



# Preservation Next California Academy

**Property and Asset  
Management for Small to  
Medium Multifamily  
(SMMF) Properties**

**May 18, 2023**



# Today's Agenda

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- Stanley Celius, Executive Director, Joint Ownership Entity New York City (JOE NYC)

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PREVENTION



# A Special Thank You to the Funders of Preservation Next

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**BMO**



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# Preservation Next Overview

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

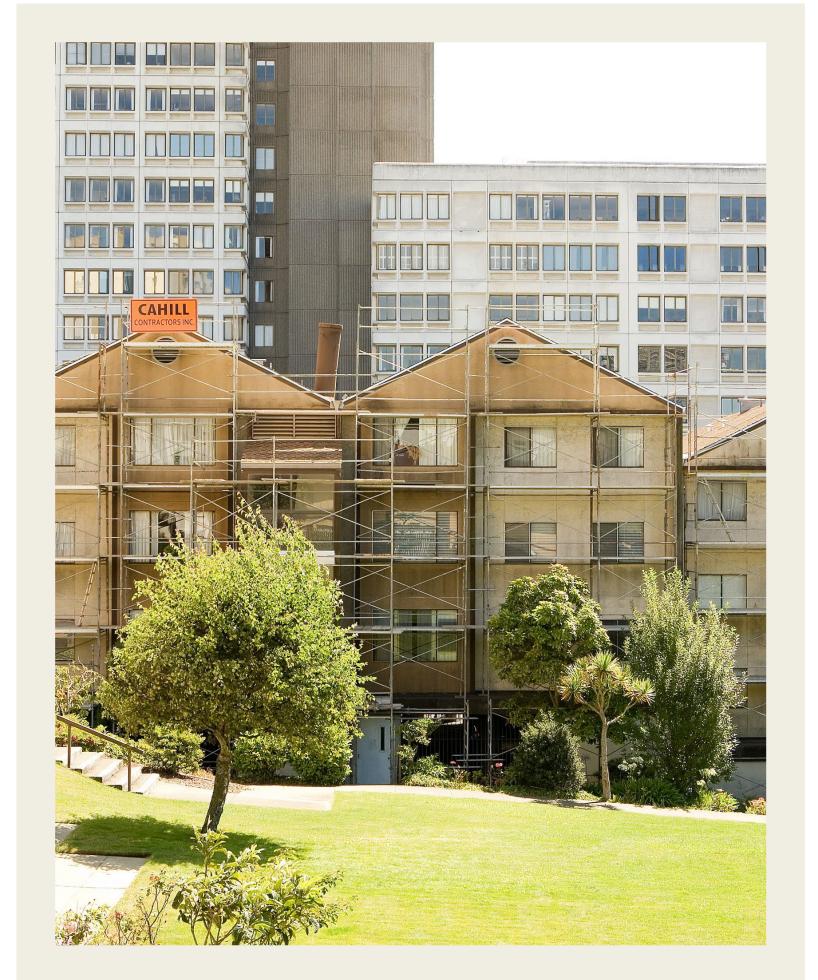
## Solutions at the intersection of renter and owner stability to promote an eviction prevention-first approach

Through **Preservation Next**, Enterprise is committed to preserving affordable small to medium multifamily homes and ensuring that residents have access to safe, healthy, and resilient places to live.

To truly preserve these homes and protect affordability for residents now and into the future, we must:

- Protect existing affordability where it currently exists.
- Provide housing stability and prevent displacement of existing residents and families.
- Invest in healthy, sustainable, and resilient homes.
- Foster responsible stewardship by mission-aligned owners.

Small and medium sized properties provide a crucial foundation for affordable housing in this country: 80 percent of homes in these buildings are available to people who earn less than 80 percent of the area median income





## PRESERVATION NEXT

# Meet Our Preservation Next Team

## National Staff



### Sara Haas

**ENTERPRISE, SENIOR DIRECTOR, SOUTHEAST**

At Enterprise, Sara leads affordable housing preservation programming in Miami and Atlanta, the Keep Safe Florida Resilience program, and the National Preservation Next program. Prior to joining Enterprise, Sara developed and managed national AmeriCorps VISTA programs at Habitat for Humanity International and Points of Light. Sara lives in Atlanta with her husband Stew, son Eli and dog Dolly Parton.



### Meaghan Vlkovic

**ENTERPRISE, VP AND MARKET LEADER, SOUTHEAST**

Meaghan leads Enterprise's programmatic work in the Southeast region, focused on providing an array of resources to affordable housing and community development partners. This includes capacity building assistance for proactive preservation and production of housing, and helping communities plan for future development, such as transit-oriented development opportunities.



### Jessie Wang

**ENTERPRISE, PRESERVATION FELLOW,  
PRESERVATION NEXT**

At Enterprise, Jessie supports program development and delivery for the National Preservation Next program. Prior to joining Enterprise, Jessie conducted applied research and technical assistance to assist a variety of community-based organizations and affordable housing advocates in Chicago, where she resides.



## PRESERVATION NEXT

# Meet Our Preservation Next Team

Northern and Southern California Market Staff



### Ruby Harris

**SR DIRECTOR OF CAPITAL SOLUTIONS  
AND PARTNERSHIPS, SOUTHERN CA**

At Enterprise, Ruby is a thought partner with CBOs and tasked with creating new capital pathways to increase affordable housing. Ruby joins Enterprise's Southern CA team with 22 years of experience in community development, from nonprofit management, program design, public policy, and lending to grant-making. Ruby launched San Francisco's Small Sites Program, a \$100M endeavor to preserve NOAH properties.



### Caroline McCormack

**DIRECTOR OF PRESERVATION, NORTHERN  
CA**

Caroline oversees the Northern CA office's work to advance preservation policies, capital, and tools. Before Enterprise, Caroline was the Program Manager for the San Francisco Mayor's Office of Housing's acquisition and anti-displacement financing programs, including the Small & Big Sites Program and the Preservation and Seismic Safety Program.



### Elizabeth Richards

**SENIOR PROGRAM DIRECTOR, SOUTHERN  
CA**

Elizabeth Richards is Senior Program Director for Enterprise's in Southern California, managing the Local Rental Owners Collaborative (LROC) initiative in partnership with the Chan Zuckerberg Initiative. Elizabeth's 20 career in affordable housing began in Chicago with a focus on supportive housing, policy, and finance. She's been with Enterprise for ten+ years and has worked nationally across Enterprise markets.



