



# Developing a Financial Stability and Business Plan

September 14, 2023

# Today's Agenda

- INTRODUCTIONS
- FIHPP
- FINANCIAL CAPACITY OVERVIEW
- REAL ESTATE PROFORMA OVERVIEW
- 20-YEAR TOOL
- BUSINESS PLAN NARRATIVE
- SPECIAL CASES
- WRAP-UP

# A Special Thank You to the Funders of Preservation Next

**Mackenzie Scott**



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## PRESERVATION NEXT

# Preservation Next Overview

Preserving Affordability in Small to Medium Multifamily Properties and Protecting Residents from Displacement

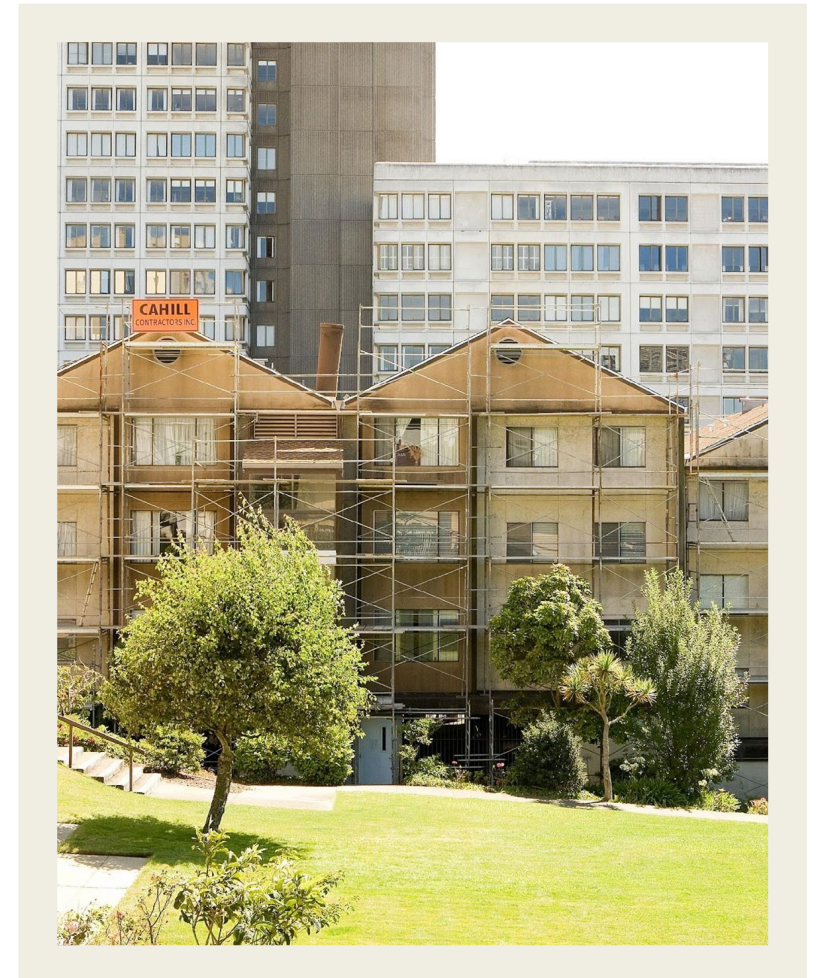
**Solutions at the intersection of renter and owner stability to promote an eviction prevention-first approach**

Through **Preservation Next**, Enterprise is committed to preserving affordable small to medium multifamily homes and ensuring that residents have access to safe, healthy, and resilient places to live.

To truly preserve these homes and protect affordability for residents now and into the future, we must:

- Protect existing affordability where it currently exists.
- Provide housing stability and prevent displacement of existing residents and families.
- Invest in healthy, sustainable, and resilient homes.
- Foster responsible stewardship by mission-aligned owners.

Small and medium sized properties provide a crucial foundation for affordable housing in this country: 80 percent of homes in these buildings are available to people who earn less than 80 percent of the area median income



## PRESERVATION NEXT

# Meet Our Preservation Next Team

## National Staff



### Sara Haas

**ENTERPRISE, SENIOR DIRECTOR, SOUTHEAST**

At Enterprise, Sara leads affordable housing preservation programming in Miami and Atlanta, the Keep Safe Florida Resilience program, and the National Preservation Next program. Prior to joining Enterprise, Sara developed and managed national AmeriCorps VISTA programs at Habitat for Humanity International and Points of Light. Sara lives in Atlanta with her husband Stew, son Eli and dog Dolly Parton.



### Meaghan Vlkovic

**ENTERPRISE, VP AND MARKET LEADER, SOUTHEAST**

Meaghan leads Enterprise's programmatic work in the Southeast region, focused on providing an array of resources to affordable housing and community development partners. This includes capacity building assistance for proactive preservation and production of housing, and helping communities plan for future development, such as transit-oriented development opportunities.



### Jessie Wang

**ENTERPRISE, PRESERVATION FELLOW,  
PRESERVATION NEXT**

At Enterprise, Jessie supports program development and delivery for the National Preservation Next program. Prior to joining Enterprise, Jessie conducted applied research and technical assistance to assist a variety of community-based organizations and affordable housing advocates in Chicago, where she resides.



## PRESERVATION NEXT

# Meet Our Preservation Next Team

Northern and Southern California Market and National Staff



### Ruby Harris

**SENIOR DIRECTOR OF CAPITAL SOLUTIONS AND PARTNERSHIPS, SOUTHERN CA**

At Enterprise, Ruby is a thought partner with CBOs and tasked with creating new capital pathways to increase affordable housing. Ruby joins Enterprise with 22 years of experience in the community development field. Her experience ranges from nonprofit management, program and product design, public policy, and lending to grant-making. Notably, Ruby launched the Small Sites Program for the City and County of San Francisco, a \$100M endeavor to preserve NOAH properties.



### Elizabeth Richards

**SENIOR PROGRAM DIRECTOR, SOUTHERN CA**

Elizabeth Richards is Senior Program Director for Enterprise Community Partners in Southern California, managing the Local Rental Owners Collaborative initiative in partnership with the Chan Zuckerberg Initiative. Elizabeth's twenty-year career in affordable housing began in Chicago with a focus on supportive housing, policy, and finance. She's been with Enterprise for ten+ years and has worked nationally across Enterprise markets.



### Geeta Rao

**SENIOR DIRECTOR, NORTHERN CA**

At Enterprise, Geeta oversees the Northern CA office's programmatic work and operations. She brings 20 years of experience in affordable housing and community development: program design and implementation, policy development, technical assistance, and legislative advocacy. Geeta serves on the leadership team of Bay Area Housing for All (BAHA), an effort to place a \$10-20 billion housing measure on the 2024 ballot for the San Francisco Bay Area, and led Enterprise's co-sponsorship efforts of AB 1487, which created the Bay Area Housing Finance Authority (BAHFA).



