Put Your House in Order

Securing Your Supportive Housing Program's Future through Effective Asset Management

AIDS HOUSING
OF WASHINGTON

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ASSET MANAGEMENT STARTS IN THE DESIGN PHASE

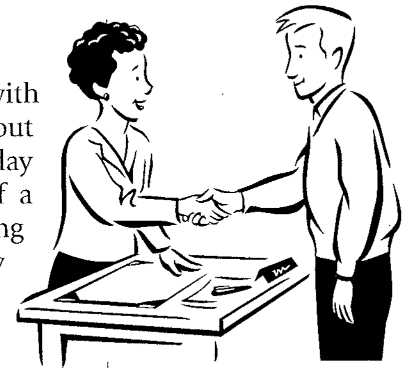
To a great extent, the financial status of your housing program is predetermined. The design and development phase of nonprofit real estate is the best opportunity an organization will get to influence a building's long-term outlook. Supportive housing groups who consider long-term asset management during this stage will have the advantage over groups who piece their deal together by any means necessary.

In creating supportive housing, a lack of long-term cash flow should be anticipated. This means the property needs to be highly durable and its components long lasting. Such an approach amounts to higher costs at the front end, knowing that it will be a greater challenge to replace components of the building as it ages. Additional wise choices, from the level of insurance purchased to the type of neighborhood where the building is located, will increase the long-term viability of the housing program.

Tips for Starting Asset Management in the Design Phase

a. Create as many building improvements and updates as possible before occupancy.
b. Buy only highly durable and sophisticated building components.
c. Purchase building components that can be maintained by any party rather than those linked to a maintenance contract with one vendor.
d. Invest money on exterior appearances, such as perennial shrub plantings and a gardening irrigation system.
e. Upgrade old housing stock to the highest possible standard.
f. Look for moderate- to large-scale projects, as the smaller the scale of your property, the more expensive it will be to manage. If your property is small, try to group its management with other sites.
g. Purchase property that has a good reputation in the community. If your building has a troubled history, make concentrated steps to reverse its reputation.
h. Start reserve accounts when you begin budgeting.
i. If you choose a property in a declined neighborhood, prioritize security and durability in exterior elements such as fencing, alarms, etc.

EVALUATE YOUR PROPERTY MANAGER



Reevaluate your current arrangements for property management with the asset management approach. Whether to self-manage or contract out property management is a key decision. This is because bad day-to-day management situations can be damaging to the long-term status of a property. You may assume that as an organization's portfolio of housing grows, property management is typically moved inside. However, many nonprofit housing groups have not followed this evolution.[16] There are no definitive rules.

Property Management Options

a. **Manage property internally within your organization.**

b. **Hire a consultant to help with setting up an internal property management team and systems such that you can self-manage your property.**

c. **Hire a private company to be your ongoing property manager.**

d. **Hire another nonprofit organization specializing in affordable housing to be your property manager.**

Communication with your property manager is key. Ideally, whether in-house or contracted out, the relationship between asset management and property management should be close and organized by a system of anticipated reports, site visits, and meetings. Problems occur when in-house property managers are micromanaged by administrators. Instead of overinvolvement in the minutiae of property management activities, administrators should use information provided by the property manager to gain a perspective on the bigger picture of the property's performance and the agency's goals.

If you choose to self-manage, do so with realistic expectations. Don't do self-management primarily as a cost-savings strategy. Furthermore, don't assume you will get better results. Nationally, there is no conclusive evidence that housing groups have better success, or even lower costs, with inside, rather than with contracted management. However, there is a good argument for self-management: to be more familiar with your residents' lives. If you follow the self-management route, be sure to use benchmarks (discussed in the next section) that will help you keep spending on desired services within limits that your program establishes.

16 Bratt, p. 75.

"You are not simply a community group dabbling in housing and desperate to find someone to solve management problems."[18]

Criteria for Deciding Between Inside and Outside Property Management[17]

a. Availability of outside management agents, including other housing nonprofits or housing authorities in your area
b. Private managers' willingness to work with a nonprofit client
c. Pressure from your financing agents to "go outside" for management services
d. Your interest in staying close to your residents' day-to-day lives

IF YOU CONTRACT OUT PROPERTY MANAGEMENT

Those who contract out property management have special concerns. If you follow this route, make sure that your organization does not divorce itself from the property so much that you lose track of information needed for asset management. In addition, think through the criteria by which you will evaluate your property manager. Expect more than the minimum yard work, painting, exterminating, etc. Communicate that you want the property manager to contribute value to your asset.

The selection and contracting process sets the tone for your relationship with your property manager. Try to come across as professional and knowledgeable. A formal process to choose your vendor will help give this impression.

Recommended Steps for Choosing a Property Manager[19]

a. Do outreach to property management firms.
b. Prepare a formal request for proposal.
c. Review and evaluate the proposals with a ranking sheet.
d. Check references.
e. Look for experience with the U.S. Department of Housing and Urban Development housing programs.
f. Review their presentation of financial data for other projects.
g. Compare administrative fees among management firms.
h. Negotiate a deal to suit your specific project and goals.
i. Educate your property manager about the particular needs of the residents you house.
j. Outline the criteria on which the property manager will be evaluated.

