

Building the Bridge between Development & Asset Management

CHAM Conference 2019



Building the Bridge between Development & Asset Management

Jennifer Buxton / Enterprise Community Partners / Email: jbuxtin@enterprisecommunity.com

Faith Williams / Way Finders / Email: fwilliams@wayfindersma.org

Kandyse Cunningham / MC Management Group / Email: kcunningham@mcmgroup.org

Nancy Rase / Nancy Rase Consulting Services, LLC / Email: nancyraseconsultingservicesllc@comcast.net

Shawn McKenna / ProLink Solutions / Email: smckenna@prolinksolutions.com



Asset Management

An integral part of every housing development business
and a key to nonprofit sustainability

Leadership Goal

Create an asset management operation that is:

- A financially sustainable operation and over time contributes resources to sustain and maintain the portfolio
- Contributes to the long term sustainability of the organization
- Grows to meet the needs of a growing and aging portfolio
- Expands its capacity as opportunities become available

Leadership Responsibility

Establish the importance of asset management in the organization

- Reporting lines demonstrate the importance of asset management
- For new transactions insure asset management has a voice in development decisions around materials, sustainability, financing, and reserve requirements

Treat it as a business line

- Establish annual and long term goals, both programmatic and financial
- Give decision authority (subject to normal review and approval procedures) for year 15 transactions
- Responsibility for revenue generation through annual property distributions and fees, refinancing and sale

Organizational Structure

Asset Management can be –

1. A free standing division reporting to an ED, CEO or COO +++++
2. A part of Finance and Administration reporting to the CFO ++++
3. A part of Property Management ++
4. An individual (with or without staff) who reports to the head of the organization (but not on a line with major operating divisions) ++
5. An individual within Property Management that reports to the Director of Property Management +

Each structure effects how AM is viewed within the organization.

Asset Management is a business line

- Create a 5-year plan for Asset Management as part of the organization's business or strategic plan
- Have goals for staff growth to match portfolio growth and needs
- Include goals for handling year 15 LIHTC transactions and make Asset Management responsible for developing policies and procedures and having a plan for each property in the portfolio
- Establish standards for annual income allocated to Asset Management (i.e. development fee, asset management fees, cash distributions from operations, etc.) and include 5-year projections of revenue and expense for Asset Management

Giving Asset Management a Voice in the Development Process

Asset management can-

1. Have a representative in standing development group meetings
2. Have an opportunity to review and offer comments to the proposed operating budgets, construction scope of work, and building design
3. Review and comment on final presentations to the CEO, development committee or Board, as appropriate to the organization's systems
4. Participate in developing organizational policies for materials selection, sustainability standards
5. Work with development to create a pipeline of projects that balance up front developer fees with long-term revenue generation

Allow Asset Management to be Creative

Portfolio management should include:

- Securing grants and other funding to deal with property issues, make properties more energy efficient, and address shortfalls in RFR funds
- Refinancing of existing debt to take advantage of favorable interest rates and terms and generate revenue to meet organizational and property needs
- Allocating resources to create an internal revolving fund to provide resources to carry out portfolio preservation objectives
- ... and oh so many more things

Asset Management is about
managing and fostering a
portfolio to support the mission
and health of the organization.