### Geeta Rao

**SENIOR DIRECTOR, NORTHERN CA**

At Enterprise, Geeta oversees the Northern CA office's programmatic work & operations. She brings 20 years of experience in affordable housing and community development: program design, policy development, technical assistance, and legislative advocacy. Geeta serves on the leadership team of Bay Area Housing for All and led Enterprise's co-sponsorship efforts of AB 1487, which created the Bay Area Housing Finance Authority (BAHFA).



**Join Us!**

## **California Preservation Academy Sessions**

**November 2022 –  
June 2023**

<b>Dates</b>	<b>Sessions</b>
November 3, 2022	Preservation Academy Kickoff
November 17, 2022	Preservation Deals: Organizational Sustainability and Business Planning
December 1, 2022	Acquisition, Property Identification, and Evaluation of SMMF Properties
January 12, 2023	Financing SMMF Preservation
February 2, 2023	Sustainability and Health Considerations for SMMF Preservation
February 23, 2023	Navigating Rehabilitation of SMMF Properties
March 16, 2023	Preservation Development Models
April 6, 2023	Community Land Trusts and Preservation: Deep Dive Special Session
April 27, 2023	Policy and Its Impacts on Preservation
May 18, 2023	Property and Asset Management
June 8, 2023	Housing Stability and Eviction Prevention



# Property and Asset Management for SMMF Properties

## Challenges

### Property management

- Scattered site properties can be inefficient and expensive to operate per unit
  - Repairs and regular maintenance do not scale (trash removal for 90 units in 10 buildings vs. 90 units in 1 building)
  - Can be expensive – multiple roofs, furnaces, & other costly items
- Difficult to justify 3rd party property management across a small # of units
- Marking, leasing, and screening applicants also takes time!

### Asset Management

- SMMF properties are older and are more likely to have deferred maintenance and unmet capital needs
- Yet, limited cash flow and thin margins makes it difficult to meet operating costs and build reserves
- Today, some owners and operators are facing unrecoverable rents post-pandemic, rising operating costs + insurance, and interest rates

There is no one size fits all solution!

## Property Management

- Greatest impact in resident experience
- Manage day-to-day operations
- Work efficiently and effectively to make homes available quickly
- Deliver programs and services
- Build community and quality of life

## Asset Management

- Impact in long-term strategic planning and risk management
- Benchmarks performance for sustainability
- Measures reserves for long-term capital planning
- Monitors and responds to risk in the portfolio
- Often the responsibility of executives (if applicable)



# Preservation Next Toolkit: Property Management Resources

[You can find this information and more here](#)

Marketing
Leasing
Property Maintenance
Resident Connections
Wrap-Around Services
Eviction Prevention
Awareness of regulations

The Toolkit includes information on property management models:

## In-House

- Allows organizations to build direct trust and relationships with tenants
- May not be possible for smaller organizations that do not have sufficient staff

## Third-party

- Can bring capacity and expertise to property management services
- May be suitable if there are facilities management challenges your organization is not equipped to address

## Hybrid

- Contracting vendors to handle specific property management responsibilities based on the strengths and gaps of your team.
- Opportunity to partner with a larger property owner or pool resources together for multiple smaller owners
- OaksATL case study: Partnership with local nonprofit with experience working directly with community members.

It also includes guidance and best practices along various property management considerations (shown on the left)

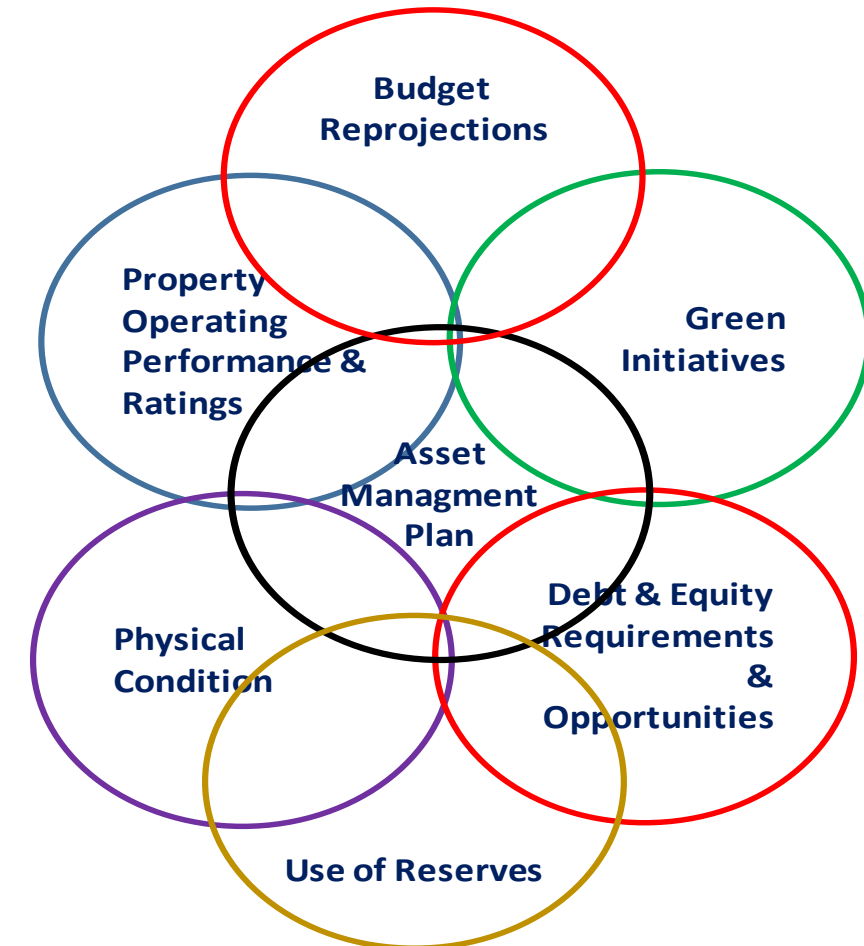


# Asset Management: Understanding Your Properties

Understanding your multifamily properties, at a glance and for the long-term, is critical for the sustainability of your portfolio.