### James Yelen

**SENIOR PROGRAM DIRECTOR, UPWARD MOBILITY**

James is a Senior Program Director on Enterprise's national Upward Mobility team. He focuses on the role that community wealth building and inclusive capital strategies can play in advancing economic opportunity, resident power-building, and a sense of belonging for the variety of communities Enterprise works with.

# Today's Presenters



## Amanda Bornstein

INTERIM CO-DIRECTOR, REAL ESTATE & TRAINING  
COMMUNITY VISION CAPITAL & CONSULTING

Amanda has more than 15 years of experience in nonprofit and small business management, urban planning, and real estate. She has worked for local government, community-based arts nonprofits, environmental advocacy organizations, and others. Amanda holds a BA in American Studies and a BFA in Visual Art, both from Tufts University. She also holds a Masters in Urban Planning from UCLA, with a Design and Development concentration



## Kshama Kanakoor

FINANCIAL MANAGEMENT CONSULTANT  
COMMUNITY VISION CAPITAL & CONSULTING

Kshama joins Community Vision as a Financial Consultant. In her role, she supports Community Vision's clients with financial management, organizational capacity building, and strategy. Born and raised in India, she started her career as an Accountant and has worked for two of the Big 4 Accounting firms. Kshama's passion for social causes led her to pursue a Master's in Social Entrepreneurship & Change from Pepperdine University. In 2016, she founded an enterprise with a dual mission to provide employment to low-income women in India and to teach children human values through the use of dolls and story books. Kshama strongly believes that a person's access to quality education, healthcare, and employment opportunities should not be determined by their zip code, and is passionate about addressing these inequities through her work.

# FIHPP Webinar Series

August 10 | Partnerships for Housing Preservation

**September 14 | Developing a Financial Stability  
and Business Plan**

October 12 | Asset Management Strategies



## Who's in the room?

- What kind of organization are you representing?
- What geography are you representing?

**As a locally invested, collaborative partner in social justice and financial equity, Community Vision provides nonprofits, small businesses, and social enterprises with strategic investment and guidance to deepen work, scale impact, and strengthen our communities.**



# Nonprofit Real Estate & Financial Management

Advisory Partnership & Resource Center

- Acquisition // Leasing Analyses & Facility Strategic Planning
- Real Estate Financing & New Market Tax Credits
- Financial Assessments & Education
- Business Model Analysis & Customized Tool Development



# Nonprofit & Social Enterprise Lending

Lending that supports the growth, impact, and sustainability of nonprofit organizations

- Community facilities
- Affordable housing
- Working capital & lines of credit
- Inclusive small business lending
- New Markets Tax Credits



# FIHPP: Program Overview and Financial Capacity Requirement



# FIHPP Loan/Grant Product

- Designed to assist community real estate developers with housing preservation on units 1-25 properties at risk of foreclosure
- Loan Size: up to \$500,000 per unit (\$600k for single family) with a maximum of \$10M (all-in including COSR)
- Term: 55 years
- Rate: up to 3% simple
- Fees: 0-2%
- Flexible repayment terms



# FIHPP Guidelines: 20-year Cash Flow and Business Plan

- FIHPP Final Guidelines Document:  
<https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/2022-Foreclosure-Intervention-Housing-Preservation-Program-Final-Guidelines.pdf>
  - Eligible Sponsors Requirements: Section 503.1
  - 20-year Business Plan: Section 503.1(c)(1)

# FIHPP Guidelines: 20-year Cash Flow and Business Plan

- Organizational Documents (Section 501(c)(1)) - Comprehensive set of the entity's organizational documents (and all amendments thereto)
- Business Filings and Certificates of Status (Section 501(c)(2)) - All California Secretary of State business filings and Certificates of Status relevant to the entity's qualification to transact business in the State of California
- State and federal tax-exempt status letters (Section 501(c)(3))
- Eligible Sponsor Documentation (Section 501(c)(4)) - Any other documentation required or deemed necessary by the AFM and IFMs to verify the Applicant's experience and capacity to be an Eligible Sponsor.
- Affordable Housing Development (Section 503(1)(b)(1))- Provide details on completed Affordable Housing Development projects involved within the last 10 years, including the role(s) the organization(s) played in each project.

# FIHPP Guidelines: 20-year Cash Flow and Business Plan

- Business and Sustainability Plan (Section 503.1(c)(1)i) - must indicate the types and estimated quantity of properties the organization intends to acquire and operate and include a 20-year cash flow that demonstrates the financial viability of the projected acquisitions and the Applicant's operational sustainability.
- Financial Stability Data (Section 503.1(c)(1)ii) - financial data, staffing, and governing body, partnership, or management information, development history, list of real estate owned, litigation history, and organizational good standing information for the past three (3) years

# FIHPP Guidelines: 20-year Cash Flow and Business Plan

- Resident Selection Procedures (Section 503.1(c)(1)v(1))
- Monitoring Plan (Section 503.1(c)(1)v(2))
- Sponsor Transition Plan (Section 503.1(c)(1)v(3)) – ensures that properties in the organization’s portfolio are transferred to another Eligible Sponsor that will maintain long-term affordability if the organization shuts down, is determined to be out of compliance, or is otherwise no longer a fit and willing owner.
- Resales Plan (Section 503.1(c)(1)vi) – managing resales including formula to determine new sales price



# FIHPP Guidelines: 20-year Cash Flow and Business Plan

- Partnership Agreement (Section 503.1(d)) - that provides for their mutual performance as joint Eligible Sponsor entities. The contract shall identify the less experienced and/or resourced entity as the designated payee for any awards of FIHPP funds.
- Racial Equity Plan (Section 503.1(2)) – profile describing entity’s mission, narrative of analysis of racial disparities in housing outcomes, description of actions the organization’s already taking to reduce disparities in housing outcomes, and a plan for additional actions the entity will take to reduce racial disparities

