Best Practices in Property and Asset Management
A Study of Affordable Housing Providers in New York City
Thanks and Acknowledgements

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About Enterprise

Enterprise is a leading provider of the development capital and expertise it takes to create decent, affordable homes and rebuild communities. For more than 25 years, Enterprise has introduced neighborhood solutions through public-private partnerships with financial institutions, governments, community organizations and others that share our vision. Enterprise has raised and invested more than $10 billion in equity, grants and loans to help build or preserve nearly 300,000 affordable rental and for-sale homes to create vital communities. In New York, Enterprise has created or preserved more than 32,000 affordable homes for 105,000 people, and has raised and invested more than $2 billion to create and preserve affordable homes across the city and metropolitan area. Visit www.enterprisecommunity.org and www.enterprisecommunity.com to learn more about Enterprise’s efforts to build communities and opportunity.

About Sandra Abramson and Tem-Pro-Tech, Inc.

Sandra Abramson has more than 30 years of experience in the development, rehabilitation and management of affordable and supportive housing. She is principal of Tem-Pro-Tech, Inc. (TPT), a firm that provides consulting services to nonprofit organizations and others involved in the development and management of housing and other community facilities. TPT’s services in the areas of asset and property management include: assessing existing operations and recommending actions to increase the effectiveness of management and oversight; assessing physical plants and developing preventive maintenance and compliance plans; providing technical assistance to agencies to develop and implement asset and property management standards; creating operations manuals and operations oversight manuals; providing staff training and facilitation; and assisting groups to implement recommendations, policies and procedures.
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An affordable housing owner is responsible for both property and asset management to protect the housing asset and ensure the long-term viability of a housing portfolio. Asset management refers to oversight of the long-term health of portfolio assets, while property management refers to day-to-day management of properties. Effective structures and processes for both property and asset management are vitally important to preserving the quality and financial viability of affordable housing. In today’s challenging economic climate, with some building costs on the rise and tenants facing income challenges, effective property and asset management are more important than ever.

Enterprise Community Partners (“Enterprise”) engaged Tem-Pro-Tech, Inc. (“TPT”) to study the property and asset management activities of affordable housing developers, owners, and managers in New York City, and document successful practices and their outcomes. Enterprise’s goal is to share best practices and help affordable housing providers make informed decisions about the management of their properties.

This report describes several different models for managing properties – from self-management, to third-party management, to hybrid structures blending the two. It identifies best practices for property and asset management that are designed to maximize both short- and long-term effectiveness, and provide tools for the improvement of property and asset management operations. It also outlines several basic principles of organizational effectiveness that should be observed in order to build successful property and asset management structures.

Broadly, successful property and asset management requires that owners of affordable housing properties manage the manager of their properties – whether third-party or internal management staff. To effectively manage managers, owners must set both short- and long-term goals, let the manager know their expectations, and oversee the manager’s performance, through reports and meetings, to make sure the property is meeting their standards.

Following is a summary of best practices in asset and property management identified in this study.
Best Practices in Property and Asset Management

- **Managing the manager** is the owner’s chief responsibility with respect to managing and protecting its assets, whether management is performed in-house or contracted with a third party.

- **Board member and senior staff involvement** in asset management is vital.

- Both the owner and manager must have **clear and effective systems** in place to run their buildings and their operations.

- Relevant staff must have **quick and easy access to asset and property management information**, as well as basic property information.

- For each property, an owner should have a **management agreement** between the owner and the manager, and a **management plan** that spells out the owner’s goals for the property.

- The owner, in conjunction with the manager, should establish **performance targets**, **risk management oversight tools**, and **approval and authorization requirements**.

- Through regularly scheduled meetings, the owner and manager should **review a property’s financial performance against budgets**.

- The owner and manager should **identify regulatory requirements** and have a **strategy for compliance** as well as for correcting violations.

- The owner needs to ensure that **all staff** – whether internal or third-party – feel they are a part of what makes a building work and that they **take pride** in that role.

- The manager should **budget annually** with an awareness of original underwriting assumptions.

- The manager should **track vacant units** and prepare them for timely re-occupancy.

- The manager should **use tools to select good, rent-paying tenants**, e.g. credit reports, criminal reports, and legal histories.

- **Ongoing communication between management and tenants** must be maintained.

- The manager should **adopt green practices** as a way to be environmentally conscious and reduce costs.

- The manager should ensure that the **maintenance staff is the eyes and ears** of the buildings.

- The manager should **train and retain staff** to create a stable, well maintained and well managed property and portfolio.
Introduction

Enterprise has long recognized that preserving the quality of affordable properties and managing complex regulatory requirements can often be just as challenging as building the affordable housing itself – if not more challenging. In the current economic climate, with tenants facing income challenges and some building operating costs on the rise, Enterprise is especially committed to ensuring that property management staff and affordable housing owners maintain the health of the affordable properties they have helped to create.

Enterprise engaged Tem-Pro-Tech, Inc. ("TPT") to conduct a study of effective asset and property management practices by surveying and interviewing seven of its developer/owner and property management partners (Appendix 1). Enterprise sponsored the study with the purpose of helping its partners make informed business decisions regarding the daily management of properties and portfolios.

The specific goals of the study were to:

- Identify how the organizations functioned as asset and property managers
- Identify best practices in the field of property and asset management
- Identify additional best practices that the organizations were following, if any
- Determine the necessary actions for owners to maximize their bottom line while providing effective management to their properties
- Use these findings to provide direction to owners about their options for management, i.e., self-management, third-party management or a combination of the two

TPT solicited information from five affordable housing developer/owners, all of whom were general partners of limited partnerships with numerous Low-Income Housing Tax Credit (LIHTC) properties. Four of these five partners were nonprofit organizations: Asian Americans for Equality, Inc. (AAFE); CAMBA; Palladia, Inc.; and VIP Community Services. One was a for-profit organization, Bronx Pro Real Estate Management, Inc. Of the four nonprofits, one fully self-manages its properties, two have third-party managers, and the fourth mixes the two but is transitioning to self-management. Three of the nonprofits had also developed supportive housing projects. The for-profit owner manages its properties, as well as those of other owners.
To gain a broader perspective, TPT also interviewed two for-profit property management firms: Lemle & Wolff, Inc; and the Wavecrest Management Team, Ltd. These firms each manage thousands of units in many types of properties, including LIHTC-financed and other government-financed properties, co-ops and condominiums, and for-profit rentals.

TPT developed two tools, a survey and an interview format, designed to gain as much information as possible from the study participants. The participants completed the survey (Appendix 2) prior to being interviewed by TPT. Generally, a senior organization representative coordinated the completion of the survey, since the detailed nature of the questions typically required the participation of several staff members.

Once TPT reviewed the completed surveys, it scheduled interviews with representatives of each organization. While the survey focused on the overall structure and functioning of the partner, the interviews were more personal and designed to capture multiple perspectives. The interviews were structured to capture a sense of the individuals who were responsible for the day-to-day management, oversight of the manager, and the asset management functions. They also captured the partners’ missions, both generally and in relation to their property management. Questions focused on the effectiveness of the management operation, whether the groups had developed and implemented property management standards, and if so, what these standards were. Finally, TPT was interested in interviewees’ perceptions of which strategies were successful and which could be improved.

It is widely acknowledged that efficient self-management relies on an appropriate scaling of operations. One question unaddressed by this report is the minimum number of units required to support cost-effective self-management. Estimates vary, ranging from 500 to 1,000 to 1,500 units.

