



Preservation Next FIHPP Webinar Series

Asset Management Strategies

November 16, 2023

A Special Thank You to the Funders of Preservation Next

Mackenzie Scott



**KAISER
PERMANENTE®**

BMO



A Division of First Citizens Bank

 **Enterprise®**

Today's Agenda

- **INTRODUCTIONS**
- **FIHPP OVERVIEW & UPDATES**
- **OVERVIEW OF ASSET
MANAGEMENT FUNCTIONS**
- **OVERVIEW OF ASSET
MANAGEMENT PLAN**
- **ASSET MANAGEMENT TOOLS**

Who's in the room?

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

PRESERVATION NEXT

Preservation Next Overview

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

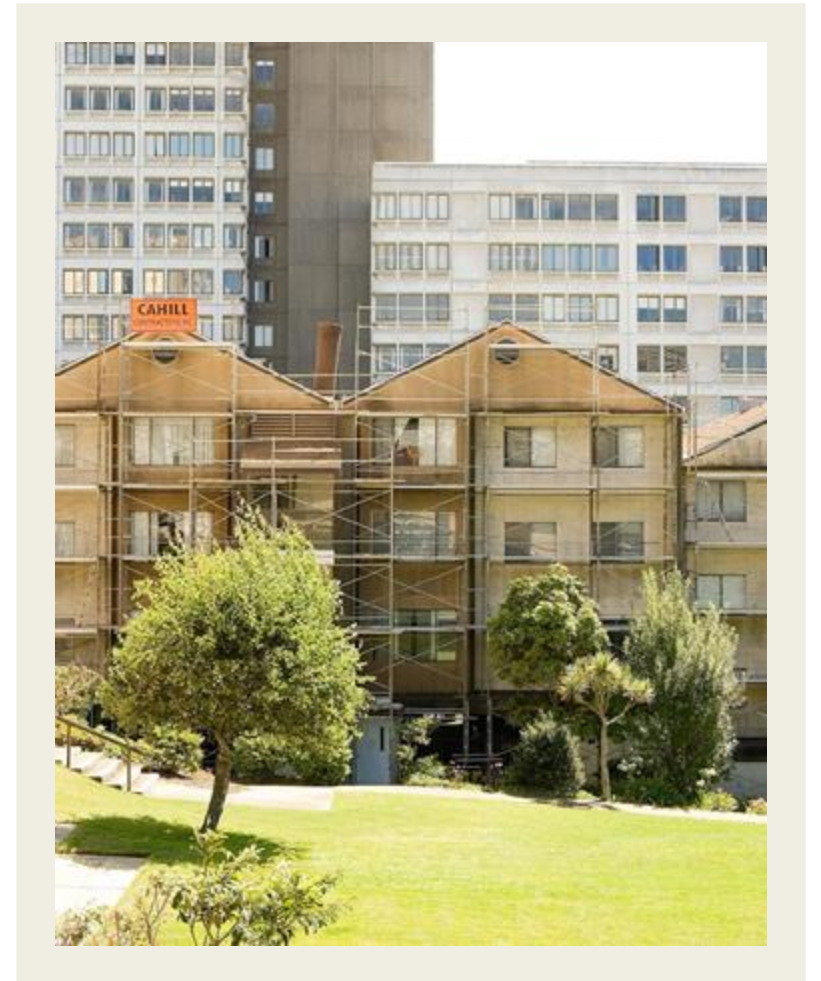
Solutions at the intersection of renter and owner stability to promote an eviction prevention-first approach

