

**ANOKA COUNTY HOUSING AND REDEVELOPMENT AUTHORITY (ACHRA)
MANAGEMENT COMMITTEE
and Meeting of the
Anoka County Housing and Redevelopment Authority Trustees****

**Trustee Mike Gamache, Chair
Trustee Julie Jeppson, Vice-Chair
Trustee Jeff Reinert
Trustee Mandy Meisner**

AGENDA

FOR THE JUNE 13, 2023 MEETING

10:15 A.M. or Immediately Following the
Board of Commissioners Public Comment Period, Whichever is Later

Conference Room #772 - 7th Floor - Government Center

1. Public Comment: Public comments are welcome at this time. In consideration of others wishing to speak, please limit comments to 2 minutes. Questions directed to the committee will not be answered immediately; however, whenever possible, all appropriate questions will be responded to in a timely and effective manner by county staff.
2. Consider recommending the ACHRA Board of Trustees approve the 2024 senior housing budgets for the following Anoka County Housing and Redevelopment Authority senior housing apartment buildings:
 - A. The Willows of Ham Lake
 - B. Savannah Oaks
 - C. Chauncey Baret Gardens
 - D. The Oaks of Lake George

See attached worksheet and memo from Ehlers, Inc.

3. Consider recommending the ACHRA Board of Trustees approve adding additional activity to the Program Year 2023 Action Plan allocating \$900,661 in unallocated Community Development Block Grant (CDBG) funds to the Anoka County's CDBG Single-Family Home Rehabilitation Loan Program. **See attached** worksheet.
4. Consider recommending the ACHRA Board of Trustees approve the ACHRA Executive Director to purchase the HUD-approved program management system, Neighborly Software Package for use within the Community Development department. Total cost for implementation and first-year is \$19,400. **See attached** worksheet.
5. Consider recommending the ACHRA Board of Trustees approve travel for one person to attend the NACCED Annual Conference and Training in September. Costs to include \$600 registration, \$730 airfare, \$800 lodging, \$288 per diem, \$75 mileage, \$60 ground transportation.

6. For informational purposes, consider a discussion of smoke-free senior housing campuses.
7. For informational purposes, the ACHRA received an invoice from Greater MSP in the amount of \$75,000 for annual investment dues.
8. Other.

***Actions taken by this committee do not bind the Anoka County Housing and Redevelopment Authority (ACHRA) Board. In addition to the trustees appointed to this committee, additional trustees may attend. Non-committee trustees may choose to participate in the discussions and/or ask questions, but they will **not** vote on any item, nor will they agree to take a specific action on business conducted by the committee. If their attendance and limited participation in the committee meeting is considered a meeting of the ACHRA, this shall serve as notice of an ACHRA Board meeting.*



ANOKA COUNTY HRA ACTION ITEM

June 13, 2023

HRA

| | |
|--------------------------|---|
| ACTION REQUESTED | Consider approval of the 2024 senior housing budgets. |
| BACKGROUND | <p>Anoka County HRA owns and operates four senior housing apartment buildings. Each year we work with Great Lakes Management and Ehlers to establish a budget for each property. Key issues to be considered include:</p> <ul style="list-style-type: none">• Rent increases based upon current market conditions• Striking a balance between affordability and financial self-sufficiency• Cash flow• Capital Improvement budgets |
| SUPPORTING DOCUMENTATION | <ul style="list-style-type: none">• Memo from Jessica Cook, Ehlers• Budget and Narrative for the Willows of Ham Lake• Budget and Narrative for Savannah Oaks in Ramsey• Budget and Narrative for Chauncey Barett Gardens in Centerville• Budget and Narrative for the Oaks of Lake George in Oak Grove |
| FUNDING SOURCE | 100% HRA levy pledge required by Bonds Rents collected |
| RECOMMENDATIONS | Consider approval of the 2024 senior housing budgets. |

MEMORANDUM

TO: Anoka County HRA Management Committee
FROM: Jessica Cook and Schane Rudlang
DATE: June 8, 2023
SUBJECT: Financial Overview of Senior Housing Projects and 2024 Budgets

Background

The Anoka County HRA owns and operates four senior housing apartment buildings listed in the chart below.

| Senior Building | City | Number of Units | Security for Financing | Year Constructed |
|--------------------------|-------------|-----------------|------------------------|-----------------------------------|
| The Willows | Ham Lake | 49 | City G.O. | 1996 |
| Savannah Oaks | Ramsey | 50 | County G.O. | 1998 |
| Chauncey Barrett Gardens | Centerville | 47 | County G.O. | Phase I – 1997 Phase II – 2004 |
| The Oaks of Lake George | Oak Grove | 52 | County G.O. | 2004 - 2005 |

The HRA's senior housing development began in the mid to late 1990's. At that time, independent senior housing had become an established product in the housing industry. However, the private sector, by and large, was not bringing the product to Anoka County. Several communities in the County requested assistance from the HRA to construct independent senior living, and each of the participating communities contributed land, credit enhancement on the bonds and/or other resources to their respective projects. Moderately priced, high quality buildings were constructed in the cities of Ham Lake, Ramsey, and Centerville. The HRA financed the properties and owns and manages them through a fee management company. The buildings offer independent senior housing to low- and moderate-income seniors, with priority given to Anoka County residents.

Three of the projects (The Oaks of Lake George, Chauncey Barrett Gardens, and Savannah Oaks) are financed with revenue bonds backed by a general obligation ("G.O.") pledge from Anoka County. The Willows is financed with revenue bonds backed by the City of Ham Lake's G.O. pledge. The HRA has pledged all or a portion of the levy it collects in the respective cities to fund project shortfalls, should they occur, and has used the levy to pay for capital improvements.

When the first three projects were financed, it was the intent of the HRA Trustees to use the levy annually to keep projects affordable. The policy emphasis was to keep annual rent increases at or below the cost of living increases provided by Social Security. In the last several years, the HRA Trustees have sought to make the projects financially self-sufficient and have implemented rent increases accordingly. The rent increase in 2023 was 6% to keep pace with inflation. The levy has been reserved, when needed, to make capital

improvements to the properties. The annual budget process has been the mechanism for balancing the competing goals of affordability and financial self-sufficiency for each project.

Proposed Rent Increases

This year, inflation is posing a continued challenge to balancing the goals of affordable rents with financial performance of each project. In response to inflation, we are proposing 4.0% rent increases in 2024. This compares to the 8.7% cost of living (COLA) increase social security recipients received in 2023, and the 3.1% COLA increase preliminarily forecast for 2024.

Great Lakes Management annually surveys the senior housing communities in the Anoka County market area using CoStar, a subscription market research service. The HRA's rents continue to be lower than the market average with the exception of The Oaks of Lake George. In that property higher rents are driven by high sewer and water costs.

| Property | Property Average One Bdrm. Rent | Market Area Average One Bdrm. Rent/Sq. Ft. | Difference |
|--------------------------|---------------------------------|--|------------|
| Willows of Ham Lake | \$920 | \$1,161 | \$241 |
| Chauncey Barrett Gardens | \$964 | \$1,110 | \$146 |
| Savannah Oaks | \$1,079 | \$1,185 | \$106 |
| The Oaks of Lake George | \$1,100 | \$1,065 | (\$35) |

Budget Process

Ehlers was requested to review the proposed budgets as prepared by Great Lakes Management and HRA staff, and to prepare this overview. The 2024 budget packet includes for each project:

1. An Operating Budget Narrative and Capital Improvement Budget; and
2. A budget worksheet that shows the historical financial performance of the projects and the proposed 2024 budget.

The team has carefully reviewed all budget line items and is proposing 2024 budgets that limit the annual operating expenditure increases to less than 5% for all properties.

Operating Costs

Across all the properties, operating expenses are increasing 1.6% to 4.7%. The highest line-item expense increase is for salaries. This is due to the strategic recommendation that the HRA increase maintenance staff to supplant some of the contracted services. Inflationary cost pressures are highest in contract services such as temporary cleaning to cover for vacations (increases of over 100%) and other services such as snow removal and window washing. While in this first year we anticipate that switching from contract services to

additional on-site staff will be a “break-even” proposition, we believe that in future years we will have better control over staff costs than contracted service and outside repair and maintenance costs.

Capital Improvement Budgets

The senior housing buildings range in age from 19 to 27 years and are facing the need for increased capital improvements. Rents and accumulated project reserves are sufficient to fund 100% of the identified capital needs at The Willows. For Savannah Oaks and The Oaks of Lake George, the HRA levy accumulated for each respective community is available to pay for upcoming projects. Chauncey Barrett Gardens, however, is projected to not have enough HRA levy to pay for all the capital needs of the development. By 2027 other sources of funding or financing will need to be identified for Chauncey Barrett Gardens.

