MEMORANDUM

TO: VICTOR CARDENAS, CITY MANAGER

FROM: JEFF MUCK, PRCS DIRECTOR
KIT KIESER, OLDER ADULT SERVICES MANAGER

SUBJECT: MEADOWBROOK COMMONS MANAGEMENT AGREEMENT

DATE: APRIL 2, 2026

Meadowbrook Commons is a 175-unit 55+ housing community located in the City of Novi. The facility is accounted for in the City's Senior Housing Fund, an Enterprise Fund, with debt service obligations paid by resident rents. As a self-sustaining facility, Meadowbrook Commons must generate sufficient revenue to cover operational costs, including debt service payments. The Building Authority bonds financing the original project are scheduled to be paid off in October 2026, at which point funds previously applied to debt service will be available for reinvestment in the facility.

KMG Prestige, Inc. has served as the management company for Meadowbrook Commons since July 1, 2005. The current management agreement expires on June 30, 2026. Historically, when the City has issued Requests for Proposals for the management of Meadowbrook Commons, KMG Prestige has been the only firm to submit a proposal, as was the case in both 2015 and 2020. Accordingly, City staff recommend forgoing the RFP process for this renewal cycle.

KMG Prestige has submitted a proposal for renewal, and staff recommends that City Council approve a new two-year agreement with three optional one-year renewal extensions, commencing July 1, 2026.

Track Record and Performance

KMG Prestige has maintained Meadowbrook Commons at consistently high standards throughout its tenure. The community is currently at 100 percent occupancy, serving over 200 residents, with 178 approved applicants on the waitlist.

KMG's operational performance has been recognized at the regional and industry level. Most recently, in January 2026, Meadowbrook Commons was named the 2025 STAR Community of the Year by the Detroit Metropolitan Apartment Association (DMAA), competing against communities of all types across Southeast Michigan. The award recognizes excellence in property management, resident engagement, financial stewardship, maintenance standards, and compliance.

From a financial standpoint, the community has operated within sound parameters throughout KMG's tenure. Annual rent increases have historically ranged from as low as $5 to no more than $25, reflecting a measured approach that has preserved affordability for senior residents. Despite modest rent growth, Net Operating Income increased from approximately $1.23 million in 2006 to $1.27 million in 2025, with operating expenses remaining below 50 percent of gross income throughout that period.

Historical Overview

	FY05-06	FY09-10	FY14-15	FY19-20	FY24-25	% Change (2006–2025)
Total Income	$1,759,657	$1,815,326	$2,030,942	$2,103,666	$2,214,494	25.80%
Total Operating Expenses	$529,983	$597,879	$645,526	$768,371	$946,014	78.50%
Net Operating Income	$1,229,674	$1,217,447	$1,385,416	$1,335,295	$1,268,480	3.20%

Looking ahead, the following 5-year financial projection reflects conservative assumptions of 2 percent annual revenue growth and 3 percent annual expense growth. With the retirement of the Building Authority bonds in October 2026, funds previously applied to debt service will support an expanded capital improvement program. The projection accounts for planned reinvestment in the facility over the agreement period.

5-Year Forecast

	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31
Revenue	$2,362,867	$2,410,076	$2,458,230	$2,507,346	$2,557,445
Total Operating Expenses	$1,167,836	$1,202,871	$1,238,957	$1,276,126	$1,314,409
Net Operating Income	$1,195,031	$1,207,205	$1,219,273	$1,231,221	$1,243,036
Capital Expenditures	$474,988	$620,420	$900,000	$430,546	$799,000

Proposed Agreement

The proposed agreement is a two-year term commencing July 1, 2026 and expiring June 30, 2028, with City options for third, fourth, and fifth year renewals.

The proposed management fee schedule is as follows:

Period	Monthly Fee	Annual Fee
FY26-27 (Year 1)	$6,526	$78,313

FY27-28 (Year 2)	$6,722	$80,662
City Options for Renewals		
FY28-29 (Year 3)	$6,923	$83,082
FY29-30 (Year 4)	$7,131	$85,574
FY30-31 (Year 5)	$7,345	$88,141

Next Steps

Staff will bring forward a motion at an upcoming City Council meeting to approve a new two-year management agreement with three optional one-year renewal extensions with KMG Prestige, Inc. for the management of Meadowbrook Commons, commencing July 1, 2026.

Items attached from KMG Prestige, Inc. include the Proposed Fee Structure and KMG Management Overview.