department occurs in the real estate development and asset management committee. This committee meets nearly monthly to discuss potential new projects and joint ventures, updates on current development projects, portfolio-level reporting from asset management, and property-level performance and plans from property management.

As of December 31, 2021, DPGR manages 31 properties of their own portfolio totaling 1,159 units This is up from 26 properties and 1,126 units on December 31, 2016, a 20 percent increase in the number of properties. Compared to 2016, there are 224 new managed units, offset by the 101 Ferguson units under rehab and the loss of one managed property, SRA, with 19 units. The properties are in Grand Rapids, Rockford, Holland, Muskegon heights, Wyoming, Whitehall, Hesperia, and Rockford. DPGR also owns and manages 27 commercial spaces for a variety of for-profit and non-profit businesses. In 2018, it managed 47 units, but 20 were converted to live/workspaces since the last onsite review. Many of the apartment communities are in mixed-use buildings that include leased commercial spaces within neighborhood business districts. Management of these leases is performed by the co-director of the CBE department rather than the property management department. Finally, DPGR manages seven additional apartment communities comprising 267 apartment units for another non-profit organization, Genesis Non-profit Housing Corporation. Of these, one is in the city of Walker, one is in Grandville, one is in the city of Kentwood, and four are in Grand Rapids.

Property management's function and performance were affected by COVID-19 and Michigan's stay-at-home orders. All non-essential staff were transitioned to remote work. Site staff are essential workers and DPGR took steps to help protect them. This was achieved by rotating on-site days with remote workdays, postponing non-emergency work orders, new cleaning and mail handling protocols, upgrades to HVAC systems and strict personal protective equipment adherence guidelines. Performance was also affected by vendor, court and government slow-downs and furloughs. Residents also struggled and faced lower income, unemployment, lack of services, lack of internet and increased stress due to isolation and transportation challenges. The impact on the portfolio is noticeable, but it also displays surprising resilience, especially when compared to the region. The following analysis is based on NeighborWorks America's MFInsights reports and other internally-developed metrics and highlighted in the "Asset Management Year-End Presentation" dated April 12, 2021, and may vary from MFI data due to timing and differences in calculation.

- Net cash flow is up in 2020 at 11.0 percent of gross potential income versus 8.4 percent in 2019 and 7.6 percent in 2018. For comparison, DPGR beat the Midwest region average of 9.1 percent. Some savings were derived from prioritizing only emergency work orders, potentially deferring maintenance expense to future years.
- Operating expenses as a percent of gross potential rent (GPR) less debt service was 82 percent in 2020, versus 90 percent in 2019 and 85 percent in 2018, and higher than the Midwest region average of 79 percent in 2020. Most properties in the portfolio do not have debt service, allowing slightly higher operating costs while maintaining strong net cash flow.
- Vacancy as a percent of GPR was 4.1 percent in 2020, higher than 2.7 percent in 2019 and 2.4 percent in 2018, yet better than the region average of 4.5 percent in 2020. Economic vacancy, an internally developed metric, was higher in 2020 at 5.1 percent versus four percent in 2019, and up from three percent 2016 in the previous report. In 2020, vacancies were high due to the challenges of qualifying new residents during stay-at-home orders and government and agency furloughs.

- The collection rate at year-end was 91 percent, worse than the 94 percent rate in 2019, 2018 and also in the previous report's 2016 data, but better than the region at 87 percent in 2020. The impact of reduced resident household income is evident in lower collection rates.
- The portfolio debt service coverage ratio for 2020 of 3.1 is better than previous years and significantly better than the regional average of 1.95 due to the portfolio's low reliance on debt. Only six properties have debt.
- Turnover was lower in 2020 at 13 percent of units than 2019 at 17 percent, 2018 at 21 percent, and 2016 at 20 percent. Additionally, DPGR turnover was lower than the region at 16 percent in 2020. Stay-at-home orders slowed turnover in the portfolio in 2020.
- Average days vacant increased to 89 days in 2020 versus 62 days in 2019, 58 days in 2018, and 59 days in 2016. Also, the portfolio performed lower than the region in 2020, which experienced a 67-day average vacancy. In 2020, average days vacant increased due to the challenges of qualifying new residents during stay-at-home orders and government and agency furloughs.

These metrics were chosen internally:

- Tenant receivables are up to 2.5 percent in 2020 versus 0.9 percent in 2019, reflecting collection challenges related to lower resident household incomes during the pandemic.
- In 2020, recertification days were eight days before the due date, worse than the 12.6 days in 2019. Improving this metric was a priority of the plan in 2020 but was firmly challenged by the impact of the pandemic. Per internal standards, excellent performance in recertification is 30 days before the due date.
- Actual net income as a percentage of the budget was strong in 2020 at 166 percent and up from 2019 at 154 percent.
- Despite the many challenges to residents and staff in 2020, resident satisfaction increased in 2019 to 79 percent versus 72 percent in 2019. Staff from property management, community building and resident support services worked diligently to transition to virtual support services. Success is evident in improved satisfaction during an extremely challenging year.
- Reserve balances range from zero to $45 thousand per unit, with 25 percent of properties with reserves below $2,500 per unit.

Table three shows DPGR's overall property performance measures as of December 31, 2020.

Table 3: Property Performance Measures as of December 31, 2020.

Property	# Units	Vacancy Rate %	Collection Rate %	Average Days Vacant	Turnover Rate %
Biermeister Apartments	2	0.00%	100%	0	0%
Bridge Street Place Apartments	16	6.16%	94%	65.7	31.3%
Calumet Flats	16	-0.16%	96%	13	6.3%
Chaffee Apartments	8	11.15%	99%	80.3	50%
Commerce Courtyard Apartments	67	7.10%	91%	130.7	25.4%
Elmdale Apartments	19	0.00%	98%	0	0%
Genesis East Apartments	23	7.52%	94%	194.3	13%
Genesis Woods Apartments	33	4.60%	95%	126.3	12.1%
Goodrich Apartments	14	2.73%	87%	42.7	21.4%
Grandville Homes	10	10.68%	85%	291	0%
Harvest Hill Apartments	46	7.08%	86%	118.2	17.4%
Herkimer Division Apartments	55	5.29%	98%	160.9	12.7%
Heron Courtyard	33	4.42%	98%	192.7	6.1%
Heron Manor Assisted Living Apartments	55	26.62%	100%	178.2	38.2%
Kelsey Apartments	12	14.72%	57%	79	33.3%
Kingsbury Place	44	3.00%	96%	259.5	2.3%
Lenox Apartments	14	8.69%	82%	120	14.3%
Liz's House	5	3.45%	97%	62	20%
Martineau Apartments	23	0.92%	87%	103.5	13%
Midtown Village Apartments	30	2.01%	100%	109	6.7%
New Hope Homes	12	0.90%	77%	105	0%
Oroiquis Apartments	27	6.67%	89%	90.6	25.9%
Peterlien Apartments	6	3.42%	80%	73	16.7%
Reflections Apartments	60	1.62%	100%	34.6	15%
Roosevelt Apartments	52	4.59%	92%	101.7	11.5%
St. James Apartments	52	1.59%	82%	74.2	7.7%
Verne Barry Place	116	4.31%	95%	141.2	8.6%
Villa Esperanza Apartments	40	1.11%	98%	59.5	10%
West Shore Apartments	48	6.70%	99%	79.3	25%
Weston Apartments	190	2.92%	95%	91.9	8.4%
White River Estates	31	1.65%	96%	81.8	9.7%
Portfolio Totals and Averages	**1,159**	**5.21%**	**92%**	**105.2**	**14.9%**

Source: Multifamily Portfolio Report

DPGR monitors file recertification times and has experienced longer recertification times in 2020. Goals were set by property, usually 15 or 30 days before the recertification due date. Only 10 of the 35 properties monitored met their goals in 2020. The average for the fourth quarter was 11 days before the due date, ranging from 37 days before to 35 days after, depending on the property. Goals were difficult to meet due to the challenge of reaching employers and other agencies during furloughs and stay-at-home orders. In 2021, staff is responding to this challenge by hiring a compliance officer that can manage and monitor all compliance for the portfolio and lead initiatives to improve recertification times property by property. A physical inspection of the portfolio was not possible due to the review being virtual. Photos of the existing portfolio, units in rehab and construction, and converted homeowner units were reviewed, highlighting a striking mix of historical and modern architecture. Grounds were always neat and sometimes included community gardens and art projects. Many properties are located downtown and include street-level commercial space in addition to affordable housing. Historic preservation and attention to detail are apparent in the rehab projects, such as the Ferguson and Herkimer properties.

To ensure strong curb appeal, DPGR has a monitoring program that relies heavily on volunteers. They receive training in evaluating curb appeal and accompany a property manager in semi-annual inspections. The program was put on hold during stay-at-home orders but will be revived in 2021. As only emergency maintenance requests were addressed, staff expect to invest more time and money into maintenance requests and deferred maintenance. Michigan State Housing Development Authority (MSHDA) requires capital needs assessments (CNA), and asset management monitors each property closely and prepares annual plans for each property. Despite the challenges of 2021, sound policies and procedures, a commitment to curb appeal, and funder CNA requirements assure that physical compliance will be maintained. Half of the properties' compliance reports were reviewed for this report. Most physical and file corrections were minor, if required at all.

Yardi's Voyager® 7S property management software is used extensively across all DPGR's properties. This web-based program was selected to enhance organizational capacity and integrate communications, management and reporting between its property management and financial management functions. Staff is considering enhancements to the compliance function of Yardi. In support of strong documentation management, VISTA interns have been converting paper archives to electronic files. DPGR implemented the Microsoft Office 365 platform company-wide, which has supported remote work during stay-at-home orders. Staff reported appreciation for the focus off-site time has provided while also looking forward to working on-site again.

