



Faith Based Development Initiative



Occupancy and Ongoing Operations

Asset Management Services

ANNA SANTANA

Month 00, XXXX



Agenda

THE RELATIONSHIP

THE ASSET MANAGER ROLE

LIFE STAGES OF THE DEAL

PERFORMANCE INDICATORS

Q&A



THE RELATIONSHIP

Our Goals

We focus on the healthy, continued, relationship between our partners and the preservation of the housing development in order to increase housing supply advance racial equity and build resilience & upward mobility



The Wedding

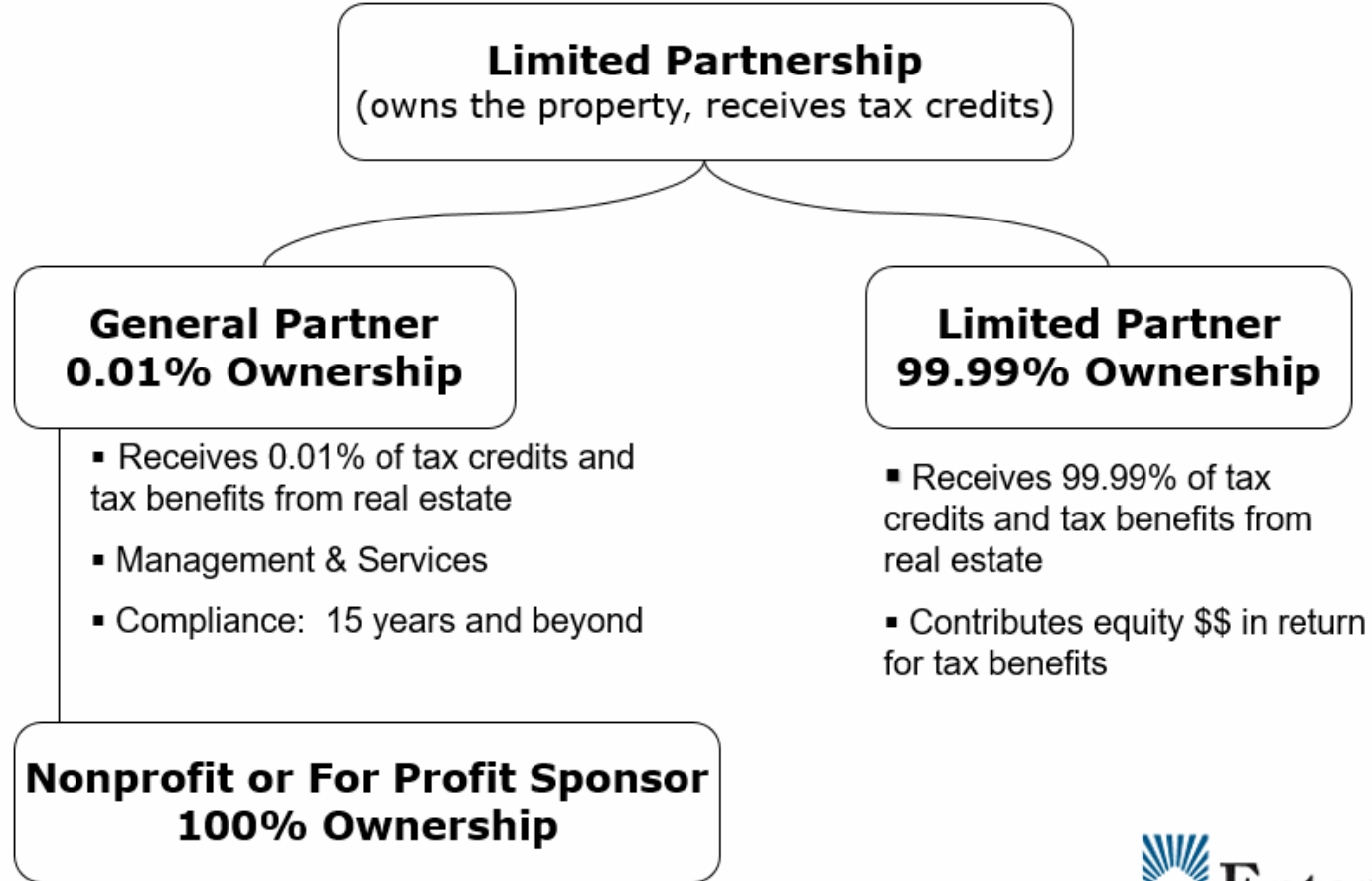
Originations & Underwriting



The Marriage

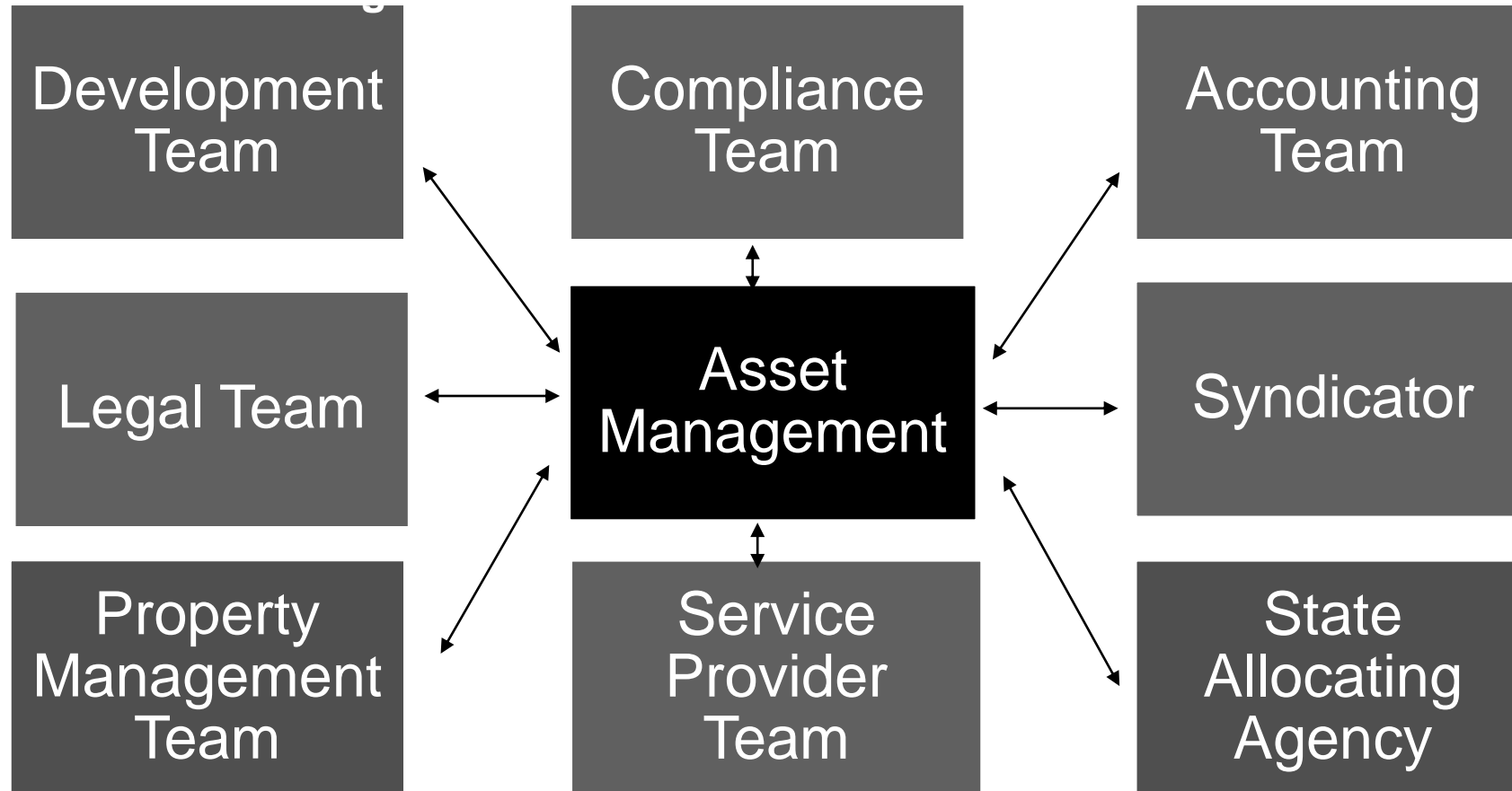
Asset Management

Structure – Tax Credit Syndication



THE ROLE

Asset Management Interactions



The Roles of an Asset Manager

- Work with all partners to ensure the fiduciary integrity
- Provide frontline relationship management for a diverse group of stakeholders
- Actively manage risk and problem solve