The Willows of Ham Lake

This project has historically performed well financially because it has its own well and septic system and does not pay city utilities. Being the oldest building, it also has the lease debt outstanding. The 2023 net income is expected to be approximately \$65,298. The bonds that financed the project will be paid in full in 2025.

2024 Budget – The proposed budget shows the project is expected to have positive net income of \$74,735 with a 4.0% rent increase. It includes a 4.0% increase over expected 2023 operating expenses and assumes 97% occupancy. Current occupancy is 98%.

While the anticipated annual capital improvement expense exceeds the projected net operating income in 2024, The Willows has sufficient cash reserves to fund all needed capital improvements.

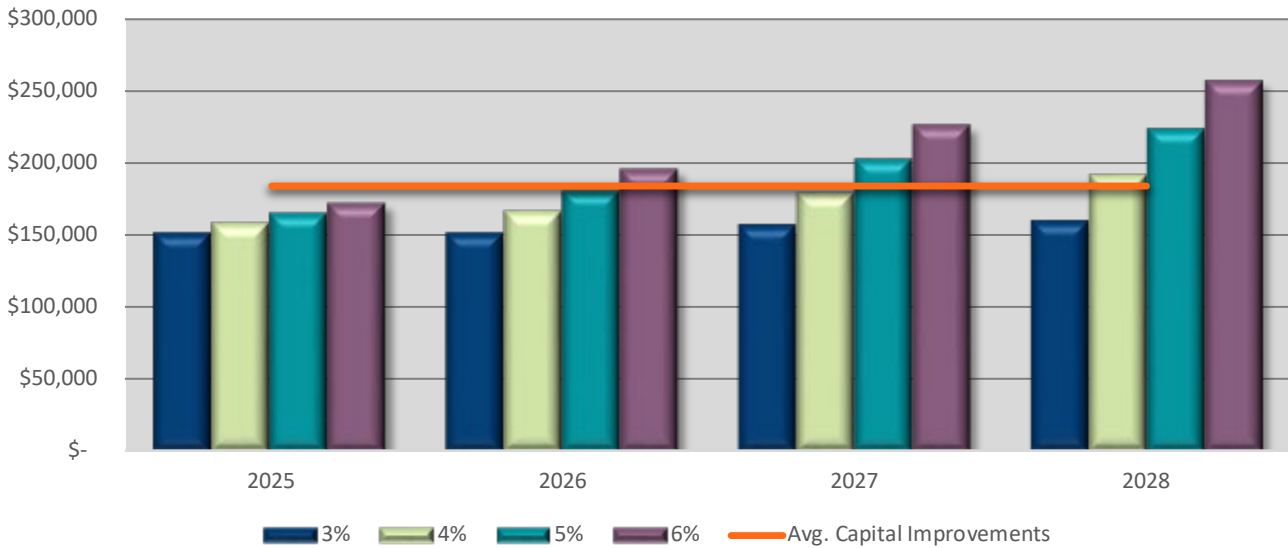
Savannah Oaks

Savannah Oaks has maintained positive healthy cash reserves which were used to replace the HVAC systems recently. Future capital improvements will be funded with net income and HRA levy. Net income of \$85,365 is expected in 2023. The bonds that financed the project will be paid off in 2027.

2024 Budget – The proposed budget shows a positive net income of \$140,156 with a 4.0% increase in rents. The jump in net income over 2023 is due to declining debt service. Expenses are expected to increase 1.6% over expected 2023 expenses. The budget also assumes 97% occupancy. Current occupancy is 100%.

The graph below compares annual net operating income at varying future rent increases to the average annual capital improvement expense (represented by the orange line). Expenses are assumed to increase 5% annually beginning in 2025. This graph shows that the HRA will need to rely on some HRA levy funds from the City of Ramsey to pay for capital improvements in the near future.

Savannah Oaks Net Income with Varying Rent Increases Compared to Average Annual Capital Improvement Expense



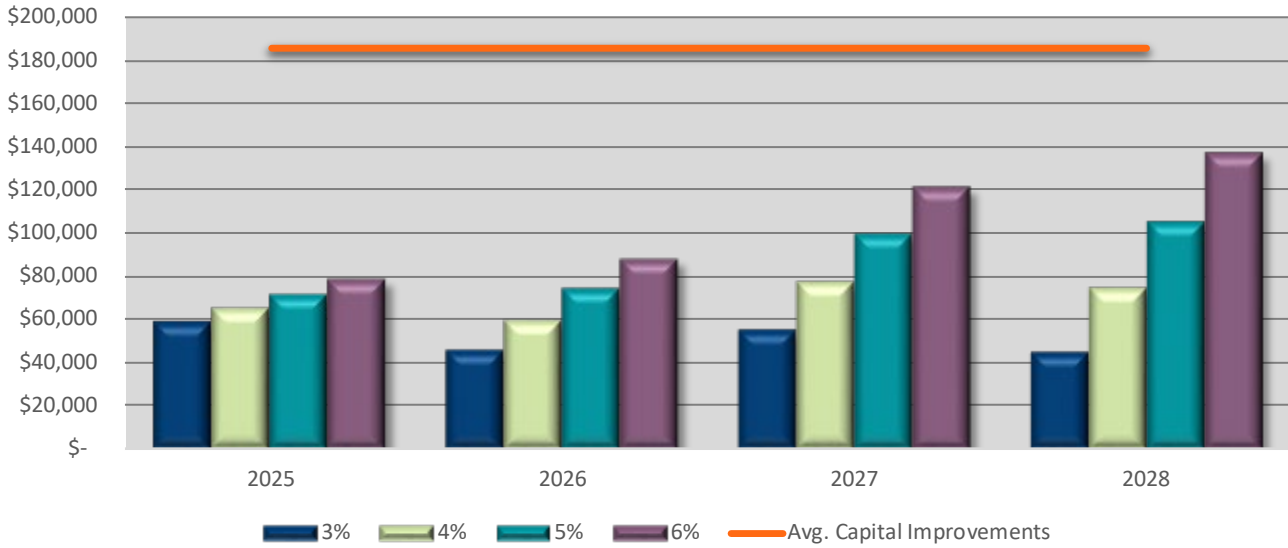
Chauncey Baret Gardens

Historically, the HRA has contributed a portion of its HRA levy from the City of Centerville toward annual debt service on Chauncey Baret Gardens’ bonds. Through careful management and steady rent increases, the project has started to have positive cashflow. The projected net income for 2023 is \$36,083. The bonds that financed the project will be paid in full in 2033.

2024 Budget – The proposed budget shows a net income of \$51,714 with a 4.0% rent increase. Expenses are proposed to increase 3.3% over expected 2023 expenses and 97% occupancy is budgeted. Current occupancy is 100%.

The graph below compares annual net operating income at varying future rent increases to the average annual capital improvement expense (represented by the orange line). We have assumed a 4.0% rent increase in 2024. Expenses are assumed to increase 5.0% annually beginning in 2025. This graph shows that the HRA will need to rely on HRA levy funds from the City of Centerville to pay for capital improvements. After 2027 the accumulated levy funds are projected to be fully expended and the HRA will need to find other funding sources or finance the capital improvements at the property.

Chauncey Baret Gardens Net Income with Varying Rent Increases Compared to Average Annual Capital Improvement Expense



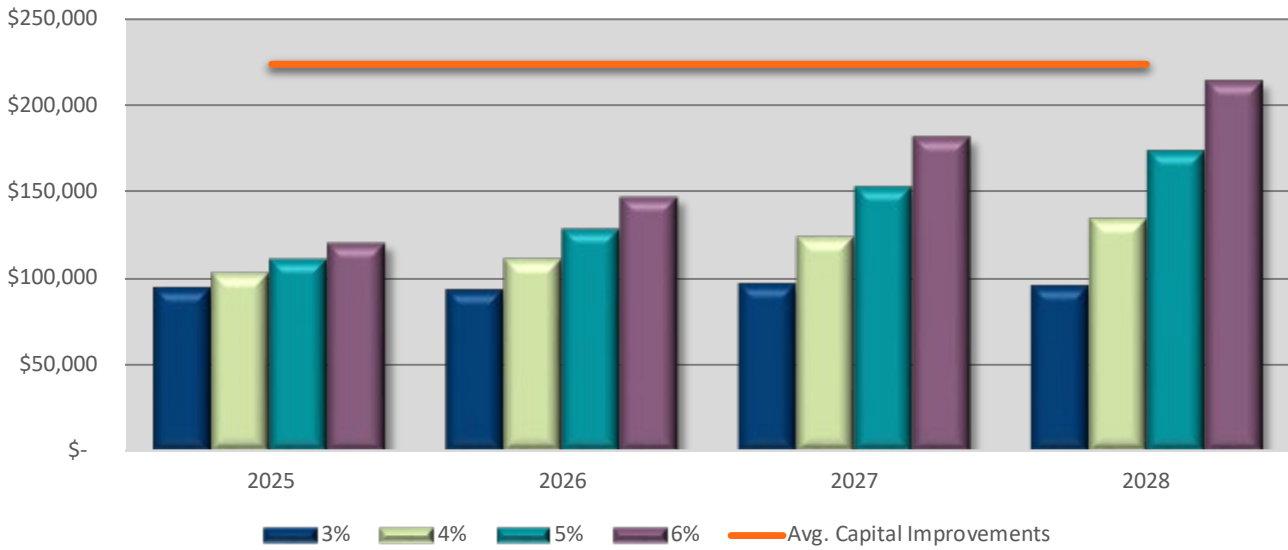
The Oaks of Lake George

In 2023, the project is expected to have net income of \$69,453. The bonds that financed the project will be paid in full in 2035.