Finally, this report does not address the details of physical building maintenance practices. Rather, we focus on the organizational systems in which these practices take place.
Owners of any residential property must engage in two distinct activities to ensure that the properties remain profitable, safe and secure: they must oversee the property’s day-to-day management (property management) as well as ensure the asset’s long-term health and financial viability (asset management).

**Asset Management**

In a paper out of Harvard’s Joint Center for Housing Studies, Marc Diaz describes asset management as “the long-term financial stewardship of [their] properties,” which is necessary to ensure there is long-term cash flow that will fund capital needs and reserves to maintain the property as affordable, safe, and secure. Without an asset management plan and perspective, it is “hard to satisfy long-term goals when focused only on immediate needs and goals.”

Managing the assets includes, among other activities, the owner overseeing the property manager, whether property management is performed in-house or contracted to a third party. The owner must set up the structure it will use to guide the property manager and achieve effective oversight. Effective oversight does not require “micro-management” of the manager, but rather requires two documents to guide a manager’s activities: a management agreement between the owner and the management entity, and a management plan that delineates specific property goals. Of even further use to owners is an asset management plan that spells out long-term goals to ensure the housing portfolio remains in good quality, financially viable, and sustained over the long term.

The owner must engage in the following activities.

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<thead>
<tr>
<th>Asset Management Tasks</th>
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<tbody>
<tr>
<td>1. Create clear and concise performance targets</td>
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<td>2. Prepare asset management tracking materials</td>
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<td>3. Create performance monitoring plan and schedules</td>
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<td>4. Create risk management oversight tools</td>
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<td>5. Establish approval and authorization requirements</td>
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<td>6. Monitor performance against targets</td>
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<td>7. Hold regularly scheduled meetings with manager</td>
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<td>8. Perform quarterly/semi-annual property inspections</td>
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<td>9. Perform annual evaluation of property manager performance</td>
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<td>10. Review and approve budgets, purchases above a predetermined level, and reports to third parties</td>
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**Property Management**

Owners may choose to manage properties themselves or to hire a third-party manager to perform day-to-day property management tasks. Some owners choose a third option utilizing a combination of internal and external property managers. In this structure, the owning entity’s staff generally performs tasks involving direct resident interaction – marketing, leasing, collecting rent, and enforcing the lease – while a third party performs “back-office” tasks – managing finances, bookkeeping, managing personnel, and providing maintenance services. Supportive housing organizations also provide direct social services to tenants, including case management.
Whatever structure the owner chooses, it is important for the owner to coordinate with all partners and funders involved to ensure that the selected structure meets the needs of the properties.

In this model, multiple staff members touch multiple buildings, leaving tenants without any one primary contact to reach the management staff. Instead, tenants call a management office number and are directed to the relevant staff member depending on their particular need. With the complexity of tasks involved, staff must be conversant with and trained in the requirements of their specific roles. While there is no continuity for the tenants in this structure, they are more likely to work with a staff member trained to handle their concerns.

The second and less common organizational structure uses generalists to be the tenants’ main contact as well as to handle certain management functions. Specialized staff workers then handle more specific tasks—including finance, certifications, and maintenance. While tenants usually sense more continuity with this model, its major weakness is the possibility of a scenario in which a sole individual retains a specialized expertise such that the manager becomes incapable of providing the same quality of service without that individual expert. Furthermore, though the generalist will have a holistic understanding of a particular building and its tenants, a generalist property manager will rarely be able to perform all the required tasks for effective property management. AAFE currently uses a modified version of this structure but is moving towards a more functional structure as the daily tasks become more complex.

Whichever model the manager uses, it is critical to have all staff buy in to the overall bigger picture. This includes involving building superintendents in the budgeting process and sharing with them income and expense reports.

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**Property Management Tasks**

1. Manage the overall finances: planning, budgeting and audits, financial reporting, accounts receivable and payable, and purchasing
2. Market and lease vacant units in a timely manner that complies with government requirements
3. Collect rent, including any necessary legal actions
4. Enforce the lease and ensure tenant compliance with its requirements
5. Communicate with tenants
6. Maintain properties regularly, respond to tenant complaints, provide preventive maintenance and security, and comply with regulations concerning the physical plant
7. Manage personnel issues
8. Manage risk and comply with required government and owners’ reporting

In general, property managers utilize one of two basic organizational structures. In the first, property management staff is divided by functional tasks. This structure is currently used by most survey respondents, including Lemle & Wolff, the Wavecrest Management Team, Palladia, and Bronx Pro. In the functional model, staff coordination is essential and is achieved through regular meetings involving all parties as well as a standard reporting system. In this model, “the building is the center with all around; everything depends on communication.”

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Best Practices in Asset and Property Management

Following are the best practices in asset and property management that emerged from discussions with the study participants. The practices of these organizations echoed many of the best practices that the real estate industry has identified. 4

Financial Practices

A property’s budget provides yearly estimates of income and expenses, but it also incorporates the underlying standards that govern the budgeting process. For example, a budget is based on the assumptions of rent collection and occupancy level that the property will achieve. The surveyed organizations budget annually with an awareness of original underwriting assumptions. As general partners in LIHTC limited partnerships, they recognize that the limited partners made their investments based on these assumptions. Each manager reported keeping careful records of income and expenses on a computerized system. They regularly report their financial performance against budgets and then share the information with relevant staff and board members. In this way, managers identify when buildings are not meeting performance targets so that they may make appropriate modifications. If a property’s income is less than budgeted, for example, higher vacancies or longer periods of vacancy can be the cause. The manager could respond by adjusting the way it responds to vacancies, including adjusting the time limits on vacancy preparation or methods of identifying applicants for vacancies.

Regarding expenses, Bronx Pro recognized early on that in order to control its expenses, it had to control its purchasing practices. 5 Specifically with relation to utilities, Bronx Pro analyzed its expenses and took steps to get the lowest prices from suppliers. To reduce energy usage, Bronx Pro also installed a highly sophisticated computerized control system designed by Optimum Applied Systems (OAS) to control its boilers remotely. Bronx Pro staff also monitors and analyzes usage to identify where it can reduce these costs. Not only is this an example of a green practice that reduces energy usage, but it is also a best practice designed to reduce property costs and increase cash flow so that funds are available for improvements in the short- and long-term.

While others may not have the financial capacity to install OAS, they can still monitor their properties’ energy costs on a regular basis. The managing entity can have its own staff track energy usage, or they can work with the utility companies to track usage. They can compare their energy usage with that of similar properties and assess whether it would be efficient to install energy-saving devices or equipment.

Occupancy, Marketing and Leasing

Leasing and marketing are more complicated in LIHTC properties than in non-regulated projects. Owners are highly cognizant of the implications of non-compliance, and they routinely identify all applicable regulations and ensure compliance for each vacancy. Some use forms or spreadsheets for tracking the regulations on each unit 6 from the initial rent-up, while others keep the regulatory agreements on hand as constant references. 7 Some do both.