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



Meet Our Preservation Next Team

National Staff



Sara Haas

ENTERPRISE, SENIOR DIRECTOR, SOUTHEAST

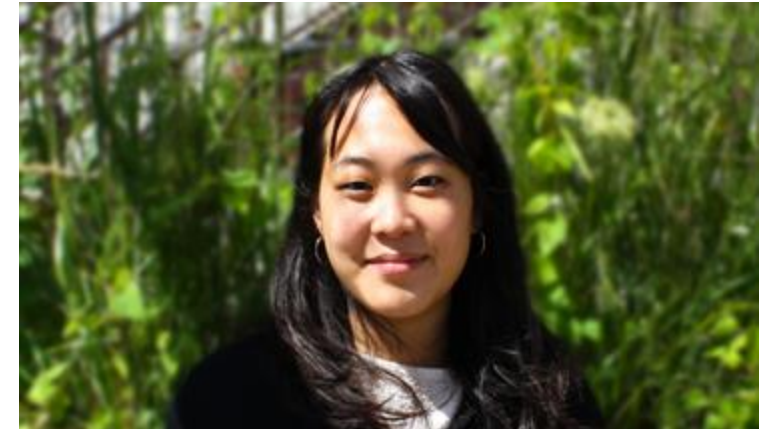
At Enterprise, Sara leads affordable housing preservation programming in Miami and Atlanta, the Keep Safe Florida Resilience program, and the National Preservation Next program. Prior to joining Enterprise, Sara developed and managed national AmeriCorps VISTA programs at Habitat for Humanity International 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.

FIHPP Webinar Series

August 10 | Partnerships for Housing Preservation

September 14 | Developing a Financial Stability
and Business Plan

November 16 | Asset Management Strategies

PRESERVATION NEXT

Today's Presenter



Courtney Horwitz

Founder and Principal
Strada Ventures, LLC



Strada Ventures:

Certified WBE real estate consulting and development company that specializes in the financing, development and asset management of affordable housing.

Founder and Principal – Courtney Horwitz

Over 20 years of experience in affordable housing

Spent 9 Years at Omni New York, an affordable housing developer that grew from 16 people to 500 people during her tenure

Built, hired for, and managed the asset management department at Omni New York, overseeing 64 properties



FIHPP: Overview and Update

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



ASSET MANAGEMENT CAPACITY

- **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
- Operational Capacity: Asset Management: Section 503.1(c)(1)(iv)