1. What metrics and key information will you use to review the performance of your properties?
  - How does your organization track:
    - Property operating performance
    - Debt obligations
    - Physical condition of properties
    - Watch list criteria of at-risk properties
  - How will this information inform long-term planning?
    - Deposits to replacement and operating reserves
    - Actions to address deferred and/or future maintenance
    - Timing of debt obligations and refinancing opportunities
2. What Tool Will You Use to Track Key Project Information, Milestones, & Property Operating Performance?
  - In-house database
  - 3rd-party software
  - Excel spreadsheet with topic-specific tabs
  - A combination

## Key Components of a Property Asset Management Plan





Poll: Which property management model are you using for your small to medium multifamily properties?



Please add in the chat:

What property and asset management challenges is your organization facing for its small to medium multifamily properties?



# Meet Our Guest Speakers



## **HAROLD NASSAU, NEIGHBORWORKS® AMERICA**

Harold is NeighborWorks® America's Sr Director of Asset Management Programs. For the past 19 years, Mr. Nassau has overseen asset management training and technical assistance for 135 local NeighborWorks organizations that own 145,000 units of multifamily housing. In 2005 Mr. Nassau designed and launched Neighborhood Risk Management Corp., and he also serves as President of the Consortium of Housing and Asset Management (CHAM).



## **KEVIN LEICHNER, VP OF DEVELOPMENT, HOUSING FINANCE & ACQUISITIONS, EDEN HOUSING**

At Eden Housing, Kevin oversees a new construction pipeline of more than 1,000 apartments, has completed substantial rehabilitation of more than 2,500 apartments, and is leading Eden's acquisition efforts to acquire 3,500 apartments over the next eight years. Kevin manages Eden's debt and equity investments and substantially contributes to Eden's policy and advocacy efforts.



## **STANLEY CELIUS, EXEC. DIRECTOR, JOINT OWNERSHIP ENTITY NYC**

As Executive Director of JOE NYC, Mr. Celius is charting out the organization's strategic direction and refreshing and implementing its acquisitions and asset management procedures of new buildings and the organization's existing portfolio. Prior to JOE NYC, Mr. Celius held a role as Senior VP of Housing for an affordable housing provider, during which he oversaw the operations of 2,700 units of senior, supportive and multifamily housing in NYC.



# Asset Management for Preservation

Working Together for Strong Communities





# Some Context from NWA Portfolio

- 38% of all properties have negative CF
- 47% of properties < 35 units - negative
- Avg cash flow > 40 units **\$366/unit**
- Avg cash flow > 80 **\$608/unit**

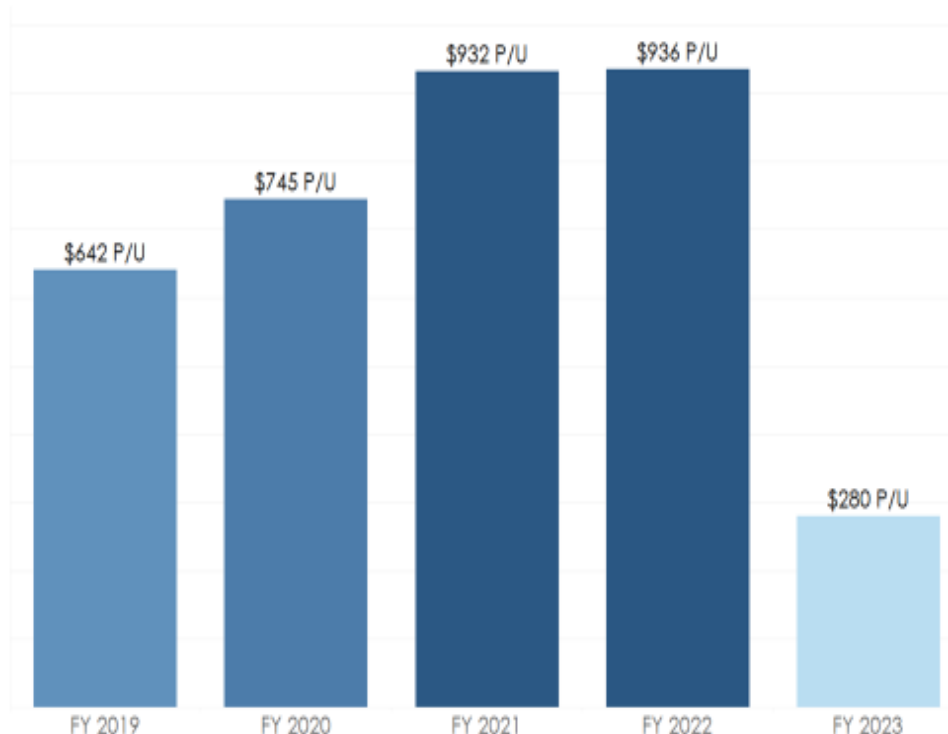


# MFI: Net Cash Flow Per Unit

This chart compares Q1 reporting of Net Cash Flow (NCF) per Unit over the last 5 years.

While FY2021 and FY2022 held relatively steady, there is a **70% drop** in NCF per Unit from FY2022 Q1 to FY2023 Q1.

Portfolios with less than 1000 units are seeing the biggest declines, but even portfolios of over 2000 units have reported declines of **over 40%** from FY2022 to FY2023.



