

Welcome!

We'll get started in just a few minutes...

In the meantime, please introduce yourself in the chat and share one thing you are hoping to learn from this webinar and/or why you are interested in Small/Medium Multifamily (SMMF) property identification & acquisitions.



Preservation Next Southeast Academy

Session 2:
*Organizational
Sustainability and
Business Planning*

November 14, 2023



Today's Agenda

- 5** THANK YOU TO OUR FUNDERS
- 6** INTRODUCTION AND OVERVIEW OF PRESERVATION NEXT
- 8** CAPACITIES NEEDED FOR SMMF PRESERVATION
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- 56** Q&A
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- 59** PREVIEW OF OUR NEXT SESSION

Join Us!

Southeast Preservation Academy Sessions

October 2023 –
April 2024

Dates

October 17, 2023
November 14, 2023
December 5, 2023

January 16, 2024
February 6, 2024
February 27-28, 2024

March 19, 2024
April 9, 2024
April 30, 2024

Sessions

PART 1: Defining the Opportunity

Understanding Small/Medium Multifamily
Organizational Sustainability and Business Planning
Property Identification, Evaluation, and Acquisition

PART 2: Preparing for Preservation

Preservation Development Models
Policy Impacts on Preservation and Housing Stability
Financing SMMF Preservation

PART 3: Tackling a Project

Navigating Rehabilitation and Sustainability
Sustainability, Resilience, and Health for SMMF
Property & Asset Management



A Special Thank You to the Funders of Preservation Next

MacKenzie Scott



**KAISER
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A Division of First Citizens Bank



JPMORGAN CHASE & CO.



THE ANNIE E. CASEY FOUNDATION



What is Preservation Next?

Preserving Affordability in Small to Medium Multifamily (SMMF) 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

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



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, SENIOR PROGRAM OFFICER

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. Jessie lives in Chicago.



Gabriella Lott

**ENTERPRISE, PRESERVATION FELLOW,
PRESERVATION NEXT**

At Enterprise, Gabriella supports the Southeast Market Office's preservation, coordinated investment, and faith-based development programs. She also helps to organize the Southeast Market Office's collaboration with community-based organizations, public agencies, and affordable housing developers.

PRESERVATION NEXT
CAPACITIES NEEDED FOR
SMMF PRESERVATION

Capacities needed for SMMF preservation

1

An **overview** of the core capacities needed for SMMF preservation

2

An opportunity to **reflect** on your organization's current readiness for SMMF preservation

POLL: Capacities Needed for SMMF Preservation

Access the Menti Poll link in the chat or join menti.com and enter code **9826 6017**

- **What capacities do you think are most important for SMMF preservation work?**

What shapes an organization's capacity for development?

Capacities needed for SMMF preservation

While specific capacities for development vary from project to project, your strength in delivering on that project will typically depend on your:

Staff

- Core skills
- Experience
- Knowledge

Board

- Expertise
- Experiences
- Relationships

Operations

- HR systems
- Information technology
- Legal structures
- Accounting controls
- Policies and procedures

Relationships

- External relationships with other owners, residents, contractors, etc.

Building your capacity for preservation activities may require investing in some or all of these elements.

What makes SMMF preservation unique?

Capacities needed for SMMF preservation

CHALLENGES OF SMALL TO MEDIUM MULTIFAMILY PRESERVATION

The nature of SMMF preservation is difficult. SMMF properties are typically older and may have expensive rehabilitation costs.

Operating challenges: SMMF properties are often scattered-site and lack economies of scale yet cost as much as larger building to operate.

Gap in financing tools: SMMF properties are not well served by existing financing products.

Gap in profits: Smaller acquisition-rehab properties often do not generate enough developer fees or cash flow.

ORGANIZATIONS NEED A UNIQUE SET OF SKILLS

These may include:

- Market analysis to identify and evaluate properties for acquisition
- Adequate balance sheet and ability to secure financing and compete with buyers
- Capacity to manage the rehab process, including tenant relocation, and address deferred maintenance
- Property management of scattered site properties
- Asset management and planning for future rehab

BUSINESS PLANNING IS IMPORTANT FOR SUSTAINABILITY

It can be difficult for organizations to sustain this work. Without a significant upfront balance sheet, subsidy, or grant funding, it can take years before preservation becomes a self-sustaining business line on its own.

Business planning can help:

- Ensure preservation priorities are aligned with organizational mission
- Identify a path to sustainably grow this work and an adequate staffing model
- Identify the minimum number of projects and funding for this work to be sustainable

Developing a preservation business plan

Capacities needed for SMMF preservation



Staff & Board

- Do you have a business plan to guide your preservation activities?
- Is SMMF preservation in your Strategic Plan?
- This is an important step to ensure stakeholders throughout your organization are clear on how your values and goals align with affordable preservation and to help you identify a path to sustainably grow and staff this work over time.

Operations

Your Business Plan will inform key decisions, such as:

- How much risk you are willing to take on the property?
- Does financial feasibility mean covering your costs, or generating a higher return?
- What properties to focus on?
- Pursue preservation as a joint venture or independently?

Relationships

- Have you involved community members in developing your strategy?
- Can give you new perspectives on where you can be most impactful
- Can start building relationships that will be critical for the success of your preservation work

Market analysis and property identification

Capacities needed for SMMF preservation



Staff

- Do you have data to inform your development work?
- Conduct a housing market analysis of the area(s) in which you seek to acquire SMMF properties.
- You may need to hire a consultant to conduct the data analysis.