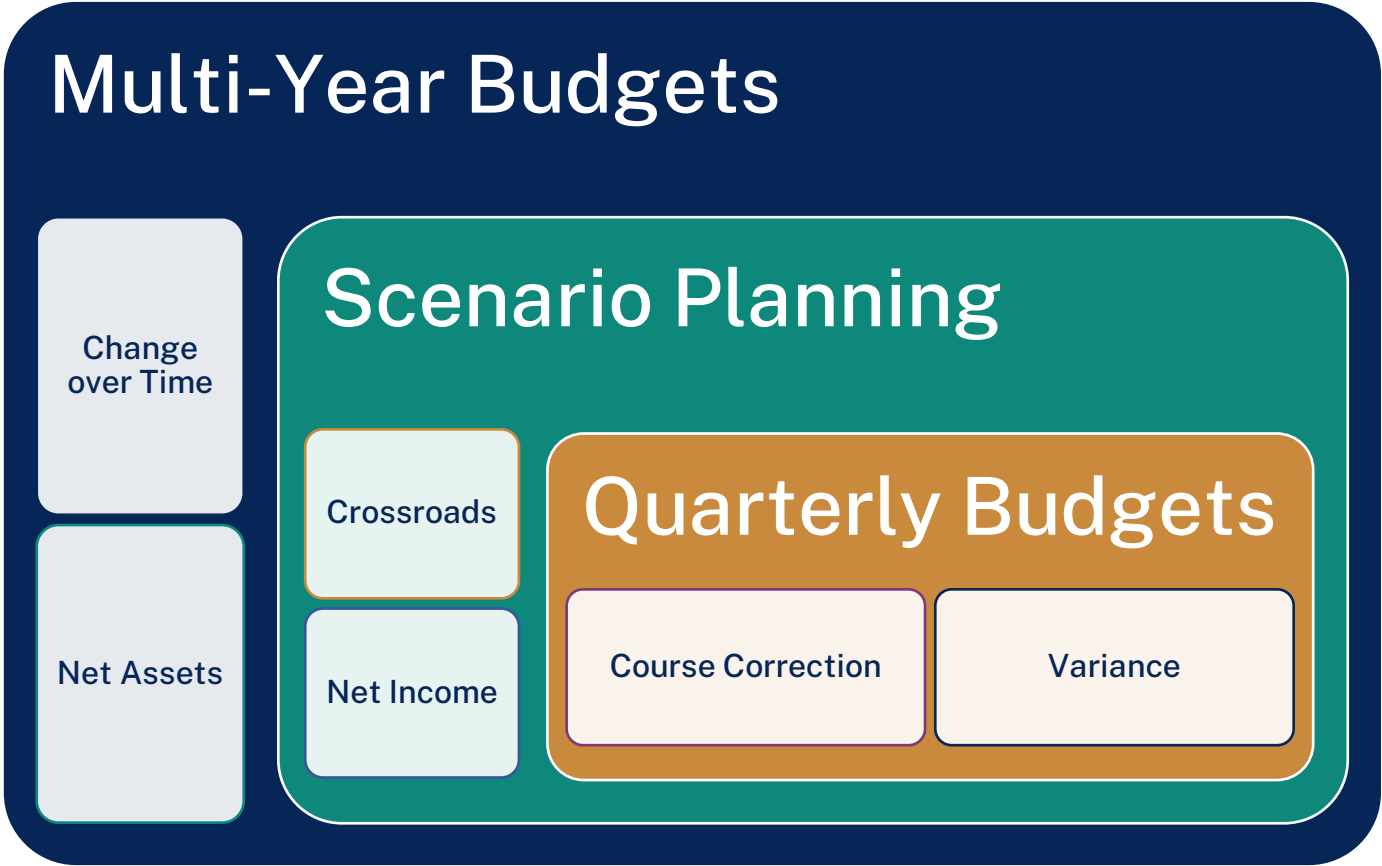
# Financial Capacity Overview

- At the organizational level
- Definition
- Importance of financial capacity
- Tools to achieve financial capacity

# Developing Financial Capacity



# Perspectives on Planning



# Multi-Year Budgets

- Start with scenarios, annual and quarterly budgets
- Long(er)-term program planning
- Strategic planning
- Change management
- Slow and steady



# Next Year's Cashflow Projection

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
<b>Cash In</b>												
Government	-	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	70,000
Foundation Grants	-	-	100,000	-	50,000	-	75,000	115,000	25,000	-	45,000	-
Individual Contributions	-	-	-	-	-	50,000	-	-	-	5,000	-	-
Earned Income	2,000	2,000	2,000	2,000	2,000	2,000	-	-	-	5,500	3,000	-
<b>Total Cash In</b>	<b>2,000</b>	<b>37,000</b>	<b>137,000</b>	<b>37,000</b>	<b>87,000</b>	<b>87,000</b>	<b>110,000</b>	<b>150,000</b>	<b>60,000</b>	<b>45,800</b>	<b>83,000</b>	<b>70,000</b>
<b>Cash Out</b>												
Accounting & Legal	-	-	4,000	-	-	-	-	-	-	8,000	-	-
Advertising	1,400	-	-	2,000	-	-	-	-	-	-	1,500	-
Consultants	-	-	-	-	-	-	18,000	60,000	32,000	30,864	-	-
Insurance	-	-	-	-	-	4,500	-	-	-	-	-	-
Occupancy	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300
Repairs & Maintenance	-	1,500	-	-	-	2,500	-	-	800	-	-	-
Salaries	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Special Events	-	-	5,000	-	-	-	-	2,000	-	5,000	-	-
Supplies	6,400	4,800	2,550	10,000	4,800	5,000	2,550	2,550	10,000	4,800	6,000	3,900
<b>Total Cash Out</b>	<b>59,100</b>	<b>57,600</b>	<b>62,850</b>	<b>63,300</b>	<b>56,100</b>	<b>63,300</b>	<b>71,850</b>	<b>115,850</b>	<b>94,100</b>	<b>99,964</b>	<b>58,800</b>	<b>55,200</b>
<b>Surplus (Deficit)</b>	<b>(57,100)</b>	<b>(20,600)</b>	<b>74,150</b>	<b>(26,300)</b>	<b>30,900</b>	<b>23,700</b>	<b>38,150</b>	<b>34,150</b>	<b>(34,100)</b>	<b>(54,164)</b>	<b>24,200</b>	<b>14,800</b>
<b>Beginning Cash</b>	6,843	(50,257)	(70,857)	3,293	(23,007)	7,893	31,593	69,743	103,893	69,793	15,629	39,829
<b>Ending Cash</b>	<b>(50,257)</b>	<b>(70,857)</b>	3,293	<b>(23,007)</b>	7,893	31,593	69,743	103,893	69,793	15,629	39,829	54,629

# Real Estate Proforma Overview

- At the building/project level
- Sources and uses (project budget)
- Capital stack
- Debt overview
- Building operations budget

# Budget Items

## SOURCES

Organization's Equity (Cash)  
Gov't/Foundation Grants  
Individual Donations  
Tax Credits  
Loans