All agreed that even one 8823 form, which identifies an event of non-compliance in a LIHTC project, is one too many. One partner went so far as to say, “we never get them, and if we do, we get rid of them immediately!” 8 A standard of zero tolerance and effective oversight and reporting procedures can help all organizations achieve this record.
All responders stated that they **track and prepare vacant units for re-occupancy on a timely basis**, as well as continuously conduct outreach to secure and maintain a supply of applicants. All also perform **credit, criminal and legal checks** in attempts to screen tenants within regulatory guidelines.\(^9\)

**Occupancy Best Practice: Track and prepare vacant units for re-occupancy on a timely basis**

For supportive housing projects, applicants must be ready for independent living and able to live at the level of services provided by the residence.\(^10\) Because of their structure and mission, supportive housing providers have a joint selection process that involves both property management personnel and social services staff. Some other organizations surveyed have joint selection process as well; for example, AAFE has a Tenant Selection Committee comprised of senior staff that keeps attention away from the property management staff and, they believe, ensures a fairer result.\(^11\)

**Rent Collection**

Rental income is the lifeblood of a residential property. Without it, there is no money to pay for fuel, utilities, supplies, personnel, insurance, and other critical needs. All responders discussed the various steps they take to maximize rent collection. For Bronx Pro, rent collection is a main topic of the regular meetings between staff and third-party managers and is a key element of the “report card” used to track metrics.

Effective tenant selection can often ensure successful future rent collection. While legal actions for non-payment are a basic tool of rent collection, most managers and owners discussed being **flexible when necessary regarding rent issues**, as “it is expensive and difficult to evict non-paying tenants.”\(^12\)

For supportive housing providers, rent collection has an extra layer of complexity. Since rent payment can be a sign of an individual’s ability to live independently, providers need to assess why a tenant is not paying rent. Though service staff who work with residents as clients can help answer this question, property management staff work with the residents as tenants, and must be more concerned with the property’s bottom line. Supportive housing providers thus need to separate out the functions of social services staff from property management, since they “can’t be chasing after a tenant for rent money and then come back to work on parenting skills.”\(^13\) The boundaries are not clear, however; as one supportive housing staff member said, “If tenants don’t help themselves, they must move on.”\(^14\)

**Resident Relations and Lease Enforcement**

To maintain good relations with tenants, managers must **be clear what is expected of the tenant and of management** from the beginning of a tenancy. Owners and managers accomplish this by hosting orientations for new tenants and by providing tenant manuals or orientation materials. For example, CAMBA’s third-party manager uses a manual that describes property policies and procedures, how tenants can comply, and how to use each unit’s equipment.\(^15\)

**Resident Relations Best Practice: Maintain ongoing communication between management and tenants**

A second strategy for maintaining good relations is **ongoing communication between the management and the tenants**. Toward this goal, one organization is in the process of installing electronic bulletin boards in lobbies for both program and tenant announcements.\(^16\) An organization’s social services staff, regardless of whether the project is supportive
housing, can act as the conduit for tenant-management communication since they know what is going on with tenants and can provide assistance. However, the tenant must want to access the assistance; management cannot force them to take advantage of it.17

In supportive housing, the situation is made even more complex by residents’ dual roles as tenant and client. A provider is more effective in achieving stability when a tenant has come out of its programs and has already had experience with its mission and operations. Additionally, while the social services staff can assist in creating good resident relations in a property, according to one social services staff member, the property management staff needs to understand the issues of tenants. 18

Maintenance

The surveyed owners recognize that the quality of construction and renovation materials is extremely important to the ongoing maintenance of the properties. Most owners and their architects included operations staff in the decision-making stages of design and construction, specifically to provide insight on which materials would be operations-friendly. In similar efforts, owners have also recently incorporated green elements in both building systems and materials, including green roofs, computerized HVAC systems, low-VOC paint, and low U-factor windows.19

During the operations and maintenance phase, more of the owners and managers are embracing green practices to both reduce costs and be environmentally responsible. This includes taking steps such as purchasing green supplies for cleaning; replacing refrigerators and other equipment with Energy Star equipment; constantly monitoring and overseeing utility costs; and taking steps to control fuel usage through computerized systems (such as an OAS heating system).20 Other, less technical strategies include working with and educating tenants about energy savings; for example, advising tenants to report water leaks immediately and turn lights out in rooms when not in use.21 In most cases, owners choose to “go green” because either the leadership or a key employee expresses commitment to energy issues and guides the choice.

Maintenance Best Practice:
Going green is environmentally responsible and can reduce costs

All organizations participating in this study recognize the importance of building superintendents and their ability to relate to tenants. In addition to the maintenance work they do, “supers are the eyes and ears of the buildings.”22 They know the tenants and provide building security. Finding a good super is not easy – once you find one, you hold on to him or her, often through increased pay or benefits. Sometimes an owner will depend on word of mouth from other owners or even tenants; other times an owner will go through an extensive advertising and interviewing campaign. When using a third-party manager, the owner has the ability to request a change in supers if they have documented poor performance or issues that interfere with the running of the property.

Maintenance is one area in which organizations have created standards of performance outside of their underwriting. Maintenance standards typically consist of daily lists of responsibilities and how-to procedures.23 Needs are prioritized based on whether they are emergencies or water leaks, with non-emergency maintenance needs prioritized by tenant availability. All respondents have regular daily cleaning and maintenance schedules in place as well as preventive maintenance and compliance schedules. All of the buildings that TPT observed appeared to be extremely well maintained.
Personnel Management

Owners and managers recognize that a skilled, trained staff is key to success. Staff must be trained initially so that they are skilled in their functional areas, and must have the opportunity to receive ongoing training in order to keep current with best practices and regulatory requirements. Owners and managers also recognize that supervisors need training and must understand all applicable regulations in order to supervise staff effectively.

Additionally, staff must have all the necessary resources and equipment to carry out their jobs effectively. Furthermore, one interviewee stated that the staff must have values and goals that are consistent with those of the organization.24

Most organizations pay for training to keep their staff up-to-date on the key rules and regulations governing the properties. Palladia property managers, for example, attend courses to receive Registered in Apartment Management (RAM) certification. Palladia also provides $500 annually for educational opportunities as an incentive for ongoing training.25

Study participants understand the importance of retaining staff in creating a stable, well-maintained and well-managed portfolio. They provide opportunities for advancement to the extent possible.

Risk Management and Compliance

Complying with regulations and reporting requirements requires owners and managers to have systems in place. They must first identify requirements, then have a strategy for complying with them, and finally, address compliance violations quickly with minimal penalties. Effective organizations have these systems and procedures in place.

Compliance Best Practices: Track compliance against a schedule of requirements

While partnership agreements and other regulatory documents spell out minimum levels of insurance required, owners and managers are on their own when it comes to managing risk to keep properties, workers and residents safe. They need to have systems and strategies in place for tracking compliance with building and health regulations, following up on any health and safety incidents, and avoiding unsafe incidents as well as clearing up the causes of any incidents. They also need to ensure that building staff are trained and knowledgeable about handling and reporting incidents when they do occur.
General Principles of Organizational Effectiveness

In addition to best practices that are specific to asset and property management, most interviewees also agreed on other general principles of organizational effectiveness that help to promote strong asset and property management. Interviewees generally expressed the opinion that, without some or all of these elements, they would not be as successful as they are.

Leadership

Involvement of senior staff and board members is **vital** for effective property and asset management. A common trait among all of the organizations and management companies surveyed is strong leadership that clearly articulates goals and sets a high standard of performance for others to follow. Common goals expressed by leadership include “the property should look the same at Year 15 as it does on the day it opens,” and “we want the tenants to love [the building] as much as we do.” Effective leaders don’t just tell their property managers what they want the properties to look like – they conduct surprise field visits to see the conditions first-hand. They also lead by example, ensuring that the organization’s main offices are maintained as well as the properties.

According to Jim Turner, CFO of AAFE, senior level staff members can take a higher view and give a sense of direction on performing the asset management function. To be able to provide this direction, senior staff at some of the participating organizations have either already taken or plan to take courses in the asset management of affordable housing. It makes no difference whether the owner self-manages or has a third-party manager, since this is part of the asset management responsibility.

