

Welcome!

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

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



Preservation Next Southeast Academy

Kickoff Session:
*Understanding Small /
Medium Multifamily
Preservation*

October 17, 2023



Today's Agenda

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PRESERVATION NEXT

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PRESERVATION

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Join Us!

Southeast Preservation Academy Sessions

October 2023 –
April 2024

Dates

October 17, 2023
November 14, 2023
December 5, 2024

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

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

Sessions

PART 1: Defining the Opportunity

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

PART 2: Preparing for Preservation

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

PART 3: Tackling a Project

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



A Special Thank You to the Funders of Preservation Next

MacKenzie Scott



KAISER
PERMANENTE®



A Division of First Citizens Bank



JPMORGAN CHASE & CO.



THE ANNIE E. CASEY FOUNDATION



Opening Remarks from Kaiser Permanente

Advancing Health Outcomes through Affordable Housing Preservation



Charmaine-Ward Millner

**VICE PRESIDENT, MARKETING, COMMUNICATIONS, AND COMMUNITY RELATIONS,
KAISER PERMANENTE**

Charmaine Ward-Millner is vice president of Marketing, Communications, and Community Relations for Kaiser Permanente of Georgia. She has executive responsibility for marketing, public relations, media and community relations, community health, local government relations, corporate communications, and issues/crisis management. She also oversees a \$64.4 million community benefit portfolio.

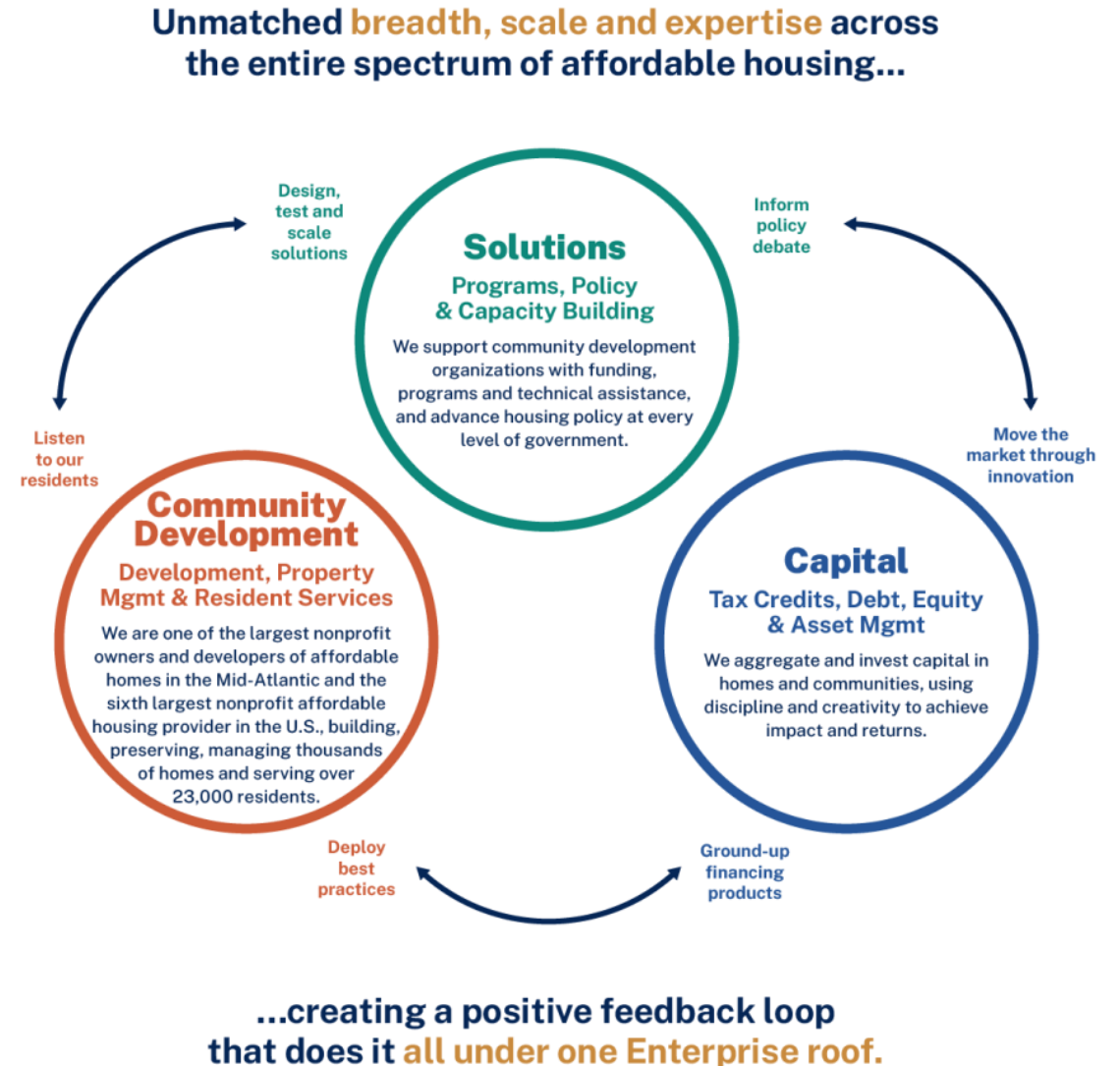
Prior to joining Kaiser Permanente, Charmaine held senior-level positions with Georgia Power, Georgia-Pacific, John H. Harland, Bank of America, Showtime Networks, and IBM. She has created tremendous value as a corporate leader in the areas of corporate philanthropy, foundation, corporate affairs, diversity and inclusion, marketing, and sales across multiple industries.