Board

- Is your Board bought into your property acquisition strategy?
- Demonstrating strong due diligence and risk management practices will be important at this stage.

Operations

- Do you have a clear approach for evaluating opportunities?
- Develop a framework to standardize your approach to vetting properties and their alignment with your mission and capacity.

Relationships

- Do you have trusted, community-based relationships with SMMF property owners / residents?
- They will help you better understand the market, resident needs, and property-level challenges of SMMF stock in your target area.

Securing financing

Capacities needed for SMMF preservation



Staff

- Do you have staff that can develop and manage a project budget and pro forma?
- Demonstrating financial management capacity will be important for securing financing.

Board

- Do you have Board members with real estate expertise?
- If not, you may want to add board members or create an advisory committee on real estate to supplement existing financial oversight work the Board is already doing.

Operations

- Do you have a sufficient balance sheet to acquire the property and secure financing?
- You may be limited in how large a loan you can take by your organization's existing assets, outstanding debt, and payment history on other loans.
- You may also need sizable funds on-hand to make an equity contribution to the deal or even make a cash offer to compete for target properties in-high demand areas.

Relationships

- If you are not able to seek financing independently, you might seek out a joint-venture partner with a stronger balance sheet or existing financing to close the deal.
- You might also seek out a joint-venture partner if you need different expertise or legal structures to be eligible for certain funding (e.g., forming partnerships with a nonprofit if you are a for-profit).

Managing the rehabilitation process

Capacities needed for SMMF preservation



Staff

- You will need to balance the needs of existing residents and contractors while avoiding cost overruns during the rehabilitation process.
- Do you have strong project management capabilities?
- Do you have relocation experience?

Board

- Have you established appropriate risk management practices in partnership with your Board?
- Building these together upfront can help you maintain their confidence, and limit liability, throughout the rehabilitation process.

Operations

- Do you understand how zoning and building code requirements may impact your rehab scope of work?
- You will need to account for these tasks and the timing on any required approval processes in your project management plan.

Relationships

- Do you know skilled contractors who are willing to take on smaller projects?
- The typical SMMF property is older and likely has deferred maintenance needs that can require specialized skills to address.

Long-term property and asset management

Capacities needed for SMMF preservation



Staff

- Do you have sufficient staff and portfolio capacity to support in-house property management?
- Robust property management services are challenging with smaller property.
- Shared property management services with SMMF owners is an option.

Board

- Do you have agreed-upon performance metrics for the property in the long-term?
- This will help you monitor potential issues and report out more effectively.

Operations

- Do you have in-house staff or a property management partner committed to building trusting relationships with residents?
- Property managers have greatest impact on resident experience and day-to-day operation of the building after rehab.

Relationships

- Do you have relationships with other SMMF owners interested in sharing property management services or in utilizing your in-house capacity?

POLL: Your Capacity for SMMF Preservation

Access the Menti Poll link in the chat or join menti.com and enter code **9826 6017**

- **What are your organization's strengths in capacity for SMMF preservation?**
- **Where does your organization most need to grow its capacity for SMMF preservation?**