Another important aspect of leadership is having an understanding of staff tasks and participating in the difficult ones when needed. When a senior staff member baby-sits a boiler on a cold weekend because the repair company cannot come until Monday, the building superintendent sees the owner’s dedication to preserving the quality of the property and the tenants’ quality of life. Likewise, having senior staff take courses in income certification demonstrates that every member of the staff plays a part in maintaining the organization’s strong commitment to compliance with regulations.

A final aspect of leadership is fostering an environment of teamwork. According to one manager, “there is no ‘I’ in ‘teamwork’!” One owner talked about the importance of “making sure that all staff feel they’re a part of [the process] and that they take pride in their work and their building.” For several of the nonprofits, this concept of teamwork and “buy-in” extends to the board of directors and their involvement in various aspects of both development and management of the properties.

Mission Orientation

A common belief is that the major difference between for-profit and nonprofit property managers is that the former see property management as a business, while the latter are driven by their social mission. In fact, many for-profit owners and managers share the desire to achieve the double bottom line – to **make a financial profit while having a positive social impact** by providing low-income tenants a home that is affordable, safe, secure, and a source of pride. This sentiment is often the mission of both the nonprofit and for-profit entity. Goals involving the double bottom line can be articulated in various ways, e.g., “balance the mission with long-term financial viability,” and “the three pillars are: cash flow, clean, safe.” While all interviewees agreed that both goals must be present to have an effective operation, the nonprofits were very cognizant that there is a ‘delicate balance between preserving the organization’s assets and the tenants’ homes.’

Across each portfolio, some properties are in better fiscal and physical condition than others. They came out of various programs with varying levels of funding.
for development, construction and reserves. As one of the asset managers said, “the level of reserves has an impact” and, while they focus on cutting back on expenses where possible, the president makes the last call if something is vitally necessary. If resident health and safety were on the line, cash flow would “not stand in the way.”

For owners with a third-party manager, the owner needs to set the standard for balancing cash flow against the needs of the tenants. They can do this without micro-managing by setting purchasing authorization and bidding guidelines. They can also achieve a balance through meetings with managers to regularly review income and expense reports.

Clear Systems and Performance Standards
Establishing clear systems primarily consists of having operating policies and procedures in place for all aspects of asset and property management. Some organizations, however, prefer a more fluid approach, such that operating procedures change based on “what works.” These would include, for example, directions for collecting rent and following up on tenants who haven’t paid; daily, weekly and monthly cleaning schedules; preventive maintenance schedules; reporting schedules and formats; and risk management procedures to reduce worker and tenant accidents. Owners with third-party managers need to ensure that the manager’s policies and procedures meet the goals the owner set in the management agreement and plan.

Regarding standards of performance, owners and managers generally referred back to the underwriting of the development – especially rent collection and occupancy standards – as the target level of performance. Other standards were less formal and dealt with personal conduct, such as “everyone must be shown respect,” or the importance of doing something when you commit to it.

Effective Communication
Effective communication practices include having information readily available and accessible to those who need it, such as AAFE’s building profiles (Appendix 3), and the transfer of information from the development phase to the management phase, via documents like Palladia’s “deal points” memos (Appendix 4). There should be regular, ongoing and structured communication strategies, with all staff engaged in property management and fiscal tasks. According to one manager, there is “nothing that I know that I’m afraid to share with you.”

Effective communication is vital at every point, from the beginning of development, through handoff to operations and during the management period.

Regular meetings are an important tool to promote communication and foster teamwork. For example, Palladia has weekly meetings among its asset management, property management and social services staff, helping to solve problems and to reduce tensions between the different functional areas. Organizations often have standing agendas for meetings so they cover all issues, as at AAFE and Palladia. Meetings are generally based on written reports that are reviewed by senior staff and/or owners. Performance is measured against standards. Metrics are reviewed through tools such as Bronx Pro’s “report card,” which includes indicators that allow staff to see where they are and let owners know key data about building status, condition, violations, Section 8 issues, marketing, compliance and services.

In addition to having regular meetings, managers meet with owners when there are emergencies or as needed. This means picking up the phone on a daily basis, if necessary, to touch base with the third-party manager and vice versa. All of these practices result in the resolution of issues in a timely manner regardless of the property management structure used.
Effective structures and processes for both property and asset management are vitally important to preserving the quality and financial viability of affordable housing.

Affordable housing owners have several management models to choose from, including self-management, third-party management or a hybrid structure blending the two. Regardless of the model, all owners of affordable housing properties must manage their property manager by setting both short- and long-term goals, providing clear expectations and overseeing the manager’s performance. Each property should have a management agreement between the owner and the manager, and a management plan that spells out the owner’s goals for the property.

The affordable housing owners and managers participating in this study identified several categories of asset and property management best practices: financial practices; occupancy, marketing and leasing; rent collection; resident relations and lease enforcement; maintenance; personnel management; and risk management and compliance. Moreover, the owners and managers understood that the basic principles of organizational effectiveness – such as strong leadership, effective communication, clear systems and performance standards, and a desire to balance financial profit with positive social impact – are equally important to effective asset and property management.
Endnotes

1 Marc Diaz, *Assessing Property Management for Affordable Housing*, Joint Center for Housing Studies of Harvard University, 2004

2 Joe Zitolo, President and COO, Lemle & Wolff

3 Joe Zitolo, President and COO, Lemle & Wolff

4 For example, those identified in *Best Practices: Real Estate Management Service*, Institute of Real Estate Management (IREM), 2009

5 Morgan Magistro, Manager, Financial Operations, Bronx Pro Real Estate Management

6 Palladia, Inc.

7 Julie Wainsky, Director of Residential Services & Compliance, Bronx Pro Real Estate Management

8 Hsueh Yan, Director of Property Management, AAFE

9 Susan Camerata, CFO, the Wavecrest Management Team, Ltd.

10 CAMBA and Palladia

11 Hsueh Yan, Director of Property Management, AAFE

12 Susan Camerata, CFO, the Wavecrest Management Team, Ltd.

13 Lana Hallstein, Senior Director, Program Services/Housing, Palladia

14 Sharon Browne, Deputy Executive Director, CAMBA

15 *Tenant’s Handbook*, Shinda Management Corporation

16 Kelvin Murphy, Director of Property Management, Palladia

17 Julie Wainsky, Director of Residential Services and Compliance, Bronx Pro Real Estate Management

18 Lana Hallstein, Senior Director, Program Services/Housing, Palladia

19 Palladia’s Fox Point and Bronx Pro’s 1085 Washington are examples of this incorporation of green elements

20 Bronx Pro Real Estate Management

21 Wavecrest Management Team, Ltd.

22 AAFE, Bronx Pro, CAMBA

23 Kelvin Murphy, Director of Property Management, Palladia

24 Joe Zitolo, President and COO, Lemle & Wolff

25 Kelvin Murphy, Director of Property Management, Palladia

26 Clearly articulated by staff of CAMBA and Bronx Pro; implicit in statements from staff of other organizations

27 Joanne Oplustil, Executive Director, CAMBA

28 Susan Camerata, CFO, the Wavecrest Management Team Ltd.

29 Morgan Magistro, Manager, Financial Operations, Bronx Pro Real Estate Management

30 Staff of AAFE, CAMBA, Palladia

31 Jim Turner, CFO, Asian Americans for Equality

32 Sharon Brown, Deputy Executive Director, CAMBA

33 Pat Johnson, Sr. Director of Asset Management, Palladia

34 Kim O’Neale, Director of Asset Management, VIP

35 Susan Camerata, CFO, the Wavecrest Management Team Ltd.

36 Susan Camerata, CFO, the Wavecrest Management Team Ltd.

37 Kevin Alter of Dougert Management, third-party manager for VIP, and Kim O’Neale, Director of Asset Management, VIP
Appendices

APPENDIX 1 - Study Participants

Developer / Owners

**Asian Americans for Equality, Inc.** (AAFE) is a nonprofit organization established in 1974 with a mission of empowering Asian Americans and others in need. With offices in Chinatown, the Lower East Side, Flushing, and Sunset Park, AAFE is the only citywide community development corporation serving New York City’s more than one million Asian American residents. AAFE began developing affordable housing in 1986, constructing New York City’s first Low-Income Housing Tax Credit project called Equality Houses. Since then, its Planning and Development team has leveraged over $88 million in financing to produce housing for low-income residents.