2024 Budget – The proposed 2024 budget assumes a 97% occupancy rate. The budget shows a net income of \$84,994 with a 4.0% rent increase. Expenses are expected to increase 4.7% over expected 2023 expenses. Current occupancy is 100%.

The graph below compares annual net operating income at varying future rent increases to the average annual capital improvement expense (represented by the orange line). We have assumed a 4.0% rent increase in 2024 and expenses are assumed to increase 5% annually beginning in 2025. This graph shows that the HRA will need to rely on HRA levy funds from the City of Oak Grove to pay for capital improvements.

The Oaks of Lake George Net Income with Varying Rent Increases Compared to Average Annual Capital Improvement Expense



The Willows 2024 Budget Narrative

June 8, 2023

PROJECT SUMMARY

The Willows is a 49-unit senior housing building in the City of Ham Lake. The project is 100% occupied.

The proposed 2024 budget reflects a 4.0% rent increase. A 4.0% rate increase would result in the following rents:

| Floor Plan | Total Units | Square Feet | Current Rent | Renewal |
|------------|-------------|-------------|--------------|---------|
| 1 BR | 12 | 660 | 867 | 902 |
| 1 BR | 6 | 705 | 1,018 | 1,058 |
| 1 BR | 1 | 718 | 935 | 972 |
| 1 BR | 5 | 776 | 996 | 1,036 |
| 1 BR | 2 | 854 | 1,123 | 1,167 |
| 1 BR + Den | 11 | 920 | 1,141 | 1,186 |
| 2 BR | 9 | 1,037 | 1,208 | 1,257 |
| 2 BR | 3 | 1,220 | 1,415 | 1,472 |

No increase is proposed to the monthly parking rate of \$40.

OPERATING REVENUE

Gross Apartment Rent is the total potential apartment rental revenue at 100% occupancy assuming a 4.0% rent increase at lease renewal. \$640,006

Gross Revenue is the gross apartment rent, plus gross parking income and miscellaneous income. 662,773

Net Revenue is the gross revenue less a projected vacancy loss of 3%. **\$642,565**

The Willows 2024 Budget Narrative

OPERATING EXPENSE

Due to inflation pressures in 2023, operating expenses in the current year are expected to be 2.3% higher than the current 2023 budget. Operating expenses in 2024 are budgeted to increase 4.0% from 2023 year end estimated expenses.

| | |
|--|------------------|
| Salaries & Benefits | \$119,025 |
| Assumes 11.4% increase over 2023 year end estimate. Salaries are proposed to increase up to 5% based on merit and increases to the hours of the maintenance staff to avoid higher contract cleaning costs. Salaries at this property are higher because the manager is paid a salary in lieu of a rent concession. | |
| General Administration | 24,802 |
| Assumes 3.8% increase over 2023 year end estimate. | |
| Professional Services | 51,866 |
| Assumes 4.9% increase from 2023 year end estimate. The HRA plans a 2% increase in its management fee. The Great Lakes Management fee is based on the contract amount approved following the recent RFP process. | |
| Utility Expense | 34,129 |
| Assumes a 4.7% increase from the 2023 year end estimate. The Willows utilities are lower than the other buildings because the property has its own well and septic system. | |
| Contract Services | 49,825 |
| Assumes an -4.0% decrease over the 2023 year end estimate. Contract Services includes elevator and lawn maintenance, snow removal and the like. The decrease is the result of increasing maintenance staff time. | |
| Repairs & Maintenance | 25,324 |
| Assumes a -1.6% decrease from 2023 year end estimate. | |
| Insurance & Taxes | 45,684 |
| Assumes a -2.2% decrease over the 2023 year end estimate. The property is tax-exempt and makes a Payment in Lieu of Taxes (PILOT) calculated at 5% of 2023 effective revenue less utilities. The budget allows \$28,004 for PILOT and \$16,200 for insurance (decrease of \$2,886 from 2023 due to altering the coverage requirements). Special assessments are \$1,480. | |
| Total Operating Expense | \$350,655 |
| Net Operating Income | \$291,910 |

The Willows 2024 Budget Narrative

| | |
|--|------------------|
| Net Operating Income | \$291,910 |
| (From previous page) | |
| Less Debt Service | \$(204,875) |
| Principal and interest payments on the bonds | |
| Less Other Non-Operating Expenses | \$0 |
| Less Operating Reserve | (9,800) |
| Bond covenants require the project to set aside \$200 per unit per year into a replacement reserve held by the Bond Trustee. | |
| Less Bond Trustee Fee | (2,500) |
| The annual fee paid to the Bond Trustee. | |
| Net Income (Loss) | \$74,735 |

*Losses are funded with the HRA levy and/or cash reserves.

In addition to operating expenses, the HRA will need to invest in capital improvements for The Willows.

PROPOSED CAPITAL IMPROVEMENT PLAN

| Project Name | Budget | | Annual Capital Expenditures | | | |
|---------------------------|-------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Unit Flooring Replacement | \$ 14,700 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 |
| Appliance Replacement | 9,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| HVAC Common Area | 3,500 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| Unit Cabinets | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| Common Area Flooring | 18,000 | 10,000 | 50,000 | 100,000 | - | - |
| Common Area Furniture | 30,000 | - | 6,000 | - | - | - |
| Common Area Painting | 4,000 | 4,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| Building | 6,500 | 85,500 | 18,000 | - | - | 150,000 |
| Window Replacement | 10,000 | - | 25,000 | 200,000 | - | - |
| Lighting | - | 6,500 | - | - | - | - |
| Signage | - | 1,200 | - | - | - | - |
| Concrete Repairs | - | 7,500 | - | - | 75,000 | - |
| Landscaping | - | 6,000 | - | - | - | - |
| Water Softener | - | 20,000 | - | - | - | - |
| Trail | - | - | - | - | - | - |
| Elevator Upgrades | 125,000 | - | - | - | - | - |
| Asphalt | 25,000 | - | - | - | - | - |
| Fire/Sprinkler | 5,000 | 5,000 | - | - | - | - |
| TOTAL EXPENDITURES | \$ 280,700 | \$ 206,700 | \$ 166,000 | \$ 367,000 | \$ 142,000 | \$ 217,000 |
| Per Unit Costs | \$ 5,729 | \$ 4,218 | \$ 3,388 | \$ 7,490 | \$ 2,898 | \$ 4,429 |

The Willows 2024 Budget Narrative

The HRA has two primary sources for funding capital improvements: cash available in the project's various accounts and the HRA levy collected in the City of Ham Lake. The charts below show proposed funding sources for the capital improvements, and the projected balance in the HRA levy account for the City of Ham Lake. Project cashflow will be sufficient to pay for all capital expenses.

CAPITAL IMPROVEMENT FUNDING

| | Expected | Budget | Projected | | | |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Beginning Cash (Jan 1) | | | | | | |
| Great Lakes Checking | \$26,225 | | | | | |
| Repair and Replacement Account | 160,106 | | | | | |
| Surplus Account | 369,774 | | | | | |
| Subtotal Beginning Cash | \$ 556,105 | \$ 356,026 | \$ 223,526 | \$ 331,665 | \$ 199,416 | \$ 320,535 |
| Annual Net Income/(Loss)* | \$ 70,821 | \$ 74,735 | \$ 281,354 | \$ 282,800 | \$ 283,921 | \$ 284,689 |
| Plus Additions to: | | | | | | |
| Repair and Replacement Account | \$ 9,800 | \$ 9,800 | \$ 9,800 | \$ 9,800 | \$ 9,800 | \$ 9,800 |
| Less Capital Expenditures** | (280,700) | (217,035) | (183,015) | (424,848) | (172,602) | (276,953) |
| Annual Cashflow before HRA Levy | \$ (200,079) | \$ (132,500) | \$ 108,139 | \$ (132,249) | \$ 121,119 | \$ 17,536 |
| Transfer In: HRA Levy | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Ending Cash (Dec 31) | \$ 356,026 | \$ 223,526 | \$ 331,665 | \$ 199,416 | \$ 320,535 | \$ 338,070 |

Notes: * - Assumes a 4% rent increase in 2024 and 3% annual rent increases thereafter.