Working Together for Strong Communities





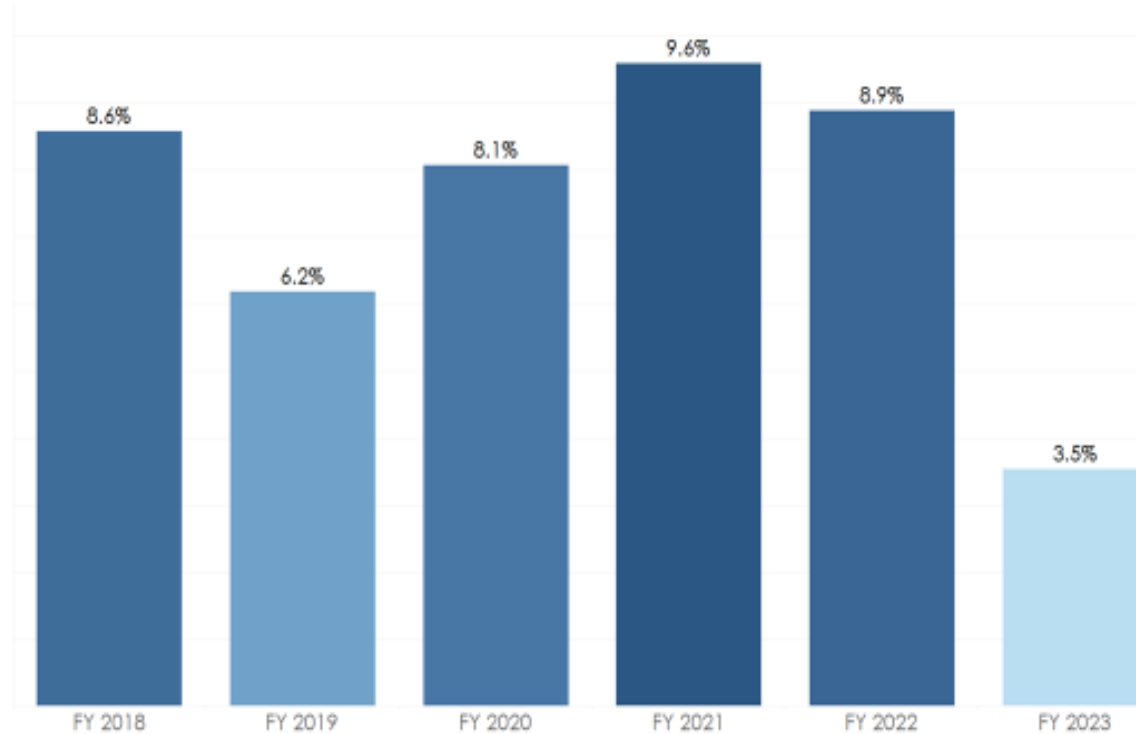
# MFI: Net Cash Flow % of Gross Potential Rent

This ratio is less about the number itself than it is about the change from one year to the next.

A change of 3-4% from year to year is something to watch, but a change of 5% or more is a warning sign.

Between FY22 Q1 and FY23 Q1 there has been a drop in 5.4% for organizations that are reporting a full 12 months of data.

Organizations with more than 1000 units are experiencing slightly higher drops in this ratio.



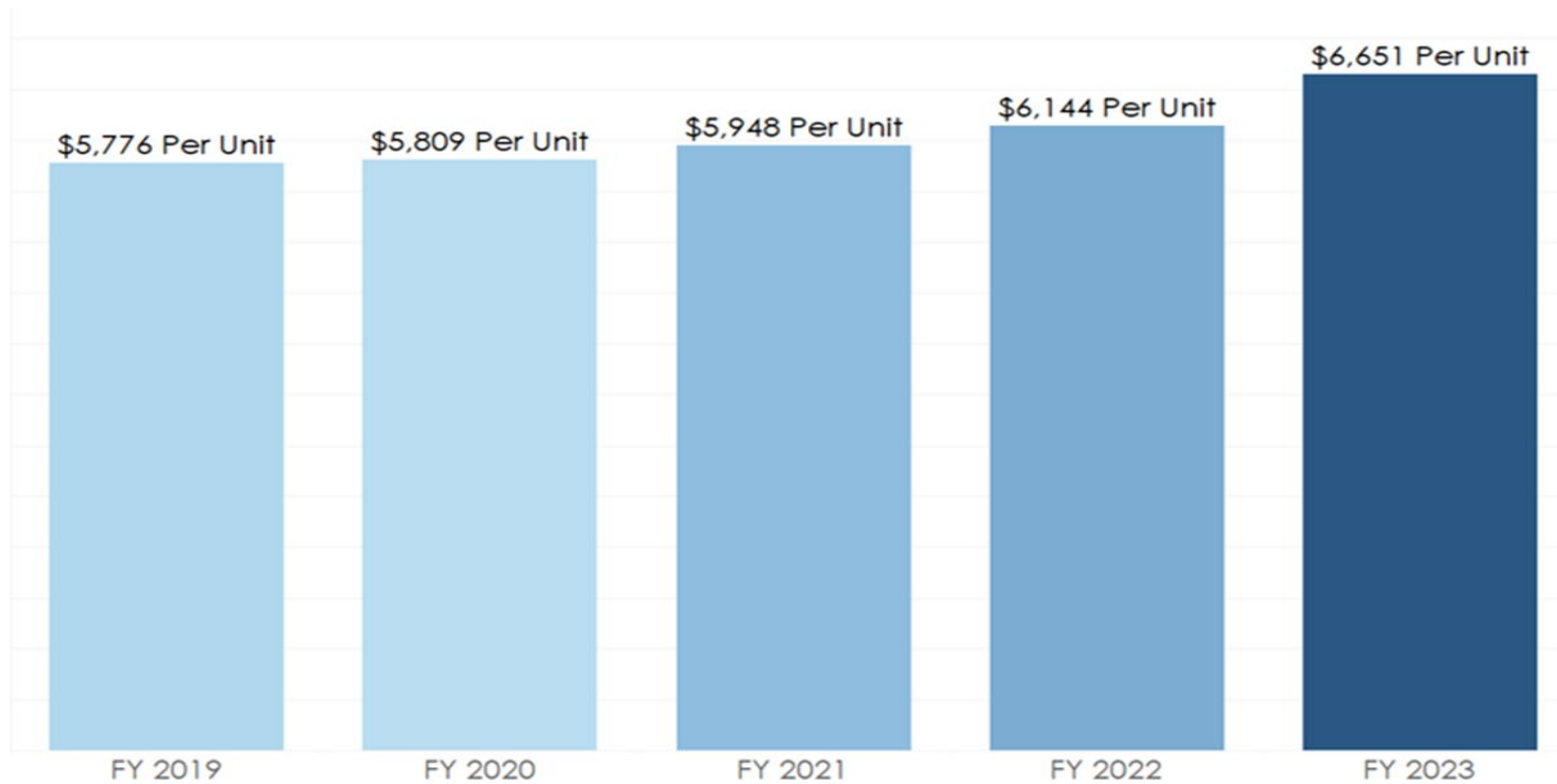
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# Op Ex