Conducting an organizational readiness assessment

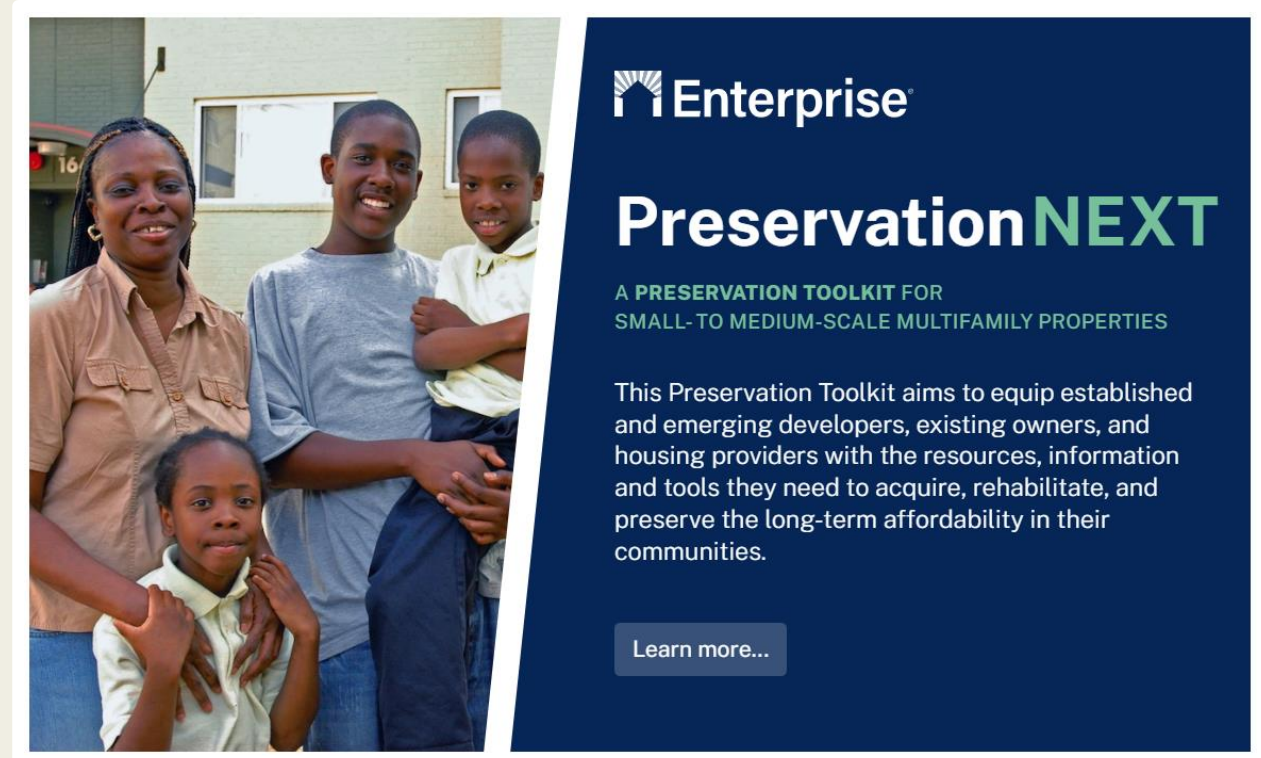
Capacities needed for SMMF preservation

Understanding your organization's readiness to preserve and operate SMMF will help your organization determine what steps are needed to either start or sustainably continue SMMF preservation. This can help:

- Develop a long-term business plan that provides strategic direction and financial analysis regarding your organization's ability to sustain the development and operations of a real estate portfolio.
- Inform acquisition decisions that align with your organization's mission, preservation goals and portfolio.
- Proactively solve the varied challenges that SMMF properties may face during acquisition, rehabilitation, and long-term property and asset management.
- Determine your organization's staffing model for SMMF development, including determining which real estate development and asset management functions exist in-house or in partnership with another development entity and/or bench of consultants.

REVIEW: Capacities needed for SMMF preservation

- Your capacity for SMMF preservation will largely depend on your staff, board, operational systems, and external relationships.
- SMMF preservation presents unique challenges that require proactive business planning and dedicated capacity to navigate.
- Core capacities needed for SMMF preservation include: business planning, market analysis and property identification, securing financing, rehabilitation management, and long-term property and asset management.



PRESERVATION NEXT

Preservation Next Toolkit

A Preservation Toolkit for Small-to Medium-Scale Multifamily Properties

Guidance and Best Practices

The Toolkit's issue briefs guide developers and practitioners across different stages of the small to medium multifamily preservation development process

Localized Resources

Preservation landscape analyses, inventory of local funding resources, and local & regional data on the small to medium multifamily stock

Case Studies

Successful and creative approaches for small to medium multifamily preservation in different housing markets

Tools

A Financial Modeling Tool to help you understand the financial viability of your preservation development.



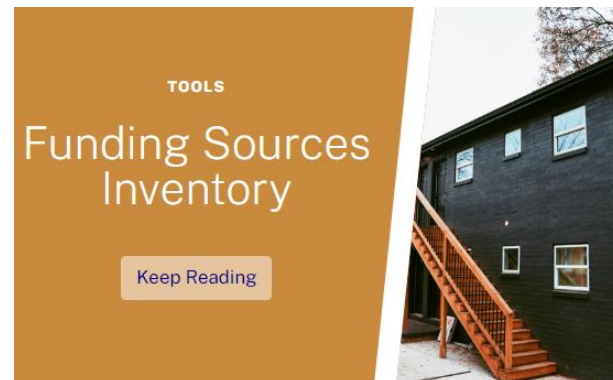
A JOINT VENTURE PRESERVATION MODEL IN LOS ANGELES

PROJECT OVERVIEW
700 Simmons Ave
LOS ANGELES, CA

- Located in unincorporated East Los Angeles
- Built in 1930
- 11 residential units
- Acquired in 2021

Financing sources:

- LA County CLT-CDC Pilot Program: \$2,790,250 – \$253,659 per unit
- SPARCC and Genesis LA: Predevelopment funds \$75,000



TOOLS
Funding Sources Inventory

Keep Reading



TOOLS
Financing Modeling Tools

Keep Reading

PRESERVATION NEXT
BUILDING YOUR
ORGANIZATION'S PLAN

Building your organization's plan

1

Ideas on **fundraising** for SMMF preservation's start-up costs

2

Tips on developing **governance structures** to enable your preservation work

Introducing our Guest Speakers

Mission Economic Development Agency in San Francisco, CA



Juan Diego Castro

**NATIONAL PARTNERSHIPS
DIRECTOR**

MISSION ECONOMIC DEVELOPMENT
AGENCY (MEDA)

Juan Diego Castro has been working in the affordable housing realm for almost two decades with experience in community organizing, homeownership, rental readiness and project management for real estate development. His family's journey towards the American Dream of homeownership mirrors those of many of MEDA's clients. It is this personal connection that fuels Juan Diego's passion for building capacity in non-profit organizations that are serving our historically underserved communities.



Karoleen Feng

**DIRECTOR OF COMMUNITY REAL
ESTATE**

MISSION ECONOMIC DEVELOPMENT
AGENCY (MEDA)

Karoleen established MEDA's Community Real Estate program to reverse cultural displacement and gentrification in the highest-cost neighborhood in the nation. She has been instrumental in jumpstarting MEDA being joint-venture partners for the Mission-Castro cluster of the San Francisco Housing Authority Rental Assistance Demonstration program, new construction of almost 500 apartments and preservation of dozens of small apartments off the private market.