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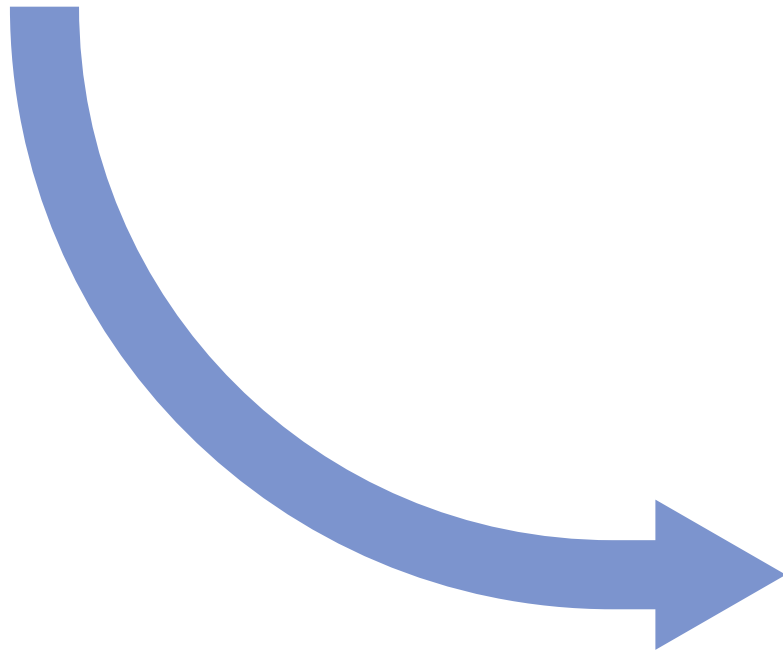
## TOTAL SOURCES

## USES

Acquisition  
    Acquisition cost or value  
    Legal/closing costs  
    Broker's fee  
Construction (hard costs)  
    Construction Costs  
    Fixtures, Furniture and Equipment  
    Hard Cost Contingency 15%  
Soft Costs  
    Architectural/Engineering  
    Consultants  
    Appraisal/PNA  
    Survey/Engineering/Enviro Studies  
    Permits/fees  
    Financing/Legal  
    Relocation  
    Soft Cost Contingency 10%

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## TOTAL USES

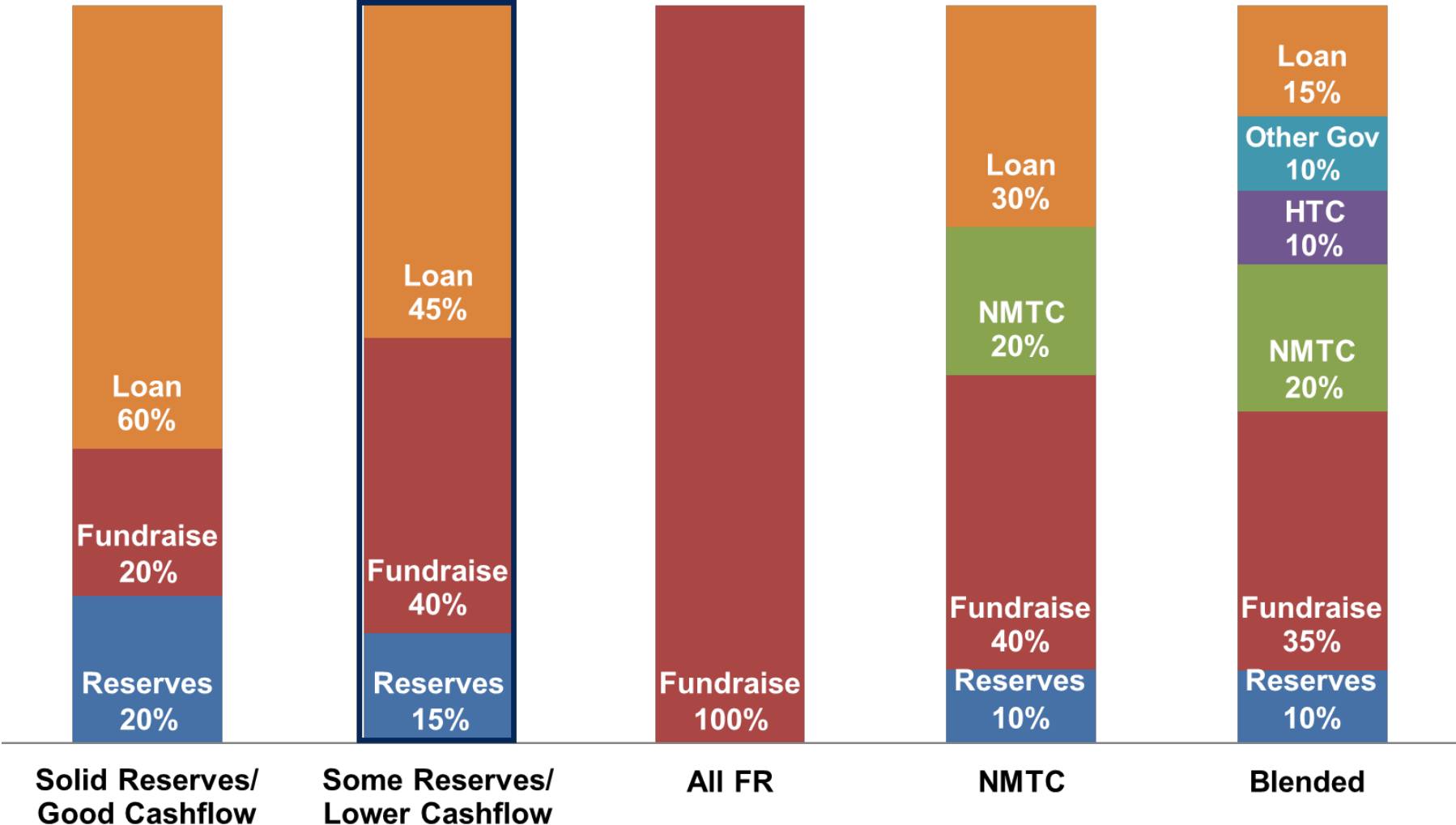


# Real Estate Project Budgets – “Sources & Uses”

<b>SOURCES</b>	<b>Acquisition</b>	<b>Predevelopment</b>	<b>Construction</b>	<b>Total</b>
Org Equity	-	-	-	-
Gov't/Foundation Grants	-	-	-	-
Individual Donations	-	-	-	-
Hard Debt	-	-	-	-
Soft Debt	-	-	-	-
<b>TOTAL SOURCES</b>	-	-	-	-
<b>USES</b>				
<b>Purchase</b>				
Acquisition cost or value	-	-	-	-
Legal/Closing costs	-	-	-	-
Broker's fee	-	-	-	-
<b>Renovation (Hard Costs)</b>				
Construction Costs	-	-	-	-
Contingency @ 15%			-	-
<b>Soft Costs</b>				
Architectural/Engineering	-	-	-	-
Consultants (capital campaign, project manager, financial)	-	-	-	-
Financing Fees	-	-	-	-
Appraisal	-	-	-	-
Environmental Studies	-	-	-	-
Survey/Engineering Studies	-	-	-	-
Permits/fees	-	-	-	-
Legal	-	-	-	-
Soft Cost Contingency @ 15%	-	-	-	-
<b>TOTAL USES</b>	-	-	-	-

- Sources = Capital Stack
- Uses = Costs
- Phased budget
- Balanced budget

# The Capital Stack





# Financing Stages & Loan Types

## Predevelopment

Unsecured  
Line of Credit

Unsecured  
Term Loan

Equity

## Acquisition

Secured Line  
of Credit

Secured  
Term Loan

Equity/Public  
Financing

## Construction/Rehab

Secured  
Term Loan

Public  
Financing

Equity

# Sizing Debt – Lender Requirements

Lenders primarily look at two ratios: **Debt Service Coverage Ratio (DSCR)** and **Loan-to-Value Ratio (LTV)**

**DSCR = NOI/Debt Service**

Typically 1.15x – 1.25x

NOI must exceed loan payment according to the required DSCR; ie. with a 15% to 25% cushion.