** - CIP costs are inflated 5% annually from the Capital Improvement Plan shown above.

HRA LEVY ACCOUNT PROJECTED CASH BALANCE

| | Expected | Budget | Projected | | | |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Beginning Cash (Jan 1) | \$ 3,893,621 | \$ 6,123,387 | \$ 6,456,451 | \$ 6,792,845 | \$ 7,132,603 | \$ 7,475,759 |
| Less: Crosstown Business Park | 1,900,000 | | | | | |
| Plus Levy Receipts** | 329,766 | 333,064 | 336,394 | 339,758 | 343,156 | 346,587 |
| Less Funding Senior Project | - | - | - | - | - | - |
| Ending Cash (Dec 31) | \$ 6,123,387 | \$ 6,456,451 | \$ 6,792,845 | \$ 7,132,603 | \$ 7,475,759 | \$ 7,822,346 |

Note: ** - Assumes a 1% annual increase in levy receipts

The Willows 2024 Budget Narrative

2024 COMPARATIVE BUDGET ANALYSIS

| | 2022 Actuals | Approved 2023 Budget | 2023 Year End Est | 2023 Variance Budget vs. Y/E | 2024 Budget | Variance over 2023 Y/E Est |
|---------------------------------------|---------------------|-------------------------|----------------------|---------------------------------|---------------------|-------------------------------|
| REVENUE | | | | | | |
| Gross Apartment Rent | \$ 584,777 | \$ 610,451 | \$ 610,451 | 0.0% | \$ 640,006 | 4.8% |
| Gross Revenue | 607,077 | 633,035 | 633,035 | 0.0% | 662,773 | 4.7% |
| Net Revenue | \$ 606,099 | \$ 614,747 | \$ 619,747 | 0.8% | \$ 642,565 | 3.7% |
| EXPENSES | | | | | | |
| Salaries | \$ 100,850 | \$ 104,340 | \$ 106,840 | 2.4% | \$ 119,025 | 11.4% |
| General Administrative | 17,013 | 19,075 | 23,899 | 25.3% | 24,802 | 3.8% |
| Professional Fees | 48,770 | 49,459 | 49,459 | 3.8% | 51,866 | 4.9% |
| Utility Expense | 30,791 | 32,585 | 32,585 | 0.0% | 34,129 | 4.7% |
| Contract Services | 44,883 | 51,920 | 51,920 | 0.0% | 49,825 | -4.0% |
| Repairs and Maintenance | 30,430 | 22,730 | 25,730 | 13.2% | 25,324 | -1.6% |
| Insurance and R.E. Taxes | 48,359 | 49,378 | 46,693 | -5.4% | 45,684 | -2.2% |
| Total Operating Expense | \$ 321,096 | \$ 329,487 | \$ 337,126 | 2.3% | \$ 350,655 | 4.0% |
| NET OPERATING INCOME | \$ 285,003 | \$ 285,260 | \$ 282,621 | -0.9% | \$ 291,910 | 3.3% |
| Debt Service | \$ (199,000) | \$ (199,500) | \$ (199,500) | 0.0% | \$ (204,875) | 2.7% |
| Replacement Reserve | (9,800) | (9,800) | (9,800) | 0.0% | (9,800) | 0.0% |
| Other Non-Operating Expenses | (153) | - | - | 0.0% | - | 0.0% |
| Trustee Fee | (2,500) | (2,500) | (2,500) | 0.0% | (2,500) | 0.0% |
| Debt Service and Related Costs | \$ (211,453) | \$ (211,800) | \$ (211,800) | 0.0% | \$ (217,175) | 2.5% |
| NET INCOME | \$ 73,550 | \$ 73,460 | \$ 70,821 | -3.6% | \$ 74,735 | 5.5% |

Savannah Oaks 2023 Budget Narrative

June 8, 2023

PROJECT SUMMARY

Savannah Oaks is a 50-unit senior building in the City of Ramsey. The project is 100% occupied.

The proposed 2024 budget reflects a 4.0% rent increase. A 4.0% rent increase would result in the following rents:

| Floor Plan | Total Units | Square Feet | Current Rent | Renewal |
|------------|-------------|--------------|--------------|---------|
| 1 BR | 18 | 705 sf. | 990 | 1,030 |
| 1 BR + Den | 11 | 908, 910 sf. | 1,169 | 1,216 |
| 1 BR + Den | 9 | 948,958 sf. | 1,208 | 1,256 |
| 2 BR | 12 | 1,020 sf. | 1,433 | 1,490 |

No increase is proposed to the monthly parking rate of \$40.

OPERATING REVENUE

Gross Apartment Rent is the total potential apartment rental revenue at 100% occupancy assuming a 4.0% rent increase at least renewal. \$717,377

Gross Revenue is the gross apartment rent, plus gross parking income and miscellaneous income. 743,867

Net Revenue is the gross revenue less a projected vacancy loss of 3%. \$706,650

Savannah Oaks 2023 Budget Narrative

OPERATING EXPENSES

Due to inflation pressures in 2023, operating expenses in the current year are expected to be 0.3% higher than the current budget. The operating expenses in 2024 are budgeted to increase 1.6% compared to the 2023 year end estimate.

| | |
|--|------------------|
| Salaries & Benefits | \$96,928 |
| Assumes a 7.6% increase over 2023. Salaries increase up to 5% for merit pay increases plus additional maintenance staff time is budgeted to avoid higher contract cleaning fees and other contract services. | |
| General Administration | 26,726 |
| Assumes a -1.8% decrease from expected 2023 costs. | |
| Professional Services | 58,970 |
| This reflects a 2.9% increase from the 2023 year end estimate. The HRA plans for a 2.0% increase in its management fee. The Great Lakes Management fee is based on the contract amount approved following the recent RFP process. | |
| Utility Expense | 49,061 |
| Assumes a 2.5% increase from 2023 year end estimate. | |
| Contract Services | 47,454 |
| Assumes 2.7% increase from 2023 year end estimate. Contract Services includes elevator and lawn maintenance, snow removal and the like. | |
| Repairs & Maintenance | 22,200 |
| Assumes 2.9% increase over 2023 year end estimate. | |
| Insurance & Taxes | 51,155 |
| Assumes a -9.6% decrease from 2023. The property is tax exempt and makes a Payment in Lieu of Tax (PILOT) calculated at 5% of 2023 net shelter rent less utilities. The budget allows \$30,783 for PILOT and \$18,972 for insurance (down by \$7,784 from last year due to changes to the coverage requirements). Special assessments are \$1,400. | |
| Total Operating Expense | \$352,494 |
| Net Operating Income | \$354,156 |

Savannah Oaks 2023 Budget Narrative

| | |
|--|------------------|
| Net Operating Income | \$354,156 |
| (From previous page) | |
| Less Debt Service | \$(204,000) |
| Principal and interest payments on the bonds. | |
| Less Other Non-Operating Expenses | \$0 |
| Less Operating Reserve | (10,000) |
| Bond covenants require the project to set aside \$200 per unit per year into a replacement reserve held by the Bond Trustee. | |
| Less Bond Trustee Fee | \$0 |
| Net Income (Loss) with a 4.0% rent increase | \$140,156 |

*Losses are funded with the HRA levy and/or cash reserves.

In addition to operating expenses, the HRA will need to fund capital improvements for Savannah Oaks. Savannah Oaks is budgeted to complete a roof replacement and a major elevator project in 2023.