Case Study: MEDA Capacity Building

MEDA Capacity Building Training

*Organizational Capacity Building -Fundraising,
Governance + Strategic Planning*



Mission Economic Development Agency (MEDA)
San Francisco, CA



Agenda Overview

- Introductions
- Fundraising
 - MEDA's Journey
 - Collaborative Opportunities

Governance + Strategic Planning

- MEDA's Journey
- Collaborative Opportunities
- Debrief + Check-out



Training Goals

1. Understanding how MEDA leveraged services + collective impact for housing dev

2. Ideas on seed funding for Housing Development

3. Understanding how MEDA set up governance structures to shift to housing dev

4. Clarity on what's required for various models of Housing Development

5. Clarity on next steps for capacity building



Introductions + Check In

1

Name, Role, Organization

2

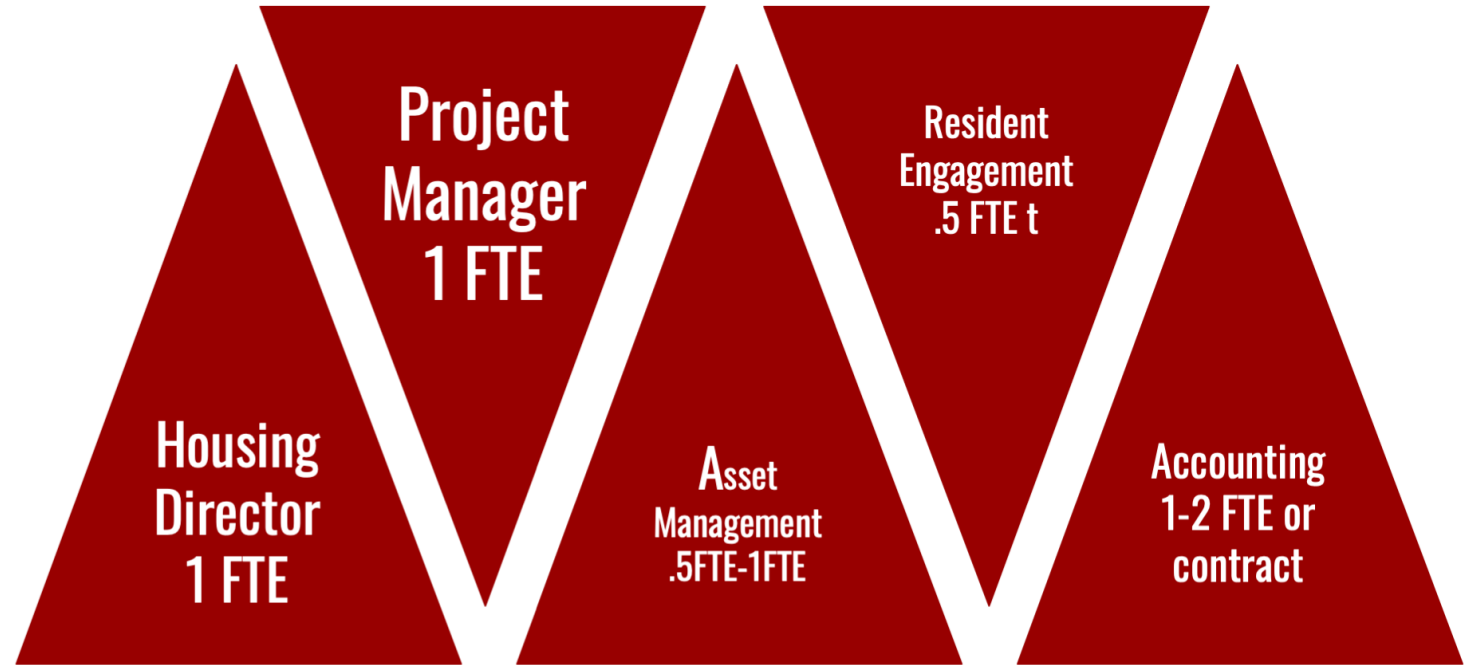
How are you?

3

One thing you hope to take away from today?



