

Asset Management Report

Monona Shores

December 2017

Owner Goals: To provide housing in a decent, safe, and sanitary manner for low-income residents and to maintain the property as an integral part of the Broadway Lake Point neighborhood.

Project Summary: The CDA redeveloped Monona Shores Apartments in the late 1990s as a way to reduce the number of blighted properties in the neighborhood. The apartment complex sits on the south side of Lake Monona north of Broadway and west of Monona Drive. The property is comprised of 8 buildings with 104 units, 71 of which are tax credit units. Unit sizes range from 1 bed/1 bath to 3 bed/2 bath townhomes but the majority of units are 2 bed/1 bath units. The CDA has held the same property management agreement with Broihahn Management since 2001. Ownership of the property transferred from Monona Shores LLC to the CDA in 2014 at the end of the 15-year compliance period.

Financing Summary: Debt on the property was refinanced in 2016 and is currently held by Johnson Bank. The current balance is \$2,805,468.34 at 3.48% and matures on 09/01/2021. A second note is payable to WHEDA, collateralized by a third mortgage on the property for \$213,067 at 0%. Payments are not allowed on this note until 06/01/2023 and the note is due 05/01/2031.

Key Indicators:

Indicator	Current Rate	Benchmark
Occupancy Rate	92.31%	95%
Turnover Rate	3%	<20%
Total Expense Per Unit (PUPY)	\$4,680.65	\$5,319
Debt Service Coverage Ratio	3.13	1.15

Risk Assessment: The property is assessed at a score of 3 of 6 with 6 being the lowest score. A score of 3 shows the property is just performing compared to established benchmarks. The property is in good physical condition given its age, however, the property is in need of a capital needs assessment to establish a capital budget. Occupancy rates have continued to be below the 95% benchmark but have steadily improved over time. The property has a low expense per unit (\$4,680.65) and was profitable at the end of 2017. Replacement reserves are not allocated correctly but there are sufficient operating reserves available. Monthly reports to the CDA have been habitually late and WHEDA cited the property for two reporting violations in January 2017. Property management services are operating under the original 2001 agreement, which allowed four subsequent one-year renewals.

2018 Asset Goals: After the initial assessment was completed in 2017, asset managers have established a 2018 work plan for the property. A summary of this work plan is below.

1. Increase occupancy to at least 95%.
 - a. Meet regularly with property management for continued assessment.
 - b. Complete rental market analysis.
 - c. Develop marketing plan to increase active applicants for the property.
2. Capital Planning and Improvements
 - a. Complete a capital needs assessment
 - b. Establish a 5 year capital budget
 - c. Address immediate capital needs, i.e., boiler replacement and driveway improvements
3. Complete a replacement reserves review and make necessary corrections.
4. Consider request for proposals for property management services.