Be vigilant in your checks and balances of property management vendors. As an industry, property management suffers from a reputation of illegal activities such as kickbacks. Plan on verifying the property manager's work by visiting the site and checking with residents on a regular basis.

17 Ibid.
18 Joan Wallstein, "Selecting a Management Firm: A Workbook and Sample Forms," Occasional Paper Series, Local Initiatives Support Corporation, Organizational Development Initiative, 1996, p. 11.
19 Ibid., p. 5.

GET ORGANIZED

Asset management involves tracking indicators and monitoring trends in the property's performance. Gathering these data in a timely, organized, and efficient fashion is key. Designing your system for data keeping may bring the kind of satisfaction one gets from a well-organized basement. Every piece of information has its place and is easily located. To get there, you will need different kinds of forms. Some will record daily information such as move-ins/move-outs and work orders. It is also useful to have forms that summarize information such as capital improvements that will be necessary over the next ten years.

Well-designed forms are essential for managing data about your property. Supportive housing providers often use simple systems such as entering all their data into an Excel spreadsheet. Switching to more carefully crafted schedules and forms may produce more organized and thorough information from which to make your analysis. For example, poorly structured rent schedules are a common problem in supportive housing that can be easily fixed with the right format.

A number of ready-made prototype forms have been developed specifically for nonprofit housing groups to use. They save time and offer a variety of ideas about how to collect information. See Best Picks at the back of this guide for a list of publications and software you can purchase that come with ready-made forms both in hard copy format and on diskette. Among the many useful forms available is one for creating a Monthly Asset Management Report, available with Track-It! software. You can also create your own with contents similar to those outlined below.

NO OTHER WAY OUT: DISPOSITION

Selling your building should not occur in crisis mode. If your property is troubled today or runs into trouble in the future, it is important to have a framework developed ahead of time for deciding under what circumstances you would sell. A panicked process for disposing of your property could hurt your organization's bottom line and your reputation with funders and community members.

Before you sell, hunt for external solutions. If debt is a problem, call a meeting with your lender to work out better terms on your loan. If the financial responsibilities of the property are just too great, look for community partners who might assume ownership and enter into a collaboration with you. Remember, affordable housing of any kind is an increasingly scarce resource, so one should fight hard to preserve it.

Planning the criteria for the potential disposition of your property is key. Each property is unique and the circumstances under which one property will be disposed of will differ from the next. Once you have arrived at circumstances for your property's disposition, make sure to inform the property manager and other parties involved with monitoring your building.

Some Circumstances for Disposing of a Property

a. The building consistently loses money over a three-year period.
b. A certain percentage of the units is consistently unoccupied.
c. All opportunities to refinance or restructure funding have been tried.
d. The owner's subsidization of the property has reached a maximum percentage of the building's budget.
e. Your particular niche of supportive housing has experienced a reduction in the market that does not appear to be reversing itself.

Tips for a Successful Sale[39]

a. Keep your building looking its best while trying to sell.
b. Hire a broker with a track record of selling property in your neighborhood.
c. Make clear in the marketing plans what is expected of your broker. Follow up by looking for advertisements for your property in local real estate sections of newspapers, etc.
d. Come to the bargaining table prepared to negotiate your price but with a clear picture of your bottom line.

39 Stone, p. 16.

MAP

REPORT

Managing Assets and Properties

The Options of Property Management

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CHAM

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How to Evaluate Your Property Management Options

Why do you want to change?

Nonprofit housing developers often want to get into the business of property management. Four reasons for this are typically given:

Current management is poor. The management company may not be providing adequate service to the tenants, perhaps because the company is not efficient, perhaps because it does not understand how to deal with lower income households. Nonprofit developers and owners are sensitive to tenant concerns and complaints; they may feel that tenants should get a better deal, especially after the nonprofit sweats blood to make the development happen in the first place. The current management company may be providing poor service for the owners as well; it may be violating agreements or not providing timely and accurate information.

Bring new revenues into the organization. Management companies earn fees for services provided. Some nonprofits want to retain those fees, in order to enhance the overall economics of their organization. Typically, nonprofits think that management fees can support additional tenant services or other activities of the nonprofit, along with paying for the basic property management buysiness.

Increase the size of the organization. Absorbing management duties and management fees quickly expands the size of an organization. More people can be hired directly, and cash flows increase for the nonprofit, enhancing its impact in the community. Larger organizations are perceived as more powerful and successful in board rooms and city halls, and many nonprofits want that type of clout.

Provide additional services. Healthy neighborhoods require far more than safe, decent and affordable housing. Healthy neighborhoods need strong community organizations, good inclusive and comprehensive planning, public safety, good public transportation, and a myriad of other social and physical attributes. Similarly, healthy individuals and families require good housing, along with health and child care options, jobs and job training, and a host of other resources. Most nonprofit housing owners provide other services to the community. Operating a housing management company can give them an excellent forum for bringing new and needed services to the neighborhoods and residents where they own real estate.

