

# THE MANAGER

April 2008

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Vol 12, No 4



## Accounting: Reduction of Turn Over Utility Costs

Nancy Snyder

This month I will discuss turnover utilities and explore some strategies to reduce this cost.

**A “turnover utility” is any utility bill in the complex name associated with an individual unit** (not used in a common area such as the office, maintenance shop, etc). Typically, as would be inferred by the term *turnover*, the service for an individual unit would be in the complex name only during the period used to turn over or make ready a unit in between residents. *The best way to reduce or delete the expense of turnover utilities is to always be 100% occupied.* However, because residents come and go, we can at least strive to keep the turnover utility costs at a minimum in a couple of ways.

**First, minimize energy use in every vacant unit.** Keep the thermostat set to 60° F in winter or 80° F in summer, turn off all lights, unplug all tools, unplug space heaters, turn off all water, and stop any leaks you find in the unit.

**Second, ensure the turnover utility gets turned over to the resident:**

**Inform:** The property manager must inform the resident of his or her utility responsibility. This information is conveyed at the showing or during the first phone call with the prospect.

**Educate:** Explain in detail the utilities required, and highlight SECTION V of the lease. If you are unsure how utilities are billed at your property, call ALCO, and ask for

*Utility Nancy!* Give out an information sheet to all new residents with the utility companies’ contact information.

**Assist:** Offer as much assistance to the resident as possible. Check with the local utility companies to see what type of services they offer for signing up for new service. Some utility companies will work with apartment complexes by allowing the manager to fill out a form containing the resident information which the manager will send to the utility company directly. If that service is not available, offer the resident the use of the phone while they are in the office so that they can go ahead and schedule services. Be as helpful as possible.

**Confirm: MOST IMPORTANT, you must confirm that the resident has established service before allowing him or her to take possession of the unit.** You must have written confirmation and/or receipt from the utility company, fax confirmation (where available) from the utility company, and/or make a phone call to the utility company directly to verify service has been established in the name of the new resident.

Our goal for 2008 is to decrease our utility usage on turnover utilities by 50%. Help us achieve this through occupancy and close management of the utility use in your turnover apartments. Thanks!



Nancy Snyder, Asst. Director of Accounting  
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Monthly Collection Percentages:		
	2008	2007
January	90.86	97.56
February	97.70	93.03
March	98.72	100.31
April		91.02
May		101.02
June		97.52
July		100.04
August		100.72
September		79.25
October		102.10
November		105.90
December		96.45

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**Questions.  
Answers. Info!**

**Tip: Out of Production  
Bathroom Tiles**

**From Yousef Darkhalil**

**Problem:** Most older ceramic tile is out of production or hard to find. This poses real problems when otherwise nice shower enclosures have damaged or missing tile around the faucet or soap dish.

**Solution:**

1. Carefully remove a row of tile that is not damaged.
2. Use the removed tile you took from that row to replace the missing or damaged tiles.
3. Replace the row of older tile with a new row of tile in a color that coordinates with the other fixtures in your bathroom.

**Thank you Yousef for that Tip!**



**If you have a question that you would like to have answered or a tip that you would like to share, please e-mail us at: newsletter@alexanderforrest.com**

**Business Culture:  
There is No Substitute for Action**

Paxton Schneider

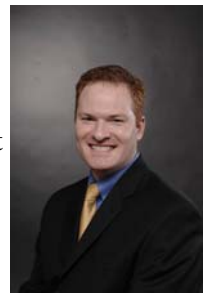
I was sent a newsletter recently with the following quote:

“While we hear a lot about the word *HOPE* these days, simply *HOPING* doesn’t *DO* jack. Appropriate *ACTION* is what *DELIVERS* desirable *OUTCOMES*.” *\*italics/capitals added for emphasis*

-Brent Vondera, Acropolis Daily Insights

This theme resounds firmly with me. Generation of leases, renewals and collections is the desired outcome for our teams. Interestingly, action taken by our MANAGERS in the past 30 days has increased occupied units by 70 leases and collections by an estimated \$55,000! SHAZAM!!