**LTV = Loan Amount/Fair Market Value (FMV)**

Typically 80% for hard debt

Max loan amount = FMV x LTV;  
ie. the loan amount cannot exceed 80% of the FMV.

# How much can you borrow?

## Variables

Monthly Net Operating Income (NOI)	\$6,600
Debt Service Coverage Ratio (DSCR)	1.2
Annual Interest Rate (i)	6.5%
Amortization Period in Years (nper)	25 years

Excel Formula:  
`=-PV(i/12,nper*12,pmt/12,0,0)`

## Calculations

Max Payment per month (pmt)	\$5,500
Max Loan Amount	\$814,565

# Building Operations Budget

## PROJECT DESCRIPTION

Total square feet in units

Number of bedrooms per unit

Non-residential square feet

Number of units

Cost per unit

AMI for the different units

Management Fee

Administrative fee as % of revenue

## PROJECT REVENUE

Rent (-vacancy)

Other

**TOTAL REVENUE**

## PROJECT EXPENSES

Utilities and trash

Maintenance and repairs

Accounting

Advertising

Property Taxes (until welfare tax exemption)

Debt service

Maintenance fees

Insurance

Other (operating reserve, tenant account)

**TOTAL EXPENSES**

# Building Operations Budget

	Year 1	Year 2	Year 3	Year 4
Rent Income	\$0	\$0	\$0	\$0
Vacancy Loss	\$0	\$0	\$0	\$0
Other Income	\$0	\$0	\$0	\$0
Eff. Gross Income	\$0	\$0	\$0	\$0
Total Annual Expenses	\$0	\$0	\$0	\$0
<b>Net Operating Income</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Total Debt Service	\$0	\$0	\$0	\$0
Bridge Loan Debt Service	\$0	\$0	\$0	\$0
<b>Debt Coverage Ratio</b>				
<b>Cash flow Available</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Projected Payments from Cash Flow</b>				
Deferred Developer Fees	\$0	\$0	\$0	\$0
Soft Debt #1	\$0	\$0	\$0	\$0
Soft Debt #2	\$0	\$0	\$0	\$0
Partnership Management Fees	\$0	\$0	\$0	\$0
Asset Management Fees	\$0	\$0	\$0	\$0
<b>Cash Remaining Expected After Payments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

# Business and Financial Stability Plan Narrative

Executive Summary	
Organization Description	
Program and Services	
Market Analysis	
Operating Strategies and Implementation	
Financial Analysis	
Operating Assumptions and Risks	
Racial Equity Commitments and Data	

# Q&A



# Long-term Planning

- **Creating your 20-year business plan**
- **Mapping your real estate projects**

# What You Will Need: Current Information

- **Organizational financial data: income, expenses, org-level debt service**
- **Existing property information: annual income, expenses & debt service**

# What You Will Need: Projections

- **Future org-level financial data**
- **Future properties: FIHPP-funded**
- **Future properties: Not FIHPP-funded**

# Property Assumptions to Consider

- **Number of units**
- **Number of bedrooms per unit**
- **Tenant AMI levels**
- **Relative market rents**
- **Unit rehab needed**
- **Envelope rehab needed**

## General Assumptions to Note

- **Properties won't generate much \$\$ for operations**
- **Tool will likely go through a few iterations**
- **What levers one can pull to be sustainable**
- **What to look at from cash flow analysis**

# Two Tools for Eligibility Requirements

Business and  
Sustainability  
Plan (Section 503.1(c)(1)i)  
Word Document

Financial Stability Data  
(Section 503.1(c)(1)ii)  
Excel Document:  
“20-year Sustainability  
Plan”

# Q&A

# 20-Year Tool

- **Tool Overview**
- **Assumptions**
- **Instructions**



# Tool Overview

- **Where to find it**
- **Purpose of the tool: Sponsor eligibility, not everything**
- **How the tool will be used by IFMs**
- **How to use it with other tools you may already have**

# Tool Assumptions

- **Vacancy**
- **Rent rates**
- **AMI**
- **FIHPP Loan at 3%**
- **PIF + DF at project level, not organization level**

# Step 1: Read the Instructions

## Instructions

This tool serves as a foundation for constructing a financial model akin to the ones you'll need to create in order to assess the feasibility of your project and seek financial support under FIHPP. It also contains supplementary guidelines, explanations, and relevant details to assist you in this process.

The tabs and their functionality are as follows.

1. Fin Sustainability Plan\_20 Year: Summarizes the 20 year cash flow results from each of the Building projects in addition to the Organization's income and expenses to show the net income/deficit. Enter data into the yellow fields.
2. Existing Property Tab: Summarize and list the cash flow/NOI for the buildings your organization currently owns or operates. It will roll up and link to Row 15,16 on the Fin Sustainability Plan\_20 Year.
3. Project Tabs: Summarize the net cash flow for each of the buildings your organization forecasts purchasing during the 20 years. Use Preservation Next's Financial Modeling Tool available at the link below to determine what to include. Enter data from that exercise into the cells (labeled). Use a new tab for each building. It will roll up to the Summary\_Operating Budget under Row 14.

[Preservation Next Financial Model available here: https://preservation-next.enterprisecommunity.org/financial-modeling-tools](https://preservation-next.enterprisecommunity.org/financial-modeling-tools)

# Step 2: Complete Existing Property Information

PROPERTY SUMMARY												
General Information							Net Operating Income					Financial Ratios
ID	Name	Type	Purchase Price	Loan Amount	interest rate	# Months Left on loan	Total Annual Income	Total Annual Expenses	Net Operating Income ('NOI') before debt service	Annual Debt Service	Net Property Cash Flow	DSCR
1	Property A	Residential							\$ -			
2	Property B	Mixed-Use									\$0	
3	Property C	Residential							\$ -		\$0	
4	Property D	Residential							\$ -		\$0	
5	Property E	Residential							\$ -		\$0	