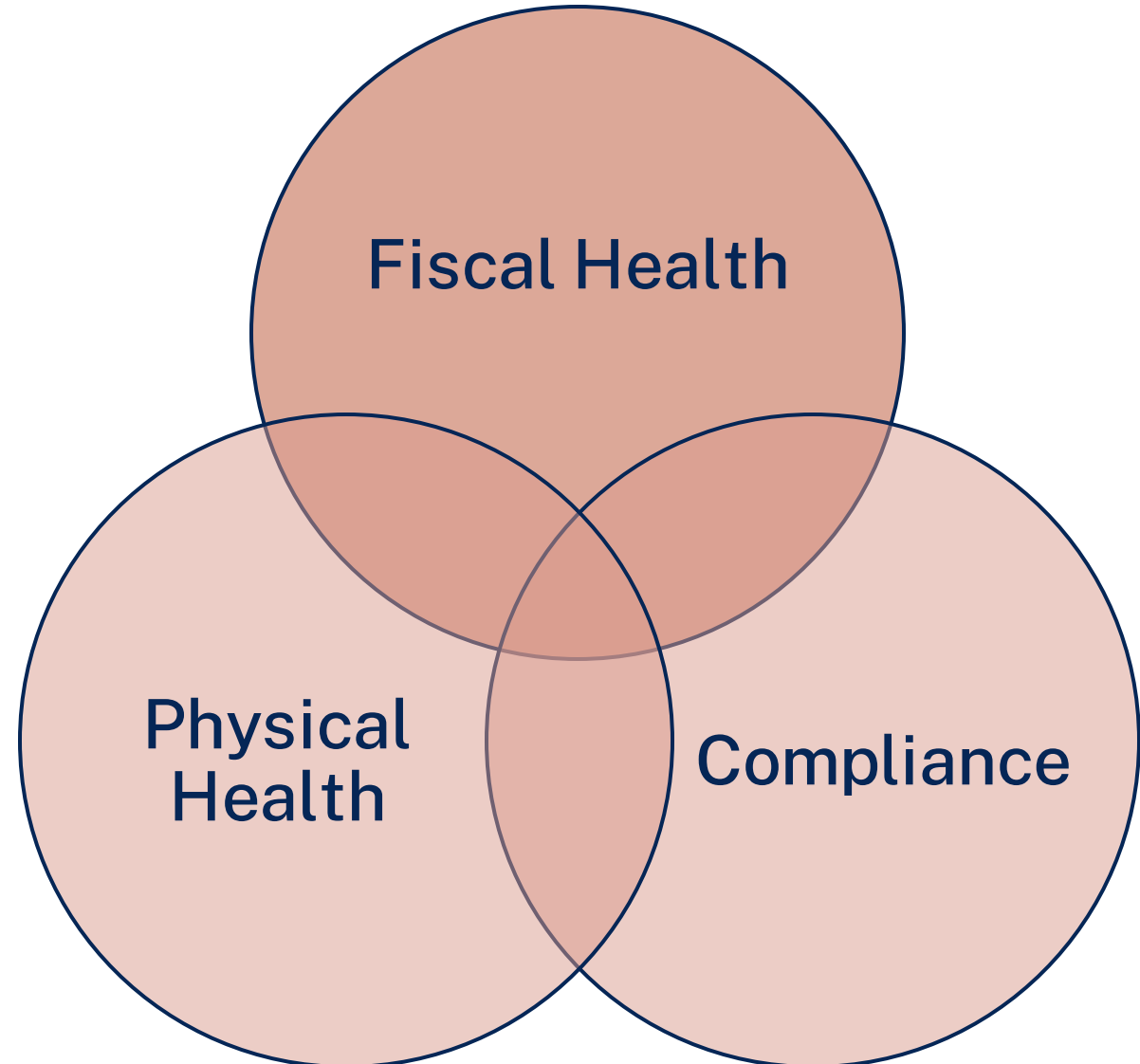
- **Session Goals**

- *Primary Goal:* Best Practices to Asset Manage Properties
- *Secondary Goal:* Demonstrate Ability to do so in FIHPP Eligible Sponsor Application

OVERVIEW OF ASSET MANAGEMENT FUNCTIONS

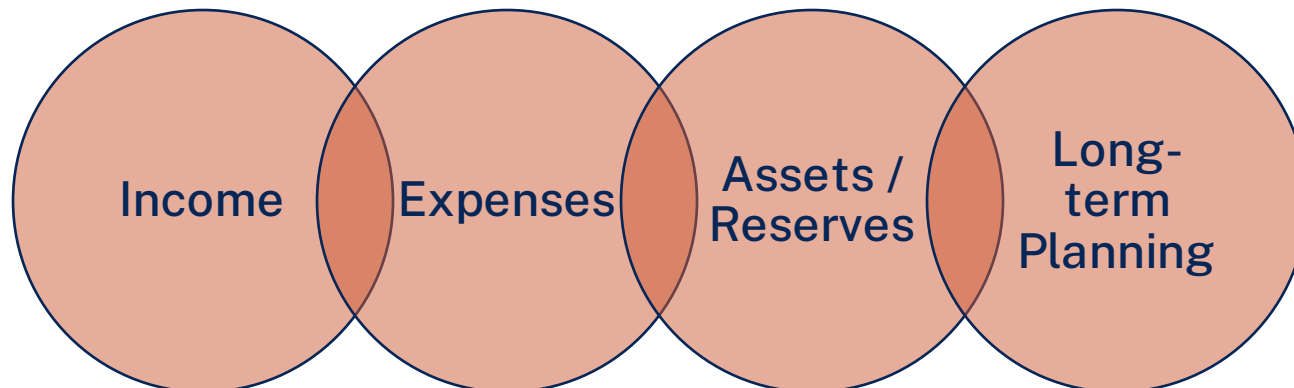
OVERVIEW OF ASSET MANAGEMENT FUNCTIONS

**What is Asset
Management?**



WHAT IS FISCAL HEALTH?

- Individual Building Level & Portfolio Level
- Reviewing Past Performance & Projecting Future Budgets
- Plan for Future Refinancing Opportunities
- Performance Metrics to
 - Monitor trends over time
 - Compare different projects
 - Identify outliers
 - Convey Information to leadership, funders, property management, etc.

