



cityofnovi.org

CITY of NOVI CITY COUNCIL

Agenda Item 4
April 19, 2010

SUBJECT: Approval of one-year contract extension (to June 30, 2011) with KMG Prestige for the management agreement for Meadowbrook Commons.

SUBMITTING DEPARTMENT: Finance; Parks, Recreation & Cultural Services

CITY MANAGER APPROVAL: *TCM*

BACKGROUND INFORMATION:

Given the current economic conditions in the rental real estate market, as well as the excellent service provided by KMG Prestige, City staff recommend a one year contract extension to KMG, with the terms to remain the same as currently in place with an annual management fee of \$53,364. Additionally, KMG has agreed to absorb the cost of approximately \$9,500 for the additional insurance policy.

RECOMMENDED ACTION: Approval of one-year contract extension (to June 30, 2011) with KMG Prestige for the management agreement for Meadowbrook Commons.

	1	2	Y	N
Mayor Landry				
Mayor Pro Tem Gatt				
Council Member Crawford				
Council Member Fischer				

	1	2	Y	N
Council Member Margolis				
Council Member Mutch				
Council Member Staudt				



MEMORANDUM

TO: CLAY PEARSON
FROM: KATHY SMITH-ROY
CC: RANDY AULER
MARINA NEUMAIER
RACHEL ZAGAROLI
SUBJECT: MEADOWBROOK COMMONS MANAGEMENT CONTRACT
DATE: APRIL 8, 2010

4/8/10
To: Mayor/City Council/Staff
For future consideration
[Signature]

Meadowbrook Commons is accounted for in the City's Senior Housing Fund (an Enterprise Fund). The source of funding for this project was through revenue bonds, which are to be paid from the rents received from the residents at the facility. The City of Novi's management (consulting) contract with KMG Prestige, Inc. expires June 30, 2010.

At the City's request KMG submitted a proposal for entering into a new one-year contract with the same terms as the current year with an annual management fee of \$53,364. Additionally, KMG has agreed to absorb the cost of approximately \$9,500 for the additional insurance policy, resulting in a decrease in costs to the facility of approximately 15% for these services. //

City staff recommend the City enter into a one-year contract with KMG Prestige based on the attached *** proposal and contract terms for the following reasons:

- The performance of KMG Prestige, Inc. has met and in certain cases exceeded staff expectations.
- ** → ▪ The current economic conditions in the real estate market. KMG recently did an extensive survey of similar facilities to determine the market position of Meadowbrook Commons. Based on this study and the recommendation of KMG we will be moving forward with only modest overall increases in rental income, while maintaining a high standard regarding occupancy rates. The transition to a new firm at this point may impact the success of this strategy in this market.
- The results of the last request for proposals provided three firms submitting proposals, and only two being interviewed.
- The management for this facility requires the operation to be self-sustaining with revenue generated from the operations, including repayment of debt service. KMG has been successful in achieving this result.
- Certain other benefits include historical knowledge and familiarity with the residents and the facility operating systems and infrastructure (similar to City attorney services, clear benefits to continuity).

Conc If you concur with the recommendation, we will include on the next available City Council agenda. If you have any questions, or would like any additional information, please let me know.