# Step 3: Complete Project Tabs (Cont.)

SOURCES		Acquisition	Construction/Reh	Total
	Savings/Reserves			\$0
	FIHPP Grant		\$0	\$0
	FIHPP Loan	\$0	\$0	\$0
	Donations (Capital campaign/fundraising)			\$0
	Hard Debt	\$0		\$0
	Soft Debt			\$0
	<b>Total Sources</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
		-		-
		-	-	-
USES				
	Acquisition			\$0
	Construction (hard costs)			\$0
	Construction Costs			\$0
	Contingency (no less than 15%)			\$0
	Financing Fees <<1% of Hard debt	\$0		\$0
	Appraisal			\$0
	Environmental Studies			\$0
	Survey/Engineering Studies			\$0
	Permits/fees			\$0
	Legal			\$0
	Relocation			\$0
	Other Soft Costs			\$0
	Soft Cost Contingency (10%)	\$0		\$0
	Developer Fee			\$0
	Reserves			\$0
	Replacement Reserves			\$0
	Operating Reserve			\$0
	<b>Total Uses</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

# Step 3: Complete Project Tabs (Cont.)

TOTAL MONTHLY INCOME		\$16,814	\$201,773	\$214,248	\$214,248	\$214,248	\$214,248	\$214,248	\$214,248	\$214,248	\$214,248
<b>MONTHLY EXPENSES</b>											
<b>Administrative Expenses (Year 1)</b>			<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	
Legal & Accounting	\$400	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800
Management Fees	\$500	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Advertising	\$50	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
Audit	\$250	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Other (please specify)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Administrative</b>	<b>\$1,200</b>	<b>\$14,400</b>	<b>\$14,400</b>	<b>\$14,400</b>	<b>\$14,400</b>	<b>\$14,400</b>	<b>\$14,400</b>	<b>\$14,400</b>	<b>\$14,400</b>	<b>\$14,400</b>	<b>\$14,400</b>
<b>Operating Expenses</b>											
Utilities (gas, electric, water, sewer)	\$500	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Trash Removal	\$150	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800
Onsite Property Manager	\$9	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fringe - Benefits & Taxes	\$9	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Property management - Other	\$1,177	\$14,124	\$14,124	\$14,124	\$14,124	\$14,124	\$14,124	\$14,124	\$14,124	\$14,124	\$14,124
Other (please specify)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Operating</b>	<b>\$1,827</b>	<b>\$21,924</b>	<b>\$21,924</b>	<b>\$21,924</b>	<b>\$21,924</b>	<b>\$21,924</b>	<b>\$21,924</b>	<b>\$21,924</b>	<b>\$21,924</b>	<b>\$21,924</b>	<b>\$21,924</b>
<b>Maintenance Expenses</b>											
Maintenance Supplies	\$200	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400
Repairs	\$50	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
Extermination	\$50	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
Other (elevator, etc.)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Maintenance</b>	<b>\$300</b>	<b>\$3,600</b>	<b>\$3,600</b>	<b>\$3,600</b>	<b>\$3,600</b>	<b>\$3,600</b>	<b>\$3,600</b>	<b>\$3,600</b>	<b>\$3,600</b>	<b>\$3,600</b>	<b>\$3,600</b>
<b>Other Expenses</b>											
Property Tax - Ad valorem	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Property Tax - Special Assessments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Property Insurance	\$500	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Replacement Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other (please specify)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Other</b>	<b>\$500</b>	<b>\$6,000</b>	<b>\$6,000</b>	<b>\$6,000</b>	<b>\$6,000</b>	<b>\$6,000</b>	<b>\$6,000</b>	<b>\$6,000</b>	<b>\$6,000</b>	<b>\$6,000</b>	<b>\$6,000</b>
<b>TOTAL MONTHLY EXPENSES</b>	<b>\$3,827</b>	<b>\$45,924</b>	<b>\$45,924</b>	<b>\$45,924</b>	<b>\$45,924</b>	<b>\$45,924</b>	<b>\$45,924</b>	<b>\$45,924</b>	<b>\$45,924</b>	<b>\$45,924</b>	<b>\$45,924</b>

# Step 4: Complete Financial Sustainability Plan\_20 Year Tab

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
<b>OPERATING INCOME - CASH IN</b>																				
<i>Contributed</i>																				
Government Grants																				
Foundation Grants																				
Individual Contributions																				
<i>Earned Income</i>																				
<i>Real Estate</i>																				
<b>EXISTING</b>																				
Existing Properties (see tab "Existing Property" for detail)																				
<b>NEW</b>																				
Project 1 - NOI (see tab "Project 1" for detail)																				
Project 2 - NOI (see tab "Project 2" for detail)																				
Ground Lease Income (for CLTs)																				
Developer fees																				
Home Sales Income																				
Property Management Fees																				
Partnership Incentive/Asset Management Fees																				
Consultant/Contract fees																				
Interest																				
Other Earned Income																				
<b>TOTAL INCOME - CASH IN</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

# Step 4: Complete Financial Sustainability Plan\_20 Year Tab

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
<b>OPERATING EXPENSES - CASH OUT</b>																					
<b>Consultants</b>																					
Real Estate Consultants - PM/Capital Campaign																					
Professional Fees - Accounting/Legal																					
Other																					
Advertising & Marketing																					
General & Admin																					
Insurance																					
Dues																					
Travel																					
Training																					
Insurance (Worker's Comp)																					
Taxes and Licenses																					
Payroll Tax																					
Local Tax																					
License																					
<b>Personnel</b>																					
<b>Salaries</b>																					
Executive Director																					
Program Manager																					
Asset Manager																					
Accountant/Admin																					
<i>Fringe - Benefits &amp; Taxes (28% of Salaries)</i>																					
Repairs and Maintenance																					
Occupancy																					
Interest																					
Office Expenses																					
Other																					
<b>TOTAL EXPENSES - CASH OUT</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Surplus /(Deficit)</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0



# Q&A

# Case Study: **CDC Housing**

- **Organizational Overview**
- **Existing Properties**
- **New FIHPP Projects**
- **Staffing and Scaling**
- **Challenges/Successes**

# CDCC – Executive Summary

**Community Development Corporation of California (CDCC)** is a 501(c)(3) nonprofit with a mission to create safe communities through the development of affordable housing for low and moderate income individuals, families, and seniors. Headquartered in the Central Valley. Since inception in 2015, CDCC has developed 4 single family homes and over 30 units of multi-family housing units across 2 developments. They sold the single family homes to residents. CDCC has an operating budget that has grown to about \$1M and employs 7 staff. CDCC's multi-family developments include amenities such as resident services. CDCC also works with families struggling to stay in their homes and facilitates workshops. CDCC is actively involved in housing advocacy work across the Central Valley.