DPGR uses benchmarking and continues to refine its data points and scorecards. Performance benchmarks are set for all properties and program services and are regularly reviewed by the director of asset management, the real estate/property management committee, program staff and the board to monitor the portfolio's overall performance effectively. When necessary, the senior management team develops timely, effective strategies to apply when expectations are not being met. The director of asset management produces an annual asset management plan, including property-specific goals and plans.

Table four shows the financial performance of DPGR's property management LOB.

Table 4: Property Management Financial Performance

Property Management	FY 2018	FY 2019	FY 2020	FY 2021 YTD as of 03/31/2021
# Of Properties Managed	32	31	33	35
Revenues				
Property Management Fees	990,720	1,062,077	1,116,721	190,356
Other Fees/Other Income	97,517	46,464	221,612	136,501
Total Revenues	1,088,237	1,108,541	1,338,333	326,857
Expenses				
Personnel Expenses	753,278	865,930	970,373	223,866
General and Administrative Expenses (Overhead)	124,754	154,604	144,833	51,015
Total Expenses	878,032	1,020,534	1,115,206	274,881
Net Income	210,205	88,007	223,127	51,976

Source: Financial Audits for 2018, 2019, 2020 and Management Reports as of March 31, 2021.

The property management LOB financial results include property management fees, asset and partnership management fees, other surplus cash distributions, and grant income. Three-year revenue totaled $3.5 million, representing 90 percent of revenue. Revenue increased two percent in 2019 and 21 percent in 2020. Expenses increased 16 percent in 2019 and nine percent in 2020. The property management LOB has been profitable for all three years, generating over $521,000 in net income and a net margin of 15 percent of revenue. In 2021 revenue is expected to be flat or slightly increased compared to 2020. The data for the quarter ending March 31, 2021, is trending lower due to the timing of payment of incentive property management fees and asset and partnership management fees. Grant revenue was unusually high in 2020 and is not expected to be matched in 2021. Also, 2020 expenses were lower than budgeted due to challenges in hiring new staff during stay-at-home orders. 2021 is expected to be five to 20 percent higher in expenses than previous years due to filling open positions and the higher cost of recruiting and paying new staff in the current economic environment. For example, in 2020, DPGR paid $20,000 in recruiting fees for two accounting positions, which had not been necessary in the past.

C. Real Estate Development/Asset Management

Historically, DPGR has had a very active and robust real estate development pipeline and portfolio, and this trend has continued. Current projects in the development pipeline are projected to generate a sizeable stream of developer fee revenue from multifamily projects. And position DPGR to lead the state of Michigan in implementing the community land trust model by producing a goal of 150 affordable single-family homeownership units. DPGR generated $4.1 million in developer fee from production and recognized $4.3 million in developer fee income during the past three years from the production of 234 new rental units with a combined development budget of more than $56 million, adding to their portfolio and delivering on its core competency.

A major highlight of the construction pipeline is the thoughtful establishment of the Dwelling Place Community Land Trust (DPCLT), a shared equity homeownership model that fulfills a need in the community, especially rural areas, and provides a case study on the model for the state. The departments are adequately staffed for the pipeline of rehabilitation and new construction projects, and leadership continually evaluates organizational staffing and structure to support strategic goals. The board provides regular oversight through the real estate development committee and the shared oversight of DPCLT's board. The department has generated profit for all years and projects strong developer fee income from the pipeline of developments. DPGR anticipates an additional $6.7 million in developer fees from the rehabilitation of 309 units and construction of 157 new units, representing a combined development budget of more than $114 million.

The real estate portfolio generates value through asset and partnership management fees and surplus cash distributions. Per the internal 2020 Asset Management Report, DPGR generated an aggregate net income of $522,483 from the portfolio in 2020 and expects to collect $689,396 in waterfall payments in 2021. Note that asset management income and expense is included in the property management LOB financials.

The CEO commits a great proportion of his time to real estate development, supported by the director of housing and community development, the housing and community development associate and the community land trust director. The blended management approach to interdepartmental collaboration links the efforts of this department with the expertise of property management, facilities management, and community building departments. The facilities management department contributes expertise on materials and systems during the design process and construction management oversight during construction. The facilities department consists of a director and 15 maintenance technicians, most of whom are assigned to properties in the portfolio. DPGR is hiring a maintenance director to support the management of the technician team and leadership is considering the best reporting structure for this growing department to best support the success of the portfolio and pipeline. Property management staff contribute to the design process and collaborate on managing relocation and coordination with adjacent operating properties. Community building efforts connect DPGR to the neighborhood to better understand and respond to needs and support its reputation as a successful developer in the region, often sought out for joint venture projects. The resident services department collaborates with the organization's asset and property management functions, advocating for residents' perspectives to other departments. An attitude of collaboration is shared among all participants interviewed.

The department relies on several key consultants, vendors and partners to achieve its goals. Recent consultants include low-income housing tax credits (LIHTC), brownfield funds, community land trust development, CPAs, lawyers, and audit firms. General contractors and architects are selected through a bidding process in line with internal policies and procedures. DPGR has a pool of five general contractors it works with regularly.

Oversight of the real estate department occurs in the real estate development and asset management committee. This committee meets monthly to discuss potential new projects and joint ventures, updates on current development projects, portfolio-level reporting from asset management, property-level performance, and property and asset management plans. Combining these departments in one committee allows the board to have a holistic understanding of each stage in the life cycle of real estate development. The board receives detailed portfolio reports, primarily synthesized and prepared by the director of asset management. These reports include annual portfolio performance reports, property-specific annual plans, portfolio level watchlist, and written memos and reports on specific topics, such as the 2020 year-end memo that emphasized the impact of COVID-19 on 2020 portfolio performance and 2021 planning.

Production

DPGR placed 234 rental units into service from 2018 to 2020, generating $4.1 million in developer fee revenue for the company on a total development budget of more than $56 million. This production is less than was projected in 2017, which included eight projects with 305 units and more than $87 million in the combined construction budget. Revenue data was not available for comparison. A LIHTC pipeline project for 135 units in Kalamazoo, a joint venture with Hope Network, did not move forward. However, 26 more units (Biermeister, New Hope Homes and Grandville Homes) were rehabilitated than were planned.

The projects completed represent significant improvements in the rehabilitation of properties. The Roosevelt Apartments project was half rehabilitation and half new construction. Harrison Park, Pine Avenue, and Plaza Roosevelt are in lease-up. St James Apartments was a successful joint venture with Genesis Nonprofit Housing Corporation featuring adaptive reuse and new construction in an old school. 100 Burton, a joint venture in which DPGR has 10 percent ownership, is another example of successful collaboration built on organizational success and reputation. The renovated New Hope Homes and Grandville Homes are now being converted to ownership units under the community land trust program.

Internally, staff views the 2018 to 2020 production as being typical of DPGR's scale and generating fees slightly higher than average. Staff capacity was stretched in the latter part of 2020 when two additional new projects and the Ferguson rehabilitation project were funded. The director believes that capacity is sufficient to support the pipeline, and management regularly evaluates capacity and hires as needed to ensure success.

Table five shows DPGR's real estate development production over 2018 – 2020.

Table 5: Real Estate Development Production

Project Name	Rental Activity Type	Year	Rental Homes	Total Development Costs	Development Fee	Primary Funding Source	Type of Property	Location
Roosevelt Apartments	Constructed	2018	52	12,580,468	1,500,000	LIHTC 9%, PBV	Family	Muskegon Heights, MI
Biermeister Apartments	Rehabilitated Existing Property	FY 2018	2	39,870	N/a	N/a	Family	Grand Rapids, MI
New Hope Homes	Rehabilitated Existing Property	FY 2019	12	72,450	N/a	N/a	Family	Grand Rapids, MI
Biermeister Apartments	Rehabilitated Existing Property	FY 2019	2	28,266	N/a	N/a	Family	Grand Rapids, MI
St. James Apartments	Constructed	FY 2019	52	13,326,853	1,797,025 (10% share)	LIHTC 9%, PBV	Family	Grand Rapids, MI
Grandville Homes	Rehabilitated Existing Property	FY 2020	10	96,463	N/a	N/a	Family	Grand Rapids, MI
(Not applicable) (100 Burton)	Assisted Not Owned	FY 2020	36	9,265,774	240,165	LIHTC 9%, PBV	Family	Grand Rapids, MI
Harrison Park	Constructed	FY 2020	45	13,362,638	1,639,986	LIHTC 9%, PBV	Family	Grand Rapids, MI
Pine Avenue	Constructed	FY 2020	23	7,487,325	557,731	LIHTC 9%, PBV	Family	Grand Rapids, MI
Totals			**234**	**56,260,107**	**4,117,584**			

Source: Data provided by DPGR

Pipeline

DPGR's multifamily pipeline of six projects includes 157 new units and rehabilitation of 309 existing units, representing an investment of more than $117 million in total development costs and revenue from developer fees of $6.7 million, an increase of more than $1 million versus the production period. The current pipeline reflects an emphasis on maintaining the affordability of aging properties, adaptive reuse, expansion and use of existing assets, and expansion to new neighborhoods, in alignment with its mission and the changing needs of its service area.

Multi-Family Development

Multi-family development is the backbone of DPGR's financial stability. These projects are nearing completion:

- Plaza Roosevelt includes two 24-unit properties. Those are in final lease-up awaiting 8609s and were funded with nine percent LIHTC.
- Madison Lofts is in construction. The 23-unit senior development is a joint venture with a for-profit group. This former church building is being repurposed into 23 units of affordable housing. Construction began in 2020 and is expected to be complete in 2021. DPGR will receive 20 percent of the developer fee. DPGR is exploring a second joint venture for a site in Wyoming, Michigan, of 150+ units utilizing four percent and nine percent LIHTC.
- Ferguson Apartments is an existing 119-unit apartment community providing permanent supportive housing. Project-based rent subsidies support all but 19 units. The renovation includes HVAC, plumbing, electrical and expands an existing rooftop garden area in this historic building built in 1912. Construction, funded with nine percent LIHTC, began in March 2020 and is expected to be complete in October and lease up before the end of 2021.