Shawn McKenna – CEO

smckenna@prolinksolutions.com (720) 746-2426

www.ProLinkSolutions.com

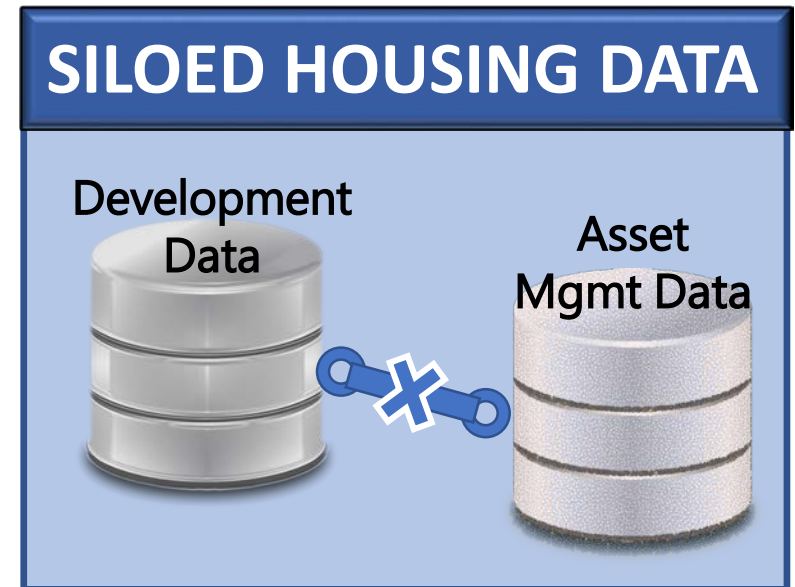
www.Procorem.com



WHY WE NEED A BRIDGE

- ☀ **Development data often resides in:**
 - Excel spreadsheets
 - Custom built databases; or
 - Construction monitoring and disbursement software.

- ☀ **Portfolio data resides in:**
 - Excel spreadsheets;
 - Asset Management built software; and
 - Loan Servicing software.





DEFINITION OF SILOED DATA

A **data silo** is a situation wherein only one group in an organization can access a set or source of data.

Multiple departments may store the same, similar, or complementary data – but separately.



UNINTENTIONAL CAUSES OF SILOED DATA





Cultural: Competition between departments can cause some employees to keep data to themselves, rather than sharing data and working together.

Structural: May stem from a hierarchy separated by many layers of management and highly specialized staff.

Technological: Purchased and custom built databases may not “speak” to one another, and they may be too specialized or costly to be used by multiple departments.







Problems caused by silos in affordable housing

-  Requires SME's for each software system or database;
-  Leads to further segregation between Departments;
-  Makes it difficult to measure exposure and risk;
-  Proves difficult to compile high level reports that include pipeline, production, and portfolio data.



Benefits to BRIDGING THE GAP

-  **Use portfolio metrics to guide investment decisions**
-  **Remove data redundancy, the chance for data entry errors, and double counting;**
-  **Ensures that relevant information is included in the investment decision**
-  **Bridging the gap enables all stakeholders to see the big picture.**



Data Collection & Use - Recommended Best Practices

- 1.** Use one secure database to manage all housing data;