- Preserve the physical asset and ensure continued compliance
- Oversee the investment with respect to the asset's
 - Financial Health
 - Physical Health
 - Regulatory Health
- Difference between Asset Management and Property Management

The Asset Management Process

Evaluating new
LIHTC Projects

Oversight of
Construction &
Lease-Up

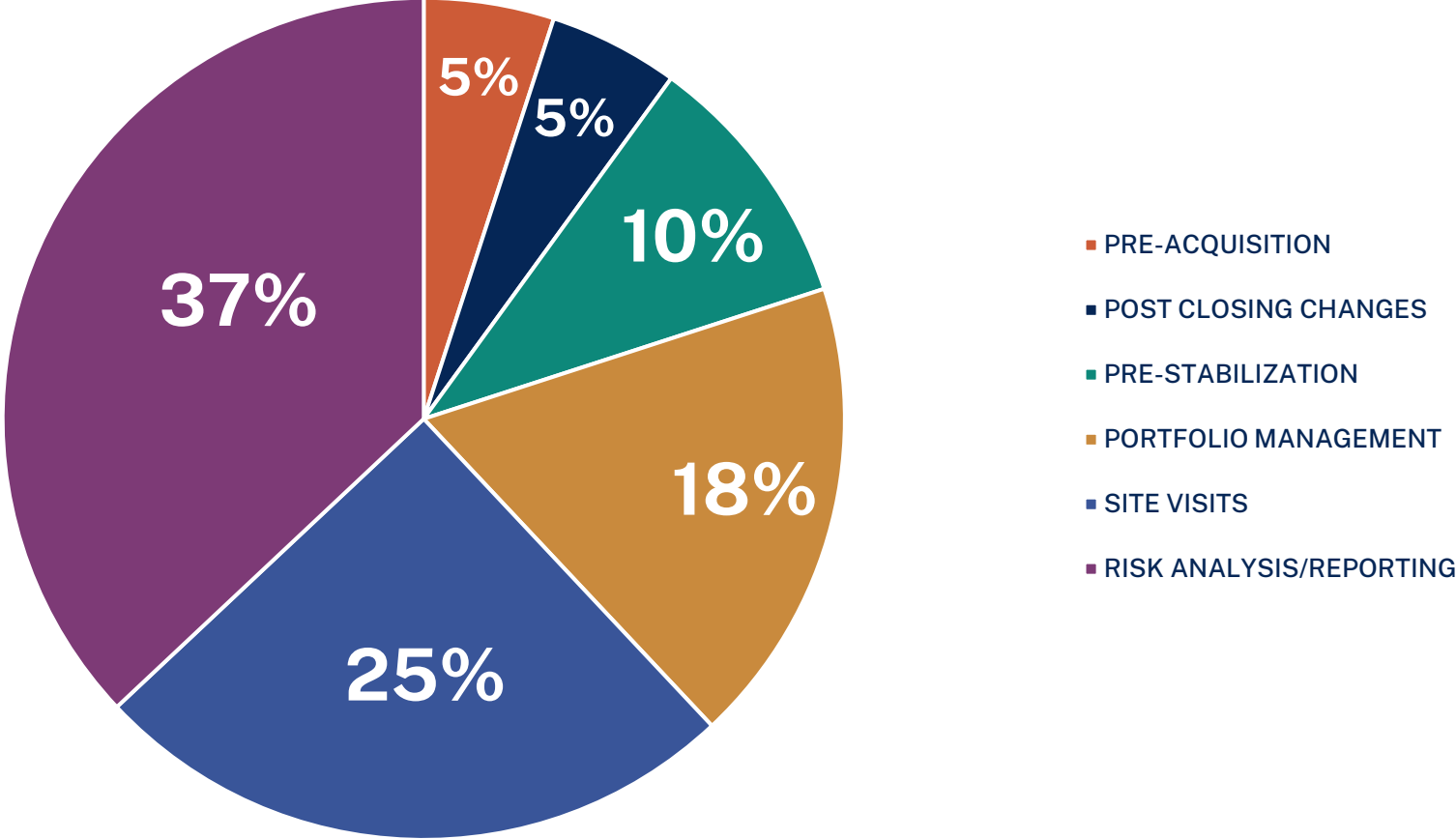
Ongoing Monitoring
via site visits,
financial reviews,
and review of tax
benefits