There are often lots of good reasons why a nonprofit wants to enter the property management business. There may be even more reasons why not. Property management is a far different type of business than either housing development or social service delivery. Personnel skills and experience needed are different. Financial risks are different. Operating systems are different. Nonprofits can jeopardize their core business, and perhaps the stability of the rental housing they own, if they start property management without sufficient planning and capital.

This brief manual is intended to help nonprofits think through their property management options. It points to the important questions in entering this business, and how to find the answers. The orientation of this manual is that property management is a <u>business</u> that may not be appropriate for everyone.

Units Owned

Number of Units.

The number of units owned by a nonprofit housing organization often is a threshold measure for evaluating property management options. If you own too few units, it will be difficult to capture the interest of a reputable property management firm. If you own a sufficient number, economies of scale can work in your favor. Between these levels -- which is where most nonprofit organizations will come down -- is the gray area, where a thoughtful and considered appraisal of your property management options is most important.

The threshold levels for most nonprofit organizations are:

1 to 50 units owned: management will be in-house;
50 to 500: outside management is probably appropriate; and
500 and above: with economies of scale working, the nonprofit will have more options open, including the possibility of complete self-management.

Include in your calculations a reasonable estimate of the number of units your organization expects to bring on line. This will include the units already owned or under construction and those with committed financing. The units an organization has in active predevelopment, which you have already assessed as feasible, should be scrutinized as to their likelihood for being completed and tenanted. As a rule of thumb, count these units as one-half their actual number, to take into account the uncertainty inherent in the development of low-income housing. Housing units that are in your development pipeline, but have not yet passed standards of reasonable feasibility, should not be counted at all when thinking through your property management options.

The Bottom Line: economies of scale begin to kick in when a management company has 500 or more units. Anything less and it can be difficult to make the economics of the business work.

Type of Units

The type of units owned by a nonprofit will help define the intensity of interaction needed for good property management. Special needs housing -- shelters, transitional housing, SROs and permanent housing -- requires on-site staff with the skills, experience and training needed by the individuals and families who reside there, who often have either complex or myriad of problems. Management of special needs housing is done in two ways: case management of the client population, done as part of specialized programs operated for the benefit of the residents; and property management of the real estate. Both types of management of special needs housing should be done by the nonprofit owner, possibly in conjunction with other nonprofits that provide some of the host of services -- from health clinics to job training -- utilized in special needs housing.

Multifamily housing requires even more specialized service. Larger multifamily complexes -- typically, those with 50 or more units -- benefit from management company on site. Frequent management inspections are needed, whether or not from an on-site team, to maintain the appropriate physical and social environment and avoid the typical cycle of recurring minor problems that fester into major management difficulties.

Single-family housing is less dense than typical multifamily units. As such, single-family units require less intense management, as minor problems in one unit are less likely to expand to other units. In addition, single-family houses are less amenable to on-site or frequent management presence. This is especially true if the sites are widely scattered, rather than clustered within one neighborhood.

Some nonprofits own commercial property. As with single family units, commercial units require less hands-on property management. Commercial leased tenants tend to be extremely responsive to the onset of minor maintenance or other problems, and do not hesitate to alert property managers. Managing commercial property rarely requires the major management attention needed for dense residential rentals.

Remember to account for your development pipeline as well as the units that are tenanted. Factor in a reasonable estimate of the projects owned, under construction, with financing committed, and with feasible development scenarios, as explained earlier.

The Bottom Line: it takes far more attention to provide good management to dense, troubled and special needs projects. Factor this into your calculations.

Physical Condition

The physical condition of units provides an excellent indication of management time needed as well as funds necessary to renovate and maintain the property. The two are linked: management attention will soar if funds necessary are not available. Inspections will have to be more frequent, so that management can catch problems at the earliest, and cheapest to correct, stage. Labor may substitute for capital and for routine maintenance that includes painting vacant units or maintaining an old boiler, for example, rather than replacing the unit with a new and more efficient model that does not need the attention.

The physical condition of owned units can be sorted into four categories. The management attention and capital funds required increase as the property's physical condition worsens. Not spending the money now can cost more money later, both in increased maintenance and replacement costs, as problems worsen. Rent collections will decrease too if the property cannot maintain the right condition and amenities for the marketplace.

- Very good -- recent new construction or substantial rehabilitation, no later than three years old. No more than minor repairs will be required, of up to $500 per unit.

- Good -- all major systems are working, and most improvements and modernizations are in place. Some repairs will be needed, minor in some units, more major in others, averaging up to $1,500 per unit.

- Fair -- the property is stable, but system improvements and modernizations have not been made. Major repairs will be required, costing up to $3,000 per unit.

- Poor -- the property is deteriorating, system improvements and modernizations have not been made, and the rate of deterioration is increasing. The property will need renovations costing at least $5,000 per unit.

Most housing under development by nonprofit organizations will have very good physical conditions when placed in service. The exceptions will be deteriorating, tenanted existing property bought by organizations without clear and committed development scenarios. These exceptions may become common if housing authorities face choices as public housing becomes subject to market forces.

The Bottom Line: Deteriorating real estate makes management spend much more time and money. Get an exact fix on the property you may be managing. Be sure you are prepared to cope with the level of commitment the property require.

