

Minutes
Board of Directors
GDC Regular Open Session
July 11, 2019

Board Members Present: Brodd, Hess, Holland, James, Jones, Ready, Skolnik and Watkins
(arrived at 7:50 pm)

Excused Absences: Socrates

Others in Attendance

Eldon Ralph, General Manager

Tom Sporney, Assistant General Manager

Joe Perry, Director of Finance

Stuart Caplan, Director of Technical Services

Joyce Campbell, Audit Committee Member

Carol Griffith, Audit Committee Member

Henry Haslinger, 4-A Ridge Road

Laura S. Murphy, 36-N Ridge Road

Erika Brett, 24-Q Ridge Road

Cheryl Brower, 4-A Southway

Monica Johnson, Recording Secretary

President Skolnik called the meeting to order at 7:46 p.m.

1. Approval of Agenda

Motion: The Board of Directors does approve the agenda.

Moved: James

Seconded: Brodd

Carried: 6-0

Director Hess was out of the room during the vote

Director Watkins arrived at 7:50

2. Visitors (Comment Period)

None.

3. For Action or Discussion

3a. Approve Minutes of Open Session Meeting Held on March 21, 2019

Motion: I move that the Board of Directors approve the minutes of the Open Session Meeting that was held on March 21, 2019 as presented.

Moved: James

Seconded: Hess

Carried: 7-0-1

Abstained: Ready

3b. Approve Minutes of Open Session Meeting Held on April 4, 2019

Motion: I move that the Board of Directors approve the minutes of the Open Session Meeting that was held on April 4, 2019 as presented.

Moved: James

Seconded: Hess

Carried: 7-0-1

Abstained: Ready

3c. Approve Minutes of Open Session Meeting Held on June 6, 2019

Motion: I move that the Board of Directors approve the minutes of the Open Session Meeting that was held on June 6, 2019 as presented.

Moved: James

Seconded: Hess

Carried: 8-0

3d. Review Minutes of Stockholders' Meeting Held on June 6, 2019

Motion: I move that the Board of Directors accept the minutes of the Stockholders' Meeting that was held on June 6, 2019 as presented.

Moved: James

Seconded: Hess

Carried: 8-0

3e. Finance Committee's Report re: Rate of Return on Investment for GDC Apartments

The Board's strategic action plan for GDC states that GHI's Finance Committee should provide a written report regarding the rate of return that GDC derives from its investment in the Parkway Apartments. The Finance Committee prepared the following report for the Board's consideration:

Report on Rate of Return on Parkway Apartments

The Finance Committee is tasked with computing the real rate of return on our investment in the Parkway Apartments.

GHI has recently developed a 30-year projection of major expenses for GDC. It totals \$2,795,459 in 2018 dollars. So the average (dividing by 30) is \$93,182 per year.

The GDC budget for 2019 shows total income of \$669,820, mostly from rents on apartments, after adjusting for vacancy loss.

The GDC budget for 2019 shows total expenses of \$562,275. However, in determining the rate of return we will make the following adjustments to this total:

- 1 The Labor costs paid to GHI are \$108,000 and the Management Fee paid to GHI is \$159,460. This total of \$267,460 is approximately \$80,000 over what a competitive bid would produce.
- 2 The Major Expenses are projected to average \$93,182 over the 30 years. Contract Work in the 2019 budget is \$51,475, but only about \$14,000 of this is Major Expenses. So we

estimate this expense to be approximately \$79,000 under what it will average in the future.

3 The Depreciation is \$30,600, which should be subtracted.

That would indicate that the true expenses should be corrected by subtracting \$110,600 and adding \$79,000. Total expenses are thus estimated at \$530,675. If we subtract that number from the total GDC income of \$669,820 plus the \$6,590 interest income to GHI, we have:

Conclusion: The expected net income for GDC holdings is \$145,735.

The 2019 property tax appraisal on the apartments is just under 3 million. We could probably get somewhat more than that in a sale, but we would have to deduct realtor's fees and other costs. It is therefore reasonable to say that:

Conclusion: GHI would net no more than 2.9 million from the sale of the apartments.

To compute the real rate of return on the apartments, we need to separate out the Garages and their Parking Lots: Of the 30-year projection of expenses, \$223,522 is for the garages and the parking lots by the garages. That averages \$7,451 per year. Garage income for 2019 is expected to be \$41,950. That is a difference of \$34,499, but there are other expenses (including labor and management), so the net income is less than \$30,000. That leaves an expected net income (before taxes and depreciation) for the apartments alone of about \$116,000.

A net income of 116K on an investment of 2.9 million is a return of 4.0%.

The apartments are estimated to increase in value each year by the rate of inflation, which we shall estimate to be at least 2% over the coming decade. Adding that to the net income percentage of around 4.0%, we have:

The Rate of Return on the apartments is estimated to be somewhere between 5% and 7%, based on the assumptions and calculations above.

Note that this only considers the cash benefits from keeping the Parkway apartments. The non-cash benefits are significant as well.

Motion: To adjourn.

Moved: Hess

Seconded: Brodd

Carried: 8-0

The meeting adjourned at 7:58 p.m.

Ed James
Secretary