Startup Cost Considerations for Housing Development- Personnel



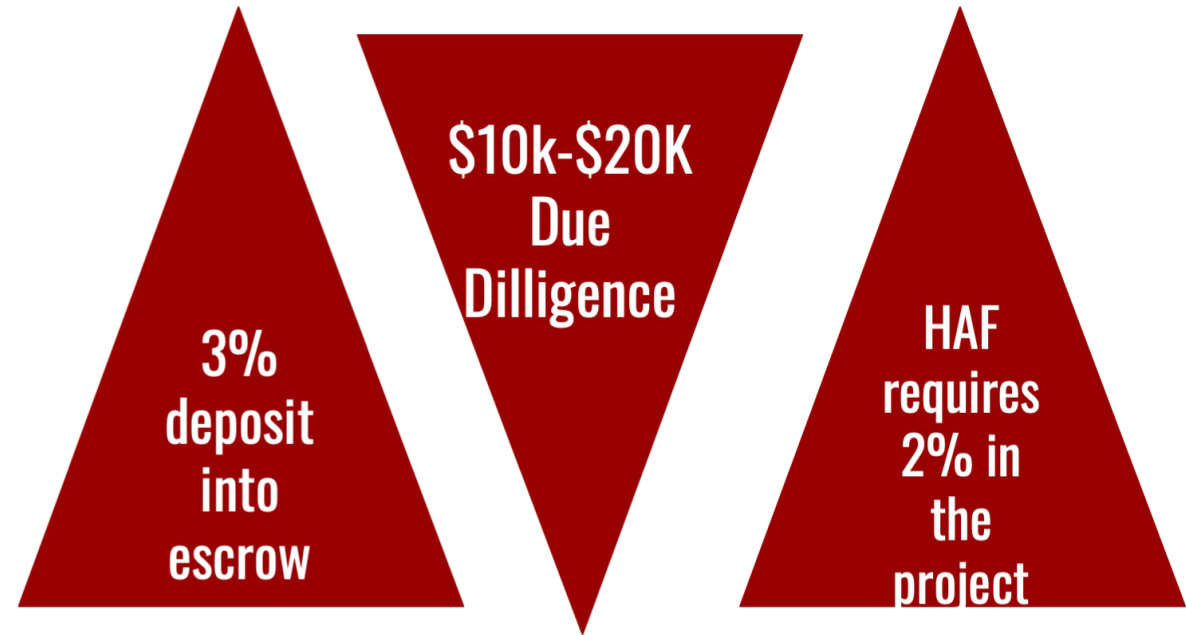
Assume \$100K-\$120K per FTE avg w benefits

Consider contractual/outourcing

Consider internal capacity/leverage or shift



**Startup Cost
Considerations for
Small Sites Housing
Development-
Additional Hard Costs**



Assume \$150K-\$200K for first 2 projects

Include in startup asks to funders



Fundraising to become a housing developer- MEDA's Journey

- Making the case - why MEDA, why now?
- Establishing the urgency
- Tied to Mission, Vision, other programmatic goals
- Leveraging Funding
- Investors
- Establishing experience with first projects
- Building capacity to apply for/manage projects



Displacement Crisis- Why MEDA, why now?

San Francisco's Mission District has always been a supportive place for low-income and immigrant Latinos. But it's now one of the most unaffordable neighborhoods in the country. In fact, 8,000 Latinos have been forced from their homes in the last decade- that's over 25% of this community.

25% Loss
-8,000 Latinos



Types of investments raised

Capital

Treated as debt

Required to pay back over long period

Generally secured against an asset

Interest terms vary

Can be interest only or interest + principal

Program Related Investment (PRI)

Treated as debt

Required to pay back, sometimes forgivable

**Very low interest
Usually lent by a foundation**

Tied to specific outcomes and purpose

Grants

Treated as revenue

No requirement to pay back

Based on achieving certain outcomes

Can be program specific or general support



Investments to MEDA's housing work

Capital

**Mayor's Office of
Housing & Community
Development ***

**SF Housing Accelerator
Fund (SFHAF)**

**Variety of capital
investors for new large
sites- bank, CDFI**

Program Related Investment (PRI)

**San Francisco
Foundation**

Grants

JP Morgan Chase

Citi

Kresge Foundation

Crankstart

Promise Neighborhoods

LISC

Enterprise

US Bank (GS)

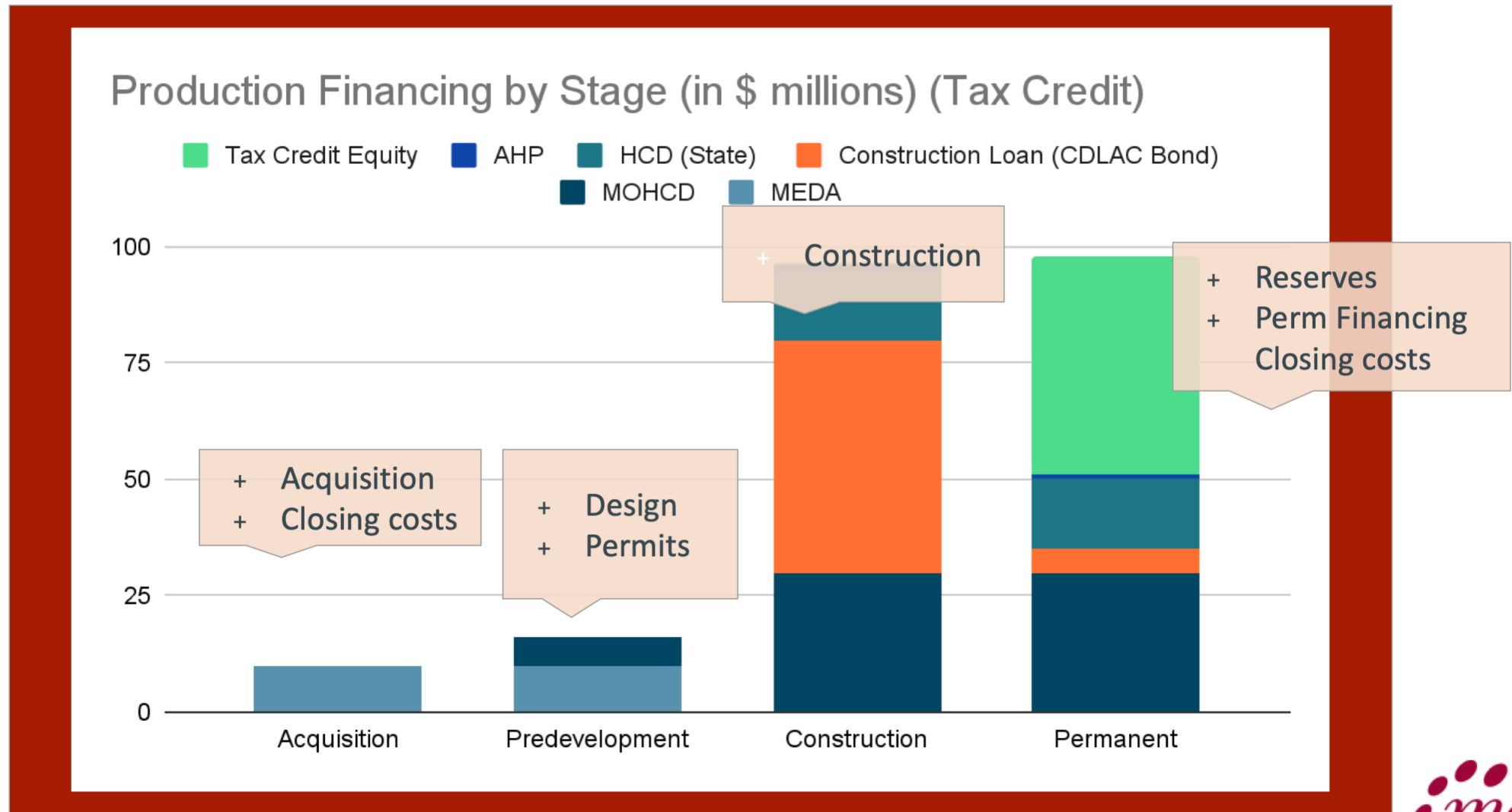
Union Bank (GS)