PROPOSED CAPITAL IMPROVEMENT PLAN

| Project Name | Budget | Annual Capital Expenditures | | | | |
|---------------------------|-------------------|-----------------------------|-------------------|-------------------|------------------|------------------|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Unit Flooring Replacement | \$ 21,600 | \$ 21,600 | \$ 21,600 | \$ 21,600 | \$ 21,600 | \$ 21,600 |
| Appliance Replacement | 9,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| HVAC Replacement | - | - | - | - | - | - |
| Common Area Painting | 6,500 | 6,500 | 6,500 | 15,000 | - | - |
| Common Area Carpet | - | - | - | 25,000 | 25,000 | 25,000 |
| Soil Erosion | 5,000 | - | - | - | - | - |
| Building | 274,000 | 14,000 | 14,000 | 14,000 | 14,000 | 14,000 |
| Security | 1,920 | - | - | - | - | - |
| Building Windows | 15,000 | 15,000 | 65,000 | 250,000 | - | - |
| Concrete | - | - | - | - | - | - |
| Lighting | - | 5,000 | 5,000 | 5,000 | - | - |
| Garage/Parking Lot | 71,500 | 15,000 | 50,000 | - | - | 10,000 |
| Elevator | 150,000 | - | - | - | - | - |
| Sprinkler/Fire Safety | 5,000 | 55,000 | - | - | - | - |
| TOTAL EXPENDITURES | \$ 559,520 | \$ 142,100 | \$ 172,100 | \$ 340,600 | \$ 70,600 | \$ 80,600 |
| Per Unit Costs | \$ 11,190 | \$ 2,842 | \$ 3,442 | \$ 6,812 | \$ 1,412 | \$ 1,612 |

Savannah Oaks 2023 Budget Narrative

The HRA has two primary sources for funding capital improvements: cash available in the project's various accounts and the HRA levy collected in the City of Ramsey. The charts below show proposed funding sources for the capital improvements and the impact on the HRA levy account for the City of Ramsey.

CAPITAL IMPROVEMENT FUNDING

| | Expected | Budget | Projected | | | |
|---------------------------------|-------------------|------------------|------------------|-------------------|-------------------|-------------------|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Beginning Cash (Jan 1) | | | | | | |
| Great Lakes Checking | \$24,607 | | | | | |
| Repair and Replacement Account | 114,927 | | | | | |
| Surplus Account | 35,256 | | | | | |
| Subtotal Beginning Cash | \$ 174,790 | \$ 75,635 | \$ 76,586 | \$ 67,576 | \$ 54,349 | \$ 135,053 |
| Annual Net Income/(Loss)* | \$ 85,365 | \$ 140,156 | \$ 150,730 | \$ 151,060 | \$ 156,519 | \$ 159,282 |
| Plus Additions to: | | | | | | |
| Repair and Replacement Account | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 |
| Less Capital Expenditures** | (559,520) | (149,205) | (189,740) | (394,287) | (85,815) | (102,868) |
| Annual Cashflow before HRA Levy | \$ (464,155) | \$ 951 | \$ (29,010) | \$ (233,227) | \$ 80,705 | \$ 66,413 |
| Transfer In: HRA Levy | \$ 365,000 | | \$ 20,000 | \$ 220,000 | \$ - | \$ - |
| Ending Cash (Dec 31) | \$ 75,635 | \$ 76,586 | \$ 67,576 | \$ 54,349 | \$ 135,053 | \$ 201,467 |

Notes: * - Assumes a 4.0% annual rent increase in 2024 and a 3% annual rent increase thereafter

** - CIP costs are inflated 5% annually from the Capital Improvement Plan shown above beginning in 2024.

HRA LEVY ACCOUNT PROJECTED CASH BALANCE

| | Expected | Budget | Projected | | | |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Beginning Cash (Jan 1) | \$ 1,737,195 | \$ 2,469,834 | \$ 2,921,949 | \$ 3,358,586 | \$ 3,599,789 | \$ 4,065,604 |
| Less: Funds for Riverdale Project | 650,000 | | | | | |
| Plus Levy Receipts** | 447,639 | 452,115 | 456,637 | 461,203 | 465,815 | 470,473 |
| Less Funding Senior Project | (365,000) | - | (20,000) | (220,000) | - | - |
| Ending Cash (Dec 31) | \$ 2,469,834 | \$ 2,921,949 | \$ 3,358,586 | \$ 3,599,789 | \$ 4,065,604 | \$ 4,536,077 |

Notes: ** - Assumes a 1% annual increase in levy receipts.

Savannah Oaks 2023 Budget Narrative

2023 COMPARATIVE BUDGET ANALYSIS

| | 2022 Actuals | Approved 2023 Budget | 2023 Year End Est | 2023 Variance Budget vs. Y/E | 2024 Budget | Variance over 2023 Y/E Est |
|---------------------------------------|---------------------|-------------------------|----------------------|---------------------------------|---------------------|-------------------------------|
| REVENUE | | | | | | |
| Gross Apartment Rent | \$ 655,773 | \$ 683,627 | \$ 683,627 | 0.0% | \$ 717,377 | 4.9% |
| Gross Revenue | 684,659 | 709,607 | 709,607 | 0.0% | 743,867 | 4.8% |
| Net Revenue | \$ 666,841 | \$ 674,202 | \$ 679,202 | 0.7% | \$ 706,650 | 4.0% |
| EXPENSES | | | | | | |
| Salaries | \$ 88,346 | \$ 88,056 | \$ 90,056 | 2.3% | \$ 96,928 | 7.6% |
| General Administrative | 21,736 | 22,600 | 27,220 | 20.4% | 26,726 | -1.8% |
| Professional Fees | 58,078 | 57,318 | 57,318 | 3.8% | 58,970 | 2.9% |
| Utility Expense | 39,343 | 47,848 | 47,848 | 0.0% | 49,061 | 2.5% |
| Contract Services | 45,037 | 49,219 | 46,219 | -6.1% | 47,454 | 2.7% |
| Repairs and Maintenance | 32,807 | 21,580 | 21,580 | 0.0% | 22,200 | 2.9% |
| Insurance and R.E. Taxes | 53,379 | 59,197 | 56,596 | -4.4% | 51,155 | -9.6% |
| Total Operating Expense | \$ 338,726 | \$ 345,818 | \$ 346,837 | 0.3% | \$ 352,494 | 1.6% |
| NET OPERATING INCOME | \$ 328,115 | \$ 328,384 | \$ 332,365 | 1.2% | \$ 354,156 | 6.6% |
| DEBT SERVICE AND RELATED COSTS | | | | | | |
| Debt Service | \$ (239,800) | \$ (237,000) | \$ (237,000) | 0.0% | \$ (204,000) | -13.9% |
| Replacement Reserve | (10,000) | (10,000) | (10,000) | 0.0% | (10,000) | 0.0% |
| Other Non-Operating Expenses | (157) | - | - | 0.0% | - | 0.0% |
| Trustee Fee | - | - | - | 0.0% | - | 0.0% |
| Debt Service and Related Costs | \$ (249,957) | \$ (247,000) | \$ (247,000) | 0.0% | \$ (214,000) | -13.4% |
| NET INCOME | \$ 78,158 | \$ 81,384 | \$ 85,365 | 4.9% | \$ 140,156 | 64.2% |

Chauncey Barrett Gardens 2024 Budget Narrative

June 8, 2023

2023 PROJECT SUMMARY

Chauncey Barrett Gardens is a 47-unit senior housing development in Centerville. The first phase of the project, containing 16 units, was completed and leased in 1999. The second phase was constructed in 2004 and has higher rents due to higher construction costs. The project is currently 98% occupied.

The proposed 2024 budget reflects a 4.0% rent increase. A 4.0% rate increase would result in the following rents:

Chauncey Barrett Gardens Phase I

| Floor Plan | Total Units | Square Feet | Current Rent | Renewal |
|------------|-------------|-------------|--------------|---------|
| 1 BR | 2 | 750 | \$ 979 | 1,018 |
| 1 BR + Den | 6 | 1,005 | \$ 1,095 | 1,139 |
| 2 BR | 8 | 970 | \$ 1,194 | 1,242 |

Chauncey Barrett Gardens Phase II

| Floor Plan | Total Units | Square Feet | Current Rent | Renewal |
|------------|-------------|---------------|--------------|---------|
| 1 BR Home | 2 | 705 - 786 sf. | 896 | 923 |
| 1 BR | 3 | 705 sf. | 1,119 | 1,153 |
| | 3 | 786 sf. | 1,119 | 1,153 |
| 1 BR + Den | 1 | 907 sf. | 1,230 | 1,267 |
| | 10 | 909 sf. | 1,230 | 1,267 |
| | 2 | 925 sf. | 1,266 | 1,304 |
| 2 BR | 7 | 964 sf. | 1,378 | 1,419 |
| | 1 | 970 sf. | 1,378 | 1,419 |
| | 2 | 1,020 sf. | 1,418 | 1,460 |

No increase is proposed to the monthly parking rate of \$40.

OPERATING REVENUE

The budget assumes an occupancy rate of 97%.