DPGR has three projects in preliminary planning:

- Weston Apartments is an existing 190-unit family property and West Apartments Expansion, a planned mixed-use and mixed-income apartment community adjacent to the Weston Apartments. This project will utilize four percent and nine percent LIHTC funding and a portion of the NeighborWorks America Portfolio Strengthening grant.
- The second project in downtown Holland is a joint venture with two churches on parcels it owns. DPGR is evaluating a scattered site development with nearby Midtown Apartments and plans to submit a nine percent LIHTC application in October 2021.
- DPGR has a vacant gymnasium building acquired in 2017 in Muskegon Heights. It is evaluating the conversion of this building into five for sale DPCLT units with a two-story loft design.

Partnerships are a crucial component of pipeline development, with several joint ventures on the minutes of the monthly real estate development committees. As a successful developer, DPGR can lend expertise to support other groups in its developments as it uses a robust joint venture agreement to govern those relationships. These partnerships also help extend the organization's relationships into new neighborhoods, collaborate with policymakers, and recruit board members.

DPGR is regularly approached for joint venture developments. It has developed a joint venture agreement that protects the residents of these communities by shifting management and/or ownership to DPGR if partners cannot fulfill their obligations to the joint venture. Minutes from the real estate development committee outline several opportunities that have been evaluated and rejected or moved forward in the pipeline. Currently, the staff is evaluating a joint venture opportunity for a

LIHTC development in Hastings, Michigan. DPGR would own 20 percent and share 20 percent of the non-deferred developer fee for its participation. Collaborating with area nonprofits to build housing allows the organization to leverage its success and reputation to increase housing stock in the service area, build relationships, meet the needs of residents in its communities and strengthen other nonprofit organizations.

Table six shows DPGR's rental real estate development pipeline as of May 7, 2021.

Table 6: Rental Real Estate Development Pipeline

Project Name	Location	Type of Property	# of Units	Estimated Dev. Costs	Budgeted Dev. Fees	Primary Funding Source	Status
Plaza Roosevelt - Grandville Apartments	Grand Rapids, MI	Family	24	8,479,293	976,955	9% LIHTC	Lease-Up & 8609's
Plaza Roosevelt - Franklin Apartments	Grand Rapids, MI	Family	24	8,557,609	1,029,552	9% LIHTC	Lease-Up & 8609's
Madison Lofts	Grand Rapids, MI	Senior	23	6,151,764	764,709 (total, DP receives 20% as a minority Joint Venture partner)	9% LIHTC	Construction, June 2021
Ferguson Apartments	Grand Rapids, MI	Homeless	119	23,374,933	1,500,000	9% LIHTC	Construction, November 2021
Weston Apartments	Grand Rapids, MI	Family	190	46,000,000	1,500,000	9% LIHTC	Preliminary Planning, Est Construction start in 2023
Weston Apartments Expansion	Grand Rapids, MI	Family	86	24,853,629	1,500,000	4% & 9% LIHTC	Preliminary Planning, Est Construction start in 2023
Holland Project	Holland, MI	Family				9% LIHTC	LIHTC application planned for October 2021
Totals			**446**	**117,417,228**	**6,659,449**		

Source: Pipeline Report provided by DPGR

Dwelling Place Community Land Trust (DPCLT)

DPGR owns three apartment communities representing 45 units that are near the end of its compliance period, many of which were renovated in the previous production period. In 2005, DPGR attempted a land trust homeownership model that was not successful due to the housing market crash of 2008. It exited that project with minimal financial impact but decided to put that land trust model on hold. However, the need for affordable homeownership opportunities, especially in the rural communities of its service area, has renewed interest in the land trust model.

In 2019, the board approved exploring the potential to engage in home ownership using the model. Through thoughtful and thorough planning, staff and board collaborated to develop a community land trust strategy that leverages the substantial unrestricted equity in expiring LIHTC properties to provide 150 units of affordable home ownership. DPCLT plans to convert the existing 45 rental units into home ownership and construct or acquire and rehab another 105 single-family homes in the next seven to ten years. New owners can purchase the homes at 75 percent or less of appraised value. The land lease will govern future re-sale and affordability terms. Owners are limited to 25 percent of appreciation upon sale, returning excess appreciation to the land trust for future subsidies and operational costs.

DPCLT is converting apartment units to ownership units, with one in the final stages of sale, and two pending sales. The conversion of all 45 units, conservatively planned to occur during the next eight years, is expected to generate $3,893,700 in sales from proceeds to cover an estimated $1,616,040 in renovation and soft costs. The $2.3 million in proceeds from these sales will be invested in a $250,000 operating reserve, set aside to cover losses in the first several years of operations and $450,000 thousand in a loss/replacement reserve. The remaining proceeds are nearly $1.8 million, representing 28 percent of the appraised value of the homes and a healthy cushion for unknown strategy risks. DPCLT's board will direct the use of these funds. The most recent operating budget and development budgets from March 2021 project break-even for the corporation in 2025, with all losses covered by the operating reserve. NeighborWorks America and local companies have also provided funding to support community outreach and program development. Resource development will be a priority for the corporation. It may include low-interest loans to the project, New Market Tax Credits, and Brownfield Tax Increment financing in addition to further grants.

The DPCLT board majority is held by DPGR but will ultimately be composed of one-third DPGR appointees, one-third homeowners, and one-third public interest employees. The community land trust director is the primary employee dedicated to this effort and works closely with the CEO and board members to implement the project plan. DPCLT is a case study for a statewide community land trust development effort, and DPGR and DPCLT provide leadership to the statewide advocacy collaboration. The board and staff regularly evaluate and update the community land trust model's implementation to help mitigate risk. Most recently, DPGR received funding from NeighborWorks America for the Michigan NeighborWorks Collaborative to continue research around the CLT and Shared Equity model.

Table seven shows DPGR's for-sale real estate development pipeline as of May 31, 2021.

Table 7: For-Sale Homes Real Estate Development Pipeline

Project Name	Location	# Units	Estimated Dev. Cost	Total Budgeted Dev. Fees/Gain on Sale	Primary Funding Source (s)	Status/Estimated Completion
Grandville Homes	Grand Rapids, MI	10	538,333	0	Dwelling Place Equity	3 pending sales
Martineau	Grand Rapids, MI	23	623,333	0	Dwelling Place Equity	None sold to date
New Hope Homes	Grand Rapids, MI	12	445,333	0	Dwelling Place Equity	None sold to date

Source: Pipeline Report provided by DPGR

Commercial Real Estate: Community Based Economic Development

DPGR owns several commercial buildings and mixed-use properties for a total of 27 commercial spaces. In the previous report, there were 47 units of commercial space, of which 20 units were converted to rental home units, such as live/work lofts. Tenant retention was high during the pandemic, with only one lease broken and seven new leases signed. To assess the impact of the pandemic on their commercial tenants, the CBE team created and sent out a COVID-19 impact survey to all tenants and created a pool of funds for rental assistance. Three tenants applied to take advantage of the rental assistance funding.

The CBE team manages the commercial spaces and coordinates closely with the property management department staff and community partners. Owning and managing commercial spaces allows DPGR to actively participate in neighborhood revitalization and economic development efforts, such as those led by the Downtown Grand Rapids Initiative.

Technology and Reporting

DPGR has a well-defined real estate development policy that includes the real estate development policy amended in 2019 and the architect and general contractor (GC) selection procedure. The department's policy includes selection criteria that specifically ask if the project is consistent with the mission, vision and strategic plan of DPGR, considers capacity and potential partnership. The organization works with numerous architects and contractors, selected for each new project based on its architect and general contractor selection procedure. Limitations due to stay-at-home orders required some criteria to be waived, explicitly approved by the real estate development committee and board. The department is evaluating project management software platforms to manage its real estate development projects. There is clear evidence of detailed pro formas, cogent development plans, effective oversight and prudent final approvals for each project undertaken.

The asset management department utilizes a variety of planning tools to manage the long-term health of the portfolio. DPGR creates strategic plans for each property, updated annually and provided in the asset management plan and watch list FY21 supplied by management. Capital needs assessments are performed at least every ten years and are required by the MSHDA. Performance is monitored utilizing the MFI reporting metrics and additional measures determined by staff such as curb appeal and recertification times.

Real estate development generated $4.5 million in revenue during the review period, 93 percent of which is from developer fees. Other income includes net grant proceeds. Differences between the total developer fee in the production schedule and the financial table are due to cash versus accrual accounting differences. Total expenses were $2 million or 45 percent of revenue. Expenses doubled in fiscal year (FY) 2019, then returned to FY2018 levels in FY 2020. The increase in expenses was due to internal “grants” being made from the real estate development department to the support services and CBE departments. Net income was $2.5 million for the review period, or 55 percent of revenue. In the first quarter of FY2021, net income is slightly over $408,000, representing 80 percent of revenue. Expenses are trending low in the first quarter but are expected to meet or exceed expenses from FY2020.

Table eight shows DPGR’s real estate development financial performance for 2017 – 2020.

Table 8: Real Estate Development/Asset Management Financial Performance

Real Estate Development	FY 2018	FY 2019	FY 2020	FY 2021 YTD
Revenues				
Total Revenues	551,265	1,157,999	2,823,913	509,902
Expenses				
Total Expenses	527,362	969,183	532,182	101,710
Net Income	23,903	188,816	2,291,731	408,192

Source: Financial Audits for 2018, 2019, 2020 and Management Reports as of March 31, 2021.

Asset Management

The director of asset management has been with DPGR for nine years and has significant real estate experience. She reports to the CFO, monitors and reports on DPGR’s portfolio, and communicates overall performance and trends. She prepares useful (and actionable) information for all decision-makers to achieve sound asset management strategies and long-range goals and objectives. The director works with housing development, property management, resident services and central accounting staff to ensure high integration with the asset management function. Asset management serves as a nexus among departments for measuring success and planning thoughtfully for the future. The department is hiring an asset management associate.