Kresge Foundation (GS)



Financing by Stage

With each development stage, we add layers of financing



Fundraising Ideas for Seed Funding- Westside Housing Development

1

Government

2

Foundations

3

Corporations



Questions to ask

- Who cares about the issue?
- Similar investments, other neighborhoods or communities?
- Case for ROI/earned income
- Value add to direct services and family/community housing stability
- Expand existing funding
- Funder introductions
- Local individual philanthropists



Governance - MEDA's journey

- Buy in- why MEDA, why now?
- Composition & expertise of board members, board member training
- Community Real Estate Committee - board and non-board
- Risk assessment for organization, financial impact + risk management
- Risk matrix for board decision making [example](#)



Challenges and Roadblocks

- Establishing risk management systems- aligning impact of purchasing properties with impact on MEDA finances
- Board capacity + knowledge to engage in real estate efforts
- Shift in focus, added time to engage in CRE work at board level

Example: how MEDA helped SFHDC establish credit committee



Tools

Organizational Assessment

Organizational Readiness Stages



What is RBA?

Results-Based Accountability™ is a disciplined way of thinking and acting to improve entrenched and complex social problems. RBA uses a data-driven, decision-making process to help communities and organizations get beyond talking about problems to taking action to solve problems. RBA starts with ends and works backward, towards means. The “end” or difference you are trying to make looks slightly different if you are working on a broad community level or are focusing on your specific program or organization.

<https://clearimpact.com/results-based-accountability/>

Results Based Accountability



THEORY OF CHANGE

MEDA OFFERS THESE PROGRAMS, SUPPORTED BY OPERATIONS



TO ACHIEVE THESE SIX RESULTS



AND CREATE THE CHANGE WE WANT TO SEE, LOCALLY AND NATIONALLY.

MISSION

Rooted in San Francisco's Mission District, MEDA is advancing a national equity movement by building Latino prosperity, community ownership and civic power.