Gross Apartment Rent is the total potential apartment rental revenue at 100% occupancy assuming a 4.0% rent increase at lease renewal. \$692,087

Gross Revenue is the gross apartment rent, plus gross parking income and miscellaneous income. 714,849

Chauncey Baret Gardens 2024 Budget Narrative

Net Revenue is the gross revenue plus a projected vacancy loss of 3% and the lost rent on the resident manager's apartment. The resident manager receives free rent as part of her compensation. \$677,739

OPERATING EXPENSE

Due to inflation pressures in 2023, operating expenses in the current year are expected to be 1.5% higher than the current budget. Operating expenses in 2024 are budgeted to increase 3.3% over the year-end estimated expenses.

| | |
|--|------------------|
| Salaries and Benefits | \$104,682 |
| Assumes a 15.8% increase over 2023. This includes up to a 5.0% merit-based increase in salaries plus an increase in the number of maintenance staff hours to avoid higher contract cleaning costs and other contract maintenance and repair costs. | |
| General Administration | 23,440 |
| Assumes a -2.4% decrease from year end. General administration includes marketing, postage, copies, telephone, and other administrative costs, excluding salaries. | |
| Professional Fees | 56,623 |
| This reflects a 3.4% increase from last year. The HRA plans a 2% increase in its management fee. The Great Lakes Management fee is based on the contract amount determined in the recent RFP process. | |
| Utility Expense | 48,967 |
| Assumes a 5.1% increase from the 2023 year-end estimates. | |
| Contract Services | 51,584 |
| Assumes a 3.3% increase over the 2023 year-end estimates. | |
| Repair & Maintenance | 36,950 |
| Assumes a -4.3% decrease over 2023 year-end estimates. | |
| Insurance & Taxes | 46,671 |
| Assumes a -11.7% decrease over 2023. The property is tax-exempt and makes a Payment in Lieu of Tax (PILOT) calculated at 5% of 2023 effective revenue less utilities. The budget allows \$29,377 for PILOT and \$15,744 for Insurance (down from \$24,000 in 2023 or a decrease of \$8,256 due to a change in the coverage requirements). Special assessments are \$1,550. | |
| Total Operating Expense | \$368,917 |
| Net Operating Income | \$308,821 |

Chauncey Baret Gardens 2024 Budget Narrative

| | |
|---|-----------------|
| Net Operating Income (From previous page) | \$308,821 |
| Less Debt Service Principal and interest payments on the bonds and County loan. | \$(247,707) |
| Less Other Non-Operating Expenses | \$0 |
| Less Replacement Reserve Bond covenants require the project to set aside \$200 per unit per year into a replacement reserve. | (9,400) |
| Less Bond Trustee Fee When the Bonds were refunded in 2019 the County opted to manage bond repayment and reserves without a Trustee. | \$0 |
| Net Income (Loss) with a 4.0% rent increase | \$51,714 |

*Losses are funded from available cash reserves or tax levy.

This is the fifth year in a row the budget projects a positive ending net income instead of net loss. Regardless, the HRA will need to continue to fund capital improvements for Chauncey Baret Gardens from the HRA levy.

PROPOSED CAPITAL IMPROVEMENT PLAN

| Project Name | Budget | | Annual Capital Expenditures | | | | |
|---------------------------|-------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|--|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | |
| Unit Flooring Replacement | \$ 14,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 | |
| Appliance Replacement | 8,500 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | |
| HVAC Apartment | 19,500 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | |
| HVAC Common Area | 9,850 | 10,000 | 10,000 | 10,000 | 3,500 | 3,500 | |
| 7026 countertops | 2,400 | - | - | - | - | - | |
| Common Area Furniture | - | - | - | - | - | - | |
| Common Area Painting | - | - | - | - | - | - | |
| Building | 38,900 | 89,500 | 40,000 | 61,500 | 61,500 | 11,500 | |
| Security | 6,000 | 37,000 | - | 50,000 | - | - | |
| Unit Cabinets | 2,500 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | |
| Concrete | 20,000 | - | - | - | - | - | |
| Garage/Parking Lot | 18,000 | - | 7,500 | - | 75,000 | - | |
| Landscaping | - | 20,000 | - | - | - | - | |
| Lighting | - | - | 8,000 | - | - | - | |
| Window Replacement | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | |
| Elevator | - | - | 125,000 | - | - | - | |
| Fire Suppression | 24,000 | - | - | - | - | - | |
| TOTAL EXPENDITURES | \$ 183,650 | \$ 246,500 | \$ 280,500 | \$ 211,500 | \$ 230,000 | \$ 105,000 | |
| Per Unit Costs | \$ 3,907 | \$ 5,245 | \$ 5,968 | \$ 4,500 | \$ 4,894 | \$ 2,234 | |

Chauncey Baret Gardens 2024 Budget Narrative

The capital improvements listed in the previous chart are the priority projects. The HRA has two primary sources for funding capital improvements: cash available in the project's various accounts and the HRA levy collected in the City of Centerville. The charts below show the proposed funding sources and the impact on the HRA levy account for the City of Centerville. Beginning in 2027, these sources will no longer be sufficient to pay for all of the capital improvements.

CAPITAL IMPROVEMENT FUNDING

| | Expected | Budget | Projected | | | |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Beginning Cash (Jan. 1) | | | | | | |
| Great Lakes Checking | \$14,863 | | | | | |
| Repair and Replacement Account | 32,443 | | | | | |
| Surplus Account | 20,379 | | | | | |
| Subtotal Beginning Cash | \$ 67,685 | \$ 39,518 | \$ 56,807 | \$ 64,756 | \$ 54,413 | \$ (51,784) |
| Annual Net Income/(Loss)* | \$ 36,083 | \$ 51,714 | \$ 57,800 | \$ 45,094 | \$ 54,528 | \$ 43,592 |
| Plus Additions to: | | | | | | |
| Repair and Replacement Account | \$ 9,400 | \$ 9,400 | \$ 9,400 | \$ 9,400 | \$ 9,400 | \$ 9,400 |
| Less Capital Expenditures** | (183,650) | (258,825) | (309,251) | (244,838) | (279,566) | (134,010) |
| Annual Cashflow before HRA Levy | \$ (138,167) | \$ (197,711) | \$ (242,051) | \$ (190,344) | \$ (215,639) | \$ (81,018) |
| Transfer In: HRA Levy | \$ 110,000 | \$ 215,000 | \$ 250,000 | \$ 180,000 | \$ 109,442 | \$ 74,349 |
| Ending Cash (Dec 31) | \$ 39,518 | \$ 56,807 | \$ 64,756 | \$ 54,413 | \$ (51,784) | \$ (58,453) |

Notes: * - Assumes a 4.0% rent increase in 2024 and 3% annual rent increases thereafter.

** - CIP costs are inflated 5% annual from the Capital Improvement Plan shown above beginning in 2025.

HRA LEVY ACCOUNT PROJECTED CASH BALANCE

| | Expected | Budget | Projected | | | |
|-----------------------------|-------------------|-------------------|-------------------|------------------|-------------|---------------|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Beginning Cash (Jan 1) | \$ 503,597 | \$ 464,337 | \$ 320,784 | \$ 142,946 | \$ 35,830 | \$ 0 |
| Plus Levy Receipts** | 70,740 | 71,447 | 72,162 | 72,883 | 73,612 | 74,348 |
| Less Funding Senior Project | (110,000) | (215,000) | (250,000) | (180,000) | (109,442) | (74,349) |
| Ending Cash (Dec 31) | \$ 464,337 | \$ 320,784 | \$ 142,946 | \$ 35,830 | \$ 0 | \$ (0) |

Notes: *** - Assumes a 1% annual increase in levy receipts

Chauncey Barrett Gardens 2024 Budget Narrative

2024 COMPARATIVE BUDGET ANALYSIS

| | 2022 Actuals | Approved 2023 Budget | 2023 Year End Est | 2023 Variance Budget vs. Y/E | 2024 Budget | Variance over 2023 Y/E Est |
|---------------------------------------|---------------------|-------------------------|----------------------|---------------------------------|---------------------|-------------------------------|
| REVENUE | | | | | | |
| Gross Apartment Rent | \$ 629,383 | \$ 657,237 | \$ 657,237 | 0.0% | \$ 692,087 | 5.3% |
| Gross Revenue | 652,083 | 679,809 | 679,809 | 0.0% | 714,849 | 5.2% |
| Net Revenue | \$ 630,943 | \$ 644,434 | \$ 649,434 | 0.8% | \$ 677,739 | 4.4% |
| EXPENSES | | | | | | |
| Salaries | \$ 84,861 | \$ 83,935 | \$ 90,435 | 7.7% | \$ 104,682 | 15.8% |
| General Administrative | 24,186 | 22,515 | 24,015 | 6.7% | 23,440 | -2.4% |
| Professional Fees | 55,039 | 54,770 | 54,770 | 3.8% | 56,623 | 3.4% |
| Utility Expense | 41,273 | 44,612 | 46,612 | 4.5% | 48,967 | 5.1% |
| Contract Services | 56,646 | 41,457 | 49,957 | 20.5% | 51,584 | 3.3% |
| Repairs and Maintenance | 44,785 | 49,600 | 38,600 | -22.2% | 36,950 | -4.3% |
| Insurance and R.E. Taxes | 47,588 | 55,213 | 52,855 | -4.3% | 46,671 | -11.7% |
| Total Operating Expense | \$ 354,378 | \$ 352,102 | \$ 357,244 | 1.5% | \$ 368,917 | 3.3% |
| NET OPERATING INCOME | \$ 276,565 | \$ 292,332 | \$ 292,190 | 0.0% | \$ 308,821 | 5.7% |
| Debt Service | \$ (245,507) | \$ (246,707) | \$ (246,707) | 0.0% | \$ (247,707) | 0.4% |
| Replacement Reserve | (9,400) | (9,400) | (9,400) | 0.0% | (9,400) | 0.0% |
| Other Non-Operating Expenses | (139) | - | - | 0.0% | - | 0.0% |
| Trustee Fee | - | - | - | 0.0% | - | 0.0% |
| Debt Service and Related Costs | \$ (255,046) | \$ (256,107) | \$ (256,107) | 0.0% | \$ (257,107) | 0.4% |
| NET INCOME | \$ 21,519 | \$ 36,225 | \$ 36,083 | -0.4% | \$ 51,714 | 43.3% |