In her report on 2020 performance dated February 28, 2021, the director of asset management highlighted several impacts from COVID-19 in the portfolio. DPGR implemented increased social distancing, transitioning to remote work and virtual meetings, and prioritizing the health and safety of staff and residents. Limitations have had a variety of impacts on the properties. Only emergency maintenance requests were prioritized. Vacancy loss, average days vacant, and recertification times were increased due to new procedures, limited vendor availability, and furloughs and delays in courts and governments affecting removal and approval of residents. DPGR completed resident wellness surveys that revealed significant income reduction or loss, delay of support services, lack of internet access, stress regarding daily life, and increased isolation. Lower collection rates and an increase in receivables reflect these stressors in residents' lives. Also, construction delays affected rehabilitation at Ferguson and Plaza Roosevelt projects, which will trigger credit adjustments. The director of asset management concludes that the affected performance metrics are not expected to improve until 2022. Much of the 2020 strategic goals and 2021 plan have been revised due to the increased time required to manage the portfolio successfully. Goals for 2021 include systematizing deal book structure, updating the resident selection criteria and beginning the delivery of the financial capability curriculum. And the curb appeal evaluation process can begin again, bringing property managers from other properties with volunteers from the community to be trained on curb appeal standards and physically inspect properties regularly.

The internally produced DPGR Asset Management Year-End Presentation, dated April 12, 2021, compares three years of quarterly data to the region. Only one property had negative cash flow in 2020, Harvest Hill Apartments. Overall net cash flow was higher than other NeighborWorks America affiliates in the region at 11 percent of gross potential income, despite slightly higher operating expenses than the region. Also, the DPGR portfolio has beat the Midwest market in vacancy, reporting 4.07 percent in Q4 2020 (note that MFI has a higher number, and Q1 2021 is up to 6.1 percent). Overall, DPGR is in line with the market for the challenging year of 2020, despite experiencing worse results than the prior year.

Interestingly, resident satisfaction increased in 2020, reflecting the successful strategies implemented to cope with COVID-19. Per the internal 2020 asset management report, DPGR generated an aggregate net income of $522,483 from the portfolio in 2020 and expects to collect $689,396 in waterfall payments in 2021. Note that asset management income and expense is included in the property management LOB financials.

The wholly-owned portfolio consists of 12 properties with a total of 299 units. Net cash flow was slightly positive at $18,000. Only seven of the properties have debt, with a healthy average of 1.23. Reserve balances vary significantly by property, but average $10,000 per unit for this portfolio. Harvest Hill had a challenging year in 2021, with more than $82,000 in net cash outflow for 2021. The rural development program that placed restrictions on household income limits was exited in 2020. In 2021, DPGR is increasing revenue by increasing limits to 50 percent of Area Median Income (AMI) on new units and encouraging residents to apply for tenant-based vouchers. West Shore Apartments is another rural development-funded project. It is difficult to increase rents, reserves have been low since the beginning, and certain property tax abatements were unavailable. It can rent units to households at 60 percent of AMI when it exits the program in the next few years.

Table nine shows DPGR's wholly-owned multifamily portfolio as of December 31, 2020.

Table 9: Wholly-Owned Multifamily Portfolio

Project Name	Funding Source	Type	# Of Units	Rolling 4 Quarters NCF	DSC	Operating Reserves Per Unit	Capital Reserves Per Unit
Biermeister Apartments	N/A	Mixed-Use (residential & commercial)	2	18,346	N/A	-	-
Elmdale Apartments	HUD 202, PBV	Multi-Family 5+ unit property	19	11,349	1.62	-	8,222
Genesis East Apartments	LIHTC 9%, HOME, PBV	Multi-Family 5+ unit property	23	23,679	N/A	18,794	3,451
Grandville Homes	LIHTC 9%, HOME	Multi-Family 5+ unit property	10	7,131	N/A	-	-
Harvest Hill Apartments	LIHTC 9%, 515 RD	Multi-Family 5+ unit property	46	(82,893)	-0.04	-	1,269
Heron Courtyard	LIHTC 9%, HOME, PBV	Multi-Family 5+ unit property	33	(8,155)	N/A	28,555	16,408
Kelsey Apartments	LIHTC 9%, HOME	Mixed-Use (residential & commercial)	12	2,593	1.4	2,111	4,202
Martineau Apartments	HOME	Mixed-Use (residential & commercial)	23	25,297	1.5	-	3,053
New Hope Homes	LIHTC 9%, HOME	Multi-Family 5+ unit property	12	(5,363)	N/A	-	2,017
Villa Esperanza Apartments	HUD 202, PBV	Multi-Family 5+ unit property	40	8,161	1.65	-	9,882
West Shore Apartments	LIHTC 9%, 515 RD	Multi-Family 5+ unit property	48	(6,377)	1.02	663	850
White River Estates	LIHTC 9%, 515 RD	Multi-Family 5+ unit property	31	24,260	1.43	-	6,165
Totals			299	18,028	1.23	4,788	5,376

Source: Data provided by DPGR

The syndicated multifamily portfolio includes 24 properties with a combined 1,095 units. The portfolio's net cash flow was more than $1.1 million in 2021, approximately $1,000 per unit. Only six of the properties have debt and the average debt service coverage of these properties is 3.59. Operating reserves are adequate at most properties, with an average in the portfolio of approximately $11,000 per unit. Only Heron Manor, a hybrid of market-rate and LIHTC assisted living units, experienced negative cash flow in 2021. This is due to a combination of turnover from deaths of residents, the impact of COVID to filling vacant units and a market shift toward assisted living with greater levels of care than is available at this property.

Table 10 shows DPGR's syndicated multifamily portfolio as of December 31, 2020.

Table 10: Syndicated Multifamily Portfolio

Project Name	Funding Source	Type	# Of Units	Rolling Four Quarters NCF	DSC	Operating Reserves Per Unit	Capital Reserves Per Unit
Avenida Brillante	LIHTC 9%	Mixed-Use (residential & commercial)	24	N/A	N/A	-	-
Bridge Street Place	LIHTC 9%, HOME, PBV	Multi-Family 5+ unit property	16	16,046	N/A	9,552	2,439
Calumet Flats	LIHTC 9%, PBV	Mixed-Use (residential & commercial)	16	32,182	N/A	3,115	1,219
Chaffee Apartments	LIHTC 9 %	Mixed-Use (residential & commercial)	8	12,691	N/A	7,562	1,596
Commerce Courtyard Apartments	LIHTC 9%, HOME, PBV	Multi-Family 5+ unit property	67	190,728	N/A	12,470	2,309
Ferguson Apartments	LIHTC 9%, HTF, RAD	Mixed-Use (residential & commercial)	119	N/A	N/A	2,841	3,204
Genesis Woods Apartments	LIHTC 9%, HOME, PBV	Multi-Family 5+ unit property	33	27,188	3.33	5,050	2,407
Goodrich Apartments	LIHTC 9%, HOME, PBV	Mixed-Use (residential & commercial)	14	35,391	N/A	13,817	5,558
Harrison Park Apartments	LIHTC 9%, PBV	Mixed-Use (residential & commercial)	45	N/A	N/A	-	-
Herkimer Division Apartments	LIHTC 9%, HOME, PBV	Mixed-Use (residential & commercial)	55	36,278	N/A	17,559	2,659
Heron Manor Assisted Living	LIHTC 4%, HOME, PBV	Multi-Family 5+ unit property	55	-84,345	0.77	3,333	10,089
Kingsbury Place	LIHTC 9%, HOME	Multi-Family 5+ unit property	44	41,161	N/A	16,477	11,584
Lenox Apartments	LIHTC 9%	Mixed-Use (residential & commercial)	14	44,708	N/A	2,039	1,128
Liz's House	LIHTC 9%, HOME, PBV	Mixed-Use (residential & commercial)	5	7,761	N/A	3,579	1,260
Midtown Village Apartments	LIHTC 4%, PBV	Multi-Family 5+ unit property	30	26,148	3.41	18,505	3,772
Oroiquis Apartments	LIHTC 9%, HOME, PBV	Multi-Family 5+ unit property	27	59,612	N/A	-	532

Peterlien Apartments	LIHTC 9%	Multi-Family 5+ unit property	6	11,959	N/A	2,981	1,209
Pine Avenue Apartments	LIHTC 9 %, PBV	Multi-Family 5+ unit property	23	N/A	N/A	3,937	300
Reflections Apartments	LIHTC 9%, PBV	Multi-Family 5+ unit property	60	87,245	6.67	31,255	4,893
Roosevelt Apartments	LIHTC 9%, PBV	Multi-Family 5+ unit property	52	19,830	N/A	2,886	1,228
St. James Apartments	LIHTC 9%, PBV	Multi-Family 5+ unit property	52	73,840	4.71	4,086	1,000
Suroeste Brillante	LIHTC 9%	Multi-Family 5+ unit property	24	N/A	N/A	-	-
Verne Barry Place	LIHTC 9%, HOME, PBV	Mixed-Use (residential & commercial)	116	239,437	N/A	7,622	8,988
Weston Apartment	LIHTC 4%, Section 8	Mixed-Use (residential & commercial)	190	225,763	2.65	568	5,348
Totals			1,095	1,103,623	3.59	6,951	4,208

Source: Data provided by DPGR

DPGR is in the final year of participation in NeighborWorks America's Portfolio Strengthening Program. The focus of these efforts was on Weston Apartments and Ferguson Apartments. The Ferguson rehabilitation will be completed in 2021 and Weston is in the pipeline for 2023 rehabilitation. NeighborWorks America's investment in DPGR for portfolio strengthening could generate up to $4.5 million in developer fees, per the pipeline report.

II. RESOURCE AND FINANCIAL MANAGEMENT

1. Resource Management

Dwelling Place of Grand Rapids Nonprofit Housing Corporation has exceeded this performance objective.