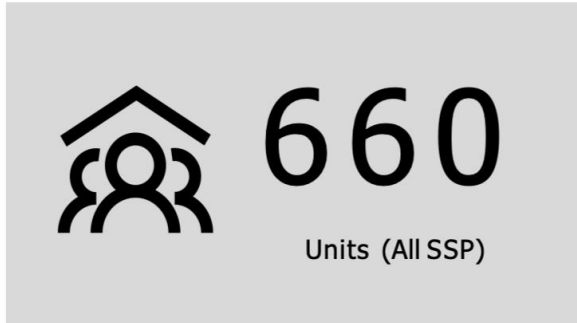
VISION

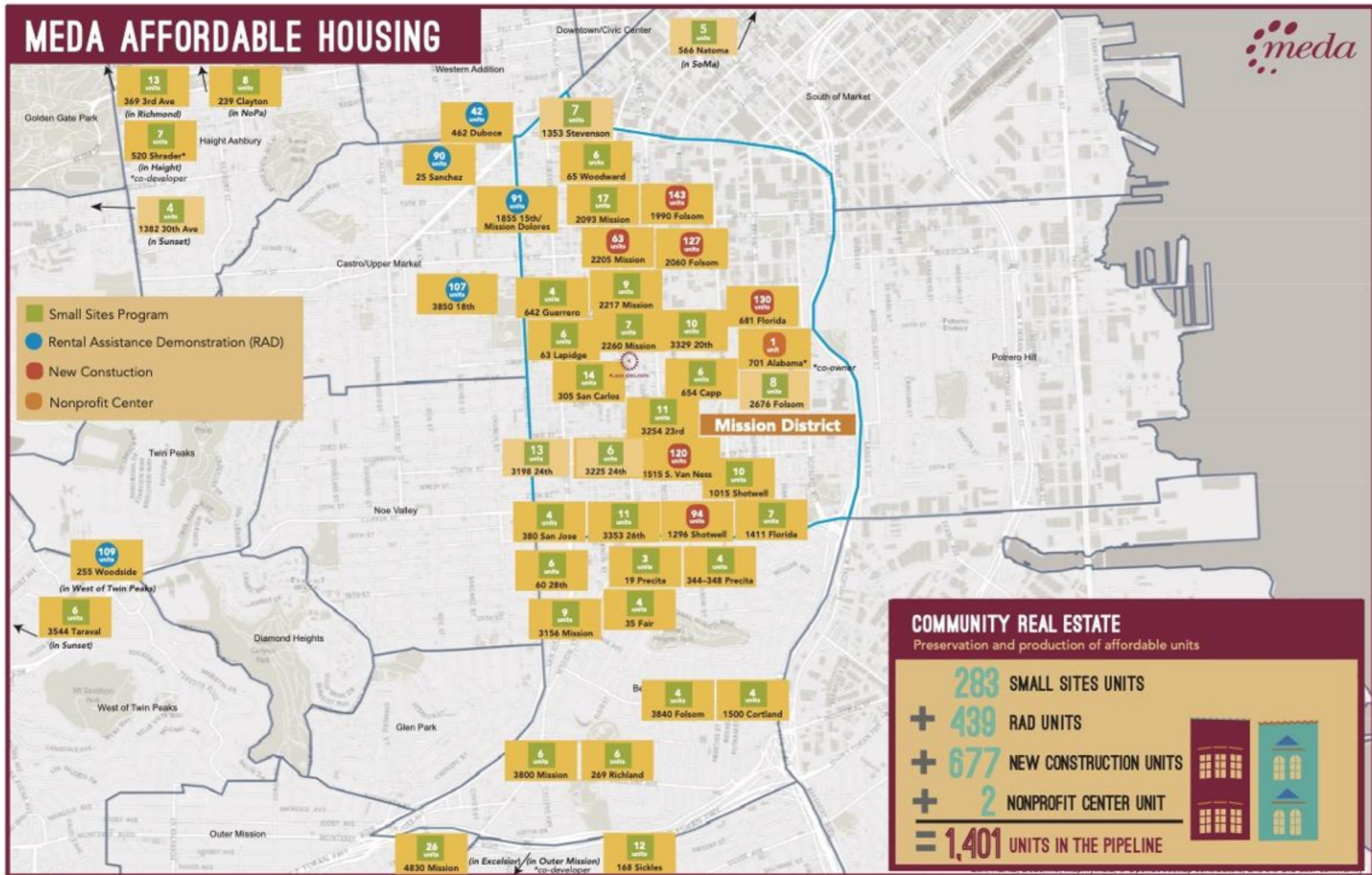
We envision generations of Latino families choosing where to call home, thriving economically, succeeding in learning opportunities, and leading policy and social change toward a more equitable society.

Spurred by community advocacy, the Small Sites Program (SSP) launched as a \$3M preservation pilot program in 2014.

Today, SSP:

- Protects San Francisco residents with the widest range of incomes of any City housing program: extremely low-income tenants live side-by-side with middle-income tenants whose higher rents stabilize building operations and make possible very low rents for more vulnerable households
- Offers a national model for anti-displacement in high-cost and rapidly gentrifying areas
- Engages a collaborative ecosystem of practitioners
- Provides critical investments in community organizations at various stages of growth, but all of which provide vital community advocacy and assistance





2732-04142017



Impact Since 2014

34 Small Sites Buildings

271 Small Sites Units

5 *New* affordable developments

557 New Units

439 RAD Units



Considerations - Lead agency that leads work

- Who would need to be on the Advisory board? (represented orgs)
- What would be an effective decision making structure?
- What type of staffing would be needed?
- What other infrastructure or capacity would be needed?
- Would the coalition engage in development projects as a partner?



Considerations - Build Capacity of Existing Organization

- What kind of startup funding would be needed?
- What would be the biggest risk to the organization?
- How would it be managed?
- How would buy in from governance, leadership and community be obtained?
- What resources could be leveraged?
- What additional infrastructure would be needed?