The Oaks of Lake George 2024 Budget Narrative

June 8, 2023

PROJECT SUMMARY

The Oaks of Lake George is a 52-unit senior housing building in Oak Grove. The project was financed in 2004 and opened in 2006. There are two HOME units with lower rents. The project is 100% occupied.

The proposed 2024 budget reflects a 4.0% rent increase. A 4.0% rate increase would result in the following rents:

| Floor Plan | Total Units | Square Feet | Current Rent | Renewal |
|------------|-------------|-------------|--------------|---------|
| 1 BR HOME | 2 | 691 | \$ 896 | 932 |
| 1 BR | 11 | 691 | \$ 1,095 | 1,139 |
| 1 BR | 1 | 757 | \$ 1,244 | 1,294 |
| 1 BR + Den | 18 | 887 | \$ 1,390 | 1,445 |
| 2 BR | 6 | 935 | \$ 1,409 | 1,465 |
| 2 BR | 8 | 1,060 | \$ 1,568 | 1,630 |
| 2BR + Den | 6 | 1,225 | \$ 1,826 | 1,899 |

No increase is proposed to the monthly parking rate of \$40.

OPERATING REVENUE

Gross Apartment Rent is the total potential apartment rental revenue at 100% occupancy assuming a 4.0% rent increase at lease renewal. \$881,188

Gross Revenue is the gross apartment rent, plus gross parking and miscellaneous income. 908,108

Net Revenue is the gross revenue plus a projected vacancy loss. The proposed budget assumes 97% occupancy through 2023. Net revenue includes the lost rent on the resident manager's apartment. **\$866,980**

The Oaks of Lake George 2024 Budget Narrative

OPERATING EXPENSE

Due to inflation pressures in 2023, operating expenses in the current year are expected to be 3.0% higher than the current 2023 budget. Operating expenses in 2024 are budgeted to increase 4.7% over the 2023 year-end estimated expenses.

| | |
|--|------------------|
| Salaries & Benefits | 90,359 |
| Assumes a 10.9% increase from 2023. Salaries are proposed to increase up to 5% based on merit and maintenance staff hours are proposed to increase to avoid higher contract cleaning and other maintenance contract costs. | |
| General Administration | 24,751 |
| Assumes a 3.9% increase from 2023 year end estimates. | |
| Professional Fees | 60,072 |
| This reflects a 2.8% increase from last year. The HRA plans a 2% increase in its management fee. The Great Lakes Management fee is based on the contract amount approved after the recent RFP. | |
| Utility Expense | 105,272 |
| Assumes a 1.1% increase over 2023 year end estimates. | |
| Contract Services | 54,698 |
| Assumes a 10.3% increase from the 2023 year end estimate. Contract services include window washing, snow removal, elevator service, and other contracted maintenance services. Some of the increase is due fire/life safety repairs due to project's age. | |
| Repairs & Maintenance | 37,965 |
| Assumes a 14.5% increase from the 2023 year end estimate. | |
| Insurance & Taxes | 61,895 |
| Assumes a -4.4% decrease from 2023. The property is tax exempt and makes a Payment in Lieu of Tax (PILOT) calculated at 5% of effective net revenue less utilities. The budget allows \$35,315 for PILOT and \$25,080 for insurance. (Down \$5,277 from last year as a result of coverage requirement changes). Special assessments are \$1,500. | |
| Total Operating Expense | \$435,012 |
| Net Operating Income | \$431,968 |
| Net Operating Revenues less Operating Expenses. Available for debt service and reserves. | |

The Oaks of Lake George 2024 Budget Narrative

| | |
|--|-----------------|
| Net Operating Income (From previous page) | \$431,968 |
| Less Net Debt Service Principal and interest payments on the bonds | \$(336,574) |
| Less Other Non-Operating Expenses | \$0 |
| Less Operating Reserve Bond covenants require the project to set aside \$200 per unit per year into a replacement reserve. | (10,400) |
| Less Bond Trustee Fee When the Bonds were refunded in 2019, the County opted to manage bond repayment and reserves without a Trustee. | \$0 |
| Net Income (Loss) with a 4.0% rent increase | \$84,994 |

*Losses are funded with the HRA levy and/or cash reserves.

In addition to operating expenses, the HRA will need to fund capital improvements for The Oaks of Lake George.

PROPOSED CAPITAL IMPROVEMENT PLAN

| Project Name | Budget | Annual Capital Expenditures | | | | |
|---------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Unit Flooring Replacement | \$ 12,875 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 |
| Appliance Replacement | 9,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| HVAC Apartment | 38,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 |
| HVAC Common Area | - | - | - | - | - | - |
| Painting | 6,500 | 7,500 | 7,500 | - | - | - |
| Common Area Carpet | - | - | 60,000 | - | - | - |
| Common Area Furniture | 15,000 | - | - | - | - | - |
| Building | 83,000 | 48,000 | - | 15,000 | 15,000 | 15,000 |
| Security | - | 5,000 | - | - | - | - |
| Unit Cabinets | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 |
| Concrete | - | - | - | - | - | - |
| Landscaping | - | - | - | - | - | - |
| Signage | - | - | - | - | - | - |
| Plumbing | 12,000 | 12,000 | 12,000 | - | - | - |
| Mechanical | - | - | 12,000 | 12,000 | 12,000 | 12,000 |
| Asphalt | - | 75,000 | - | - | - | 10,000 |
| Elevator | - | - | - | - | - | 150,000 |
| Fire/Life Safety | 6,200 | - | 20,000 | 50,000 | - | - |
| TOTAL EXPENDITURES | \$ 198,575 | \$ 230,500 | \$ 194,500 | \$ 160,000 | \$ 110,000 | \$ 270,000 |
| Per Unit Costs | \$ 3,819 | \$ 4,433 | \$ 3,740 | \$ 3,077 | \$ 2,115 | \$ 5,192 |

The Oaks of Lake George 2024 Budget Narrative

The HRA has two primary sources for funding capital improvements: cash available in the project's various accounts and the HRA levy collected in the City of Oak Grove. The charts below show the proposed funding sources for the capital improvements, and the impact on the HRA levy account for the City of Oak Grove.

CAPITAL IMPROVEMENT FUNDING

| | Expected | Budget | Projected | | | |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Beginning Cash (Jan 1) | | | | | | |
| Great Lakes Checking | \$136,486 | | | | | |
| Repair and Replacement Account | 38,487 | | | | | |
| Surplus Account | 30,943 | | | | | |
| Subtotal Beginning Cash | \$ 205,916 | \$ 122,194 | \$ 200,563 | \$ 200,180 | \$ 192,565 | \$ 190,277 |
| Annual Net Income/(Loss)* | \$ 69,453 | \$ 84,994 | \$ 93,653 | \$ 92,205 | \$ 96,018 | \$ 94,860 |
| Plus Additions to: | | | | | | |
| Repair and Replacement Account | \$ 10,400 | \$ 10,400 | \$ 10,400 | \$ 10,400 | \$ 10,400 | \$ 10,400 |
| Less Capital Expenditures** | (198,575) | (242,025) | (214,436) | (185,220) | (133,706) | (344,596) |
| Annual Cashflow before HRA Levy | \$ (118,722) | \$ (146,631) | \$ (110,383) | \$ (82,615) | \$ (27,288) | \$ (239,336) |
| Transfer In: HRA Levy | \$ 35,000 | \$ 225,000 | \$ 110,000 | \$ 75,000 | \$ 25,000 | \$ 210,000 |
| Ending Cash (Dec 31) | \$ 122,194 | \$ 200,563 | \$ 200,180 | \$ 192,565 | \$ 190,277 | \$ 160,941 |

Notes: * - Assumes a 4.0% annual rent increase for 2024 and 3% per year thereafter.