The financial performance for the three years of 2018-2020 reflects strong growth in total assets (+25 percent) and net assets (+29 percent). Asset levels have increased through DPGR's robust real estate development, operation and re-syndication activities. There is also a large pipeline for these activities, which will produce additional asset growth through the next few years. In 2020 revenues were flat to the 2018 levels and have remained very consistent over the three years. DPGR has developed stable and diverse revenue streams, including residential and commercial rental, contributions and grants, developer and management fees and annual income produced through the holdings of trading securities. The annual audit results report deficits each year due to the high level of non-cash depreciation expense. Cash flow from operating activities adds back the depreciation expense, which has been positive each of the last three years. Working capital metrics have tightened since 2018 but still maintain low-risk levels which exceed the peer group.

DPGR prepared a budget for 2021 which forecasted revenue growth of five percent over 2020 and produced an increase in operating cash of $2.0 million. Year-to-date results through March 31, 2021, indicate that the organization is well on track to deliver on its business plan.

The organization has demonstrated that it maintains a stable and growing supply of resources to provide sufficient cash flow to meet and sustain its organizational and programmatic capital needs. DPGR operates within a multi-year strategic plan framework. The organization has planned for and accumulated net assets to sustain long-term commitments and support its forward business planning.

Financial Position Analysis

Total assets were $154.4 million on December 31, 2020, and have increased by 25 percent (+$31.3 million) since 2018. The increase in total assets is attributed to increases in cash, trading securities, and property and equipment. The increase in total assets was funded through increases in net assets of $26.0 million and increases in liabilities of $5.2 million.

The net of property and equipment was $122.1 million and has increased 26 percent (+$25.3 million) since 2018. The construction in progress (CIP) was $16.1 million compared to $2.3 million at year-end 2018, so CIP would account for approximately 55 percent of the increase. The CIP balance was reported through the New Ferguson project and the Plaza Grandville project. Of the total historical cost balance, 78 percent is in buildings/buildings improvements; eight percent was in land and improvements. The larger increases since 2018 were reported through the development activity at Harrison Park, Pine Avenue, Plaza Franklin, Plaza Grandville and New Ferguson.

Trading Securities were $10.1 million and have increased by 21 percent (+$1.8 million) and were invested in government and corporate bonds and equity securities. The statement of activities reports $0.2 million in realized gains and $0.3 million in unrealized gains for 2020.

Total liabilities were $39.9 million and have increased 15 percent (+$5.2 million) since 2018. The increase was within long-term debt (particularly in the current maturities due) and in construction payables.

Total debt was $28.7 million and has increased 14 percent (+$3.6 million) since 2018. The balance comprises multiple notes and mortgages payable to banks, the City of Grand Rapids, the MSHDA, Rural Development and foundations. The increases have been for debt related to the New Ferguson project (net of a pay-off on former Ferguson-Heartside mortgage held by the MSHDA), Pine Avenue, Plaza Franklin and Plaza Grandville projects. In addition, DPGR reported $1.7 million in debt forgiveness income in 2020.

Approximately 78 percent of DPGR's 2020 outstanding debt does not have a monthly payment or is payable with surplus project cash. Current maturities due in 2021 are $2.0 million. The current maturities balance is primarily two construction loans with Huntington Bank for the Plaza Franklin and Plaza Grandville projects. The statement of position has ample liquid assets for this level of obligation.

Accrued deferred interest was $2.7 million and has decreased substantially since 2018 (-$2.2 million). The decrease occurred in fiscal 2020 and is associated with the pay-off/refinancing of the former Ferguson-Heartside mortgage held by the MSHDA. That mortgage was non-amortizing and was accruing interest at 6.75 percent for several years.

DPGR maintains a $1.5 million secured line of credit. There were no borrowings as of year-end 2019 or 2020.

Construction payables have increased to $4.0 million from $0.3 million since year-end 2018. The balances were reported through the New Ferguson project, Plaza Grandville and Plaza Franklin. This has increased the days in payables metric to 154 days, which is historically high compared to 36 days at year-end 2018. These projects are expected to close construction and received typical investor contributions for debt and payable obligations over the next 18 months.

Total net assets and equity were $114.5 million on December 31, 2020, and have increased 29 percent (+$26.0 million) since 2018. Total net assets were broken down as unrestricted $113.3 million, temporarily restricted $0.9 million, and permanently restricted $.2 million. Included in unrestricted net assets was non-controlling interest (NCI) of $83.3 million. The NCI net assets have increased by $22.9 million since 2018 and the controlling unrestricted net assets (DPGR) have increased by $2.4 million. Included within the NCI unrestricted net assets were contributed capital contributions of $29.1 million over 2019 and 2020.

Table 12 shows the DPGR's statement of financial position from its financial audit reports for its fiscal years 2018, 2019 and 2020. It also shows the organization's statement of financial position as reported by its management reports as of March 31, 2021.

Table 12: Statement of Financial Position

	2018 Audited	2019 Audited	2020 Audited	YTD Unaudited
ASSETS	123,126,976	142,004,571	154,417,839	162,213,679
LIABILITIES	34,591,476	37,945,371	39,882,294	38,717,408
UNRESTRICTED NET ASSETS	87,964,777	103,035,886	113,347,442	
TEMPORARILY RESTRICTED NET ASSETS	320,453	773,314	938,103	
PERMANENTLY RESTRICTED NET ASSETS	250,000	250,000	250,000	
TOTAL NET ASSETS	**88,535,230**	**104,059,200**	**114,535,545**	**123,496,272**

Source: Financial Audits for 2018, 2019, 2020 and Management Reports as of March 31, 2021.

<u>Current Year Update</u>

For the three months ending March 31, 2021, assets have increased by five percent (+$7.8 million). The asset increase was primarily in net property and equipment, trading securities, cash and restricted cash. Liabilities have declined by $1.1 million and net assets have increased by $8.9 million. The increase in net assets includes additional capital contributions from the non-controlling interest.

Liquidity and Leverage Analysis

Total cash was $7.5 million, of which 98 percent was unrestricted. Total cash has increased by 106 percent (+$3.8 million) since 2018. DPGR has maintained strong positive cash flow from operating activities for the last three years and has received over $29.0 million in non-controlling interest capital contributions since 2018.

Working capital metrics have tightened since 2018 but still maintain low-risk levels which exceed the peer group.

<u>Current Year Update</u>

For the three months ending March 31, 2021, cash and construction cash has increased by $0.4 million and restricted cash by $0.3 million. Trading securities have increased by $1.7 million. The key financial ratios continue to be at levels in excess of the peer group as of March 31, 2021.

Table 13 shows the DPGR's liquidity, cash flow and leverage ratios for 2018, 2019 and 2020 using data from the organization's audited financial statements.

Table 13: Liquidity and Leverage

	2018	2019	2020	Network Peer* Median 2019
LIQUIDITY				
Current Ratio	9.9	4.8	2.7	1.2
Cash/Quick Ratio	2.6	1.6	1.1	0.8
Days of Cash	118	175	198	112
LEVERAGE				
Debt to Net Assets	0.39 to 1	0.37 to 1	0.35 to 1	2.11 to 1
Short Term Debt	0.02 to 1	0.03 to 1	0.06 to 1	0.11 to 1

Source: Financial Audits for 2018, 2019 and 2020
* The peer group consisted of 22 NWOs focusing on RED and Property Management and total assets above $122.0 million.

Income Statement and Resource Development Analysis

In 2020, DPGR generated a deficit in net assets of ($2.3 million) on combined revenues of $14.7 million. The total deficit was allocated as a *surplus* of $1.0 million to DPGR and a *deficit* of ($3.2 million) to the NCI. Consolidated results have produced an annual deficit each of the last three years, which totals ($4.1 million). During these three years, non-cash depreciation charges were $15.3 million. Cash flow from operating activities has been positive each of the last three years.

Total revenues have remained flat since 2018, increasing by less than ½ percent. Within a flat revenue trend, support revenues have declined by $3.2 million. This was offset through a $3.2 million build in earned revenue (forgiveness of debt and improved results within both realized and unrealized gains on securities).

In 2020 rental revenues at $9.0 million represented 69 percent of total revenue and have increased five percent since 2018 (+$0.4 million). The supplemental audit schedules indicate that rental revenue was reported through 24 different combining entities. The combining schedule of these entities does not show any significant operating deficits (before depreciation and deferred interest) within the rental portfolio for fiscal 2019 or 2020.

Total grants and contributions were $2.7 million and have decreased by 54 percent since 2018 (-$3.2 million). The footnotes state that rental assistance and grants originating from the US Department of HUD represent approximately 38 percent and 32 percent of revenues for 2020 and 2019, respectively. In addition, DPGR has received limited dividend payments from several unrelated housing entities. During 2015, several of these housing entities were sold and restructured under the low-income tax credit program. DPGR received $0.2 million for 2020, $2.2 million in 2019, and $3.8 million in 2018 from the non-profit entity that sponsored the housing entities.

Debt forgiveness income was $1.7 million. The footnotes report that this includes $0.8 million from a PPP loan.

Total 2020 expenses were $16.9 million (including all expenses reported within net other income and expense in the audit) and have increased $1.3 million (+eight percent) since 2018. The organization's major functional expense categories were depreciation 32 percent, personnel expense 25 percent, utilities/maintenance repairs 19 percent, contract labor five percent, and total interest five percent.

Personnel expenses have increased by 31 percent (+$1.0 million) since 2018. Depreciation expense has increased by six percent (+$0.3 million).

Table 14 shows DPGR's statement of activities from its audited financial statements for 2018, 2019 and 2020. It also shows the organization's unaudited statement of financial activities as reported by its management reports on March 31, 2021.

Table 14: Statement of Activities

	2018 Audited	2019 Audited	2020 Audited	YTD Unaudited
REVENUES	14,642,047	15,244,468	14,680,084	2,446,112
EXPENSES	15,694,526	16,006,489	1,808,327	3,789,076
CHANGE IN NET ASSETS	**(1,052,479)**	**(762,021)**	**(2,264,965)**	**(1,320,964)**
Memo: Depreciation, Soft Debt, Interest Expense, etc.	*5,146,474*	*4,947,253*	*5,467,871*	*1,477,039*

Source: Financial Audits for 2018, 2019, 2020 and Management Reports as of March 31, 2021.