Operating Expenses per Unit - Q1 comparison



Working Together for Strong Communities





# Don't:

- Obsess about 'bleeders'
- Punt everything to a recapitalization event
- Try to fix a capital problem with operational solutions
  - *You can't manage your way out of a development problem...And you can't develop your way out of a management problem!*



# Do:

- Real Comps and amenities
- Marketing
- Energy investment
- Know how many vouchers could float the boat
- Opportunities to bundle
- Build cash cows to subsidize bleeders
- Make your investors your partners



# Managing preservation

- Real resident in-put on design
- Early obvious wins for residents
- Clear timelines on improvements
- Great communication on process including delays



# To explore further

Consortium for Housing and Asset Management

Conference June 26-28, Minneapolis

[www.chamonline.org](http://www.chamonline.org)

Harold Nassau

[hnassau@nw.org](mailto:hnassau@nw.org)

Working Together for Strong Communities







# **Small Site Property and Asset Management Strategies**

Enterprise Preservation Academy  
May 18, 2023







## OUR MISSION

**Eden Housing has 55 years of experience developing and operating affordable housing.**

Eden Housing creates and sustains high-quality affordable housing communities that advance equity and opportunity for all.







# Full Service Affordable Housing Provider

- **Development**  
Build, acquire and preserve properties
- **Resident Services**  
Programs that enrich our residents' lives and build community
- **Property & Asset Management**  
Manage 11,000+ apartments housing 22,000+ residents







# Property & Asset Management at Eden

- **The Eden Team**
  - 550+ Staff
- **Property Management**
  - Reports to SVP
  - 400 on Staff
  - Compliance
  - Services and Facility Management
- **Asset Management**
  - Reports to CFO
  - 15 on Staff
  - Financial Reporting, Welfare Tax Exemption, Sustainability







## **Accomplishments: Support the Stability & Economic Mobility of Eden Residents**

- Secured >\$5.5 million in tenant relief
- New Rent Increase Policy
- Resident Services Business Plan
- COVID Reopening of Programs
- Expanded Digital Literacy Programs
- Expanded Financial Management Programs







## EDEN SMALL SITES PORTFOLIO

Out of a total portfolio of 152 properties,  
62 are small-site properties of 49 units or less.

35 properties have less than 30 units,  
including a property Eden acquired last year.







# Acquisition Strategy

- **Portfolio acquisitions**
  - Eden has acquired four portfolios
  - South County Housing and Vacaville Community Housing each had a large small-site component
- **Screening and onboarding process for properties as part of a larger portfolio**



*Skeels Hotel, Morgan Hill*







# Acquisition Strategy

- **Portfolio acquisitions**
  - **South County Housing acquisition & repositioning examples**
  - **Skeels Hotel, 13 units + commercial, Morgan Hill**
  - **Connell Apartments, 28 units, Gilroy**



*Connell Apartments, Gilroy*







# Acquisition Strategy

- **Small-Site Acquisitions**
  - **Mission Alignment**
  - **Proximity - Scale**
  - **Underwriting Criteria**
    - **Equity**
    - **Viability**
    - **Risk Analysis**
    - **Condition**
    - **Hold Period**
    - **Exit Analysis**
  - **Availability of Subsidy**
  - **Financing Partners**

\$11 million total

\$1 million costs  
and reserves

\$10 million  
purchase

?

\$11 million total

\$4 million  
from ????

\$7 million  
interest-only  
short-term loan







# PREPARING FOR THE ACQUISITION

Understanding asset and property management needs for new projects.







# Preparation

- **Development drives the acquisition strategy**
- **Close collaboration cross-departmentally on operating budget, due diligence, and site inspections**
- **Try to onboard existing high-performing staff**
- **Handoff checklist**
- **Resident communications**







## **CASE STUDIES – RECENT ACTIVITY**

- **De Anza Terrace, Ashland, Alameda County**
- **Coral Court, Concord, Contra Costa County**







## De Anza Terrace – Acquired April 2022

- **Off-Market**  
Had been previously marketed and purchase offer fell through
- **Proximity**  
Adjacent to another Eden property
- **Risk Management**  
Strong operating history and future recapitalization options







## Coral Court – Closing July 2023

- **Off-Market**
- **Proximity**  
Adjacent to another Eden property
- **Risk Management**  
Strong operating history, good condition, and future recapitalization options
- **Availability of subsidy and financing partners**







## Leveraging Multiple Subsidy Sources

	Coral Court 1491 Detroit Avenue Concord  47 Units		Sunset Pines 1770 Adelaide Street Concord  69 Units		Combined  116 Units	
<u>Acquisition Sources</u>	Total	Per Unit	Total	Per Unit	Total	Per Unit
Acquisition Loan - Note A	7,960,000	169,362	12,464,000	180,638	20,424,000	176,069
Acquisition Loan - BAPP	2,500,000	53,191	3,700,000	53,623	6,200,000	53,448
City of Concord Loan	3,100,000	65,957	3,540,000	51,304	6,640,000	57,241
Enterprise HHF	1,510,000	32,128	2,975,000	43,116	4,485,000	38,664
Eden Housing Loan	1,085,959	23,106	862,016	12,493	1,947,975	16,793
<b>TOTAL SOURCES</b>	<b>16,155,959</b>	<b>343,744</b>	<b>23,541,016</b>	<b>341,174</b>	<b>39,696,975</b>	<b>342,215</b>
<u>Acquisition Uses</u>						
Purchase Price	15,092,672	321,121	22,157,328	321,121	37,250,000	321,121
Transaction Costs	389,568	8,289	430,193	6,235	819,761	7,067
Immediate Repairs & Reserve	347,000	7,383	469,000	6,797	816,000	7,034
Operating Reserve	326,719	6,951	484,495	7,022	811,214	6,993
<b>TOTAL USES</b>	<b>16,155,959</b>	<b>343,744</b>	<b>23,541,016</b>	<b>341,174</b>	<b>39,696,975</b>	<b>342,215</b>