Every Manager on our team is absolutely BUSTING right now to generate net leases, and I’m super-proud of their efforts. Thanks for pushing so very hard. It is fun when we are winning! –Pax



Paxton A. Schneider,

President

**Current Properties For Sale  
Call Ben Peck at (573) 268.0015**

**Blackwater Ranch**, 3,600 acres of land in Saline and Pettis counties Missouri (Total Asking Price \$9,810,000 )  
www.Blackwater-Ranch.com

**Osage Ridge Apartments**, 72 units in Osage Beach, Missouri (\$3,100,000)

**College Corner Apartments**, 110 units in Jonesboro, Arkansas (\$3,800,000) **UNDER CONTRACT**

**Stoneybrook East Apartments** 48 units in Independence, Missouri (\$1,295,000)

**Williamsburg Place Apartments**, 76 units in Middletown, Ohio (\$2,800,000)

**Glenwood Apartments**, 42 units in Martin, Tennessee (\$1,750,000)

**Library Park Apartments**, 76 units in Topeka, Kansas (\$1,500,000)

**Eagles Nest Apartments**, 108 units in Kansas City, Kansas (\$3,250,000)

**Wyandotte Apartments**, 48 units in Kansas City, Kansas (\$1,750,000)

**Riviera Apartments**, 92 units in Paducah, Kentucky (\$3,950,000)

**Mora Mi Apartment**, 50 units in Paducah, Kentucky (\$1,950,000)

**Liberty Square**, 30,000 s.f. retail center in Columbia, Missouri (\$5,500,000)



Blackwater Ranch



Osage Ridge Apartments

## Acquisitions: Purchasing Non-performing Commercial Loans

Laura Stevens

Although Alexander Forrest Investments is expanding to include the location and acquisition of commercial notes to its tool belt, AFI still remains focused on the fundamental real estate investment system that it has been using for years to determine if the underlying property assets are worth the purchase price.

Alexander Forrest Investments' goal is to recommend a note purchase as if it were a conduit to purchase the real assets, which will then be capable of performing under the management system that AFI has developed. When AFI recommends the purchase of a distressed note, we are looking beyond the note and at the collateral property assets.

After valuing the asset tied to the note, AFI will guide the process of making an offer based upon our assessment of the market value of that asset. Upon purchasing the note, we will immediately start the foreclosure process so that the note-holding entity will become legal owner of the property asset as well as taking over the management of the property to cradle it from losses typically incurred during receivership.

Once out of foreclosure, we have a system of dominoes that will begin to fall, one triggering the next, to change the fundamentals of the property. From aggressive financing to rehabilitation of occupancy and buildings, the engagement of our dynamic management systems collectively helps us to reposition the property for success in the market.

If you have or know of a distressed commercial loan or lender that could benefit from the sale of a note, please call Laura Stevens at (573)268-0357 to find out if Alexander Forrest Investments can help.



Laura Stevens, Special Asset Manager  
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## Personnel Management 101: Part 2 of 4 Don't be a Constant Conduit for Criticism

Scott (Uncle) Adams

**The two-sided problem** (imagine two rowdy kids on a seesaw):

- Employees and coworkers will eventually burn out from the weight of constant negative criticism.
- You cannot let slack work slide because it will grow like a cancer.

**The two-sided solution** (imagine two adults providing support to the rowdy kids on the seesaw)

- Set up your workers for success through clear instructions and expectations by proactively answering the questions: Who? What? When? Where? Why?
- Follow-up to make sure your workers heard your directions as well to look for opportunities to point out what they have done correctly.

Example: "Bob, we need to get the carpet and pad in unit 115 ripped up and thrown in the dumpster so that the carpet installers can get in there at 11 this morning. I've got to work on some paperwork and showings, but I will check in with you from time to time."

Who must do it? — Bob

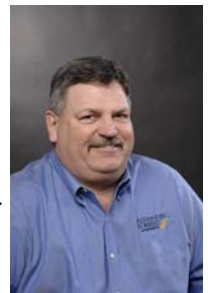
What must be done? — The carpet and pad must be ripped up and thrown in the dumpster.

When must it be done? — Before 11:00 today

Where must it be done? — Unit 115

Why must it be done? — The carpet installers will be installing new carpet at 11:00

Check on Bob more at the beginning to make sure he really heard your instructions. When Bob does his job correctly, give him praise regarding his, success and remind him that each success moves him closer to more responsibility and less oversight, both of which are requirements for moving up in any organization.



Scott Adams, Construction Supervisor  
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# Commercial: Trade Winds Park In-depth

Jessica Hudson

Recent Commercial reports in *The Manager* offered an overview of Alexander Forrest Investment’s commercial projects. This month I am going in depth on Trade Wind Park.