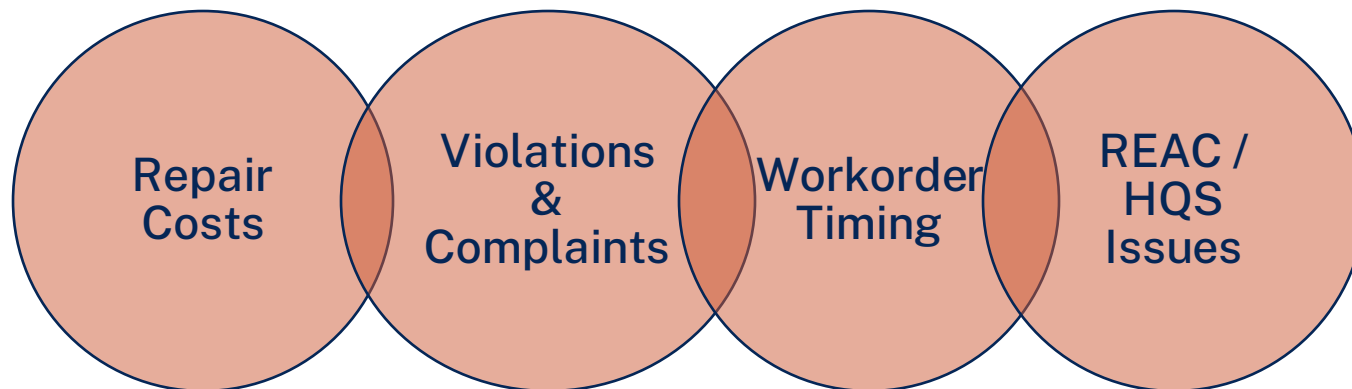


HOW TO MAINTAIN FISCAL HEALTH

- **Net Operating Income**
 - Creating/reviewing annual operating budget
 - Comparing budget to actual on a monthly/quarterly basis
 - Investigating variances and solving the problem
- **Income**
 - Reviewing occupancy
 - Reviewing collections
 - Reviewing subsidy pymts
- **Expenses**
 - Look at individual expenses/invoices for each line over budget to check if misbooked, capital expense included, bill double paid, billing error, vendor needs to be changed

WHAT IS PHYSICAL HEALTH?

- Crucial from Economic, Mission & Compliance Perspectives
- Proactive (Maintenance & Planning) vs. Reactive (Crises & Complaints)
- Establishing Processes and Roles with Property Manager:
 - Inspections, Preventative Maintenance, Repairs, Decision-making
- Capital Needs Analyses (I/PNAs)
- Capital Budgeting and Planning
- Metrics, such as:



HOW TO MAINTAIN PHYSICAL HEALTH

- **Planned Capital Needs**
 - Annual in-depth building inspection
 - Capital Needs Budget – necessary and Ideal work
 - Contribute to replacement reserves to fund work
 - Do work proactively-minimize cost, prevent emergency repairs
- **Emergency Capital Needs**
 - Establish approval making thresholds
 - Regular communication with property manager – cost, timing
- **Violations**
- **In Unit work orders**
- **Turnover**
- **REAC/HQS inspections**

WHAT IS COMPLIANCE?

- **With what?**
 - Rules, Requirements, Commitments, and Laws
- **To whom?**
 - Partners, Banks, Investors, Govt. Agencies
- **Documented where?**
 - Regulatory Agreements, Partnership Agreements, Mortgages, HAP Contracts, Local Laws, etc.
- **Why important?**
 - Reputational Damage, Fines, Default, Foreclosure, Lawsuits.....

HOW TO MAINTAIN COMPLIANCE

- Be Proactive
 - Identify all compliance requirements upon loan closing
 - Map out reporting deadlines
 - Track and monitor progress
- Asset Management's Role



WHY IS ASSET MANAGEMENT IMPORTANT?

Organizational Health

- Proactive vs. Reactive
- Long-Term Stability
- Prepared for the Unexpected
- Safeguards Investments
- Avoids Legal Issues
- Improves Reputation
- Greater Impact

Employees

- Clear Roles & Processes
- Realistic Workloads
- More Calm, Less Chaos
- Productivity & Engagement
- Feeling Valued & Mission-Aligned
- Better Staff Retention, Hiring, and Onboarding

Residents & Community

- Preserves Housing Affordability
- Improves Housing Conditions
- Reduces Turnover & Vacancies
- Improves Landlord-Tenant Relationship
- Frees up Resources to Develop More Housing

