

Asset Management Report

Burr Oaks Senior Apartments

April 2019

Owner Goals: To provide housing in a decent, safe, and sanitary manner for low-income residents and to maintain the property as senior housing as an integral part of the Burr Oaks and Arbor Hills Neighborhoods in order to provide an option for the aging population to stay in the neighborhood.

Project Summary: The CDA redeveloped Burr Oaks Senior Apartments in 2011 as a way to continue the revitalization and blight elimination in the South Park Street Badger Road area and to stimulate commercial and residential development. The original project site held 7 properties primarily composed of apartment buildings which had experienced high vacancy rates and were in various stages of foreclosure. The CDA owns 2 adjacent parcels: Burr Oaks Senior Apartments located at 2417 Cypress Way and a vacant parcel located at 2405 Cypress Way.

Burr Oaks Senior Apartments, which is owned by Burr Oaks Senior Housing LLC, sits on 1.43 acres on the corner of Cypress Way and W Badger Road. The project investor is Wells Fargo. The property is comprised of 1 three-story building with 49 units, 1 property management unit, and 44 underground parking stalls. 49 units are tax credit units, 11 are HOME assisted units (occupancy is County Median Income restricted), and 30 units have a Section 8 Project Based Voucher (PBV) attached. The building includes 33 - 1bed/1bath units, 6 - 2bed/1bath units, and 10 - 2bed/1/5bath units. Horizon Management Services constructed the building and has managed the building since 2011. The property management fee is 8% monthly gross income. The property is a senior property with many monthly resident activities including a coffee social, food pantry, movie night, bible studies, and birthday parties. The property has a large common area for residents to use and the building includes a hair salon.

Financing Summary: The permanent mortgage note is held by Impact Center for Independent Living LLC and has a current balance of \$1,071,750 at 6.15% and matures on 12/01/2028. The subordinated second mortgage note is a Home Investment Partnership (HOME) loan in the amount of \$385,000 at 0% which matures on 12/31/2040. The required Operating Reserve and Replacement Reserve are adequately funded in accordance with the Operating Agreement. The cash flow requirements of the Operating Agreement state the Investor Member earns 99.99% of the balance of any cash flow annually.

Key Indicators:

Indicator	Current Rate	Benchmark
Occupancy Rate	97%	95%
2018 Turnover Rate	4%	< 20%
Net Operating Income (MTD)	\$5,986	
Total Expense Per Unit (Annualized)	\$6,870	\$5,542
Debt Service Coverage Ratio	1.44	1.15
Police Calls for Service Per Month	3	

Risk Assessment: The property is assessed at a score of 1 of 6, with 6 being the lowest score. A score of 1 shows the property is very strong and stable, is in no way impaired, and the likelihood of realizing all project tax and ownership benefits are excellent. The property is in excellent physical condition and there have been no major capital improvements since construction was completed in 2011. Occupancy has been maintained near 100% for at least the past 2 years. Vacancies are rare at this property; the main reasons for vacancies are if a resident passes away or moves to a nursing home or assisted living facility. Police calls for service primarily include check person calls and are

not serious crimes. The property had a reasonable expense per unit in 2018 at \$5,521. The current maintenance expense per unit is \$222, which is well below the 2018 industry standard of \$1,049. Replacement reserves are adequately funded and the property has annually paid the management fee to the CDA. Monthly reports are consistently on time and thorough.