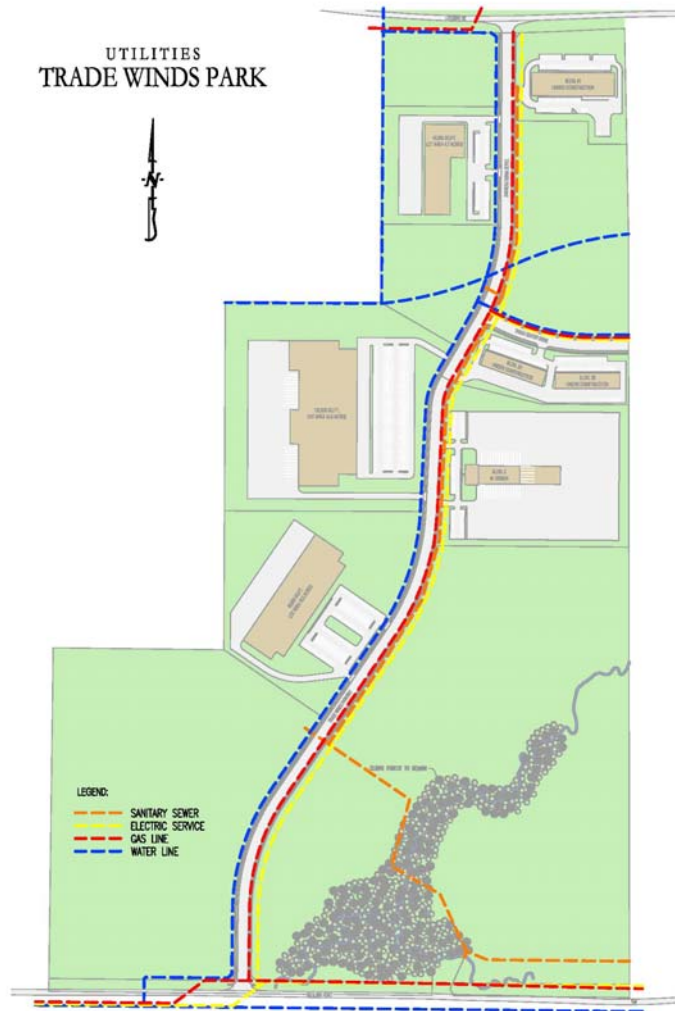
Nearly five years ago a small group of investors, as I-70 LLC, speculated on the purchase of 140 acres of Boone County farmland with 800 linear feet of Interstate 70 frontage.

Today, Trade Wind Park has solidified its place as the premier business industrial development in central Missouri. In March the Boone County Regional Sewer District voted to award the bid for the construction of a sewer line to connect the Trade Winds Park treatment facility to the city of Columbia sewer system. With this connection the District voted to increase the capacity of the sewer line to 1,000,000 gallons of effluent per day. In practical terms, this is an unlimited amount of capacity. The increase in capacity was approved primarily to serve the Trade Wind Park commercial development. This speaks poignantly of our local government’s commitment to economic development and to provide shovel-ready sites that meet all the big user requirements: redundant and abundant

utility service, accommodating zoning, large tract sizes, and visible, easy access. Remember, we are also the ONLY site with redundant utilities, unlimited sewer, fiber optics and desirable zoning. I can unequivocally state that Trade Wind Park is now the PREMIER industrial/commercial development in all of Boone County. No other site comes close.

Other improvements at Trade Wind Park include the near completion of Trade Wind Parkway and Trade Wind Park Building #1. When these projects are complete, 30,000 sq. ft. of lease space and approximately 125 remaining acres will be wide open and available for retail and business development. Building #1 can be seen coming out of its foundation this month. The coming weeks will reveal a highly visible facility purposefully built for large good and home improvement retail. Building features include a loading dock, high ceilings, architectural design and flexible floor plans.

Trade Wind Park will provide Columbia with the build-ready sites for which Regional Economic Development Inc. and the state of Missouri have been



clamoring. Alexander Forrest Investments is proud to work with I-70 LLC on the Trade Wind Park development. If you or your business is interested in more information on the Trade Wind Park business industrial development, please contact me.