**Bronx Pro Real Estate Management, Inc.** (Bronx Pro) is a for-profit entity that was formed in 1988. Beginning initially as a property management firm, Bronx Pro expanded its business activities to include the development of low and moderate income housing. Beginning first with rehabilitation of occupied city-owned buildings, the company broadened its scope to include the development of large new construction projects that contain residential, commercial and community facility space. The company has completed more than $144 million of affordable housing projects and currently has over $78 million in projects under construction and in pre-development.

**CAMBA**, founded in 1977, is one of Brooklyn’s largest community-based social service organizations, with a diverse staff of more than 1,300 employees serving from over 50 locations. CAMBA annually provides services to 35,000 individuals and families in six core areas: Economic Development, Education and Youth Development, Family Support Services, Housing Services and Development, HIV/AIDS Services and Legal Services. Through its affiliate, CAMBA Housing Ventures (CHV), it is pursuing the goal of developing 1,000 units of permanent housing in Brooklyn by the year 2015. CHV works in partnership with prominent national organizations, local developers, community-based agencies, and City and State government to develop safe, high-quality affordable housing. CHV promotes stability for lower-income households and nurtures vital mixed-income neighborhoods with quality housing options for every household.

**Palladia, Inc.**, founded in 1970, is a not-for-profit multi-service organization recognized for its innovative service delivery in the fields of substance abuse, homelessness, HIV disease, mental illness, trauma, domestic violence, criminality, and family services. In the late 1980s, Palladia began to develop permanent supportive housing geared to provide its clients a continuum of care. Palladia currently owns more than 300 units of affordable housing.

**VIP Community Services**, founded in 1974, played a key role in bringing its Bronx community back to life and offers a continuum of services to individuals with histories of chemical dependency. Over the years, VIP created a highly effective model of integrated services, and has created 624 permanent housing units (including 197 supportive housing units), plus 204 transitional units, residential treatment units, and shelter beds.

Third-Party Managers

**Lemle & Wolff, Inc.** is a full-service real estate firm experienced in real estate development, contracting, rehabilitation, management, and maintenance. Lemle & Wolff has been committed to providing decent, safe, and affordable housing to residents of Manhattan and the Bronx since 1938. It has been an active producer of affordable housing since 1974, during which time it has developed thousands of units in projects that ranged from building systems to the gut rehabilitation of vacant shells to new construction. Lemle & Wolff currently develops and manages its own projects, many of which provide affordable housing, and acts as a third-party manager for both for-profit and not-for-profit owners.

**The Wavecrest Management Team Ltd.** is a full service management company which began operations in 1979 when it assumed management of Wavecrest Gardens, a 1,650-unit, 38-building development located in Far Rockaway, New York. Today the Wavecrest Management Team Ltd. manages approximately 9,500 units in over 135 buildings in the New York metropolitan area. Its specialty is the management of affordable rental housing and cooperative/condominium housing, with buildings located primarily in Manhattan, the Bronx, Queens and Brooklyn.
APPENDIX 2- Survey Questions

Welcome to the Asset and Property Management Best Practices Study

The initial element of the study is the survey that follows this introduction. The survey requests information about the organization that “owns” the property, generally here the General Partner of a Limited Partnership. The organization/owner is referred to in the survey as the “client” of the managing entity. The managing entity might be an external property management company or it might be a subsidiary of the owner. It might also be a unit of the owner’s overall organization.

We are requesting that the person or persons who respond to the survey are those individuals who are charged with overseeing the management entity and its performance. This might be, for example, the organization’s VP for Real Estate, Asset Manager, or Director of Real Estate or Housing. While these persons might need to refer to the managing entity and/or its employees for some information, we do not expect the managing entity or its employees to respond directly to the survey.

The survey is broken into sections. The first five deal with securing information about the organization and the managing entity. The remaining sections request information about the asset and property management operations. They are divided into the primary areas of operation, i.e. finance and budgeting, marketing and leasing, rent collection and resident relations, maintenance, green maintenance, compliance and risk management. Most the statements and or questions are based on what is known in the industry as “best practices.”

Most of the statements request a YES or NO response. Some specifically request a description of some kind in the Comments section. Others do not. However, for those that do not specifically request a description, the respondent can use the Comments section to make a comment or ask a question or describe a particular situation.

Once we receive the responses from the survey, we will schedule an appointment with the main organizational contact to set up interviews with a number of the organization’s key asset and property management staff and board members. If the organization has an outside manager or a separate management subsidiary, we will definitely want to interview them.

Organization Information
1. Organization Name:
2. Address:
3. Contact Number:
4. Contact Name:
5. Board Chair:
6. Executive Director/CEO:
7. Deputy Director/VP:
8. Comptroller/CFO:
9. Director of Housing/Real Estate:
10. Director of Property Management:
11. Director of Development:
12. Organization Chart (Please draw or attach organization chart focusing on real estate, property management and finance elements)
13. PM Operation internal (Answer Yes or No)
14. If internal, is there a subsidiary corp.?
   Name of subsidiary corp.:
   Contact name and #:
   If no, name of external manager(s):
   Contact name and #: 
Governance
(Answer Yes or No, Write in Comments Area)

1. The organization’s Board of Directors has members with a strong knowledge of real estate practices, financial and accounting practices, asset and property management. Please name members with these skills and knowledge below.

2. There is a Real Estate and/or Asset Management and/or Property Management committee or subcommittee of the Board, and the CFO or Director of Finance and the Treasurer of the Board sit on that committee or subcommittee.

3. The committee or subcommittee described above receives and reviews regular reports of property management performance and asset management issues.

4. The members of the Board/committee/subcommittee inspect properties at least annually.

5. The Board/committee/subcommittee approves performance standards for the properties on an annual basis.

6. The Board/committee/subcommittee performs an annual review of the Property Manager’s performance against agreed upon standards.

7. The Board has a Finance Committee that reviews annual audits of the limited partnerships.

8. The organization produces an annual consolidated audit. If no, please explain why it chose not to consolidate in the Comments section.

9. List board members and their skills and contact information:

Management Entity

1. Internal subsidiary/unit name if applicable:

2. External management company name if applicable:

3. Contact name (internal subsidiary/unit or external management company):

4. Contact phone #:

(Answer Yes or No, Write in Comments Area)

5. The management entity has written policies and procedures in place.

6. There are written job descriptions in place that accurately represent the duties and responsibilities of each person within the management entity.

7. There is in place a written code of ethics that defines ethical relationships between the employees of the management entity and its clients, residents, tenants, vendors, the public, and other employees.