2019 Asset Goals: After the initial assessment was completed, asset managers have established a 2019 work plan for the property. A summary of this work plan is below:

1. Strategize with the property management team on ways to utilize excess cash flow at the property.
2. Capital Planning & Improvements
 - a. Replace common area carpets on the 1st floor
 - b. Clean dryer vents
 - c. Landscape along the back fence line

Burr Oaks
Balance Sheet
Year To Date 02/28/2019

Assets

Current Assets

Cash	264,879.24
Petty Cash	150.00
Security Deposits	20,494.67
Real Estate Tax Escrow	8,749.82
Property Insurance Escrow	8,560.29
Debt Service /Operating Reserv	249,613.72
Reserve for Replacment	122,051.51
Resident Receivable	7,535.05
Accounts Receivable-Others	155.00
Prepaid Expenses	6,054.25
Total Current Assets	<u>688,243.55</u>

Long Term Assets

Rental Property

Land	302,980.00
Site Improvements	249,783.83
Buildings	5,622,662.70
Computers & Equipment	3,993.90
Furniture & Equipment	315,639.87
Total Rental Property	<u>6,495,060.30</u>

Accumulated Depreciation

Accum Depreciation-Site Improvements	(126,279.62)
Accum Depreciation - Buildings	(1,065,858.33)
Accum-Depr Computer	(2,385.24)
Accum Deprec-Furniture & Equipment	(271,245.25)
Total Accumulated Depreciation	<u>(1,465,768.44)</u>

Net Rental Property 5,029,291.86

Other Long Term Assets

Compliance Fee	76,224.50
Accum Amort Compliance fee	(36,418.34)
Loan Costs	67,276.16
A/A Loan Costs	(28,645.73)
Total Other Long Term Assets	<u>78,436.59</u>

Total Long Term Assets 5,107,728.45

Total Assets

5,795,972.00

Burr Oaks
Balance Sheet
Year To Date 02/28/2019

Liabilities & Capital

Liabilities

Current Liabilities

Prepaid Rent	902.00
Accounts Payable - Trade	4,054.13
Deferred Management Fees	1,459.85
Unclaimed Property	300.00
Accrued Management Fee	220.96
Accrued Real Estate Taxes	8,201.70
Other Accruals	6,370.32
Other Accrual-Audit Expense	3,566.70
Other Accrual -Electric	819.00
Other Accrual-Gas	656.00
Other Accrual Water Sewer	84.00
Accrued Interest Payable	5,475.92
Total Current Liabilities	<u>32,110.58</u>

Long Term Liabilities

Note Payable LT-DOH	385,000.00
Security Deposits	18,447.00
Mortgage Payable Long Term	1,068,471.22
Total Long Term Liabilities	<u>1,471,918.22</u>

Total Liabilities 1,504,028.80

Capital

Capital Investor	4,366,710.73
Draws-Investors	(41,691.00)
Capital Managing Member	(27.03)
Draws Managing Member	(4.00)
Syndication Costs	(6,950.00)
Current Earnings	(26,095.50)
Total Capital	<u>4,291,943.20</u>