Engagement with
stake-holders

Problem
Identification,
Resolutions & Post
Closing Changes

Dispositions &
Preserving
Affordability Post
Year 15

Asset Management Allocation of Time



LIFE STAGES

Life Stages of a Property

CONSTRUCTION	LEASE-UP/STABILIZATION	STABILIZED/DISPOSITION
<ul style="list-style-type: none"> - Placing in Service no later than the end of the second calendar year after allocation of credits - Monthly monitoring of construction progress and construction and contingency funds - Achievement of Certificate of Occupancy and completion 	<ul style="list-style-type: none"> - Following IRS and State regulations regarding lease-up (lottery, tenant selection plan, qualifying tenants, etc.) - Achieving qualified occupancy (use of 3rd party compliance specialist) - Meeting milestone requirements (State, lender, and syndicator) 	<ul style="list-style-type: none"> - State LIHTC monitoring - Quarterly/Yearly reporting - Working with Property Management - Risk Analysis/Mitigation - Workouts - Extended Use Agreement (EUA) (continued affordability)

Construction Guarantees, Adjusters, IRS Section 42 regulations, Developers Fees...

IRS, HUD, State, etc., regulations, EUA...

Tax Credit Implications

Role of Asset Management during the life-cycle of a property

Pre-Stabilization

- ✓ Review monthly construction reports
- ✓ Review and process monthly construction draws
- ✓ Track lease-up progress as compared to projections
- ✓ Ensure milestone requirements are met for the disbursement of equity
- ✓ Meet with all stakeholders (State, Lenders, etc.) to ensure permanent financing closes
- ✓ Track delivery and review status of initial files to ensure units/tenants are certified as per IRS regulations
- ✓ Calculate adjusters
- ✓ Process post closing changes
- ✓ Convert to Perm Financing

Stabilized Assets

- ✓ Follow clear and concise performance targets
- ✓ Risk Management
- ✓ Ensure ongoing compliance (files and physical)
- ✓ Monitor performance against targets
- ✓ Perform monthly review of project financials
- ✓ Hold regularly scheduled meetings with manager and service providers
- ✓ Perform quarterly/semi-annual property inspections
- ✓ Review/approve budgets
- ✓ Create workout plan, if needed
- ✓ Evaluate post closing changes

Development Risk Management

Oversight During Construction

Pre-construction Due Diligence

Monitoring During Construction and equity disbursements

Change Orders and Construction Contingency

Initial Asset Management

Lease Up & It's Importance

Issues affecting...