# Coral Court & Sunset Pines Current Residents

Voluntary Survey	Coral Court & Sunset Pines
# of Apartments	116
% Responded	70%
% Qualified ≤80% AMI	94%







# New Affordability Levels

	Coral Court		Sunset Pines	
	1BR	2BR	1BR	2BR
30% AMI	3	1	5	1
60% AMI	3	1	5	1
80% AMI	37	1	45	11
STAFF		1		1
SUBTOTALS	43	4	55	14
TOTALS	47		69	







# Preserving Housing & Resident Quality of Life



*Coral Court Amenities – Leasing Website*

*Sunset Pines Amenities – Leasing Website*







## TIPS & TRICKS

- Be Selective About Properties to Pursue
- Be Opportunistic About Subsidy Sources
- Solid Underwriting & Due Diligence
- Early Involvement of Asset & Property Management
- Solid Onboarding Plan
- Multiple Exit Scenarios





**JOE Workshop:  
Innovative**  
*Collaborative Mechanisms  
to Support and Strengthen  
the Nonprofit Housing Sector*

**Presented to:**  
Preservation Next  
May 17, 2023

**Presented by:**  
Stanley Celius  
Executive Director  
JOE NYC



# Agenda

- JOE NYC Overview
  - Background
  - Structure
  - Innovations & Benefits
- Other Models
- Benefits of Collaboration for Non-Profits
- Questions / Discussion





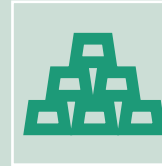
# JOE NYC Overview



# New York City in 2013: Non-Profit Housing Sector at Risk



**Increased competition** from well-capitalized private developers.



**Operating reserve accounts were siloed** with some of the most challenged projects having to access to reserves.



**Limited access to cash flow.** By design, nearly all net cash flow was diverted to operating reserve accounts.



**Reputational issues.** Some notable failures had affected the reputation of the sector as a whole.



- Non-profit portfolios were being transferred to private hands.
- Non-profits were struggling to compete for pipeline.
- Reduced earnings from developer fees and cash flow made it difficult to sustain the organizations



## CDC Members

- Assign ownership interests in properties to JOE NYC.
- Receive a membership interest, a seat on the Board, a proportional share of net revenue and developer fees.
- Commit to long-term affordability even if they remove their properties from JOE NYC.

## JOE NYC

- Owns and asset manages affordable multifamily properties on behalf of member CDCs.
- Achieves economies of scale in operations and financing executions.
- Distributes surplus cash flow to members as unrestricted grant revenue.
- Pooled operating reserve available to all projects in portfolio.
- Provides access to a large balance sheet for members seeking to undertake development projects.