Social Conditions

Knowing the social condition within the property and the immediate neighborhood of the property is an extremely important aspect of assessing property management options. If the social interaction around the property is healthy, the property will have a much better shot at continuing to attract good tenants.

Knowing how to assess social conditions is an art, and it gives a competitive advantage to community-based nonprofits familiar with the nuances of life in neighborhoods. Look for:

- Indicators of social condition
    - Positive: programs for children of all ages (after school, weekend trips, Halloween parties, etc.)
    - Negative: infestation by drug users (with or without evidence of police patrols)
    - Negative: people loitering on streets during working hours, indicating serious unemployment
    - Negative: debris and blight, including condemned buildings and lack of trash containers
    - Positive: organized day care
    - Positive: programs for parents and children together
    - Positive: active parent involvement in the local schools

- Indicators of tenant relations
    - Positive: organized meetings with resident involvement
    - Negative: disorganized meetings with lack of involvement or no meeting at all
    - Positive: organized social events so neighbors can meet and talk to each other
    - Positive: community beautification projects, such as planting flowers and community clean-ups
    - Negative: high turnover in tenants and on-site management staff

- Indicators of demographic trends of neighborhoods
    - Negative: vacant buildings, stable people moving out
    - Negative: area incomes lessening and the incomes more homogeneous
    - Positive: commercial and residential development
    - Positive: more homeowners fixing up their houses
    - Positive: renters maintaining lawns, gardens and yards

Many nonprofits -- including some housing producers and managers -- operate programs that alleviate bad social environments. Knowing how to make a bad situation better gives your organization a competitive advantage.

The social condition of a property can be categorized as:

- Good -- there are programs and facilities for children, landscaping is maintained, no trash on the grounds, and no evidence of drug use or sales.
- Fair -- some programs and facilities, grounds show wear and abuse, and small evidence of drug use or sales.
- Poor -- significant evidence of drug use and sales, loitering, significant evidence of blight and debris.

Assessing the <u>expected</u> social conditions around properties that are in your organization's development pipeline requires an exceptionally clear crystal ball. There is a high level of uncertainty when judging exactly how drugs, crime, and unemployment will come into play at a specific address in two or three years or whether effective social programs will exist to help ameliorate bad conditions. <u>Expect the worst</u> when assessing your property management options, and you won't face the horror of trying to management a property without having the time, money or skills necessary to stop a bad situation from getting even worse.

> **The Bottom Line**: carefully assess the actual social conditions around your properties. This is where your community base can give you a competitive edge.

Present Management

Evaluating the current management at housing units owned by a nonprofit organization is a necessary step in an overall evaluation of property management options. Current management sets the stage for new management. Tenants will have expectations of the types and levels of services, based on current performance. This can provide new management with a most desirable honeymoon period, if tenants are not satisfied with the current company, that can give your organization the time to climb a learning curve and work out kinks in service delivery. Conversely, new management -- even by a benign nonprofit organization -- will result in changes in day to day patterns and practices for tenants. People are hesitant to accept change, unless they perceive current conditions are dire.

Present management will be the source of critical information you will need to assess the options for the property. They should be able to tell you the specifics of rent collections, delinquencies, maintenance requests, capital investments, and other critical or important details.

Tenant satisfaction with existing management can be measured in two different ways. The first is whether tenants are voting with their feet: higher than expected turnover in rent rolls, or lower than desired reporting of minor maintenance items. High attendance at tenant organization meetings and secret meetings without management involvement can indicate tenant hostility toward current management. The second measure is what the tenants say about management, in formal surveys or informal chatting.

Use caution when assessing existing management at severely dilapidated properties not yet owned by your organization. In some properties, management has given up. Maintenance needs are allowed to go unnoticed, and trash is not collected regularly. While many tenants would welcome new management with open arms, other tenants -- having gotten used to not having their rent collected regularly, or not being stopped when violating other rules -- may not be so amenable to change.

Current management may be provided by an outside company, self-management by residents or a mixture of the two. In any case you need to assess how the services rate with the existing tenants. Present management will be:

- Good -- tenants generally satisfied with services, no unusual utility, maintenance or rent collection problems
- Fair -- tenant satisfaction is mixed; management has some problems with systems
- Poor -- tenants generally not satisfied with services; management has major problems with systems

The Bottom Line: tenant perceptions of current management tell you whether your management company will be welcomed with open arms or with a baseball bat.

Personnel

Good staff can make up for a lot of sins; bad staff can make even the best system dysfunctional. Staff for property management companies need to be detail-oriented; staff with tenant contact should be people persons. Necessary staff for a nonprofit property management company are:

- One **property manager** who will oversee all aspects of the operations. The property manager needs a good understanding of the real estate and people aspects of the managed properties, as well as the necessary management systems. The property manager, as CEO, has to hire, supervise and train staff, understand good financial management and controls, and be able to talk to and work with a board and parent company. Along with these skills, your property manager should understand how to translate your organization's philosophy for good, people-oriented property management into various operations;

- One **on-site manager** for each large site of 100 units or more. The on-site manager will be responsible for the daily operation of the property, from collecting rents to assigning and monitoring maintenance duties. The on-site manager will need to understand, manage and adapt management systems, as well as understanding tenant interests and the importance of retaining good tenants. The on-site manager will enforce the rules, among staff and residents, needed to govern and operate the property;