Tax Credit Delivery

Developer Fee

Housing



...our Stakeholders

Investor

Sponsors

Tenants

Initial Asset Management

Lease Up to Stabilization Timeline



Long Term Asset Management

Assessments

- Quarterly/semi-Annual property assessments
- Physical
- Financial
- Compliance

Annual Reporting

- Review YE Audits
- Annual Owner Certifications
- Certified Rent Rolls
- State agency requirements

Quarterly Reporting

- Review quarterly financial statements
- Monitor occupancy and any downward trends
- Evaluate Risk

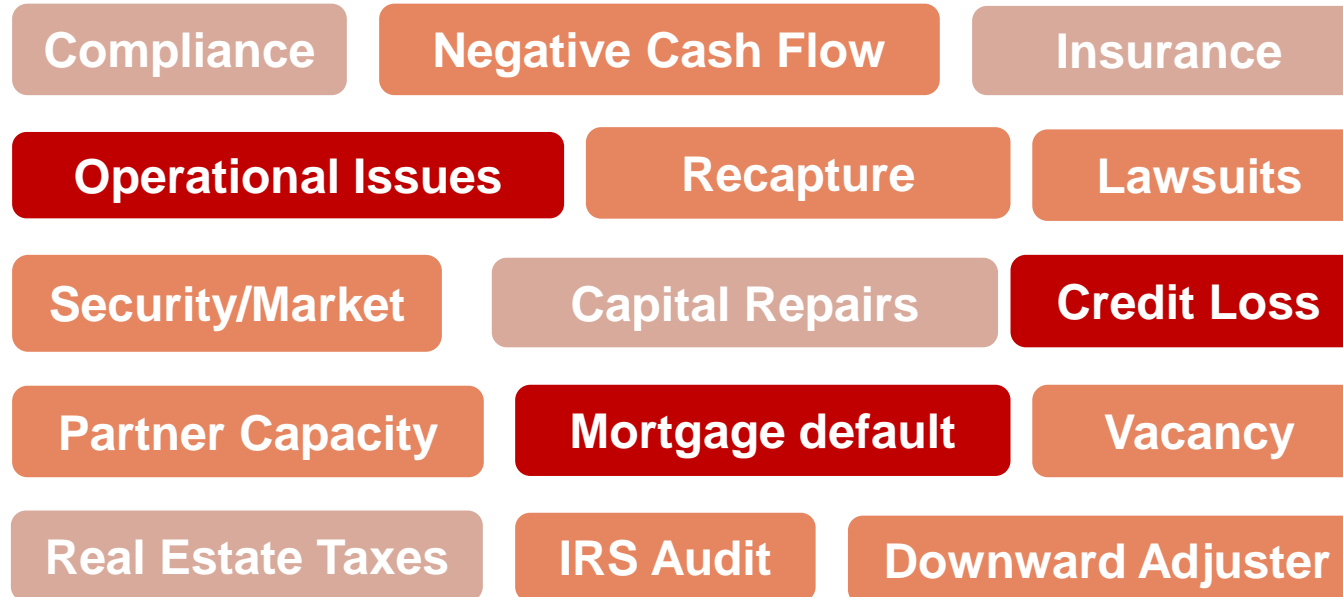
Ongoing

- Use of Reserve Funds
- Meetings with PM and other partners
- Post Closing Changes
- Social Service Requirements



Portfolio Risk

Types of Risk & Importance



INDICATORS

AHIC Guidelines

(Affordable Housing
Investors Council)

<https://ahic.org/AssetManagement>

A – Excellent

B – Average

C – Weak

D – Moderate Risk

F – Significant Risk

Key Indicators (AHIC A/B – Excellent/Average)

Construction

- ✓ No more than 2 months late
- ✓ Contingency usage is in line with percent complete +/- 10%
- ✓ Completion date within 9 months of mandatory Placed in Service Date
- ✓ Sufficient sources to pay off construction loan
- ✓ GC in place, financially secure, and able to meet obligations
- ✓ There are no liens on the property

Lease-Up

- ✓ No more than 1 month late
- ✓ Permanent loan conversion on track according to projections
- ✓ No material Regulatory or LIHTC issues
- ✓ Adequate permanent insurance in place
- ✓ There is no threat of recapture
- ✓ Full credit delivery is anticipated as projected