SINGLE DATABASE

Provides a 360° holistic view of your housing data

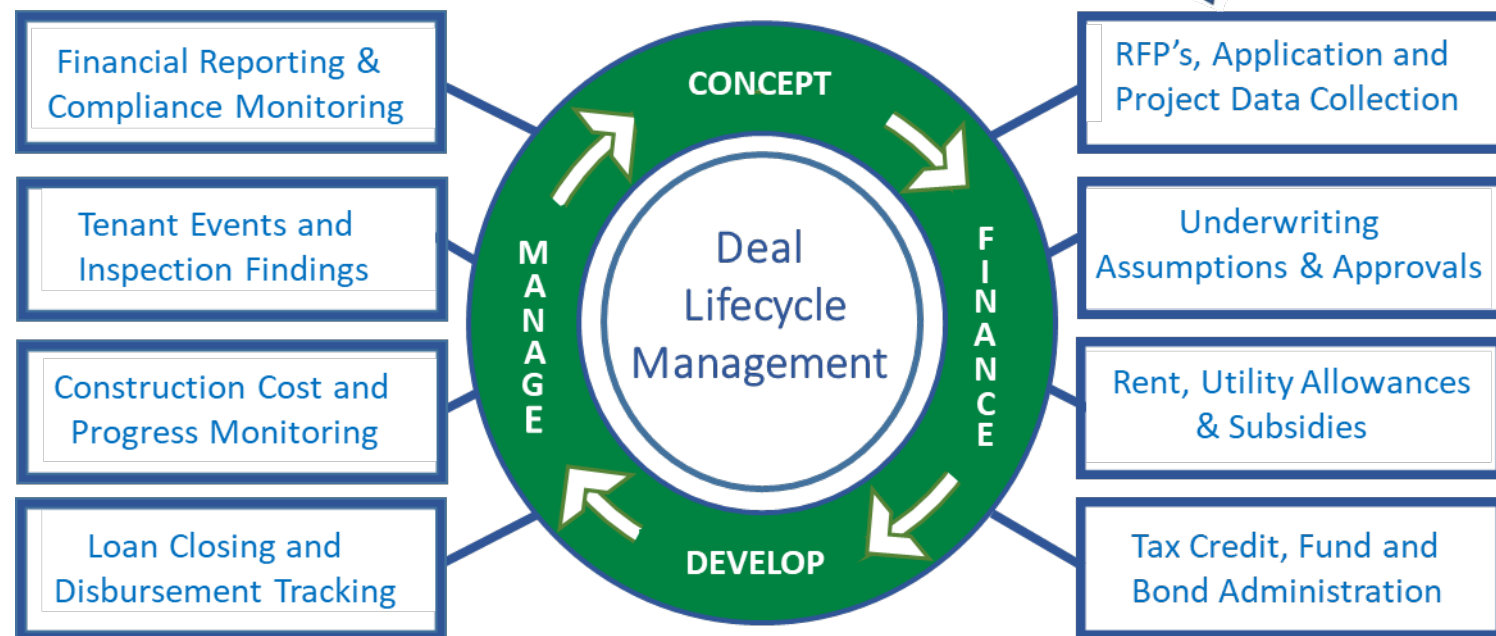




Data Collection & Use - Recommended Best Practices

2. Collect data through the life cycle of each housing deal;


A new proposal starts the data collection process





Data Collection & Use - Recommended Best Practices

3. Automate data collection practices

 Excel App to Database

Universal ProLink Application Draft 2.13.2019 - Excel
View ProLink Developer Proccom New Tab Tell me what you want to do... Debra Starbuck Share

smartdox
Version 2/25/2019

ProLink Universal Application

RENTAL HOUSING PROPOSAL INFORMATION			
Project/Proposal Name:	DEF Apartments	Total Purchase Price	\$10,500,000
Primary Street Address:	123 Cedar Street	Appraised Purchase Value	\$10,650,000
Address (cont'd):			
City/Town:	Los Angeles	Total Acreage	1.50
State:	CA	Cost per Acre	\$7,000,000
Zip+4:	94562-2005	Density / Units per Acre	43.33
County/Jurisdiction/Colonia:	Nevada	Unincorp area?	Yes
Ward / Borough:		Region #	34
Designation:	Urban	QCT?	Yes
Site Location Description if no street address yet		MSA/MD?	Yes
Development/Asset Type	Multifamily Rental Housing	Number Existing Units	65
Dev. Category / Overall Proposal Type:	Portfolio Refinance w/ Rehab	Cost Per Existing Unit	\$161,538
Construction Type:	Rehabilitation	Total Proposed Units	65
Predominant Unit Type:	High-Rise 5+ Story Flats	Estimated Total Dev. Cost?	\$14,650,000
Farmland Designation?	No	Cost per Unit?	\$225,385
Infill Proposal?	No	Year Built	1990
State Surplus Land?	No	Year Last Rehabbed	2011
Historic Property?	No	Opportunity Zone Type	State
Federally Defined - "At Risk" Project	Yes	Fed. / State Enterprise Zone?	State
Transit Oriented Development	No	Within an Empowerment Zone?	N/A
		Qualified Investment Zone?	N/A
		Within a State defined Rural Zone?	No

REQUIRED RELOCATION	TEMP	PERM
Number Affordable Units	65	0
Number Market Units	0	0
Number Commercial / Civic Tenants	0	0
Have you identified replacement or temp. units for those being displaced?	Yes	
Have tenants been notified as required by the Uniform Relocation Act?	Yes	

Complete required data shown on the "Relocation Info" worksheet

Method of Construction: Negotiated Bid
Tenant Status: Tenants in the Units at Closing

Summary of Federal Enhancements: Section 221d3
Section 8 Project Based Subsidy

Summary of State Enhancements: HFA Contract Administrator
Local Rent Subsidy
Disaster Financing

"Send" Universal App data to the ProLinkHFA database



Data Collection & Use - Recommended Best Practices

4. Asset Management, Compliance and Development groups should share the following types of data for informed business decisions:

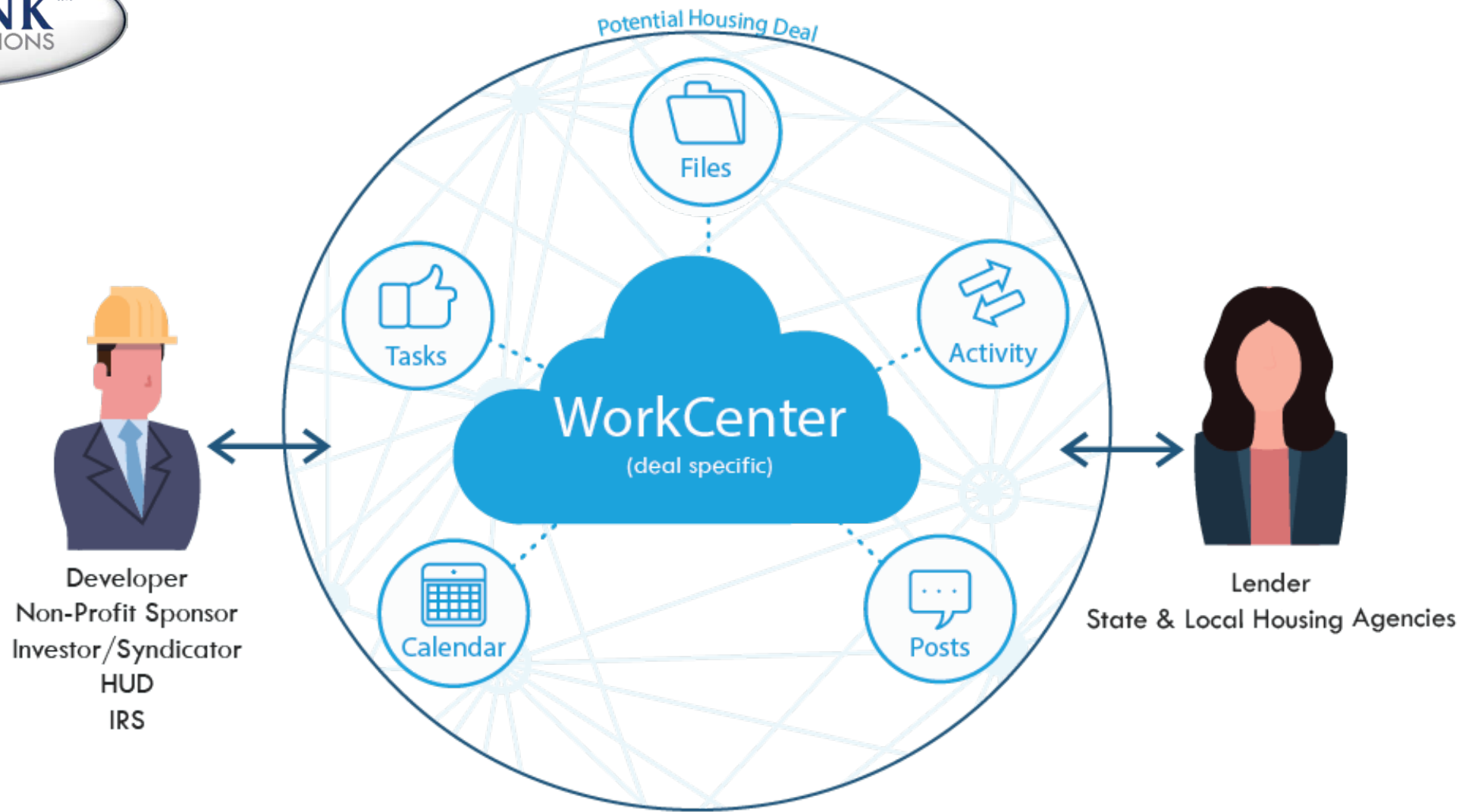
- Rents
- Vacancy Rates
- Inflation Rates
- Tenant Turnover
- Actual Utility Costs
- Developer performance concerns
- Management Company performance concerns
- Actual Operating Costs
- Repair & Maintenance Costs
- Property Management Fees
- Net Income & DSCR
- Reserve Balances



Data sharing – it's the right thing to do

Good data analytics isn't related to skill or technology – it's simply about having access to the right data at the right time in the right place so you can use it to make a decision.







Shawn McKenna – CEO

smckenna@prolinksolutions.com (720) 746-2426

www.ProLinkSolutions.com

www.Procorem.com