Current Year Update

For the three months ending March 31, 2021, DPGR reported revenues at $2.5 million and expenses and other expenses at $3.8 million for a deficit in net income of $1.3 million. Revenues were below budget by $0.3 million. This has been offset by a favorable variance in expenses so that the actual deficit in net income is right on track with the full-year plan.

Resource Development

DPGR prepares an annual marketing plan for the board of directors, presenting annual objectives for improving and enhancing brand awareness and fundraising. The plan also includes the schedule of key marketing outreach events. Accomplishments of the plan are reported in a very detailed report-out vs. objectives each year. The activities are directed and completed in a decentralized manner through several departmental organizations. Accomplishments are part of an annual organizational metric for senior staff positions. The reporting process is coordinated through the executive assistant, the marketing coordinator, and the co-director of CBE. High-quality, impactful reports are prepared to communicate progress and track fundraising by donation type, funding source, donor history, and donor restriction. All activities are reported to the marketing and development committee of the board of directors. This committee helps the organization raise funds, expand awareness of the work of DPGR, gain new friends in the community and provide oversight and direction. The chairman of the committee attended the resource development meeting during the assessment.

2. Financial Management

Dwelling Place of Grand Rapids Nonprofit Housing Corporation has exceeded this performance objective.

The accounting and finance activity is led by a CFO with +20 years of experience at DPGR. The team includes a controller who also has +20 years with the organization, five accounting positions and a payroll coordinator. The director of asset management and the human resource (HR) manager also report to the CFO. The accounting team provides monthly transactional processing and financial reporting for all the numerous property partnerships and LLCs and all HUD, MSHDA and investor partner reporting each month. All activity is on a reporting calendar to be completed by the 20th of each month, including fully consolidated reporting. The organization demonstrates sound and effective financial oversight and internal control, evident in the numerous documents obtained for the assessment. The team reports to the board's finance committee every month to review the various detailed reports. The committee also reviews and approves financial audits, single audits, tax returns and annual operating budgets. Members of the board of directors were very complimentary on the timing, the level of information and the informative discussion between them and the finance staff every month.

DPGR received an unmodified opinion on its combined financial statements for the year ended December 31, 2020. DPGR was required to file reports in accordance with Government Auditing Standards and Uniform Guidance. There were no material weaknesses, significant deficiencies, instances of non-compliance or questioned costs disclosed in the reports. The organization was considered to be a low-risk auditee. The organization received an unmodified opinion on its audit of major federal award programs.

The Capital fund balance in the audit was $50,000, subject to first use restrictions only and agreed to the 2020 audit.

III. ORGANIZATIONAL MANAGEMENT AND BOARD GOVERNANCE

Dwelling Place of Grand Rapids Nonprofit Housing Corporation has exceeded this performance objective.

DPGR has an active and supportive board of directors comprised of 15 board members with various expertise in real estate development and finance, property management, public relations and fundraising, social and human services, strategic planning, board development and affordable housing. The board has adopted a strategic plan and regularly evaluates the organization's progress against the plan using various reports. Board minutes indicate that the board meets six times a year with an average attendance of 89 percent. Board members are engaged, participate in committees and have frequent generative discussions regarding the organization's mission, programs, services, financing, fundraising, strategic plan and governance. The board's composition complies with NeighborWorks America requirements for resident, private and public representation. The board has also succeeded in balancing the need to preserve institutional knowledge and refresh its membership as it has a solid mix of tenured and new board members. The board evaluates its CEO and signs conflict of interest forms annually. The board's commitment to the organization was evident through 100 percent participation during the board meeting and all committee chairs attending meetings throughout the review.

According to the bylaws, as of August of 2016, the board of directors shall consist of at least 10 but no more than 21 directors. At least one-third of the board of directors shall be representatives of the low-income community; no more than one-third may be public officials or employees of a CHDO participating jurisdiction or state recipient. Each director elected to the board shall serve for a term of three years or until their successor is properly elected. Over the last three years, board membership has changed, and the board welcomed many new members, with eight board members joining in the previous 24 months.

The board is to be commended on the recruitment and selection of the new incoming CEO, who will start in his role on August 1, 2021, following the retirement of the current CEO after 32 years of service. The board formed a special search committee to conduct a national search for the new CEO. The committee recommended the hiring of an appropriate search firm. The firm was responsible for creating the recruiting schedule and timeline, updating the job description, reviewing DPGR's mission/values/vision, reviewing the executive limitations policies (governance documents), positioning DPGR as an attractive employer, and coordinating candidate sourcing, interviewing, and the overall selection process. During interviews with board members, they expressed that though the process was very intense, and all board members were challenged, they were very pleased with the process and the result. The board will work closely with the same search firm to design and work through the new CEO onboarding. The board will also engage with the staff as they put together the onboarding plan.

The board of directors is supported by seven standing committees and six ad-hoc committees. Standing committees include diversity, equity and inclusion (DEI), marketing and development, executive, RED and asset management, finance, governance, and resident engagement. Ad-hoc committees include appeals, succession planning, Dwelling Place Regional Community Land Trust (DPRCLT), Dwelling Place Foundation, Genesis NPHC, Heartside NPHC, and Sawkaw, Inc. According to the 2021 board committee meetings schedule, most committees meet every month, while the executive committee meets on odd months and the full board meets on even months (six meetings per year). Most board members serve on at least two committees.

One of the strategic initiatives outlined in the current strategic plan is succession planning for the board and staff. The objective of this initiative is to implement a board member recruitment and onboarding plan, which includes talent recruitment strategy, community outreach strategy, candidate interview and evaluation process, and onboarding of new board members.

The governance committee was created because of several board directors participating in the Excellence in Governance program through NeighborWorks America. The committee is responsible for ongoing oversight and guidance concerning board recruitment, orientation, training and governance issues. The governance committee established a process to annually review board composition against perceived organizational compliance and governance needs and its needs for specific types of expertise. According to the most recent update to the strategic plan, the organization recognizes that maintaining a diverse board is critical to DPGR's success in fulfilling its mission.

In August 2020, the DPGR board adopted a formal DEI plan, affirming it as a priority in policy, and created the DEI committee. For 2020 the established board recruitment priorities included women, persons of Latinx ethnicity, formerly homeless persons, persons living in low-income census tracts where DPGR owns housing and expertise in real estate development, finance and/or HR. The committee will also review the makeup of the committees. In addition, the committee is working with staff as they review job descriptions and look at qualifications that could potentially prevent someone from applying for a specific position, further promoting greater equity and inclusion. The ad-hoc appeals committee meets monthly and reviews residency eligibility denied applications. The committee reviews their eligibility policies and procedures and how it impacts their applicants and if there is a disparate impact.

Under the direction of the governance committee, the board implemented a board member recruitment and onboarding plan, which incorporates a talent recruitment strategy, community outreach strategy, candidate interview and evaluation process, and onboarding of new board members. The board has adopted a comprehensive onboarding policy for new board members, including orientation with board members and staff. Each board member is offered a tour of DPGR owned properties; however, that has been postponed during the COVID-19 pandemic.

Another outcome of participation in the Excellence in Governance program is the introduction of the board member mentorship program. This program provides guidance, support and a board connection for all new board members during their first year of board service by assigning seasoned board members to act as mentors. The program focuses on fully integrating new board members by helping them understand board logistics and helping them understand how they can contribute to the board based on their leadership competencies. The mentorship program can continue beyond the first year if the new board member and their mentor choose to do so. The CEO and board chairperson identify the mentors for new board members. The program description outlines several objectives that help achieve their goals and provides an overview of mentor/mentee responsibilities.
The most recent board self-assessment was completed in May 2021. At the time of the review, board members had did not have an opportunity to come together and review the results in depth. The governance committee indicated that they would come together to review the results in the coming weeks and focus on low-scoring areas, which will inform future board goals.

The annual CEO evaluation is completed by the end of the year using BoardSource. The evaluation includes a self-evaluation and feedback from some direct reports. The annual goals are created by the CEO, reviewed by the executive committee, and presented to the full board for review and approval. At the time of the annual evaluation, the board also reviews compensation for the CEO, COO and CFO. The board indicated that this process might potentially change as the new CEO is onboarded and the board works to access his needs.

Table 15 shows the tenures of the board members, the sector representation of the board members, and the regularity and the average attendance of board meetings.

Table 15: Board Revitalization, Composition and Meeting Practices

Board Revitalization	Zero to 2 yrs.	3 to 5 yrs.	6 to 10 yrs.	>10 yrs
	8	1	1	5
Board Composition	Public (#/%)	Private (# / %)	Resident (# / %)	
	1 (7%)	9 (60%)	5 (33%)	
Board Meetings	Mtgs in past 12 months	Avg attendance (%)		
	6	89%		

Source: Data provided by DPGR

IV. MANAGEMENT – STAFFING AND PERSONNEL MANAGEMENT

Dwelling Place of Grand Rapids Nonprofit Housing Corporation has met this performance objective.

DPGR has a defined organizational chart. The outlined staffing structure clearly identifies functional departments, position titles, and responsibilities to adequately support all its LOBs and administration. As of the review date, DPGR employed 75 staff across all divisions, with tenures ranging from 32 years to one month, with an average tenure of nearly seven years. The current CEO has the most tenure of 32 years, closely followed by the COO with nearly 30 years and CFO with over 21 years. All staff have extensive industry experience and bring both passion and professionalism to their respective positions. Since the last review, the staff grew by nearly 25 percent and created 16 new positions across the organization, with seven positions currently vacant. HR is the responsibility of the HR manager, who reports to the CFO.