8. Insurances are in place for the management entity, including but not limited to workers’ compensation insurance, fidelity and crime insurance, crime coverage insurance, errors and omissions insurance, business interruption insurance, employment practices liability insurance, employee benefit coverage, disability insurance, and officers and directors insurance.

9. The management entity has a business emergency preparedness and response plan in place and it is shared with the client.

10. There is a record keeping system in place that provides for the proper and secure storage, easy and efficient retrieval, and destruction of obsolete records of the following types of records for the management entity itself, for each property under its management, and for each of the management entity’s clients.

11. The management entity provides assistance and support to the client in identifying insurance needs and acquiring and maintaining property and other insurance coverage related to ownership of the property when requested by the client.

12. The management entity, as a fiduciary for the client, does not accept, directly or indirectly, any rebate, fee, commission, discount, or other benefit, monetary or otherwise, that has not been fully disclosed to the client. If NO, describe situation(s) in the Comments section.
Management Agreement and Plan
(Answer Yes or No, Write in Comments Area)
1. For each property there is in place a document that identifies and confirms the client’s objectives for owning the property.
2. There is a written management agreement for each property in place that establishes the business relationship between the management entity and the client, and defines and explains the duties, responsibilities, and obligations of each party and the authority of the management entity.
3. The management entity has a customer service plan for its clients that details for each of its employees the level of service it will provide to each client.
4. The management entity does not act beyond what is specified in the management agreement without documented client approval. If No, please describe situation(s) in which it did in the Comments section.
5. The management entity has in place a management plan for managed properties, i.e. a detailed outline of the management company’s operation of the property for one year, but sometimes for longer periods, to meet the client’s objectives.
6. The management entity has established and enforces written policies and procedures relative to the operation of each managed property and makes these policies and procedures readily accessible to all company and property staff.

Management of the Manager
(Answer Yes or No, Write in Comments Area)
1. Each property has performance standards in place, set annually by the management entity and approved by the client, for financial management, marketing/leasing, rent collection, resident relations/lease enforcement, maintenance, risk management, compliance, etc.
2. The management entity prepares and submits monthly reports for each property that compare performance for each area of property management against the approved standards.
3. The client has a process for reviewing monthly property reports provided by the management entity of performance against the approved standards. Describe the process in Comments section.
4. The client has a process in place for working with the management entity to correct performance that does not meet the approved standards. Describe the process in Comments section.

Financial and Budgeting Information
1. Accounting software package name and version:
2. Property management software package name and version:
(Answer Yes or No, Write in Comments Area)
3. Does the management entity outsource the accounting functions? If yes, name to whom it outsources them in the comments section.
4. The management entity (or its outsource partner) maintains and updates as needed an accounting system that complies with generally accepted accounting procedures and supports company operations and client obligations to it and its partners.
5. The management entity prepares an annual operating budget for the property, submits it to the client in a timely manner in accordance with the client’s instructions with respect to content and format, and obtains appropriate approvals from client and other interested entities such as limited partners, as applicable.
6. The management entity has established, and adheres to, internal financial controls for the handling of all company funds and client funds.
7. The management entity does not commingle the funds of multiple clients or client funds with company funds.
8. The management entity clearly designates and accounts for funds in trust or escrow accounts for multiple clients as they apply to each client or property.
9. Have there been instances in which the management entity did not either clearly designate or account for funds in trust or escrow accounts for multiple clients as they apply to each client or property? If so, describe in the Comments section.
10. The management entity provides accurate and complete financial and operating reports to the client on a regular, timely basis in accordance with the client’s instructions with respect to content, format, and frequency.
11. The management entity fully cooperates in the conduct of annual financial reviews and/or audits performed by the client. If NO, describe what occurred and when in the Comments section.

12. The management entity receives, deposits, and accounts for incoming funds accurately and in a timely manner and in accordance with generally accepted accounting procedures, client directives, and applicable laws and regulations.

13. The management entity disburses and accounts for outgoing funds and payables accurately and in a timely manner and in accordance with generally accepted accounting procedures, client directives, and relevant laws and regulations and with proper approvals.

14. The management entity exerts due diligence for the protection of client’s funds against all foreseeable contingencies, depositing such funds in an escrow, trust, or agency account(s) with an insured financial institution, or as otherwise required by the client.

Marketing and Leasing
(Answer Yes or No, Write in Comments Area)
1. The management entity markets the properties in accordance with all regulatory requirements and maintains and updates waiting lists as necessary.

2. The management entity performs all tenant selection procedures according to all regulatory requirements.

3. The management entity maintains leases and leasing documents in a manner in accordance with regulatory requirements.

4. The management entity maintains occupancy of each property at the approved standard for that property.

5. The management entity leases vacant units within the time limit as described by the approved standard for each property.

6. The management entity provides all new tenants with an orientation and a tenant handbook that describes its policies and procedures, the tenants’ responsibilities, House Rules and maintenance of the unit fixtures.

7. Average annual resident turnover at each property does not exceed the annual approved standard for each property. The management entity renews leases and recertifies tenants as required to meet regulatory time and process requirements.

8. The management entity maintains leasing files as required to meet regulatory time and process requirements.

Rent Collection and Resident Relations
(Answer Yes or No, Write in Comments Area)
1. The management entity collects the rent due at each property on a monthly basis at the approved standard of rent collection. If no, describe particular situations in the Comments section.

2. The management entity collects all subsidies due on a monthly basis.

3. The management entity is able to provide tenants with accurate rent bills and collection reports related to their rent and subsidy balances.

4. The management entity commences legal proceedings to collect rent due on a timely basis as described in its policies and procedures and effectively collects rent due. If no, describe particular situations in the Comments section.

5. The management entity proceeds on evictions on a timely basis as described in its policies and procedures after legal notices are provided.

6. The management entity surveys resident satisfaction on an annual basis and satisfaction is between 85% and 100%. If no, describe particular situations in the Comments section.

7. The management entity surveys tenant satisfaction upon move-out.

Maintenance
(Answer Yes or No, Write in Comments Area)
1. The management entity maintains each property’s “curb appeal” at a level that is at least equal to or better than that of similar properties in the neighborhood. If no, describe what prevents them from doing that in the Comments section.

2. The management entity has assessed each property and has developed and implemented a plan for the routine custodial and corrective maintenance of the property consistent with client objectives and obligations.
3. The management entity has assessed each property and has developed and implemented a preventive maintenance plan for the property consistent with client objectives and obligations.

4. The management entity has assessed each property and has developed and implemented a compliance plan for the property consistent with client objectives and rules/regulations of third parties.

5. The management entity has in place an emergency repair/maintenance plan for each property.

6. The management entity recommends and assists in implementing capital improvements consistent with client directives and obligations.

7. The management entity ensures that each contractor working at the property has adequate insurance coverage in place that names all relevant parties as required by any third parties and has a plan for ensuring that all certificates are correct and posted in a timely manner.

8. The management entity ensures that contractors provide all permits and required filings to perform work.

9. The management entity has in place a vacancy repair plan that ensures that units are ready for leasing within agreed upon period of vacancy.

Green Management
(Answer Yes or No, Write in Comments Area)

10. The client and/or the managing entity has installed “green” elements in its properties. If so, describe the kinds of elements in the Comments section, e.g. green roofs, HVAC system that meets high efficiency standards, solar panels, green flooring materials, etc.

11. The managing entity has in place maintenance procedures to ensure that the green elements are maintained and managed effectively. Describe them in the Comments section.

12. The managing entity has in place procedures for training maintenance workers and tenants to ensure that the green elements are maintained and managed effectively. Describe them in the Comments section.