Key Indicators (AHIC A/B – Excellent/Average)

Stabilized Deals

- ✓ Debt Coverage Ratio between 1.0% and 1.20% or in line with underwriting
- ✓ Expense Coverage Ratio between 1.0 and 1.10
- ✓ Economic Occupancy is 90% or greater
- ✓ Reserves and escrow funded as projected
- ✓ No physical or correctable minor issues
- ✓ Good property management systems in place
- ✓ Tenant files are well organized with no compliance or correctable issues with no financial impact
- ✓ RE Tax payments current
- ✓ Insurance coverage and payment current
- ✓ No Recapture concerns

Additional Indicators

- ✓ Occupancy – At underwritten level (5% - 7%) and not lower than 90%
- ✓ Monthly Budget Variances (look at both the % and \$ amounts). Explain why the variance occurred.
- ✓ Collections and Write off policy – Affect of receivables to accounts payable and cash flow
- ✓ Cash flow – Debt and Expense Coverage Ratios. Project out to determine future performance through year 15, using a standard 2% revenue increase and 5% expense increase. If negative cash flow, develop action plan
- ✓ Excess Cash at year-end – know how excess cash is distributed as per the waterfall

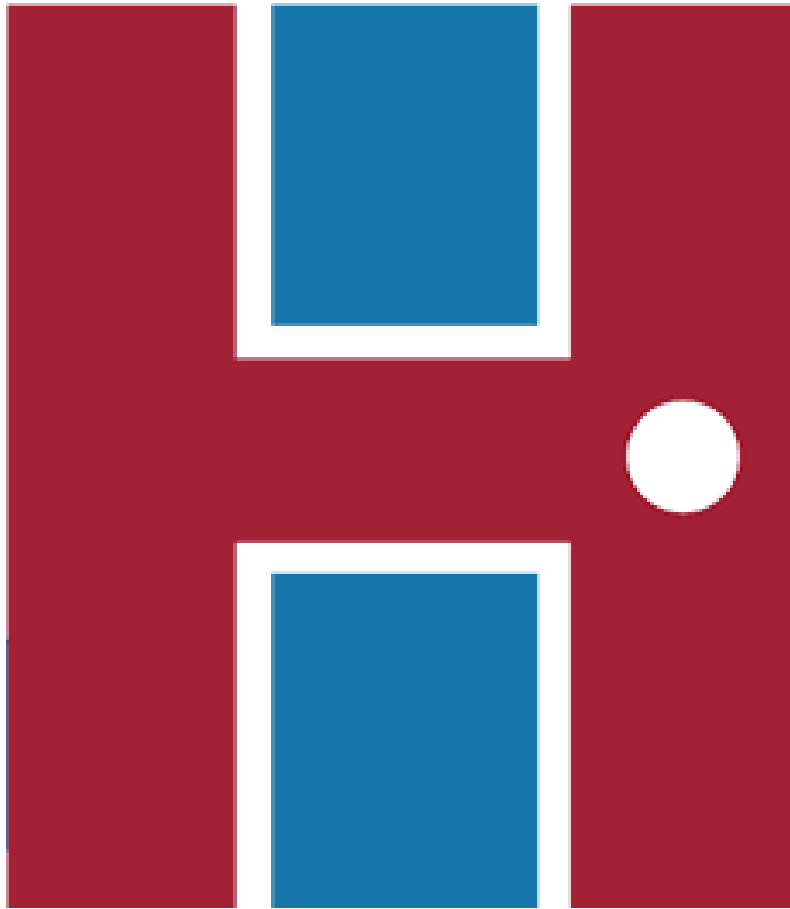
ASSET MANAGEMENT

Know your documents!

- ✓ Limited Partnership or Operating Agreement
- ✓ Regulatory Agreements
- ✓ Extended Use Agreements
- ✓ Loan Agreements
- ✓ Service Agreements
- ✓ Real Estate Tax Agreements
- ✓ Lease Agreements
- ✓ Commercial Agreements

And so on, and so on, and so one...