- One **bookkeeper** who will maintain the financial records essential for good financial management and reporting. The bookkeeper should have some background in accounting and be bondable. The bookkeeper needs to be comfortable with, and have skill levels compatible with, the property management and financial management software used by the company;

- One **clerical staff** who can help with recordkeeping and the ongoing operations of the company;

- One **maintenance coordinator** who will be responsible for keeping the properties in a condition appropriate for the amenities and rent levels of the market. The maintenance coordinator will tend to do more maintenance when fewer properties are managed, while arranging and supervising the work of others when more units are managed. The maintenance coordinator will need to understand the properties, their maintenance and capital replacement schedules, and how to manage a staff and work with outside contractors;

- **On-site maintenance personnel** will be responsible for most maintenance activity on larger properties or inventories of scattered-site units. One on-site person is needed for each 50 units at a single site, or each 30 units scattered site. Maintenance not done by in-house personnel can be done by other professional companies, through ad-hoc or component service contracts;

- One **social service coordinator** is needed by many nonprofit management companies dealing with troubled properties or special-needs populations. The social services coordinator can help to bring day-care facilities to a property, arrange for transportation to a job site, or help seniors find organized daily activities. This position can underscore the difference between your management company and others in the area.

Using current personnel beyond their current use is highly risky, for both the new property management business and your other operations, for three reasons:

- Not enough time in the day -- competent personnel at most nonprofits are already stretched thin. Inevitably, adding new duties means some neglect of prior duties. Analyze carefully whether your construction specialist, for example, will be able to spend the necessary time as maintenance coordinator of the new property management operation without giving up other essential activities;

- Not the right person for the job -- good property management requires different skill sets than for other nonprofit operations. Your receptionist who is so good over the phone may not react as well to the constant personal visits of tenants with minor emergencies. Sometimes people are selected to do a job because of convenience, not skills, and sometimes that doesn't work out;

- Not enough start-up time -- the new business requires training in new systems and even before building the new systems. It requires constant coordination among off-site and on-site staff. Personnel will need time to create, learn, and settle into their new jobs, time that may be neglected if you intend to shift people from their current positions.

The Bottom Line: good property management staff will share the philosophy of the parent nonprofit when staff members skills are matched with the right task.

Systems

Good property management is all about systems. Property managers do some tasks over and over again: repairing window screens and taking in monthly rent checks and verifying household incomes. ***Systems*** are processes -- sometimes automated, sometimes not -- that permit you to be as efficient as possible when accomplishing these tasks. The financial management system, for example, a system needed by all property managers, tells you whether you can accept rent payments in cash or check, how to record the amount so that you'll be able to retrieve the information whenever you need, in the appropriate format. With a system in place, you don't have to recreate a wheel each time you want to get rolling. The more systems you can have in place before you start -- standing alone, fully ready to operate -- the better.

Some systems used by a new property management organization should be consistent with the systems used by the organization as a whole. In particular, financial management and personnel systems should mesh. This may be an opportunity for an organization wide upgrade of those systems.

The systems you would need to manage well include:

Financial management, incorporating bookkeeping, accounting and reporting, usually done through computer software that also includes tenant management, as well as written manuals that describe accounting and collection procedures;

Tenant management, usually using computer software that includes unit rents, rent discounts, tenant payment histories, lease periods, and income eligibility calculations, as well as written procedures or manuals for marketing, tenant selection, evictions, tenant rights and responsibilities, and the provision of supportive services;

Real estate management, including written procedures or manuals that define maintenance and capital replacement schedules;

Personnel management, including written job descriptions, and written descriptions of employee benefit packages, grievance procedures, and rights and responsibilities.

You're best off assuming that the new property management department will require entirely new and separate systems and computer capabilities. While your current organization undoubtedly has computer hardware and software, using them for property management may strain the existing systems so that they cannot readily perform other tasks. New software may not have good marriage with current systems and hardware. And if your property management can't support the expense of computers and software your margins are just too tight.

The Bottom Line: systems are the backbone and skeleton of a property management operation. The capacity of your systems will define how big you can grow.

Financial Analysis

Attached are six charts that cover the financial analysis of a start-up property management business. These charts are:

- start-up budget
- start-up budget assumptions
- operating budget
- operating budget assumptions
- personnel schedule
- cash flow projection

These charts show the estimated start-up capital, capitalized expenses and operating expenses, stabilized operating expenses and incomes, personnel requirements and costs, and cash sources and uses during start-up and operations for a new property management business. Key assumptions for this analysis are:

- ***The business will be managing 400 units*** within six months of initial start-up. Management fees from this number of units provides slightly more than break-even income.

- ***The business will be a true start-up*** -- the ticker begins when the property manager is hired. This person, the chief executive officer, will then spend the next four months hiring other staff, setting up an office, setting up all necessary systems, and training the staff in operating the systems. Costs of this business will not be shared with the parent organization.

- ***Initial working capital will be required*** -- the business will lose money in its initial year (at least), while start-up operations are being done and the portfolio increased.