Risk Management & Compliance
(Answer Yes or No, Write in Comments Area)

1. The management entity provides assistance and support to the client in identifying insurance needs and acquiring and maintaining property and other insurance coverage related to ownership of the property when requested by the client.

2. The management entity provides assistance and support to the client in complying with all property tax obligations and appealing tax levels and assessments.

3. The management entity has a process for processing and tracking insurance claims that results in client securing appropriate reimbursement for damages.

4. The management entity has a process in place for tracking all reporting requirements and all submission dates and submissions.

5. The management entity submits all reports accurately and in a timely manner.

6. The management entity responds to all instances of noncompliance as outlined by the appropriate government body in an effective and timely manner.
### APPENDIX 3-Sample Property Profile

<table>
<thead>
<tr>
<th>ADDRESS</th>
<th>222 ABC Street [Block 500, Lot 22]</th>
</tr>
</thead>
<tbody>
<tr>
<td>YEAR BUILT / COMPLETED</td>
<td>1910</td>
</tr>
<tr>
<td>NUMBER OF BUILDINGS</td>
<td>1</td>
</tr>
<tr>
<td>UNITS:</td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>24</td>
</tr>
<tr>
<td>Commercial</td>
<td>0</td>
</tr>
<tr>
<td>APARTMENT MAKEUP</td>
<td>3 Room</td>
</tr>
<tr>
<td>COST OF DEVELOPMENT:</td>
<td></td>
</tr>
<tr>
<td>Land and Building Cost</td>
<td>$3,600,000</td>
</tr>
<tr>
<td>Soft Cost</td>
<td>$40,076</td>
</tr>
<tr>
<td>TDC</td>
<td>$3,640,076</td>
</tr>
<tr>
<td>FINANCING AGENCIES / ENTITIES</td>
<td>HUD, LMDC, NYC HPD, I Lend Money Bank, Enterprise Community Partners</td>
</tr>
<tr>
<td>OWNERSHIP ENTITY AND STRUCTURE</td>
<td>ABC Preservation HDFC</td>
</tr>
<tr>
<td>PROGRAM DEVELOPED UNDER</td>
<td></td>
</tr>
<tr>
<td>SQUARE FOOTAGE:</td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>12,528 sq.ft.</td>
</tr>
<tr>
<td>Commercial</td>
<td>0 sq.ft.</td>
</tr>
<tr>
<td>Gross</td>
<td>12,528 sq.ft.</td>
</tr>
<tr>
<td>NUMBER OF RESIDENTS</td>
<td>61</td>
</tr>
<tr>
<td>VIOLATIONS [UPDATE REGULARLY]</td>
<td>11 open DOB / 2 open ECB / 0 open Complaints</td>
</tr>
<tr>
<td>ZONING [UPDATE REGULARLY]</td>
<td>R7-2</td>
</tr>
<tr>
<td>BANK LENDER</td>
<td>I LEND MONEY Bank $765,000</td>
</tr>
<tr>
<td>TERM</td>
<td>10 year</td>
</tr>
<tr>
<td>INTEREST RATE</td>
<td>A fluctuating rate per annum equal to 0.50% in excess of the WSJP. Never below 5.50%.</td>
</tr>
<tr>
<td>MORTGAGE NOTE:</td>
<td></td>
</tr>
<tr>
<td>ii</td>
<td>Commencing on November 20, 2008, on the 20th day of each month up to the Maturity Date, monthly payments to be applied first to accrued interest based on the Fluctuating Rate and the balance to the reduction of the Principal Sum.</td>
</tr>
<tr>
<td>iv</td>
<td>The unpaid Principal Sum, together with all accrued and unpaid interest, shall be due and payable on October 20, 2018.</td>
</tr>
<tr>
<td>PREPAYMENT FEE</td>
<td>Prepayments must exceed $5,000 and may be made without premium or penalty. Prepayments must be preceded by not less than 30 days prior written notice to the Bank of Borrower’s intent.</td>
</tr>
<tr>
<td>DEBT COVERAGE RATIO:</td>
<td></td>
</tr>
<tr>
<td>Cure</td>
<td></td>
</tr>
<tr>
<td>LOAN-TO-VALUE LEVERAGE:</td>
<td>Not to exceed 50%.</td>
</tr>
<tr>
<td>Cure</td>
<td>Within 15 days of written notice either [bi] Pledge cash or make a principal payment under the Note, [bii] Provide additional income</td>
</tr>
<tr>
<td>ESCROW</td>
<td></td>
</tr>
<tr>
<td>OPERATING ACCOUNT</td>
<td>At all times while the Loan is outstanding, the Borrower shall establish and maintain an operating account at I Lend Money Bank with a minimum average balance on deposit of no less than $2,000,000.</td>
</tr>
<tr>
<td>LOAN AGREEMENT:</td>
<td></td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
</tr>
</tbody>
</table>
| Financial Statements 3.22 | Borrower shall furnish to the Lender: 
[a] Annual Statements: Within 90 days of the end of each fiscal year, financial statements of the Borrower, audited, reviewed, or compiled by an independent certified public accountant acceptable to the Lender, 
[b] Operating Statements: Within 90 days from the end of each calendar year, an operating statement prepared by the Borrower showing the results of operations for the Mortgaged Property for the calendar year just ended with a true and complete rent roll attached as an exhibit thereto, 
[c] Tax Returns: Within 30 days upon filing, complete copies of all federal and state income tax returns of Borrower (including all schedules). 
[d] Real Estate Taxes: Copies of paid real estate tax bills for the Mortgaged Property from each applicable taxing authority on or before the due date. |
| Notice of Material Events 3.23 | Promptly give notice of an event negatively affecting Collateral in excess of $20,000. |
| Insurance Coverage 3.24 | The Borrower will keep the buildings, improvements, fixtures, and personal property insured with so called “all risk or special form” causality insurance policies. The Borrower shall also provide, maintain, and keep in full force and effect: 
[a] public liability insurance 
[b] rent-loss insurance. All insurance policies shall be written by insurers which are rated at least “A” by A.M. Best Co. |
| Commitment Fee 3.30 | The Commitment Fee is due and payable by the Borrower to the Lender upon execution of this Loan Agreement |

**SECURITY AGREEMENT:**

4. No Waste; Compliance With Law

No demolition, removal, or material alterations.

**HAZARDOUS MATERIALS COMPLIANCE AND INDEMNIFICATION AGREEMENT:**

- **Guaranty of Compliance:**
  - The Borrower shall [a] comply with all Environmental Legal Requirements applicable to the Mortgaged Property

- **Covenants:**
  - The Borrower must [b] provide the Lender with immediate written notice: 
    - [i] upon obtaining knowledge of any Hazardous Material on, onto, or from the Mortgaged Property

**GOVERNMENT LENDER**

| TERM | 30 year |
| INTEREST RATE | 0% |
| REPAYMENT TERMS | 
| PREPAYMENT FEE | The principal balance of the Debt may be prepaid at any time without premium or penalty. [Enforcement Note 12] |
| REGULATORY AGREEMENT: | $2,400,000 |

**Eligibility of Tenants**

- [A] Current Tenants are eligible, 
- [B] Subsequent Tenants whose Annual Income at the time of initial occupancy does not exceed 80% of Median Income are eligible, 
- [C] Tenants are still eligible if their income changes after initial occupancy, 
- [D] Income Determinations. Borrower shall ascertain the Annual Income of prospective tenants and retain all records and documents relating to Borrower’s determination of all Eligible Tenants for a minimum of 30 years 
- [E] When a Proof of Compliance is requested by HPD the Borrower has 30 days to submit items requested. 
- [F] Borrower shall not refuse a holder of a voucher or certificate of eligibility under Section 8 because of their status.