Total Liabilities & Capital **5,795,972.00**

Burr Oaks Operating Budget Comparison

	Month Ending 02/28/2019			Year to Date 02/28/2019			Annual Budget
	MTD Actual	MTD Budget	\$ Variance	YTD Actual	YTD Budget	\$ Variance	
Income							
Potential Rent	18,973.00	19,239.90	(266.90)	37,746.00	38,434.26	(688.26)	234,245.28
Rental Income Hap	17,085.00	16,835.00	250.00	34,209.00	33,670.00	539.00	202,020.00
Vacancy Loss	(937.00)	(1,082.00)	145.00	(985.00)	(2,163.00)	1,178.00	(13,086.00)
NSF and Late Fee Income	(25.00)	0.00	(25.00)	(50.00)	0.00	(50.00)	0.00
Laundry Income	258.50	140.00	118.50	192.50	280.00	(87.50)	1,680.00
Storage Income	440.00	480.00	(40.00)	875.00	960.00	(85.00)	5,760.00
Interest Income	25.64	13.00	12.64	50.51	26.00	24.51	156.00
Miscellaneous Income	1,005.00	0.00	1,005.00	1,005.00	0.00	1,005.00	0.00
Total Income	36,825.14	35,625.90	1,199.24	73,043.01	71,207.26	1,835.75	430,775.28
Total Operating Income	36,825.14	35,625.90	1,199.24	73,043.01	71,207.26	1,835.75	430,775.28
Expenses							
Repairs & Maintenance							
Repair & Maint	597.77	175.00	(422.77)	610.37	350.00	(260.37)	2,100.00
HVAC Expense	3,014.14	350.00	(2,664.14)	3,014.14	700.00	(2,314.14)	4,200.00
Decor/Improve Common Area	0.00	0.00	0.00	0.00	0.00	0.00	3,200.00
Common Area Non recurring	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00
Appliance Replacement/Repairs	139.26	175.00	35.74	139.26	350.00	210.74	2,100.00
Cleaning Supplies	27.30	75.00	47.70	218.89	150.00	(68.89)	900.00
OSHA Compliance	0.00	25.00	25.00	0.00	50.00	50.00	300.00
Plumbing Repairs\supplies	320.32	250.00	(70.32)	1,773.13	500.00	(1,273.13)	3,000.00
Electrical Repairs\supplies	228.66	250.00	21.34	859.02	500.00	(359.02)	3,000.00
Garage Maintenance	0.00	33.33	33.33	0.00	66.66	66.66	849.96
Janitorial Service	1,300.00	600.00	(700.00)	1,862.00	1,200.00	(662.00)	7,200.00
Elevator Contract	258.61	342.00	83.39	517.22	684.00	166.78	4,432.80
Fire Alarm/Extinguishers	363.44	30.77	(332.67)	473.44	61.54	(411.90)	1,600.39
Grounds Care	0.00	0.00	0.00	0.00	0.00	0.00	4,888.96
Exterminating Expense	42.00	42.00	0.00	126.00	84.00	(42.00)	4,018.75
Trash Removal	1,128.25	430.00	(698.25)	1,826.70	860.00	(966.70)	5,237.40
Water Softener/Rent/Supplies	117.27	60.00	(57.27)	117.27	120.00	2.73	720.00
Snow Removal	1,808.00	2,000.00	192.00	2,407.00	4,000.00	1,593.00	6,800.00
Repairs Contract nonrecurring	0.00	0.00	0.00	0.00	0.00	0.00	17,750.00
Unit Turnover	2,774.66	1,700.00	(1,074.66)	7,405.54	1,700.00	(5,705.54)	6,800.00
Maintenance Wages	1,633.00	1,832.95	199.95	3,548.00	3,849.20	301.20	24,320.03
Total Repairs & Maintenance	13,752.68	8,371.05	(5,381.63)	24,897.98	15,225.40	(9,672.58)	108,418.29
Utilities							
Electricity	1,848.16	1,787.65	(60.51)	3,522.44	3,575.30	52.86	21,451.80
Gas	1,669.38	1,240.51	(428.87)	3,039.53	2,946.21	(93.32)	7,753.16
Water/Sewer	767.24	1,064.08	296.84	1,800.39	2,128.16	327.77	12,768.96
Vacant Unit Utilities	14.23	25.00	10.77	60.62	50.00	(10.62)	300.00
Total Utilities	4,299.01	4,117.24	(181.77)	8,422.98	8,699.67	276.69	42,273.92
Insurance Expense							
Property/Liability Insurance	952.24	955.52	3.28	1,904.48	1,911.04	6.56	11,503.74
Total Insurance Expense	952.24	955.52	3.28	1,904.48	1,911.04	6.56	11,503.74
Taxes							
Real Estate Taxes	4,100.85	4,372.16	271.31	8,201.70	8,744.32	542.62	52,465.92
Sales Tax	0.00	0.00	0.00	89.90	971.29	881.39	971.29
Total Taxes	4,100.85	4,372.16	271.31	8,291.60	9,715.61	1,424.01	53,437.21
Operating & Administrative Expenses							
Marketing Expense	61.41	187.00	125.59	122.82	874.00	751.18	2,844.00
Advertising	0.00	0.00	0.00	0.00	0.00	0.00	275.00
Marketing Collateral	0.00	85.00	85.00	0.00	170.00	170.00	1,020.00
Leasing Training	237.71	58.54	(179.17)	279.37	117.08	(162.29)	1,002.48
Dues, Subscriptions, Publicitns	0.00	0.00	0.00	0.00	0.00	0.00	75.00
Property Recreational/Social	485.59	150.00	(335.59)	528.08	300.00	(228.08)	2,400.00
On Site Salaries / Wages	1,757.78	1,828.97	71.19	3,343.33	3,932.28	588.95	25,545.37
Office Supplies	98.12	85.00	(13.12)	98.12	170.00	71.88	1,020.00
Credit Bureau Expense	13.00	0.00	(13.00)	26.00	0.00	(26.00)	52.00
Telephone/Pagers/Answerng Srvc	448.85	500.00	51.15	897.70	1,000.00	102.30	6,000.00
Postage	55.00	30.00	(25.00)	55.00	60.00	5.00	360.00
Accounting Fees	1,308.33	558.33	(750.00)	1,866.70	1,116.66	(750.04)	6,699.96
Legal Fees	0.00	0.00	0.00	30.00	0.00	(30.00)	0.00