The CEO supervises the COO, CFO, director of housing and community development, director of facilities management, director of support services, and two co-directors of CBE. The management team combined has an average tenure of 17 years, which speaks to the staff culture DPGR created and staff commitment to the organization. DPGR places a high priority on staff development and promoting from within and has demonstrated this with internal promotions. The internal promotions result in an organizational culture of new opportunities and subject matter experts, resulting in a fully functional team.

The 56-page personnel manual, last amended on December 2, 2020, provides an overview of policies related to employment with DPGR. The manual includes general principles, an equal employment opportunity statement, DPGR's employment philosophy, an overview of employee orientation and evaluation, the attendance policy, rules of conduct, weapons policy, driving policy, employee behavior and discipline, policies related to employee records, nepotism policy, harassment policy, substance abuse, ethics, whistleblower policy, benefits, and an affirmative action plan for the employment of persons of protected groups for DPGR. The manual also includes an acknowledgment page to be executed by staff upon receipt. The manual is reviewed annually by the CEO, COO, CFO and HR manager. DPGR utilizes a consultant to review the handbook for any legal updates. The first draft is reviewed by the executive committee who has full authority to review, and then goes to the full board and becomes a part of the consent agenda.

One of the strategic initiatives outlined in the current strategic plan is staff training and development. The performance evaluation under the employee training and development plan section states that creating and maintaining an employee training and development plan is essential in DPGR's strategic efforts to recruit and retain the most diverse and highest-performing workforce. By adhering to principles of equity and inclusion in the allocation of resources for training and development across all position types, DPGR believes that it will enhance its effectiveness in serving the entire community. Training plans are reviewed regularly to assess the training needs that will benefit both the employee and the organization. Supervisors are expected to use the performance evaluation process to document the relevance for each training and development component in an employee plan. Cost reasonableness and time away from work are considered in creating every plan. However, each plan is also evaluated with an equity lens to ensure that all employees have access to the resources needed to perform at the highest level and advance their skill sets.

The performance evaluation is divided into four sections: core competencies, employee performance goals, training and development, and organizational goals. Core competencies include initiative, teamwork and communication, judgment and decision making, results orientation, and productivity. Employee performance goals are specific to each position, are specific, measurable, attainable, relevant and time-bound (SMART). Employee training and development plans include remedial, technical, and general training. Performance evaluations are completed using the Paylocity performance evaluation platform. Annual evaluations are completed by June 30; however, this year, due to the COVID-19 pandemic, it has been extended to July 30. At the time of the review, performance evaluations were underway. In addition to their position-specific goals, all staff have three goals in common: increase awareness, curb appeal, and the resident satisfaction rate.

According to the most recent update in the strategic plan, with the assistance of an HR consultant, HR Collaborative, DPGR has identified key positions (CEO, CFO and COO) as positions for which an emergency/interim succession plan should be in place. The team recognizes that creating succession plans is very important for the organization's success and continuation of services without interruption should there be an unplanned departure or absence. The consultant facilitated an establishment of a comprehensive Talent Capacity Building Plan. The executive summary indicates that the plan is designed to identify strategic staff positions critical to the success of the business strategy, assess and plan the development of high-performing internal talent, and create a long-term recruitment strategy when internal talent is not available. The 13-page document includes identified key positions, candidate readiness assessment, development strategies, guidance on communication with high potential candidates, and a sustainability plan.

As a result of the COVID-19 pandemic and the stay-at-home orders, the DPGR team reported that their internal communications have improved as they moved to weekly virtual meetings for all staff to keep them apprised of planning and development in the organization. These meetings provided an opportunity for all staff to come together, learn from each other and see the CEO and other management staff. This, in turn, increased morale and created a sense of belonging during these uncertain times. DPGR also implemented "First Friday" calls, which occur on the first Friday of every month, and resemble an all-staff call but have an expanded audience to include board members. Both staff and board members indicated that they really enjoy these calls, learn a lot about the organization and create a greater bond between staff and board. The management team meets on a Tuesday preceding the Friday call and put together topics of discussion. If time allows, they also invite outside guest speakers. For DPGR's 40th anniversary, the team invited two founding board members to share their experience on what it was like 40 years ago.

Annually, DPGR deploys an employee satisfaction survey to all staff. Based on the results 100 percent of staff are satisfied with the benefits provided but leave room to grow in salaries. To remain competitive, DPGR engages an outside consultant to compile data and do a salary study. The study is typically completed in July, and once the results are provided, the potential salary increases are included in the budget. At the same time, the team reviews any increases in the benefits costs.

Personnel Performance Objectives

Performance Objective	Meets/Does not Meet*
Staffing structure clearly fulfills the organization's mission, program services, internal operations and partnership obligations.	Meets
HR policies and procedures are maintained including annual evaluations, defined roles and responsibilities and work plans.	Meets
Staff recruitment, compensation and skill development programs provide and retain a knowledgeable and committed staff for unified vision, corporate internal functions for each line of business.	Meets
Staff meeting and reporting practices are consistent with staffing model and results in timely and coordinated activities and decisions to sustain the organization's health, internal operations and services.	Meets

Source: Onsite interviews

V. PLANNING

Dwelling Place of Grand Rapids Nonprofit Housing Corporation has met this performance objective.

DPGR is operating under the 2019-2022 strategic plan. This strategic plan builds on the initiatives identified in the 2016 - 2019 strategic plan. The board of directors met in June 2019 to assess progress on the 2016 strategic plan and agreed that the same core initiatives identified in the 2016 plan should be continued with updated goals. The five-page document outlines all initiatives and includes updates on goals achieved as of May 2021. The CEO provides periodic updates to the board of directors on the status of the strategic goals. All staff understand how their specific performance objectives contribute to the overall accomplishment of the strategic goals.

The core initiatives include:

- Growth
- Succession planning for board and staff
- Creating greater community awareness of the organization
- Staff training and development

The strategic planning process was led by a consultant and started with a gathering of information. Both the consultant and the board of directors were provided many documents, including the most recent resident and employee engagement surveys, financial reports, status reports on development projects, any other projects of major focus for the organization, and the CEO provided a summary on evolving issues in the community. The strategic planning process also included a review of the organization's mission and vision.

The business plan, created by the CEO with help from other staff, includes a 2021 outlook financial summary (including 2018 and 2019 actuals, 2020 unaudited and 2021 planned), projected revenue sources, projected expenses, cash flow budget projections, 2021 housing development projects (multifamily and CLT), property performance and 2021-2024 strategic planning. The goal of the plan is to provide necessary data that is easy to read and understand.

According to the strategic plan, a comprehensive branding plan was adopted in 2018. DPGR marketing materials include a focused, well-designed website and marketing materials that align with the organization's overall brand. Brochures and other public-facing materials follow a disciplined format and communicate a consistent message. The board marketing and development committee is tasked with providing guidance on developing long-range and short-range marketing and fundraising plans.

Creating greater community awareness of the organization is one of the core initiatives included in the current strategic plan. As a result, DPGR adopted an organizational goal for community awareness, measured by an increase in the number of donors year over year. The metric used is a 10 percent increase annually. This goal is included in the performance objectives of all staff across the organization. In addition, DPGR hired a volunteer coordinator to focus on volunteerism, which in turn helps spread the information about DPGR products and services.

DPGR anticipates initiating 2022-2025 strategic planning in the second part of 2021 as the new CEO begins his tenure following the retirement of the current CEO, who has held this position for 32 years.

Planning Performance Objectives

Performance Objective	Meets/Does not Meet*
The board in partnership with senior staff has established a mission and a multi-year strategic plan that identifies it's organizational and line of business (service) goals, needs and outcomes. The plan clearly identifies primary lines of business, goals, needs and outcomes related to community revitalization and the production of affordable housing to benefit low-moderate income communities and households. The plan may include an annual operating/business plan.	Meets
The board in partnership with senior staff has implemented a process to evaluate the success of its plans (multi-year and annual) including achievement of goals and impact/outcomes for each major line of business, continued relevance to the community and partners, adequacy of resources and staffing to sustain efforts, effectiveness of service delivery strategies and approaches and ability to adapt in a timely manner.	Meets
The planning process involves board and staff leadership including adequate representation and/or information from its customers and partnership stakeholders to ensure an understanding of the community as well as the organization's capacity and its potential and/or limitations to achieve its plans.	Meets

Source: Onsite interviews

VI. TECHNICAL OPERATING AND COMPLIANCE SYSTEMS

Dwelling Place of Grand Rapids Nonprofit Housing Corporation has met this performance objective.

To address the organization's technology needs, DPGR uses Talcott Consulting, Inc. (IT consultant) and an internal IT committee. The committee currently consists of the COO, CFO, director of facilities, director of housing development, controller, marketing coordinator, accountant and the IT consultant. Additional staff participate as needed. The committee currently meets twice monthly, once to focus on day-to-day technology needs, once to focus on strategy.

The controller, with the help of the IT consultant, created the technology assessment plan, which provides an overview of technology use by DPGR. The 12-page document includes the current state of technology, security, disaster recovery, major technology projects completed over the last four years, process improvements implemented over the last few years, current projects, future technology needs, and the technology budget. The plan is reviewed annually and updated on an as-needed basis and at a minimum every three years. DPGR staff continuously look at new software options to make their processes more efficient. New software implementation takes time as the team carefully reviews their options before committing.

DPGR has created a system to have technological problems addressed in a timely manner. Problems are reported to the members of the IT committee for assessment. If the staff person can resolve the issue, they do. If they cannot, a work order is submitted that immediately notifies the IT consultant and staff of the problem. A history of issues is reviewed annually to detect recurring or trending problems. With the immediate employee needs addressed, the committee has concentrated on supporting DPGR's mission and goals. To help staff deal with recurring technology issues before submitting a work order to the IT consultant, staff can refer to IT training modules created in the Dwelling Place University (DPU). DPU is an online eLearning system associated with Yardi to provide training and development to staff. DPU can provide training beyond Yardi, and it will be used to provide webinars with a variety of topics. The system can track training and also auto-assign required training to specific employees.