# CDCC – Existing Property Information

General Information							Net Operating Income					Financial Ratios
ID	Name	Type	Purchase Price	Loan Amount	interest rate	# Months Left on loan	Total Annual Income	Total Annual Expenses	Net Operating Income ('NOI') before debt service	Annual Debt Service	Net Property Cash Flow	DSCR
1	Property A	Residential	\$ 500,000.00	\$ 25,000.00	6%	120.00	\$ 18,000.00	\$ 12,000.00	\$ 6,000.00	\$3,325	\$2,675	1.80
2	Property B	Mixed-Use	\$ 250,000.00	\$ -			\$ 48,000.00	\$ 46,000.00	\$ 2,000.00		\$2,000	

## Existing Portfolio

CDCC has two buildings in its existing portfolio. One is a residential property that has rental income and a loan. The second is a mixed use residential and commercial property that has paid off a previous loan. Together the properties provide marginal revenue that rolls up to the organizational 20-year sustainability plan.

# CDCC – Project 1

## Projected Projects – Project 1

CDCC has site control for a rehab development of an existing property that could be FIHPP eligible. The organization conducted a fundraising drive/capital campaign to bring equity to the deal and intends to apply FIHPP funds towards acquisition and construction costs. The project will provide 15 units of affordable housing. The project will begin in year 1 of the 20-year Sustainability Plan. They have collected bids and have a strong understanding of the project costs and projected revenue from rent and vouchers. It will serve residents below the 50% AMI and they believe it will be eligible for a COSR.

# Sources & Uses

## Project Sources and Uses

SOURCES		Acquisition	Construction/Rehab	Total
Savings/Reserves				\$0
FIHPP Grant		\$0	\$0	\$0
FIHPP Loan		\$4,103,000	\$1,376,250	\$5,479,250
Donations (Capital campaign/fundraising)		\$300,000		\$300,000
Hard Debt		\$0		\$0
Soft Debt				\$0
Soft Debt				\$0
Soft Debt				\$0
<b>Total Sources</b>		<b>\$4,403,000</b>	<b>\$1,376,250</b>	<b>\$5,779,250</b>
USES				
Acquisition		\$3,950,000		\$3,950,000
Construction (hard costs)				\$0
	Construction Costs	\$0	\$975,000	\$975,000
	Contingency (no less than 15%)	\$0	\$146,250	\$146,250
Soft Costs				\$0
	Architectural/Engineering			\$0
	Consultants			\$0
	Project Manager		\$80,000	\$80,000
	Construction Manager		\$80,000	\$80,000
	Financial Manager		\$95,000	\$95,000
	Financing Fees <<1% of Hard debt	\$0		\$0
	Appraisal	\$5,000		\$5,000
	Environmental Studies			\$0
	Suvey/Engineering Studies			\$0
	Permits/fees	\$5,000		\$5,000
	Legal	\$20,000		\$20,000
	Relocation			\$0
	Other Soft Costs			\$0
	Soft Cost Contingency (10%)	\$3,000		\$3,000
Developer Fee		\$180,000		\$180,000
Reserves	Replacement Reserves	\$175,000		\$175,000
	Operating Reserve	\$65,000		\$65,000
<b>Total Uses</b>		<b>\$4,403,000</b>	<b>\$1,376,250</b>	<b>\$5,779,250</b>
Check		\$0	\$0	\$0

Specific to FIHPP: Max \$500,000 per unit  
 Specific to FIHPP: Max \$500,000 per unit

# CDCC – Project 1 (Cont.)

## Project Assumptions - Input

# Residential Units	12
# Parking Spaces	13
Rate of Increase in Income	2.50%
Rate of Increase in Expenses (other than Property Tax)	3%
Square Feet	9950
Hard debt (other than FIHPP loan)	

## Monthly Income

	Units	Unit Count	Rent/Unit/Month	Rent/Month
0BR Rate of Vacancy			1,040	0
1BR Property Tax (1st Year) - Ad Valorem taxes		7	1,158	8106
2BR Property Tax (1st Year) - Special assessments		5	1,513	7565
3BR		0	2,150	0
Rate of Increase in Property Tax			2% << Based on industry benchmarks	
<b>Total Units</b>		<b>12</b>		<b>\$15,671</b>
Replacement reserve (per sq ft) Total Units 50% AMI or less		15	\$0.50 << Based on industry benchmarks	
Asset Management Fee Average AMI			3% << Based on industry averages	

# CDCC – Project 1 (Cont.)

**TOTAL MONTHLY INCOME** **\$18,108**

**MONTHLY EXPENSES**

**Administrative Expenses (Year 1)**

Legal & Accounting	\$400
Management Fees	\$500
Advertising	\$50
Audit	\$250
Other (please specify)	
<b>Total Administrative</b>	<b>\$1,200</b>

**Operating Expenses**

Utilities (gas, electric, water, sewer)	\$500
Trash Removal	\$150
Onsite Property Manager	\$4,000
Fringe - Benefits & Taxes	\$4
Property management - Other	\$1,268
Other (please specify)	
<b>Total Operating</b>	<b>\$1,918</b>

<<For projects with Units >16, include Salary & benefits for Onsite Property Mgr

**Maintenance Expenses**

Maintenance Supplies	\$200
Repairs	\$50
Extermination	\$50
Other (elevator, etc.)	
<b>Total Maintenance</b>	<b>\$300</b>

**Other Expenses**

Property Tax - Ad valorem		<<Assumed to be a Nonprofit that qualifies for welfare tax credit. Takes 2 years to get the \$1,646 exemption. Refund/credit received in Year 3.
Property Tax - Special Assessments	\$6,583	
Property Insurance	\$500	
Replacement Reserve	\$0	
Other (please specify)		
<b>Total Other</b>	<b>\$8,729</b>	

**TOTAL MONTHLY EXPENSES** **\$12,147**

**\$5,961**



# CDCC – Project 1 (Cont.)

Projected Payments from Cash Flow	
Deferred Developer Fees	\$0
Hard Debt #1	\$0
FIHPP Loan	\$13,698
Capitalized Operating Subsidy Reserve (COSR)	(\$7,899) <small>Dependent on Fund Managers; can be provided to cover deficits</small>
Partnership Incentive Fees	\$0
Asset Management Fees	\$543
<b>Cash Remaining Expected After Payments</b>	<b>(\$381)</b>

## CDCC – Project 2

CDCC plans to buy another building in year 3. However, it does not have site control or identified opportunity sites at this time. We anticipate a similar building profile to what we have in our portfolio. However, we may not serve as low-income residents. Likely construction costs will increase by 10% each year. We intend to fundraise for a down payment.