# 11 Non-Profit Members



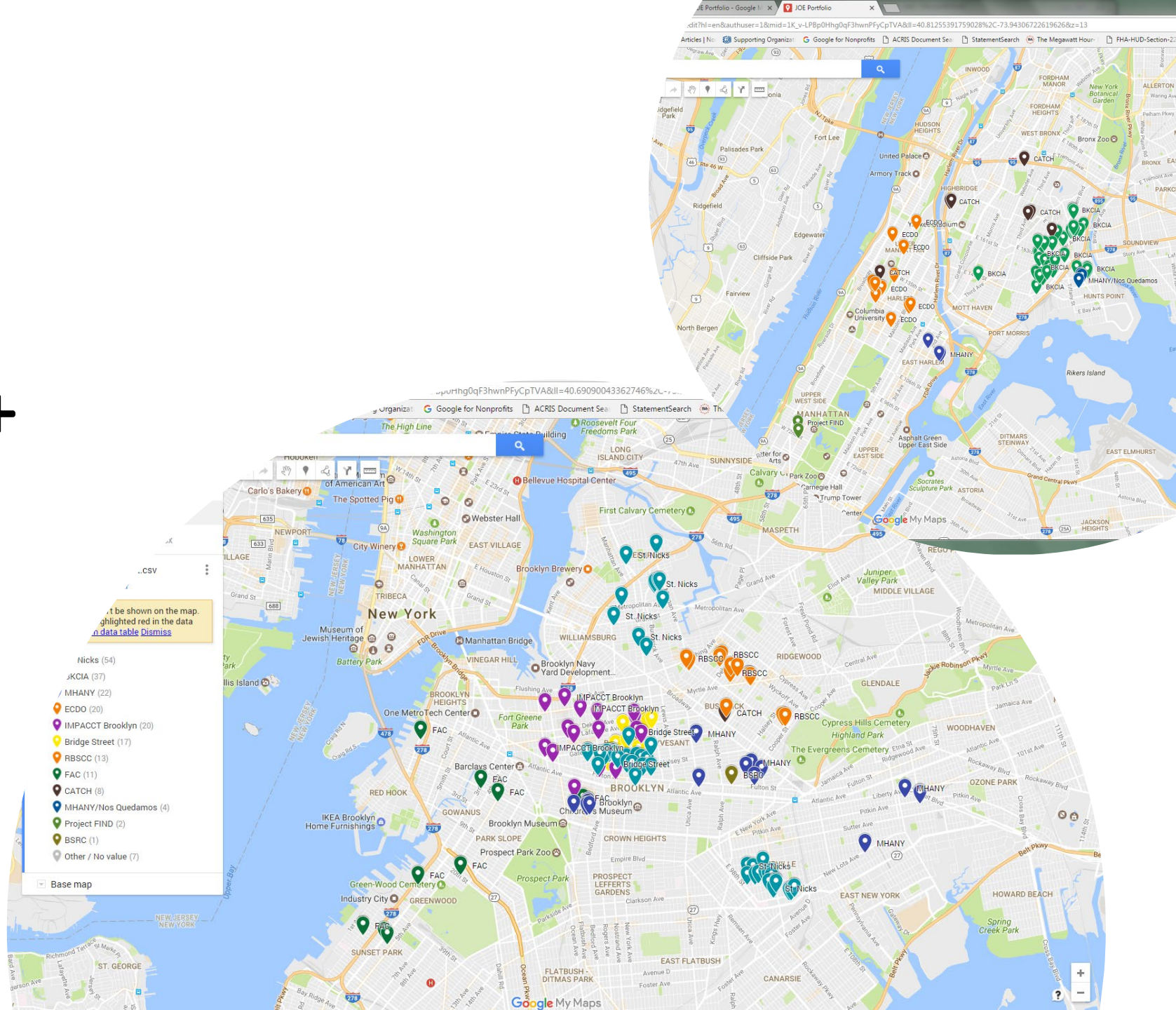
St.Nicks Alliance



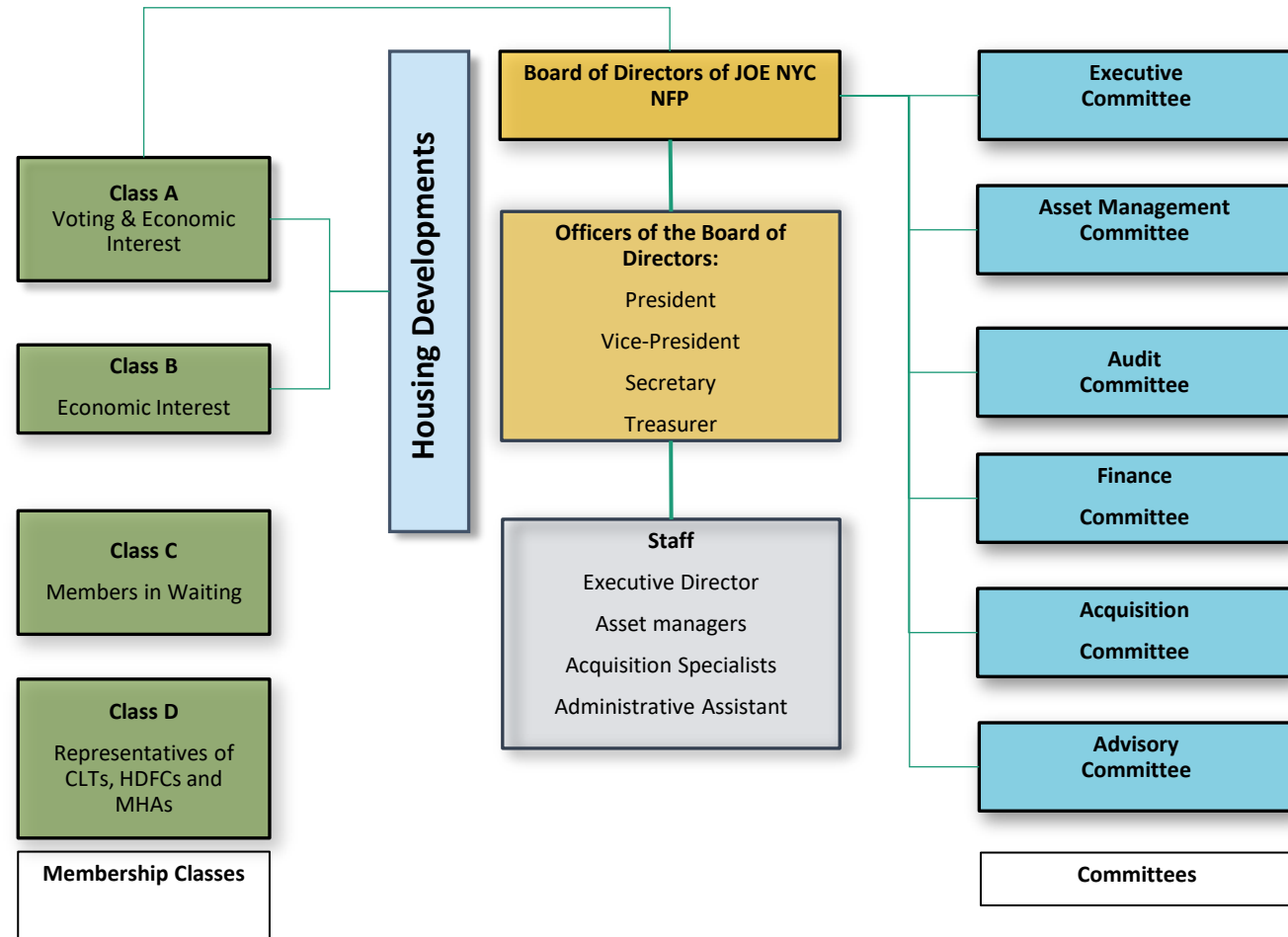


2,700+ units\*  
spanning three  
boroughs 1,000 +  
units in the  
pipeline

\*Including units in construction.