** - CIP costs are inflated 3% annually from Capital Improvement Plan shown above beginning in 2025.

HRA LEVY ACCOUNT PROJECTED CASH BALANCE

| | Expected | Budget | Projected | | | |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Beginning Cash (Jan 1) | \$ 665,938 | \$ 802,487 | \$ 750,751 | \$ 815,749 | \$ 917,496 | \$ 1,071,010 |
| Plus Levy Receipts** | 171,549 | 173,264 | 174,997 | 176,747 | 178,515 | 180,300 |
| Less Funding Senior Project | (35,000) | (225,000) | (110,000) | (75,000) | (25,000) | (210,000) |
| Ending Cash (Dec 31) | \$ 802,487 | \$ 750,751 | \$ 815,749 | \$ 917,496 | \$ 1,071,010 | \$ 1,041,310 |

Notes: ** - Assumes a 1% annual increase in levy receipts

The Oaks of Lake George 2024 Budget Narrative

2024 COMPARATIVE BUDGET ANALYSIS

| | 2022 Actuals | Approved 2023 Budget | 2023 Year End Est | 2023 Variance Budget vs. Y/E | 2024 Budget | Variance over 2023 Y/E Est |
|---------------------------------------|---------------------|-------------------------|----------------------|---------------------------------|---------------------|-------------------------------|
| REVENUE | | | | | | |
| Gross Apartment Rent | \$ 805,798 | \$ 838,089 | \$ 838,089 | 0.0% | \$ 881,188 | 5.1% |
| Gross Revenue | 834,231 | 864,813 | 864,813 | 0.0% | 908,108 | 5.0% |
| Net Revenue | \$ 797,825 | \$ 822,633 | \$ 825,633 | 0.4% | \$ 866,980 | 5.0% |
| EXPENSES | | | | | | |
| Salaries | \$ 71,354 | \$ 72,492 | \$ 81,492 | 12.4% | \$ 90,359 | 10.9% |
| General Administrative | 24,506 | 22,400 | 23,822 | 6.3% | 24,751 | 3.9% |
| Professional Fees | 59,106 | 58,460 | 58,460 | 3.8% | 60,072 | 2.8% |
| Utility Expense | 92,281 | 104,135 | 104,135 | 0.0% | 105,272 | 1.1% |
| Contract Services | 50,266 | 48,000 | 49,600 | 3.3% | 54,698 | 10.3% |
| Repairs and Maintenance | 52,608 | 30,470 | 33,170 | 8.9% | 37,965 | 14.5% |
| Insurance and R.E. Taxes | 63,863 | 67,397 | 64,727 | -4.0% | 61,895 | -4.4% |
| Total Operating Expense | \$ 413,984 | \$ 403,354 | \$ 415,406 | 3.0% | \$ 435,012 | 4.7% |
| NET OPERATING INCOME | \$ 383,841 | \$ 419,279 | \$ 410,227 | -2.2% | \$ 431,968 | 5.3% |
| Debt Service | \$ (333,974) | \$ (330,374) | \$ (330,374) | 0.0% | \$ (336,574) | 1.9% |
| Replacement Reserve | (10,400) | (10,400) | (10,400) | 0.0% | (10,400) | 0.0% |
| Other Non-Operating Expenses | (178) | - | - | 0.0% | - | 0.0% |
| Trustee Fee | - | - | - | 0.0% | - | 0.0% |
| Debt Service and Related Costs | \$ (344,552) | \$ (340,774) | \$ (340,774) | 0.0% | \$ (346,974) | 1.8% |
| NET INCOME | \$ 39,289 | \$ 78,505 | \$ 69,453 | -11.5% | \$ 84,994 | 22.4% |

**Anoka County HRA
Project Summary
Per Unit Basis**

| | Willows of Ham Lake | Savannah Oaks | Chauncey Barett | Oaks of Lake George |
|------------------------|--------------------------------|--------------------------|----------------------------|--------------------------------|
| Rent Increase | 4.00% | 4.00% | 4.00% | 4.00% |
| 2024 Rents | | | | |
| 1 BR: Various Sizes | \$902 - \$1,186 | \$1,030 - \$1,256 | \$923 - \$1,304 | \$932 - \$1,445 |
| 2 BR: Various Sizes | \$1,257 - \$1,472 | \$1,490 | \$1,242 - \$1,460 | \$1,465 - \$1,899 |
| Net Revenue | \$ 13,114 | \$ 14,133 | \$ 14,420 | \$ 16,673 |
| Expenses | | | | |
| Salaries & Benefits | \$ 2,429 | \$ 1,939 | \$ 2,227 | \$ 1,738 |
| General Administrative | 506 | 535 | 499 | 476 |
| Professional Fees | 1,058 | 1,179 | 1,205 | 1,155 |
| Utility Expense | 697 | 981 | 1,042 | 2,024 |
| Contract Services | 1,017 | 949 | 1,098 | 1,052 |
| Repairs & Maintenance | 517 | 444 | 786 | 730 |
| Insurance & Taxes | 932 | 1,023 | 993 | 1,190 |
| Total Expenses | \$ 7,156 | \$ 7,050 | \$ 7,850 | \$ 8,365 |
| Net Operating Income | \$ 5,958 | \$ 7,083 | \$ 6,570 | \$ 8,308 |
| Debt Service and Costs | (4,432) | (4,280) | (5,470) | (6,673) |
| Net Income | \$ 1,526 | \$ 2,803 | \$ 1,100 | \$ 1,635 |
| Capital Improvements | \$ 4,218 | \$ 2,842 | \$ 5,245 | \$ 4,433 |



ANOKA COUNTY HRA ACTION ITEM

June 13, 2023

| | |
|--------------------------|---|
| ACTION REQUESTED | <p>Consider recommending adding an additional activity to the Program Year 2023 Action Plan allocating \$900,661 in unallocated Community Development Block Grant (CDBG) funds to the Anoka County's CDBG Single-Family Home Rehabilitation Loan program.</p> <p>In accordance with our Citizen Participation Plan, a 30-day public comment period was held May 26, 2023 - June 26, 2023. A public hearing to obtain comments on the use of Program Year 2023 CDBG funds was held on March 28, 2023. HUD recommended the allocation of all PY23 CDBG funds.</p> |
| BACKGROUND | <p>Anoka County Community Development department administers a CDBG-funded Single-Family Home Rehabilitation Loan program to income-qualified residents. A second FT position was recently added to work with our homeowner loan programs. Funds can be reallocated to a different future project if needed.</p> |
| SUPPORTING DOCUMENTATION | <p>Application funding request is available for review in the Community Development department.</p> |
| FUNDING SOURCE | <p>CDBG funding is provided through the US Department of Housing and Urban Development.</p> |



ANOKA COUNTY HRA ACTION ITEM

June 8, 2023

HRA

| | |
|------------------|--|
| ACTION REQUESTED | Consider authorizing the Executive Director to purchase the Neighborly Software package for use within the Community Development department. |
| BACKGROUND | <p>Neighborly is a cloud-based solution for residents and vendors to work securely with the Anoka County Community Development team managing state and federal programs.</p> <p>The State of MN and several MN Counties (Hennepin, Dakota, Washington, and Olmsted) along with more than 400 government entities and non-profit organizations are using this HUD-approved program management system.</p> <p>Neighborly provides secure handling of data, improves efficiencies, reduces the paper-based management of the Federal CDBG and HOME programs including grant funding, loans, construction, contracts, environmental worksheets, and project narratives. The software also rolls data up to two major HUD reports during the year.</p> <p>Applicants will be able to log in to start an application and have visibility to the status of their application. This will improve customer service and reduce follow-up phone calls.</p> <p>Neighborly is compatible with Microsoft Azure for secure sign on and allows for two factor authentication. All documentation is stored in Neighborly, and workflow has date and time stamps for visible audit trails.</p> <p>The Software Executive Committee has approved the purchase of Neighborly software. Staff is currently working with IT to answer any remaining questions and with Purchasing for procurement.</p> |
| OTHER | Any software solution must be HUD approved and options are very limited. Currently the most used program across the country is Neighborly although there are several other options that provide some of the modules that are included with the Neighborly solution. |
| FUNDING SOURCE | <ul style="list-style-type: none">• CDBG and HOME administrative funding will be used for the purchase and licensing of Neighborly. There is a one-time implementation cost of \$2,500 per program (recommend starting with 2 programs for a total cost of \$5,000)• Admin Licenses \$2,400 annually per person (6 licenses) for a total cost of \$14,400• Total cost for implementation and first year is \$19,400. |