Jessica Hudson, Director of Commercial Properties

## Risk Management: Fire Safety in Multi-family Housing

Shannon Kirk

I recently read a short article (about the length of the one you are reading now) that stated that three to four structure fires would be reported in the United States in the time it would take to complete reading the article.

Each year in the United States more than 4,000 people die and 25,000 are injured in housing fires. Fires in multi-family dwellings can be especially problematic due to the following reasons:

- There is often only one exit.
- Fire hydrants or fire lanes might be blocked by a full parking lot.
- Multifamily housing by definition is more densely populated than single family housing.
- Fire can travel to adjoining apartments in a matter of minutes.
- Fire alarms are often not checked on a regular basis.

Tackling these issues as well as addressing the sources of fire is key to managing the risk on any property.

Attacking fire at its source: The National Fire Prevention Association reports that almost half of all residence fires begin in the kitchen, and most of those are the result of grease fires. It is quite common to find that the cause of an apartment fire is a pan of cooking grease or oil either left unattended on a burner or stored on a stove top!

Aside from the obvious preventions such as not keeping flammables on the stove, one of the best ways to limit the potential damage a fire can cause is by



keeping the proper type and size of fire extinguisher in a readily accessible location.

Extinguishers are classified according to the types of fires that they extinguish. There are three different types of extinguishers, but two that concern us here: water-based and dry chemical extinguishers.

**Water-based extinguishers** are designed to put out class A fires, which are fueled by ordinary combustibles like paper, cardboard or wood.

**Dry chemical extinguishers** are more appropriate for apartment units and family dwellings as they are also designed to quench flammables such as gasoline, kerosene, grease and oil. If a fire is fueled by these flammables, water will not help put it out because the oxygen in water will further fuel the flames.

The optimum scenario is for each unit to have at least a two-pound chemical extinguisher located near to but outside of the kitchen and rated for type A and B fires. The extinguisher should be checked on a regular, systematic basis. We require that property managers check the extinguisher during the move-in and move-out process.

Further and more importantly, most insurance companies and fire districts make a recommendation of maintaining a five pound to ten pound fire extinguisher within 75 feet of the entrance to any apartment. Each local fire district has its own regulations and it is the responsibility of each property owner or manager to know them and to follow them.

Our recommendation is to follow the strictest recommendations of either your government or insurance agencies.



Shannon Kirk, Assistant Director of Operations  
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## Interested in our Business?

Our readers frequently contact us curious about what we do.

We would be happy to speak with you.

We work on:

- Developing new properties
- Purchasing land for development and farms
- Redeveloping distressed properties
- Managing commercial and multi-family real estate

If you would like to know more call Ben Peck at (573) 268-0015 or email at Ben.Peck@AlexanderForrest.com

## Accounting: Property Budget Weekly Reviews

Mary Hawkins

Managers, your property's budget is generally based on 20% of your gross income. This means if your expected gross income is \$25,000, then you have \$5,000 to spend each month. You need to review your individual property budget weekly with accounting to know your actual limits, but here is some general guidance to assist you in staying inside your budget. There are four expense accounts over which managers have direct control.

**Regular Repair and Maintenance:** These are the materials and repair expenses tied to maintaining the property and making units ready. To keep your maintenance and repair expenses down, make sure your shop is organized so you are aware of what materials and supplies you have on hand. In other words, don't order 10 of something when you only need two.

**Subcontractors:** This includes cleaning, pest control, lawn care, etc. Control your sub-contractor expenses by making sure you are following the systematic vendor selection procedures every time and that you are following through to hold vendors accountable to their agreed upon scopes of work and prices.

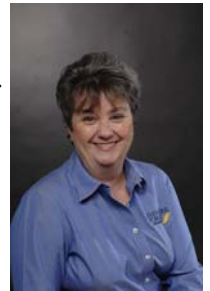
**Specialty Tools:** These are tools such as ladders and drain augers, which lay outside of your personal tool requirements.

**Turnover Utilities:** As reviewed in the cover article of this issue, these are the utility expenses tied directly to vacant and renovation units. You

should control turnover utility costs by meeting property occupancy goals and by verifying that new tenants have turned utilities on in their names prior to receiving keys. A copy of the utility turn-on receipt in their name should be sent in with their move-in paperwork. These policies are outlined in your Manager Standard Operating Procedures.