- ***On-site management and maintenance will be covered in the property budgets*** -- on-site personnel are necessary in managing a sizable number of units. The financials presented here, however, cover only the administrative (central office) costs of the business. On-site costs including the costs of social service coordination should be line items in the budgets of the properties being managed.

Property Evaluation Check List

The following check list is to be used to prevent affordable housing owners from allocating long hours of research to the prospective idea of managing their portfolios and also to help the nonprofit housing industry as a whole to better focus its talents in a more usable friendly area of management, managing the management company rather than thinking about managing yourself.

QUICK CHECK

Check the answer that best identifies your operation.

1. Current management used	Poor	☐	Good	☐
2. Looking for a new source of revenue	No	☐	Yes	☐
3. In-house staff capacity and knowledge of management	Good	☐	Poor	☐
4. Number of units owned/managing .... 500 units	more	☐	Less	☐
5. Are your units concentrated in a one mile radius	Yes	☐	No	☐
6. Units condition/are more than half of your units conditions (See Physical Condition page #4)	Good	☐	Poor	☐
7. Are the majority of your units in a community rated	Good	☐	Poor	☐
8. Is your computer system powerful enough to support software for in-house property management	Yes	☐	No	☐
9. Strong infrastructure and internal systems	Yes	☐	No	☐
10. Do you have a $100,000 plus for start-up	Yes	☐	No	☐
11. Are good management companies available	No	☐	Yes	☐
12. Can your present staff support the added work to manage	Yes	☐	No	☐
13. Is your staff trained to management	Yes	☐	No	☐
Total each columns:	______		______	

If the left column is above 50% of the total, further evaluation should be considered before your final decision is made. However, if the right column is above 50% of the total, than time can be saved by not pursuing for additional information towards managing at this time.

Asset Management Outcomes Logic Model

Asset Management Outcomes		Process			Roles	
Outcomes	Indicators	Activities	Timing	Frequency	Who is Accountable	Other Relevant Persons
Financial Management						
Mission/Housing Objectives						
Compliance/Reporting						

Asset Management Outcomes		Process			Roles	
Outcomes	Indicators	Activities	Timing	Frequency	Who is Accountable	Other Relevant Persons
Physical Condition						
Long-Term Portfolio Management						
Residents/Neighborhood Confident In Project Safety						
Commercial Property Financially Performing						

Term	Definition
Additional Low-Income Housing Commitment	The specified percentage of housing units that are both rent restricted and occupied by residents whose Income is at or below 50% of the Area Median Gross Income
Additional Low-Income Housing Use Period	With respect to a building, the period of *X* years beginning immediately following the end of the compliance period.
Adjusted Income	The adjusted gross income of all households which intend to occupy one residential unit, as calculated under the U. S. Department of Housing and Urban Development ("HUD") rule for such calculation, as amended from time to time.
Allocation	Maximum amount of credit available to the project as a result of an allocation of credit by the Funder, which will be apportioned to each qualified building at the time such building is placed-in-service.
Allowable Rent	The amount charged for a designated unit, which amount may not exceed 30% of the imputed income limitation applicable to such unit as determined annually by HUD using calculations based on the most recent fair market rents for the Portland-Vancouver-Beaverton, OR-WA Metropolitan Statistical Area. If the tenant separately pays utilities, then the maximum allowable rent shall be adjusted downward by the applicable utility allowance. For units with Project-Based Section 8 vouchers, the maximum allowable rent shall be determined by the formula set by the Housing Authority of Portland for Project-Based Section 8.
Annual Adjustment Factor	Section 8 of the U.S. Housing Act of 1937 provides for annual rent adjustments for housing units assisted under this section. HUD develops the rent adjustment factors, called AAFs, on the basis of Consumer Price Index (CPI) data on changes in residential rent and utility costs.
Annual Compliance Monitoring Fee	Annual fee imposed by the Funder on the Owner of a project for monitoring of its compliance with the Internal Revenue Code, the Tax Credit Program, the Credit Reservation and Carryover Allocation Contract (RAC) and the Extended Use Agreement.
Asset and Property Management Plan	The document submitted by Borrower, and approved by Lender, which defines the goals of the Borrower in developing the project, including general strategies that will be employed in pursuit of long term goals.
Capital Contribution	The total amount of money or the fair market value of other property (net of liabilities thereon) contributed or agreed to be contributed, as the context requires, to the Partnership by each Partner pursuant to the terms of the Regulatory Agreement. Any reference to the Capital Contribution of a Partner shall include the Capital Contribution made by a predecessor holder of the Interest of such Partner.
Carryover Allocation	An allocation pursuant to a Carryover Allocation Contract which is made with respect to a building or project pursuant to the Extended Use Internal Revenue Code.
Carryover Allocation Contract	An agreement entered into between the Owner and the Funder
Commitment Letter	That certain commitment letter dated *Some Date* , from Lender to Borrower relating to the Loan.
Consolidated Plan	A document written by a state or local government describing the housing needs of the low- and moderate-income residents, outlining strategies to meet these needs, and listing all resources available to implement the strategies. This document is required in order to receive HUD Community Planning and Development funds.
Credit Reservation	The reservation of a maximum amount of credit out of the credit ceiling to the project which will be availabel for allocation to such project and apportioned to each qualified building upon meeting the requirements of the Tax Credit Program and section 42 of the Internal Revenue Code. Note: a credit reservation is generally not granted if the project is a Qualified Tax-Exempt Bond-Financed project.