Several steps have been implemented to ensure strong security while still retaining technology usability. Concern about security rose at the start of the COVID-19 pandemic due to so many staff working remotely. DPGR addressed this concern by providing security awareness training for all staff using the KnowBe4 program. KnowBe4 is a well-known company that supplies user-friendly security training on social engineering, spear phishing, and ransomware.

DPGR addresses disaster recovery in two manners. First, traditional online file backups and online backups are performed. Second, general migration to cloud-based services and file storage provides another means of retrieving data and documents. Fileserver backups using Novastor backup software to USB hard drives are rotated online and offline weekly. Separately, files are backed up from the Fileserver to Crashplan online on an incremental basis.

Contract management is a group effort with multiple staff providing data and completing reporting. The director of asset management is responsible for most of the reporting and compiles the annual performance report. DPGR's accounting team maintains a thorough spreadsheet to track all grants and contracts. The team is looking at options for one centralized grant management system. The director of asset management is working on training other staff across the organization on specific reporting requirements.

DPGR is reviewing options for one centralized location for document storage. As part of this project, the organization hired a summer intern, NeighborWorks America Vista, who is working on archiving and digitalizing historic DPGR documents, which will be stored at the local library and ensure organizational history is retained. This will also include digitalizing board and committee minutes.

In response to the pandemic, DPGR created the COVID-19 preparedness and response plan. The seven-page document outlines management team and staff responsibilities, contact information for the COVID-19 workplace coordinator, and worksite preventative measures. The plan was created based on a template provided by a local law firm that created a COVID-19 responsiveness resource center. The law firm also held daily COVID-19 related meetings for free, which were very helpful in navigating the confusion created by the pandemic and the stay-at-home orders.

In addition, DPGR created an emergency response plan which provides procedures to follow in an emergency. Emergencies outlined in the plan include an evacuation, threats and violence, bomb threat, fire, elevator emergency, severe weather and medical emergency. The plan was necessitated due to the country-wide social unrest and riots in May 2020 when many staff and residents expressed concern for their safety.

DPGR has developed policies regarding record retention and destruction, financial, governance and other policies that guide its operations. All staff and leadership meetings happen regularly. Annually DPGR produces an annual report which includes accomplishments, highlights staff and resident stories and stories of impact, which may feature a community partner, overview of financials, and ways in which DPGR has invested into the community. The planning of the annual report involves many people, including stakeholders, such as the Fair Housing Center, for their input on any additional information to be included. The annual plan is first featured in the newsletter and then sent out to the donors.

Technical Operations Performance Objectives

Performance Objective	Meets/Does not Meet*
Adequate client management systems effectively serve programmatic and administrative functions. Management information systems (software and hardware) are updated and upgraded regularly and as needed. Procedures establish regular controls to protect critical data (inventoried equipment, technology plan, backups, firewalls, anti-virus, disaster recovery plan, etc.).	Meets
A contract management system is documented and maintained that identifies oversight, documentation and reporting responsibilities to ensure compliance with a. resource and program service contracts (lines of business), professional service agreements (accounting, audit, legal, property management, loan servicing, specialized assessment and plans, training and technical assistance, computer support, etc.) and affiliated entity service agreements and capital resource transactions.	Meets
A process is followed to review all contracts and agreements (funding, programmatic, insurance, partnership, etc.) prior to approval to ensure obligations and impacts on the organization are clearly understood and appropriately integrated into its business/strategic plans.	Meets
Service delivery procedures, practices, client management systems, documents and records comply with regulations and partner expectations and provide accurate and timely production reporting to NeighborWorks America and other significant funders. A process is in place to ensure policies, procedures, practices, records and client management systems practices stay current with organizational changes, applicable regulations and line of business standards.	Meets
The organization periodically evaluates its service delivery policies, procedures, practices and client management systems to maximize staff service delivery efficiency and coordination and to provide annual and multi-year trend analysis.	Meets

Source: Onsite interviews

OVERALL CONCLUSION

In keeping with their mission to improve people's lives by creating quality, affordable housing, providing essential support services, and serving as a catalyst for neighborhood revitalization, DPGR has been busy developing and managing affordable housing while providing support to their residents and working with the community. Since the last review, the CBE team has had many notable accomplishments, initiated several community groups, collaborated on many community projects, coordinated many volunteers, and deployed funding to improve the community and lives of its residents. In this period, they trained 180 resident leaders through various workshops, send 12 residents to the CLI, facilitated 14 resident-driven groups, recorded nearly 2,000 volunteer hours and created 180 community connections (2021).

DPGR manages a diverse portfolio of rental housing programs, including supportive housing projects, elderly projects, special needs, rural developments, and downtown artist live/work projects. The property management portfolio includes 1,159 owned units, 267 third-party managed units for Genesis Nonprofit Housing Corporation, and 27 commercial spaces. The COVID-19 pandemic challenged the portfolio, resulting in higher vacancy, longer turnover and recertification slowdown. However, they outperformed the Midwest region in most metrics and achieved a higher level of resident satisfaction than the previous year. The department maintained a net profit for the review period and projects continued profitability in the future, displaying sound budgeting and cost containment strategies.

The real estate development department has successfully generated 234 new units of housing in the review period, generating $4.1 million in developer fees with a combined development budget of over $56 million, adding to their portfolio and delivering on their core competency. The current pipeline is expected to generate $6.7 million in developer fees from the rehabilitation of 309 units and construction of 157 new units, representing a combined development budget of over $114 million. Historically, this department generates a cash surplus and expects to do so into the future. DPGR asset manages a portfolio of 2,721 units, of which 1,149 are wholly-owned, 261 are jointly-owned and 1,311 are owned through its membership in the Michigan Nonprofit Housing Corporation. Besides the multifamily pipeline, DPGR is entering the single-family homeownership market through the development of DPCLT. This shared equity homeownership model fulfills rural communities' needs and provides a case study for the state. The real estate development LOB is profitable to the organization, generating developer fees and surplus cash and meeting its core mission to increase affordable housing supply in their service area.

The financial performance for the three years of 2018-2020 reflects strong growth in total assets (+25 percent) and net assets (+29 percent). Asset levels have increased through DPGR's robust real estate development, operation and re-syndication activities. Total assets were $154.4 million on December 31, 2020 and have increased by 25 percent (+$31.3 million) since 2018. The increase in total assets is attributed to increases in cash, trading securities and property and equipment. The increase in total assets was funded through increases in net assets of $26.0 million and increases in liabilities of $5.2 million. Total net assets and equity were $114.5 million on December 31, 2020 and have increased 29 percent (+$26.0 million) since 2018. Total net assets were broken down as unrestricted $113.3 million, temporarily restricted $0.9 million, and permanently restricted $.2 million. Total cash was $7.5 million, of which 98 percent was unrestricted. Total cash has increased by 106 percent (+$3.8 million) since 2018. DPGR has maintained strong positive cash flow from operating activities for the last three years and has received over $29.0 million in non-controlling interest capital contributions since 2018. Working capital metrics have tightened since 2018 but still maintain low-risk levels which exceed the peer group.

DPGR's financial management and accounting systems support the premise that the organization has a strong, stable financial environment with excellent internal controls over financial processes. The staff is experienced, knowledgeable, and capable of providing high-level accounting and technical assistance to all levels of the organization. DPGR received an unmodified opinion on its combined financial statements for the year ended December 31, 2020. There were no material weaknesses, significant deficiencies, instances of non-compliance or questioned costs disclosed in the reports. The NeighborWorks America capital fund was reconciled and agreed to the 2020 audit.

The board of directors demonstrates impactful governance practices by staying engaged with the committees and keeping a high meeting attendance of 89 percent. The board members take their responsibilities seriously by supporting the organization with their time and areas of expertise and providing appropriate oversight for DPGR's LOBs, services and finances. The board meets NeighborWorks America's one-third resident representation requirement, evaluates the CEO and signs the conflict-of-interest policies annually.

APPENDIX A - PERFORMANCE AGAINST NEIGHBORWORKS AMERICA OMBG PERFORMANCE OBJECTIVES

Performance Objective	Y/N	Performance Objective	Y/N
1. Board Governance		**4.Monitor and strengthen the organization and its programs and services**	
Recruit and sustain a diverse group of knowledgeable members	Y	Articulate the mission, accomplishments and goals to the public and garner support	Y
Diversity of board tenure and adequate institutional knowledge. Regular rotation of board and committee chairs.	Y	Hold management accountable for performance against the stated goals, grant and contractual commitments.	Y
Documented orientation process	Y	Implemented reporting practices at the board (and committee) level that allow for oversight of programs, LOB and operations.	Y
Documented board (and committee) roles and responsibilities	Y	Adequate financial resources are secured (e.g. healthy liquidity, multi-year surpluses, healthy debt ratios)	Y
Continuous training opportunities that increase board members' contribution	Y		
Meeting practices that promote constructive dialogue, timely decisions and support fiduciary, strategic and generative leadership	Y		
Documented self-assessment and action plan at least once every three years	Y		
2.Management of the Chief Executive Officer/Executive Director		**5. External Support and Compliance**	
Documented responsibilities of the CEO/ED	Y	Review of annual audit including adequate financial controls	Y
Documented goals to be achieved by the CEO/ED. Monitoring of the goals by the board	Y	Adherence to legal standards and required documents (e.g. IRS Form 990, fidelity insurance with NWA as loss payee, whistle blower policy, document destruction policy)	Y
Documented annual evaluation of the CEO/ED	Y	Compliance with contractual obligations and grant agreements	Y
Identify and resolve issues with or beyond the control of management that present risk	Y	Signed conflict of interest statements annually	Y
Documented and implemented succession plan	Y	Compliance with by-laws	Y
3.Strategic Planning and Evaluation		Compliance with NeighborWorks chartering agreement including but not limited to resident representation	Y
Documented mission statement used in strategic decision making	Y		
Documented strategic plan	Y		
Approved annual operating plan	Y		
Annual budget	Y		

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