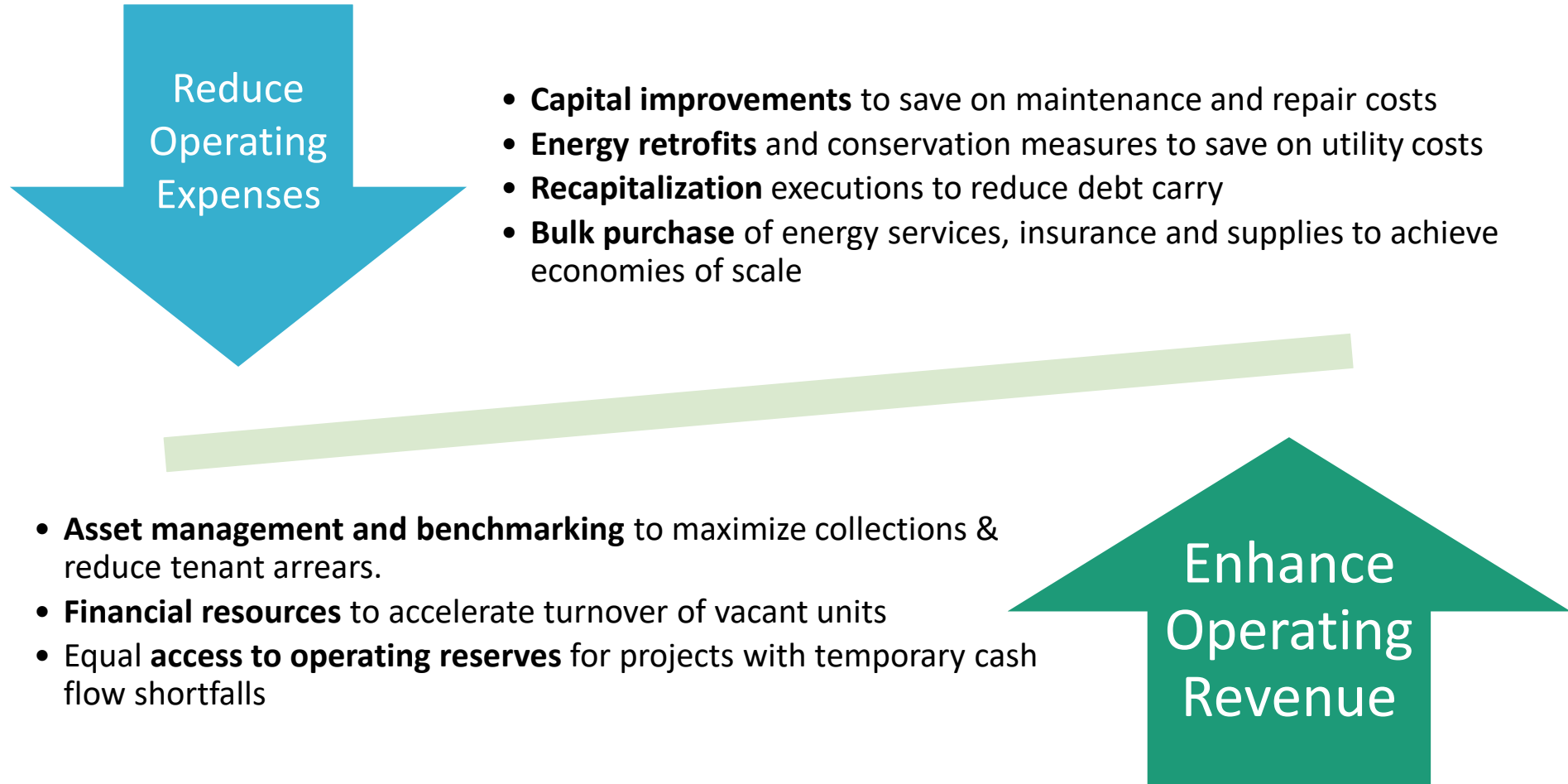
# Asset Management Functions

- Annual Reporting to city & state agencies and investors
- Year 15 Preservation.
- Acting as the owner's rep.
- Monitoring property manager.
- Improving operating margins.





# How Joint Asset Management Improves Operating Margins of Underperforming Projects





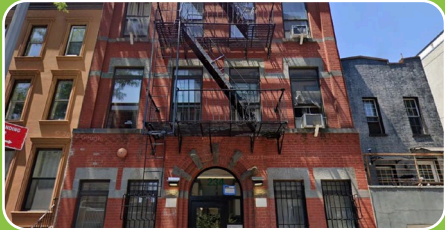


# Key JOE Innovations & Outcomes

- **Active asset management of portfolio**
- **Pooled operating reserves**
- **Distribution of net cash proceeds**
- **An internal sources of guarantees for member projects**
- **Active collaboration**
- **Supporting Non -Profits**

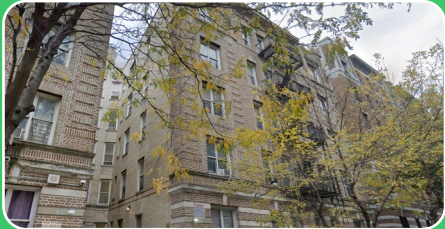


# Notable JOE NYC Projects



## JOE Central Brooklyn

- Partly acquired from private owner
- 525 units in one transaction
- 4 groups participated



## Cluster Site Acquisition

- Acquisition from private bad actor
- x units
- 3 groups participated
- Mix of affordable and permanent supportive housing



## Throop Corners

- New construction
- 140 units
- 4 non-profits (2 members of JOE NYC)
- JOE NYC ownership upon lease-up





# Alternative JOE Model



# Findings from Regional Group



Most non-profits lack in-house asset management capacity.



There is limited information sharing across groups.

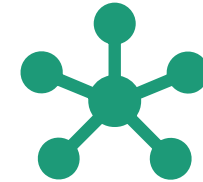


Collaboration among groups is rare.



# Collaborative Initiative

- There is a desire to enhance asset management capacity to improve operating margins.
- Data sharing and exploration of collaborative opportunities is also desirable





# One Size Doesn't Fit All

There are many possible ways for non-profit developers to collaborate

---

Master Asset Manager

---

Master Property Manager

---

Master Developer

---

Joint Ownership Entity

---

Community Land Trust(s)

---

Revolving Loan Fund

---

Guaranty Fee Pool

---

Membership in a PEO

---

Joint Refinancing Transactions

---

Joint Sustainability Initiatives

---

Performance Benchmarking

---



# Working Strategy

- The Asset Manager could provide:
  - Proactive portfolio management
  - Operating expense cost savings measures
  - Internal benchmarking
  - Potential to leverage the scale of combined portfolios
- Over time, operating expense savings could support the costs of the asset management staff and resource.





# Reasons for Non-Profits to Collaborate



# Why Seek Ways to Collaborate?

- Strengthened capacity
- Bigger balance sheets
- More efficient financing executions
- Increased liquidity
- Economies of scale in operations
- Enhanced ability to compete for pipeline with private developers.





Questions



**What did you think of  
this session?**

**Please take our five-minute  
survey in the chat**



**Join us for our next  
session on June 8th!**

## **Housing Stability and Eviction Prevention**

**[Register here](#)**

### **Guest Speakers**

- Van Scott, Chief of Special Projects, CRCD Partners
- Elizabeth Richards, Senior Program Director, Enterprise
- Andrew Jakabovics, VP of Policy, Enterprise

### **What to Expect This Session**

- Participants will gain an understanding of the **critical role of eviction prevention** interventions within preservation
- Participants will learn about **successful models and actionable strategies** implemented by owners and operators
- Enterprise will introduce participants to resources to guide owners and operators' ability to **promote upstream strategies and broader resident stability**



# Thank you

## Contact Us:

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### **Caroline McCormack**

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## Resources:

[Preservation Next California Academy Sessions](#): Registrations, recordings, and materials  
[Preservation Next Small to Medium Multifamily Toolkit](#)  
[Enterprise Preservation Resources](#)