OVERVIEW OF ASSET MANAGEMENT PLAN COMPONENTS

INTERCONNECTED RESPONSIBILITIES



ASSET MANAGEMENT VS PROPERTY MANAGEMENT

- **Asset Management** – oversee the property to ensure continued value
 - Higher level – reviewing annual operating budget, audited financials
 - Long term planning – taking on debt, selling
 - Deciding on high cost expenses
 - Deciding on providers of ongoing services-insurance, mgmt. company
 - Managing reserve accounts
 - Ensure building is running and generating income
 - Ensuring building is in compliance
- **Property Management** – handles the daily operations of a property
 - Collecting rent
 - Paying bills
 - Physical maintenance
 - Leaseup/turnover
 - Income certification

EXAMPLES OF BEST PRACTICE ROLES

Function	Property Management Responsibility	Asset Management Responsibility
Annual Operating Budget	Create draft operating budget using actuals from prior year and anticipated upcoming changes	Review property management's draft operating budget and ensure it is entered into fiscal software correctly
Maintenance Expenses	Solicit 3 bids and engage vendor for all expenses \$5,000 or less Solicit 3 bids and provide to asset management for approval/selection for all expenses \$5,001 or more	Nothing Decide if expense is warranted and decide on vendor
Reserve Draws	Identify and justify expense, obtain 3 bids and recommend bidder	Ensure reserves is the most appropriate sources. Prepare draw request and communicate with lender
Compliance Reporting	Create reports	Aware of what is due, to whom, each month. Ensure on time delivery

TRANSITIONING PROJECTS TO ASSET MANAGEMENT

- **Who?** Development → Asset Management
- **What?** A ‘User Guide’
 - Project Information, Requirements, Unfinished Business, Operating Instructions
- **When?** It depends...
 - New Construction vs. Preservation
 - Construction Closing vs. Perm Conversion
 - Organizational Structure
- **How?**
 - Transition Memos!

TRANSITION MEMO CONTENT

- **Project Info:**
 - Location, Name, General Info
 - Background Summary
 - Scope of Work
 - Project Schedule & Timing Commitments
 - Legal documents & File Locations
- **Ownership / Development Partners:**
 - Entities, EINs, Partnerships
 - Contact List & Roles and Responsibilities
- **Construction Related:**
 - GC & Architect Contract Terms
 - Insurance Requirements
 - Prevailing Wage, Section 3, MWBE, etc.
 - Construction Monitoring & Requisitions Process
 - Warranty Information
- **Compliance Requirements**
 - Relevant Agreements & Terms
 - Affordability / Unit Mix / Rents
 - Lottery / Referral / Waitlist requirements
 - Social Services & Rental Assistance
 - Parking and non-residential spaces
 - Reporting Requirements
- **Financing**
 - Sources and Uses
 - Financing terms
 - Developer Fee & Cash Flow
 - Reserve Requirements
 - Bank Account #s
 - Guarantees

HOW TO MANAGE THE MANAGEMENT COMPANY

- **Monthly Management Reports**
 - Who should receive and review them?
 - What should they include?
 - What are most important things to look out for?
 - What do you do with the information?
- **Communication**
 - Learn the management company's staffing structure and their individual names for of each of your properties
 - Monthly/Quarterly in person meetings – recurring, regular dates
 - AM should review monthly reports, send all questions in advance of the meeting and PM should be told to be ready to answer questions during meeting

ASSET MANAGEMENT PLAN

- **Organizational History, Mission, Goals**
- **Portfolio Description**
 - # of properties, # of units, # of commercial
 - Grouped by owned & managed, owned, managed
- **Asset Management Goals**
 - Financial – property covers it's own costs
 - Physical – standardize fixtures, maximize sustainability
- **Asset Management Department Organizational Chart**

ASSET MANAGEMENT PLAN

- **Asset Management Ongoing Tasks**
 - Financial – budget to actual variance analysis quarterly
 - Physical – bi-annual walk through and replacement reserve analysis
 - Compliance – reporting
- **Asset Management Long Term Tasks**
 - Create energy efficiency tracking system
 - Create local law tracking system
- **Financing Asset Management Function**
 - Property's asset mgmt fee
 - Energy savings
- **Timeline**

ASSET MANAGEMENT TOOLS

ASSET MANAGEMENT TOOLS

- Strada Portfolio Wide Dashboard
- Strada Portfolio Wide Reporting Calendar-Compliance
- Strada Income and Expense Analyzer
- Viva Early Warning Signs Report
- Viva Watch List
- Viva Sample Asset Management Plan

Q&A



Thank You!

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