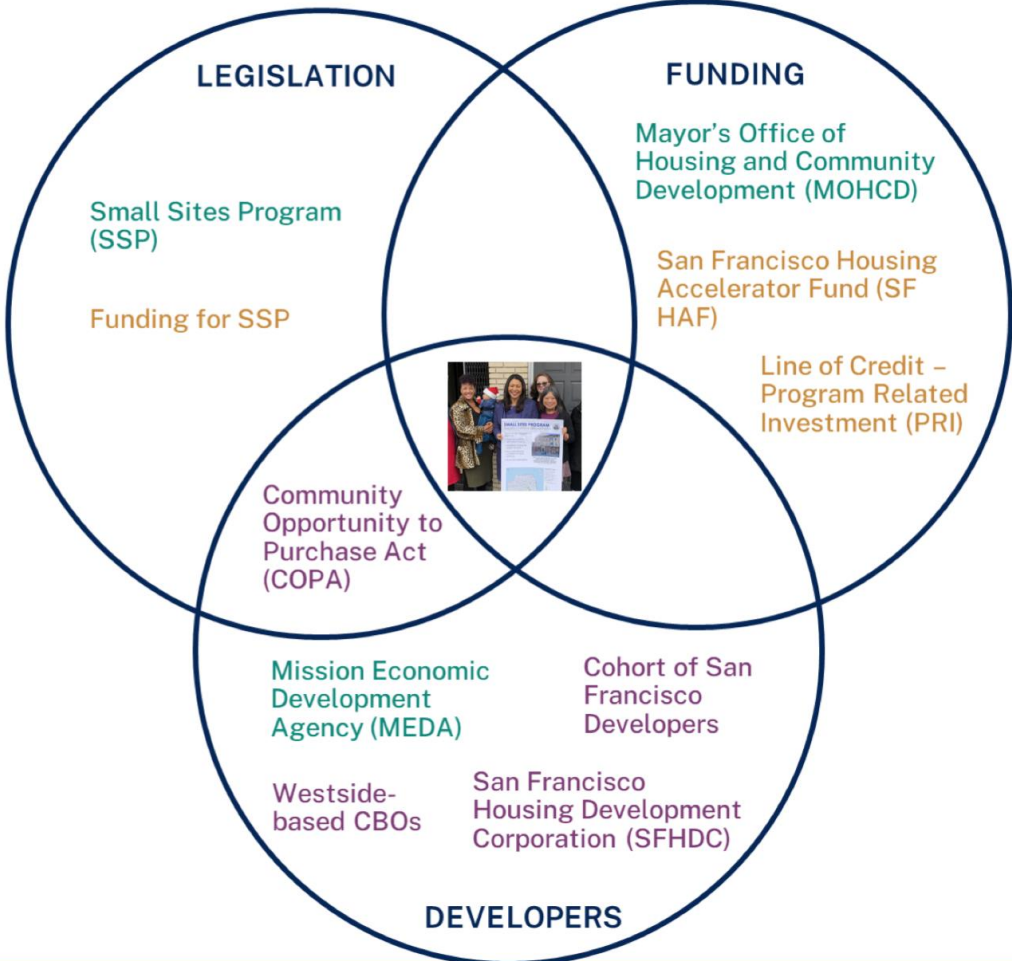


Considerations - New Housing Developer

- Who would lead on forming the new organization, legal requirements, etc?
- How would a new board be established?
- What would be built into the structure to retain community accountability/connection?
- Where would financing/seed funding be sought?
- What type of staffing and infrastructure would be needed?



Preservation Ecosystem



Legend

Launch

Year 2-5

Year 5-8



Brainstorm for the future

- Where are you at in the ecosystem - both your role and what stage?
- How could you ignite pieces of the ecosystem?



Organizational Readiness

<p>Organizational Readiness:</p>	<p>Stage 1: Early organizational development</p> <p>Cohort and/or peer learning</p>	<p>Stage 2: Early formation of real estate program</p> <p>Minimum for joint venture with MEDA</p>	<p>Stage 3: Established real estate program with pending 1-2 properties under Small Sites program</p> <p>Minimum for ownership share of property</p>	<p>Stage 4: Portfolio of 1-2 properties under Small Sites Program and regular pipeline of projects</p> <p>Goal to move to by end of Joint venture</p>	<p>Stage 5: Regular pipeline of projects and portfolio of >10 buildings under Small Sites Program</p> <p>Goal is sole ownership</p>
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Organizational Assessment

Text of Survey for Organizational Assessment

Organization:
Name of Respondent:
Title of Respondent:

(the survey responses help to identify if the organization what Readiness stage the organization is in)

Section 1: Board

Question & Answer Choices	
1) Do you have a board whose mission includes nonprofit real estate development? (Y/N)	
2) How many board members have real estate experience? (e.g., broker, real estate banker, developer, architect, contractor) (0, 1, 2 or more)	
3) Do you have any board members who are active nonprofit real estate developers? (Y/N)	
4) Does the board have a formal relationship with legal counsel? (Y, one or more board members is an attorney/Y, the board has access to	



Brainstorm for the future

- Where are you at in the ecosystem - both your role and what stage?
- How could you ignite pieces of the ecosystem?



Debrief + Check Out

1

One takeaway from today?

2

Biggest priority you identified to move the work forward?

3

What additional capacity building is needed?



Thank you!

Karoleen Feng

Director of Community Real Estate

kfeng@medasf.org



REVIEW: Building your organization's plans

- You will likely need a **mix of funding sources** to achieve SMMF preservation, including hard and soft debt and grants, particularly as you move from start-up costs to financing the rehabilitation and long-term management of the property.
- Your organization's **governance structure** may need to evolve to effectively manage SMMF preservation work.
- There are different **roles you can play** in the preservation ecosystem, from leading as a developer to providing capacity building to an existing organization, to helping form a new one. MEDA's Organizational Readiness Tool can help you identify where you may be primed to play a role, based on your current capacities for preservation work.

Q&A

SURVEY

bit.ly/pnsurvey2

Join us for our next session on Dec. 5!

**Preservation Deals:
Property Identification,
Evaluation, and
Acquisition**

Our Guest Speakers

Darion Dunn, Atlantica
Properties

Andrew Jakabovics, Enterprise
Community Partners

What to Expect This Session

- Participants will be aware of **data and resources** they can use to identify SMMF properties for preservation in their community.
- Have a **framework** for evaluating potential SMMF preservation opportunities.
- Understand common challenges to **property acquisition** and strategies to help overcome them.

Thank you

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Resources:

[Preservation Next Small to Medium Multifamily Toolkit](#)
[Preservation Next](#)