**Rent**

- [A] Registration 
- [A2] Borrower shall follow all procedures and guidelines of the NYS Division of Housing and Community Renewal and all relevant requirements of the rent stabilization Code, 
- [A3] When Rent Stabilized Units are no longer subject to Rent Stabilization Law they must be registered with Section 4.B.2. 
- [B2] Rents upon re-rental cannot exceed 30% of 80% of Median Income, 
- [C] No Rent Stabilization Exemptions. 
- [D] Rents upon Vacancy after the Restriction Period shall not exceed the Legal Rent for such unit.
<table>
<thead>
<tr>
<th>Minimum Household Size</th>
<th>0BR-1, 1BR-1, 2BR-2, 3BR-4, 4BR-6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Space</td>
<td>Open Space usage on the Premises must be approved by HPD.</td>
</tr>
<tr>
<td>Devotion of the Premises to the Project</td>
<td>The Premises shall be devoted solely to the Project. Any change in use or the addition of any new use requires the prior written consent of HPD.</td>
</tr>
</tbody>
</table>

**REGULATORY AGREEMENT:** $600,000

**Eligibility of Tenants**

[A] Eligibility for NYCHTF Units, applying to the five Units that are already designated in Schedule A [ii] Owner shall lease Vacant Units only to Subsequent Tenants whose Annual Income upon initial occupancy does not exceed 90% of Median Income, with at least two NYCHTF Units leased to Tenants whose Annual Income upon initial occupancy are also equal or greater than 61% of Median Income [B] Eligibility for Non-NYCHTF Units, applying to the other nineteen units. Owner shall lease Vacant Units only to Subsequent Tenants whose Annual Income upon initial occupancy does not exceed 165% Median Income [C] Tenants are still eligible if their income changes after initial occupancy, [D] Income Determinations. Borrower shall ascertain the Annual Income of prospective tenants and retain all records and documents relating to Borrower’s determination of all Eligible Tenants for a minimum of 3 years [E] Owner shall submit to HPD no later than 30 days after the anniversary of the Commencement Date until the end of the Restriction Period [i] certified rent roll [ii] a written certification of the Annual Incomes [F] Borrower shall not refuse a holder of a voucher or certificate of eligibility under Section 8 because of their status.

**Rent**

[A] Registration in Accordance with Rent Stabilization Code. [B] Rents throughout the Restriction Period [i] for NYCHTF Units shall not exceed the lesser of the Legal Rent or 30% to 80% of Median Income [ii] for non-NYCTF Units shall not exceed the lesser of [i] the Legal Rent or 30% of 165% of Median Income [C] No Rent Stabilization Exemptions.

**ENFORCEMENT MORTGAGE:** Appendix A*

**FEDERAL REQUIREMENTS RIDER:** Appendix C

**GRANTOR AND GRANTEE RECOGNITION:** Appendix D

**ENFORCEMENT NOTE:** Appendix E

**ENGINEER REPORT**

**REPAIRS DONE TO DATE**

**REPAIRS NEEDED**
APPENDIX 4-Sample Deal Points Memo

[Affordable Housing Owner], INC

MEMORANDUM FROM
Joe Smith
Senior Director, Capital Planning & Development

TO: Sally Jones, Director of Real Estate
DATE: February 8, 2008
SUBJECT: [Sample Project] – Deal Points

- Development Budget. [Sample Project] has an overall development cost of $14,196,346, funded by the following sources:
  $3,600,000 from the NYS Homeless Housing Assistance Program (HHAP); $400,000 from the Federal Home Loan Bank’s Affordable Housing Program (AHP); $9,042,863 in equity raised from the DHCR tax credit allocation; and $1,153,483 from NYC Department of Housing Preservation & Development (HPD). The project has a raise of 97 cents on the tax credit dollar. [Note: HPD’s funding comes from the HUD HOME program, which typically entails many obligations (Davis Bacon construction wages, etc.) but because the actual dollar amount is small, it triggers only pre-development requirements such as specific environmental reviews.]

- Unit Count and Population. 48 units (47 rental units + 1 super’s apt.), consisting of 8 Studios; 12 one-bedrooms; 25 two-bedrooms (24 rental units + 1 super’s apt); and 3 three-bedroom units. 31 units will be reserved for homeless families (4 one-bedrooms; 24 two-bedrooms and 3 three-bedrooms), whose rent will be subsidized by Owner Inc.’s master Shelter + Care contract. The remaining 16 units (8 studios and 4 one-bedroom units) will be rented to low-income individuals earning less than 50% of Area Median Income and paying the appropriate rent under the tax credit guidelines. 8 of these 16 units will be marketed preferentially within Community Board 2.

- Support Services. The 31 homeless families will be served by on-site program staff, who will also administer the Scattered Site program. Funding for the social service staff will be provided by a multi-year HUD Supportive Housing Program (SHP) grant and other sources. HPD is requiring Owner Inc. to seek funding under a NY/NY III Request for Qualifications (not yet issued).

- Debt Service. 1% interest will accrue on both the HPD and HHAP awards. Traditionally both HHAC and HPD have been willing to let the interest accrue, but more recently it seems that HPD expects borrowers to pay interest, especially if the cash flow permits.

- Pay-in Schedule. Tax credit equity of $9,042,863 will be paid according to the attached pay-in schedule.

- Developer’s Fees. The project’s developer’s fees of $665,249 will yield a net $480,000, since an Outside Reserve of $185,249 will be funded by the developer’s fees. The developer’s fees will be funded according to the following schedule: $100,000 in the 1st pay-in; $257,412 in the 3rd pay-in; $232,837 (including $185,249 for the Outside Reserve) in the 4th pay-in; and $75,000 in the 5th pay-in.

- Management Fee. Owner Inc. is entitled to monthly fee to be paid out of the Operating Account and treated as a project expense. This fee is payable on the first day of each month, and will equal 6.4% of the actual rent collections for the preceding month.

- Partnership Administration Fee. The General Partner is entitled to an annual fee of up to $17,000, with a 3% inflation factor subsequent to 2008, payable from cash flow.

- List of Reserves. The project must establish the following accounts, all administered as joint signature accounts in collaboration with Syndicator A:

  Operating Reserve "The General Partner shall cause the Limited Partnership" to establish an Operating Reserve. This reserve will be initially funded in the amount of $114,034 from the 3rd equity payments and, later on, from cash flow.

  The Lease-Up Reserve will be established in the name of the LP of $60,195 to be funded from the 3rd pay-in.
The Outside Reserve will be established in Owner Inc.’s name in the amount of $185,249, funded from the 4th pay-in.

There is no capitalized Replacement Reserve. The Replacement reserve will be funded beginning December 1, 2008, in the amount of $1,068, increasing 3% annually.

- **Names of Entities Associated with [Sample Project].**
  - ABC, L.P.
    - EIN **-******
  - ABC HDFC
    - EIN **-******
  - ABC Development Corp.
    - EIN **-******
  - Left Right LLLP - Investor Limited Partner
    - **-******

- **Placed in Service Date.** The project must be placed in service by June 1, 2008 and must achieve qualified occupancy by December 31, 2008. The syndicator included the following rent up targets: 0 units rented in June, 2008; 20 units rented in July; 30 units in August; 40 units in September; and 47 in October.

- **Applicable Percentage.** At least 25% of the tenants will have incomes at 60% of median or lower.