CONSORTIUM LEADERSHIP



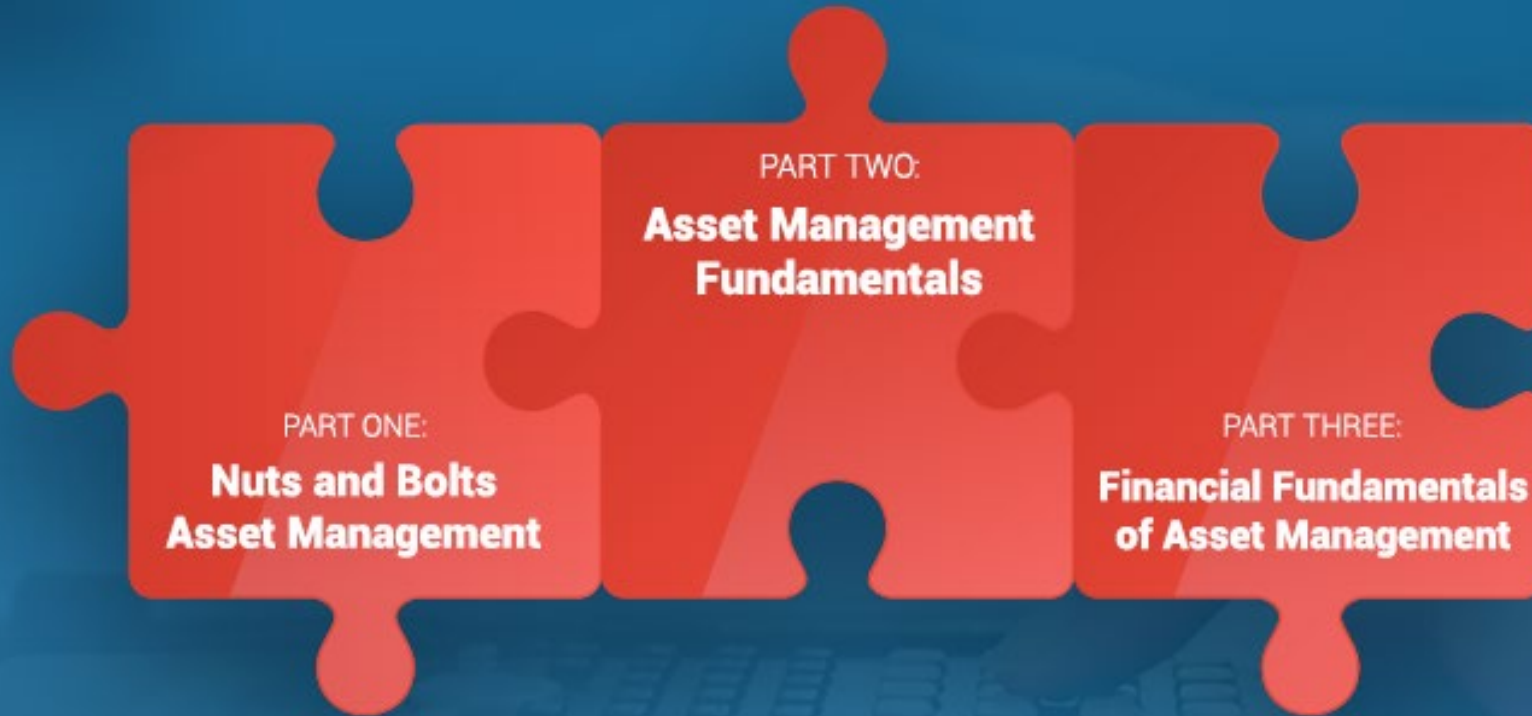
Opening Doors in the Affordable Housing Community



NOW AVAILABLE!

ASSET MANAGEMENT SPECIALIST (AMS) CERTIFICATION

CHAM



www.chamonline.org/training

CHAM

Questions?

Thank You

