

Rent & Revenue  
Management Strategies  
panel at the NH&RA  
Annual Meeting



## **What approaches are developers/architects/GCs taking to manage construction costs?**

1. We have a regimented plan review process at 40/80/100% completion that involves the architects, engineers, green raters, GC, developer, as well as property management. Property management is the group of people who have to live with the decisions made for the next 15-30 years.
2. We control common space areas. We try to intelligently incorporate useable common space with what would otherwise be wasted common space.
3. We build relationships with national vendors to control material costs and material quality.
4. We design zoned HVAC systems so that less used common spaces can left at maintenance temperatures until the spaces are needed. We have a historical rehab in Durand, MI, with a 4000 SQ FT gymnasium that was converted into common space. We control the temperature of the room which is most advantageous for the owner.



## **Could you comment on the pros and cons of standardized design and product selection?**

1. We examine both the product cost over time and the labor cost over time as a part of the cost of a product:
  - a. Using LED lights in common spaces and hard to reach areas, the tech spends less time changing bulbs and going to fetch a ladder.
  - b. Using return air filter grills instead of installing filters in an overhead air handler saves time in every unit, every month.
    - i. Saving a nickel in 10,000 units every month for a year is a lot of nickels.
  
2. Standard parts make inventory and training easier:
  - a. Our supplier partner makes a custom catalog of only our standard parts list so there is less confusion when ordering supplies.



**Are there any products you have implemented that have resulted in significant energy or water savings?**

1. In Atlanta, where water is already expensive, we installed submeters with hourly monitoring. Monitoring water use, and correcting stuck toilet flappers, leaking faucets, and working with residents we have cut our \$100,000 yearly water bill down to about a third of that.
2. In Michigan we changed out six 120 gallon electric water heaters to three 100 gallon 200,000 BTU water heaters. This resulted in cutting our electric bill in half, with minimal increases for natural gas.



## **What are some things you are doing to reduce real estate taxes?**

1. In states where there is legislation requiring assessors and appraisers to use the income method, we are employing specialized legal firms at initial valuation to challenge the valuations and get valuations to reasonable levels.

2. In states where there is no legislation, we are challenging the court system.

A. In Ohio, we prevailed at the Ohio supreme court level in getting assessors to use the income approach.

B. In some cases in West Virginia, we have met informally with county assessors pleading our case for lower assessed values due to restrictions and have been successful. Other cases in West Virginia resulted in painfully long legal disputes but successful results were eventually achieved.

C. In Michigan, we have instituted a PILOT program for most of our properties.

D. In Tennessee and Indiana, we have hired legal teams that specialize in those particular states and favorable settlements have been negotiated on our behalf.

E. In Pennsylvania, we have gone to trial and have prevailed due to statutes that have put in place requiring appraisers to use the income approach for rent restricted properties.



## **What are some things you are doing to reduce property and casualty insurance?**

The most essential variables related to insurance is availability and predictability in costs. Several years ago, we went to a self-insured model through a captive. We have the responsibility for the top loss on each claim and then have reinsurance with an A+ rated reinsurer. It has kept our insurance costs very predictable since inception. It has also helped us manage claims and constantly implement casualty loss prevention initiatives.



## **What is the single largest uncontrollable expense for a Community Owner?**

Debt service is the largest expenditure for a Community Owner. We have refinanced debt saving over 600 basis points in one instance. We have used SHFA sponsored debt, FHLB debt, FHA 223f debt, and other products to refinance debt and bring down debt service.



## **What process do you have to collect past due rent and bad debt writeoffs?**

Collection of bad debts. We have hired a national bad debt collection agency to streamline our recovery efforts on uncollected rents and bad debt losses. This has reduced our bad debt expense and has increased our revenue stream.