# CDCC – Summary Tab (Cont.)

2023-24	2024-25	2025-26
Year 1	Year 2	Year 3

## OPERATING INCOME - CASH IN

### Contributed

Government Grants	\$300,000	\$306,000	\$312,120
Foundation Grants		\$0	\$0
Individual Contributions	\$50,000	\$51,000	\$52,020

### Earned Income

#### Real Estate

#### EXISTING

Existing Properties (see tab "Existing Property" for detail)	\$10,675	\$10,889	\$11,106
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#### NEW

Project 1 - NOI (see tab "Project 1" for detail)	\$92,226	\$112,886	\$174,997
Project 2 - NOI (see tab "Project 2" for detail)	\$0	\$0	(\$64,543)

## CDCC – Summary Tab (Cont.)

Personnel			
<i>Salaries</i>			
Executive Director	\$150,000	\$154,500	\$159,135
Program Manager	\$60,000	\$61,800	\$63,654
Facilities Manager (1)	\$60,000	\$61,800	\$63,654
Facilities Manager (2)	\$60,000	\$61,800	\$63,654
Accountant/Admin (PTE 30%)	\$20,000	\$20,600	\$21,218
<i>Fringe - Benefits &amp; Taxes (28% of Salaries)</i>	\$98,000	\$100,940	\$103,968

# CDCC – Challenges/Successes

- **Project 1 pencils**
- **Project 2 doesn't**
- **Subsidized by earned income**
- **Model growing in popularity**
- **Stabilize many residents**

# Q&A

# Budget Narrative/ **Business Plan**

- **Executive Summary**
- **Organization Description**
- **Program Services**
- **Market Analysis**
- **Operating Strategies and Implementation**
- **Financial Analysis**
- **Operating Assumptions and Risks**
- **Racial Equity Commitments & Data**

# CDCC – Narrative

## ORGANIZATION DESCRIPTION

### **Mission and History**

To create safe communities through the development of affordable housing for low and moderate income individuals, families, and seniors. Headquartered in the Central Valley.

### **Location and community/neighborhood/service area profile**

CDCC's real estate projects and programs provide transitional housing for families that are low-income in the 50-80% of AMI range. With a population of around 200,000, the city is one of the largest cities in San Joaquin County, More than 20% of residents were in poverty with an average income of \$25,000. Forty percent of the population was Latinx 21% were Asian, 21% white, 13% African American and the balance, mixed race.

### **Governance and management structure; high level**

CDCC has a ten-member Board that meets monthly, composed of financial, accounting, education, and nonprofit professionals. The Board has three subcommittees including Finance (which meets monthly), Real Estate, and Program Services. The leadership team includes a CEO and there are spots reserved on all committees for community leaders and residents of CDCC's properties to ensure their perspectives in key decisions.



# CDCC – Narrative

## **PROGRAM AND SERVICES**

Our programs are primarily focused on resident services and include education classes about homeownership, financial literacy, and rental counseling services. Additionally we promote networking and social opportunities between tenants and partner with community organizations to provide expanded access to job training.

## **MARKET ANALYSIS**

The City has a growing-affordable housing need and specific challenges such as increased poverty rates and homelessness. At the same time, certain neighborhoods are gentrifying and therefore long-time residents are being priced out. In other neighborhoods, farther from the core, housing is less expensive. However, the homes in these neighborhoods often need considerable repair, system replacements and substantial rehabilitation. There are several properties at risk of foreclosure in key zip codes. These trends are contributing to an increase in demand for affordable housing. There are only a handful of community development corporations in the city and they can't keep up with the growing need.

# CDCC – Narrative

## **OPERATING STRATEGIES AND IMPLEMENTATION PLAN – STAFFING PLAN**

In addition to the leadership team described in the previous section two, CDCC employs 7 staff members including: CEO, a Resident Services Manager, two Facilities Managers, a Bookkeeper, a grant writer and a technical advisor. One Facility Manager focuses on the asset management duties including assisting with all aspects of day-to-day maintenance duties including preventative maintenance and apartment turnovers. The second Facilities Manager serves as an in-house project manager for larger construction projects and oversees sub contractors and external vendors and works with the bookkeeper and CEO to provide cost estimates and ensure that construction stays on budget. The Resident Services Manager supports tenants in organizing and oversees leases, educational services and helps with compliance.

We anticipate our staffing needs staying consistent over the 20 year plan period. However, we have external resources for Construction Management and Asset Management as needed if we scale larger than expected.

# When are New Staff Needed?



# Introducing the Staff Roles Tool

List of roles that many organizations find they need

Different ways to fill these needs and some common approaches

Designed as a guide, not one-size-fits-all

Includes questions for reflection

# CDCC – Narrative

## FINANCIAL ANALYSIS

Summary of the organization’s overall financial position and fiscal health. CDCC has historic audited financials for fiscal years 2015-2022 (FYE 12/31) as well as interim midyear June 2023 internal financial statements. The organization's operations struggled in 2020, with revenues shrinking due to the pandemic and reduced rent collection. At mid-year, operations are negative, however their large fundraising event has not yet happened and developer fees are anticipated before the end of the year. CDCC’s liquidity remained fairly stable and they have a 90 day operating reserve.

Developer Fees fluctuate based on the timing of CDCC’s VHB projects. As a result, fees are “lumpy” and because of the irregular income, the balance fluctuates between 0% and 13% of total revenue. Rental Income has averaged about 35% of revenues over the last 3 years. Grant income over the past three years has remained stable at about \$500k or about 10% of revenues. Management Fees are about 20% of income.

# CDCC – Narrative

## RACIAL EQUITY COMMITMENTS & DATA

CDCC recognizes that a history of discriminatory practices and intentional disinvestment have contributed to a lack of economic progress in low-income communities and communities of color. Our values and mission focus on creating an inclusive, community led program where residents participate in decision making and 90% of our residents self-identify as POC. CDCC provides staff training to promote cultural competency and ensure we are following best practices in the field.

**Strengths**



**Weaknesses**



**Opportunities**



**Threats**



# Q&A



# Special Cases

- **Joint Operating Entities/Partnerships**
- **For-Sale Housing**
- **Cooperative Conversions**

# Wrap-Up

- **Additional Resources: Technical Assistance & Cohort Programs**
- **FIHPP Capital Timeline**
- **Next Steps: Slides, Tools, Recording**

# Free On-Demand Downloadable Tools

**Enterprise** **PreservationNEXT**  
A Preservation Toolkit for Small-to Medium-scale Multifamily Properties

## Financial Modeling

**Community Vision** CAPITAL & CONSULTING

Events Invest Donate

About Us Services Initiatives News Publications Get Involved COVID-19 Resources

**Nonprofit Real Estate & Financial Management Resources**

A development financial model can be an intimidating set of numbers with many values. Terms are not always well explained. It can be difficult to

This tool provides a starting point for completing a financial model. It helps you understand the viability of your development and apply the right contextual information is included to help you.

Download these free, on-demand templates to support your nonprofit with navigating its real estate and financial management needs.

### Search Resources by Category

Search ...

- Assembling Your Real Estate Team
- Budgeting
- Buying Space
- Cash & Debt
- Finance & Strategy
- Leasing Space

Search

# Developing Financial Capacity



# YOUR REFLECTIONS (THEN Q&A)