*Definitions adopted from HUD User website, OHCS Regulatory Agreements, and typical loan documents.

Term	Definition
Data Set	Electronic data sets maintained and available via HUD USER. Consists of American Housing Survey, HUD median family income limits, housing discrimination, HUD-insured multifamily housing stock, and public housing population information.
Development Agreement	The Development Agreement between the Partnership and the Developer relating to the development of the building(s) and providing for the paymen tof the Development Fee in accordance with the Limited Partnership Agreement.
Development Fee	The fee payable by the Partnership to the Developer pursuant to the Limited Partnership Agreement.
Equity Gap Agreement	The Equity Gap Agreement executed by Borrower and Lender in connection with the Loan.
Equity Gap Contribution Agreement	The Equity Gap Contribution Agreement executed by Borrower and Lender in connection with the Loan.
Extended Low-Income Housing Use Period	The period beginning with the first day in the compliance period in which such building is part of a qualified low-income hosuing project and ending on the date thirty years thereafter, unless terminated earlier under the provisions of the Extended Use Agreement.
Extended Use Agreement	The agreement entered into between the Partnership and the Agency (to be in effect on or before the end of the first taxable year in the 10-year Low-Income Housing Tax Credit period) providing for an "extended low-income housing commitment" as required pursuant to Section 42(h)(6) of the Internal Revenue Code.
Fair Market Rent (FMR)	Primarily used to determine payment standard amounts for the Housing Choice Voucher program, to determine initial renewal rents for some expiring project-based Section 8 contracts, to determine initial rents for housing assistance payment contracts in the Moderate Rehabilitation Single Room Occupancy program, and to serve as a rent ceiling in the HOME rental assistance program.
Fair Market Value	The amount of money that would probably be paid for a property in a sale between a willing seller, who does not have to sell, and a willing buyer, who does not have to buy
HUD Metro FMR Area	Indicates that only a portion of the OMB-defined core-based statistical area (CBSA) is in the area to which the income limits or FMRs apply.
Income Limit (IL)	Determines the eligibility of applicants for HUD's assisted housing programs.
IRS Form 8609	The Internal Revenue Service form titled "Low-Income Housing Credit Certification" issued with respect to a qualified building no later than the end of the calendar year that such building is placed-in-service.
Limited Partner(s)	The Investment Partnership and the Special Limited Partner, or any other lImited Partner in such person's capacity as a limited partner of the Partnership.
Loan Documents	The Loan Agreement, the Note, the Trust Deed and any other agreement executed by Borrower and Lender in connection with the Loan.
Loan Period	The period beginning on the first day after the Loan Agreement is executed and ending on the Maturity Date.
Low-Income Housing Tax Credit (LIHTC)	A tax incentive intended to increase the availability of low-income housing. The program provides an income tax credit to owners of newly constructed or substantially rehabilitated low-income rental housing projects.
Median Family Income (MFI)	The median gross income for the Portland, Oregon metropolitan statistical area as calculated in a manner consistent with the determination of median gross income for such area under Section 8 of the United States Housing Act of 1937, as amended (or, if such program is terminated, under such program as is in effect immediately before such termination).
Minimum Low-Income Housing Set-Aside	The minimum percent required under Section 42(g) of the Internal Revenue Code of housing units in the project to be both rent-restricted and occupied by residents whose income is at or below a certain percentage of Area Median Gross Income.

*Definitions adopted from HUD User website, OHCS Regulatory Agreements, and typical loan documents.