Another way to minimize utility costs in general is to verify that utilities are not being wasted. Check faucets and toilets to make sure they are not running or dripping. Make sure to set-back thermostats before leaving a unit. Clean out the refrigerator on the same day as the move-out, then shut its breaker off, and leave the door slightly open so that the refrigerator doesn't get stale smelling.

When looking at your budget don't forget to look at your cash flow. Everything you need to know is on your cash flow. Look at income verses expenses. You must bring in income to meet your expenses while leaving enough for your budgeted net operating income.



Mary Hawkins, Asst. Director of Accounting  
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Monthly Collection % Goal: 100%		Renewal Average by Year Goal: 100% Renewal		Paperwork Proficiency Previous Month	
RT	115.82%	SP	75.00%	LS	Master
WG	109.39%	CF	60.00%	SP	Master
CF	109.19%	CIM*	51.37%	CF	Master
CI	107.31%	ENA	50.00%	CIM*	Master
LVC*	104.49%	WDA	49.25%	WDA	Master
WMP	103.46%	SFV*	46.07%	CI	Master
SFV*	102.42%	CI	44.94%	RT	Master
CIM*	102.13%	MRM	42.86%	WG	Master
LS	101.89%	LP	41.49%	RA	Master
MRM	101.85%	RT	40.63%	SB	Master
RA	101.30%	WG	40.00%	SFV*	Paper Knight
SB	100.98%	RA	37.17%	MRM	Paper Knight
SP	100.08%	WMP	36.79%	WMP	Paper Knight
ENA	99.84%	SB	35.59%	HILL*	Paper Knight
WDA	98.22%	HILL*	35.40%	S24*	Paper Knight
LP	87.20%	S24*	30.22%	LVC*	Paper Knight
S24*	66.55%	LVC*	18.92%	ENA	Trainee
HILL*	65.06%	LS	NA	LP	Trainee

*\*Properties currently under renovation*

Manager/Property Key			
Property	Manager	Location	
CF	Claiborne Fox	Andy Mullins	Marshall, MO
CI	Chateau Imperial	Jeff Hodson	Hastings, NE
CIM*	Cimarron Apartments	José Diaz	Independence, MO
ENA	Eagles Nest Apartments	Edgar Marquez	Kansas City, KS
HILL*	Hillside Apartments	Dan Osborne	Independence, MO
LP	Library Park Apartments	Mario Burgos	Topeka, KS
LS	Liberty Square	Jessica Hudson	Columbia, MO
LVC*	Lakeview Apartments	Scott Wendland	Kalamazoo, MI
MRM	Mora Mi Apartments	Kevin Smith	Paducah, KY
RA	Riviera Apartments	Scott Hart	Paducah, KY
RT	Ridgetop Apartments	Brandon Mayfield	Martin, TN
S24*	Sterling 24 Apartments	Michelle Goodrick	Independence, MO
SB	Stoney Brook East	Don Wilson	Independence, MO
SFV*	Santa Fe Village	Steve Ipock and Ray Moody	Kansas City, MO
SP	Sterling Price	Tom Evans	Moberly, MO
WDA	Wyandotte Apartments	Maria Cuevas	Kansas City, KS
WG	Windsor Gables	Brandon Mayfield	Martin, TN
WMP	Williamsburg Place	Ben Fisher	Middletown, OH



Front Row: Yousef Darkhalil, Jessica Hudson, Paxton Schneider, David Atkins, Mary Hawkins, Mirsad Mustafic.

Middle Row: Shannon Kirk, Scott Adams, Ben Peck, Makinga Bunyecha

Back Row: Richmond Wheeler, TJ Scoggins, Megan Beckley, Nancy Snyder, Laura Stevens, Ryan Scheer

Every project referenced in this publication is individually owned and operated.

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# April 2008

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		<b>1 Rent Duel</b>	<b>2</b>	<b>3</b>	<b>4</b> Ryan Scheer Birthday	<b>5</b>
<b>6 Late Fees</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b> TJ Scoggins Birthday	<b>11</b> Tom Evans Birthday	<b>12</b>
<b>13 Late Fees</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>17</b>	<b>18</b>	<b>19</b>
<b>20 Late Fees</b>	<b>21</b>	<b>22</b>	<b>23</b>	<b>24</b>	<b>25</b>	<b>26</b>
<b>27 Late Fees</b>	<b>28</b>	<b>29</b>	<b>30</b>			