Burr Oaks Operating Budget Comparison

	Month Ending 02/28/2019			Year to Date 02/28/2019			Annual Budget
	MTD Actual	MTD Budget	\$ Variance	YTD Actual	YTD Budget	\$ Variance	
Auto Expense & Travel	0.00	30.00	30.00	0.00	60.00	60.00	360.00
Management Fees - HMS	2,207.97	2,136.77	(71.20)	4,379.55	4,270.87	(108.68)	25,837.15
State Housing Compliance Fees	187.50	187.50	0.00	375.00	375.00	0.00	2,250.00
Bank Expense	0.00	6.00	6.00	0.00	12.00	12.00	72.00
Miscellaneous Adminstrtv Expns	0.00	25.00	25.00	0.00	50.00	50.00	300.00
Other Management Fee	735.99	625.00	(110.99)	1,459.85	1,250.00	(209.85)	7,500.00
Computer Expense	136.65	190.67	54.02	273.30	381.34	108.04	2,288.04
Total Operating & Administrative	7,733.90	6,683.78	(1,050.12)	13,734.82	14,139.23	404.41	85,901.00
Total Operating Expenses	30,838.68	24,499.75	(6,338.93)	57,251.86	49,690.95	(7,560.91)	301,534.16
Net Operating Income	5,986.46	11,126.15	(5,139.69)	15,791.15	21,516.31	(5,725.16)	129,241.12
Interest Expense							
First Mortgage Interest	5,475.92	5,475.92	0.00	10,960.26	10,960.26	0.00	65,246.50
Total Interest Expense	5,475.92	5,475.92	0.00	10,960.26	10,960.26	0.00	65,246.50
Total Inc B-4 Depr & Other Inc	510.54	5,650.23	(5,139.69)	4,830.89	10,556.05	(5,725.16)	63,994.62
Depreciation & Amortization							
Depreciation Equipment	27.74	27.74	0.00	55.43	55.48	0.05	332.88
Depreciation Furniture & Fxtrs	1,524.87	1,524.87	0.00	3,049.68	3,049.74	0.06	18,298.44
Compliance Fees Amortization	423.47	423.47	0.00	846.93	846.94	0.01	5,081.64
Financing Costs Amort Exp	366.32	366.32	0.00	732.65	732.64	(0.01)	4,395.84
Depreciation - Buildings	11,733.16	11,733.16	0.00	23,466.34	23,466.32	(0.02)	140,797.92
Depreciation Land Improvements	1,387.69	1,387.69	0.00	2,775.36	2,775.38	0.02	16,652.28
Total Depreciation & Amortization	15,463.25	15,463.25	0.00	30,926.39	30,926.50	0.11	185,559.00
NET INCOME	(14,952.71)	(9,813.02)	(5,139.69)	(26,095.50)	(20,370.45)	(5,725.05)	(121,564.38)