Term	Definition
Noncompliance	A failure to observe or perform any covenant, condition, or term of an agreement or the Credit Reservation and Carryonver Allocation Contracts, or a failure to meet the requirements of the Tax Credit Laws, the Policies, or the Tax Credit Program.
Note	That certain promissory note of even date executed by Borrower in favor of Lender and evidencing the Loan.
Partnered Service Provider	An identified organization that enters into an agreement with Owner to identify and recruit prospective Qualified Tenants for the project, and to provide appropriate and on going services to the Qualified Tenants as needed to maintain their housing stability. In some cases, the Partnered Service Provider and the Owner may be the same agency.
Partnered Service Provider Agreement	A signed agreement between the Owner and the Partnered Service Provider, and approved by BHCD, that includes (a) a definition of the specific target population for the project; (b) a service plan that addresses the needs of the target population; (c) a tenant placement plan specifying number of PSH Units reserved for service provider's right of first refusal and the process for filling those units; and (d) the term of agreement. The Partnered Service Provider Agreement (PSPA) will be signed on or before the certificates of occupancy for the project are issued. If Owner is acting as the Partnered Service Provider, it shall provide the information required in the PSPA to BHCD and PDC.
Permanent Housing	Housing with no limit on length of stay and no requirement that tenants move out so long as the tenant(s) is in compliance with their lease and the terms of the restrictive covenants applicable to the unit.
Permanent Supportive Housing (PSH)	A unit of Permanent Housing that is: (a) subject to restrictive covenants requiring that the unit be affordable to single individual households with incomes at or below 30% MFI or multiple individual households below 50% MFI, as defined by HUD and the restrictive covenants applicable to the unit; (b) with supportive services from a Partnered Service Provider, as defined in the Partnered Service Provider Agreement; and (c) as provided in the Agreement, occupied by a person who is, or was at the time of initial occupancy of the unit, a Qualified Tenant.
Placed in Service	a) for a new building or existing building, used as residential rental property, the date on which such building is ready and available for its specifically assigned function as evidenced by a certificate of occupancy or, b) for rehabilitation expenditures that are treated as a separate new building, the twenty four month period over which such rehab expenditures are aggregated
Proforma	The projection of project operations, over time, including analysis of use of cash flow and projected return on investment
Public Subsidy	Any government-sponsored credit, funding, or abatement, including but not limited to: loans; property tax or assessment abatements, credits, or reductions; taxable or tax exempt bonds; or grants including fee waivers.
Qualified Tax Credit Building	A building which meets the terms, conditions, obligations and restrictions of the Tax Credit Program, the Credit Reservation and Carryover Contract (RAC) of the Regulatory Agreement and Section 42 of the Internal Revenue Code for an allocation and the IRS Form 8609.
Real Estate Assessment Center (REAC)	Provides and promotes the effective use of accurate, timely, and reliable information assessing the condition of HUD's portfolio. REAC also provides information to help ensure safe, decent, and affordable housing. It is designed to restore the public trust by identifying fraud, abuse, and waste of HUD resources.
Regulatory Agreement	Any applicable Regulatory Agreement executed by Borrower and Lender in connection with the Loan.
Restriction Period	A period beginning on the first day after the Regulatory Agreement is signed, and ending on the latest of (i) *X* years after the execution date of the Agreement, or (ii) the date upon which any form of Public Subsidy to the project ceases

Term	Definition
Reserve Agreement	The Replacement Cost and Capital Improvement Reserve Agreement executed by Borrower and Lender in which Borrower agrees to establish and maintain a Replacement Cost and Capital Improvement Reserve Account ("Reserve Account").
Sources and Uses of Funding Budget	The amounts and sources of all funding for the development of the project and the loan budget approved by Lender in writing, as the same may be revised from time to time with the written consent of Lender.
Substantial Completion	The later of: (i) substantial completion of the entire Apartment Complex, as certified by the architect of the Apartment Complex, or (ii) the date that the Partnership receives all necessary certificates of occupancy (including temporary certificates of occupancy) from the applicable governmental jurisdiction(s) or authority(ies) for one 100% of the apartment units in the Apartment Complex.
Supportive Services	Comprehensive services offered to residents for the purpose of enhancing the residents' ability to meet the conditions of tenancy and achieve housing stability. Supportive services must be tailored to address the specific needs of each individual tenant. These services may be provided directly by the Partnered Service Provider or by arrangement with other service providers, with coordination and oversight provided by the Partnered Service Provider.
Tax Credit Compliance Period	The initial 15-year Low-Income Housing Tax Credit compliance period applicable to each building in the Apartment Complex, beginning with the first taxable year in which such building is placed in service or, at the election of the Partnership, the following taxable year.
Tax Credit Guaranty Fee	The fee payable to the Guarantors pursuant to the Tax Credit Guaranty Fee Agreement dated as of *Date* [different for each project] between the Partnership, the Guarantors and the Investment Partnership.
Tax Credit Guaranty Fee Period	Period begins to cumulate upon Substantial Completion and shall be earned only through the end of the Tax Credit Compliance Period. (Tax Credit Guaranty Fee Agreement, Section 1)
Trust Deed	That certain line of credit trust deed, security agreement, fixture filing, and assignment of leases of rents of even date herewith executed by Borrower, as Grantor, in favor of Lender, as Beneficiary, encumbering the project and securing the Loan.

Asset Management Data Map

SEARCH	Partnership Agreements	Loan Documents	Regulatory Agreements	Budget	Program Guidelines	Subsidy Guidelines	Subsidy Contracts	Title	Ground Lease	Marketing Plan	Operation and Investment Pro Formas
STRUCTURE OF OWNERSHIP DOCUMENTS	X										
Ownership Relationships											
-General Partner, Co-General Partner											
-Managing General Partner											
-Limited Partner											
-Special Limited Partner											
-Successor Partners: Residents											
Owner Liabilities, Warranties and Risk	X										
-Construction											
-Compliance											
-Recapture											
-Loan Guarantees											
-Operating Deficit Loans											
-Investor Losses											
-General Liability											
-Fiduciary Responsibilities											
Ownership Fees and Incentives	X										
-Pre-paid fees in basis											
-Fees in budget											
-Fees paid from cash flow											
-Accounting and service fees											
-Accrual of developer fees											
Capital Contributions	X										
-Timing and conditions of investor capital contributions											
-Adjusters to capital contributions (construction or lease-up delays)											
Limited Partner Rights	X										
-Approvals: expenditures; change of management agent, accountant or other key team members, etc.											
-Conditions under which General Partner can be replaced											