Charmaine's personal mission is "To be a CATALYST, creating positive change in individuals, organizations and communities by creating connections, coaching and being a servant leader.



About Enterprise

With 40 years of experience in addressing America's massive shortage of affordable rental homes, Enterprise is the only national nonprofit that does it all – solutions, capital and community development – under one roof.



What is Preservation Next?

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

What is Preservation Next?

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



Meet Our Preservation Next Team

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



Meaghan Vlkovic

ENTERPRISE, VP AND MARKET LEADER, SOUTHEAST

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



Jessie Wang

ENTERPRISE, SENIOR PROGRAM OFFICER

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



Gabriella Lott

ENTERPRISE, SOUTHEAST FELLOW, HOUSING PRESERVATION AND PRODUCTION

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

Why is Enterprise Focusing on SMMF Preservation?

Need

- Stem loss of existing affordability
- Substantial percentage of existing affordability is in SMMF properties
- SMMF properties have few affordability protections and are vulnerable to market pressures
- SMMF units are older on average and often face deferred maintenance
- Increased investor interest adds to pressure to sell

Mission Alignment

- SMMF residents are often susceptible to displacement
- Many SMMF properties are in formerly redlined neighborhoods
- Preserve BIPOC property ownership
- Create new opportunities for community wealth-building
- Address harms caused by historic housing industry practices and patterns of disinvestment

Gap in the Field

- Few targeted programs, policies, and financing tools to protect SMMF properties
- Effective existing affordable housing resources are ill-suited for SMMF properties
- Targeted resources are critical to maintaining affordability
- Lost units are difficult and costly to replace
- Loss of units risks displacing long-time residents

How is Enterprise Supporting SMMF Preservation?

A Three-Pronged Approach

TRAINING & CAPACITY BUILDING

Preservation Next Academy

A series of training sessions for affordable housing developers and advocates to **acquire, rehab, and stabilize unsubsidized affordable homes and prevent resident displacement**. Through the Academy, a cohort of organizations will receive:

- Grants – to jumpstart or facilitate preservation activities
- Technical assistance – through Enterprise and consultants

RESOURCES AND TOOLS

Preservation Next Toolkit

An **online resource** of information, tools, and resources to help:

- Developers acquire, rehab, and preserve affordable homes
- Practitioners and advocates to understand preservation opportunities and advocate for resources and policies
- Existing owners and operators to improve the stability and sustainability of their properties

CAPITAL RESOURCES

Targeted towards SMMF Properties

Capital resources in development targeted towards the financing needs of the small to medium multifamily housing stock.

How is Enterprise Supporting SMMF Preservation?

- **Expand awareness** of SMMF housing preservation, the role it plays in our nation's housing stock, and why it is needed to advance housing affordability and racial justice.
- **Help you** identify the role you can play in advancing SMMF preservation and introduce you to tools you can use to engage in this work.
- By the end, **leave you ready to pursue SMMF preservation deals in your community** as a developer, partner, resource provider, or policy maker.

PRESERVATION NEXT: MAKING THE CASE FOR SMMF PRESERVATION

Case Making for Preservation

1

Data on the importance of preserving SMMF properties (particularly unsubsidized SMMF properties)

2

An **exercise** to identify how SMMF preservation might align with your work

Speaker Introduction

Data on the Small to Medium Multifamily Housing Stock in the Southeast and Nationally



Andrew Jakabovics

VICE PRESIDENT, POLICY DEVELOPMENT, ENTERPRISE COMMUNITY PARTNERS

At Enterprise, Andrew oversees the Policy Development & Research team, researching issues related to affordable housing, equitable housing and community development, housing finance, foreclosures and neighborhood stabilization, and broader housing supply and demand concerns. He has most recently been analyzing small multifamily properties' ownership patterns, preservation strategies for unsubsidized and subsidized affordable housing, LIHTC development and neighborhood dynamics, and the relationship between disasters and affordability. Prior to joining Enterprise, Andrew served as senior policy advisor to the assistant secretary for policy development and research at the U.S. Department of Housing and Urban Development. His primary focus was on housing finance reform, with a particular eye toward issues of access and affordability.

A Significant Portion of the Nation's Housing Stock

Case Making for Preservation

Largest single source of housing affordable to low-income households:

23 million

SMMF UNITS
exist in the U.S, and
87 percent of those units are
occupied by renters.

80%

SMMF UNITS ARE AFFORDABLE
to households with incomes at or below 80% AMI.
That represents 52% of all affordable housing in
the country.

95%

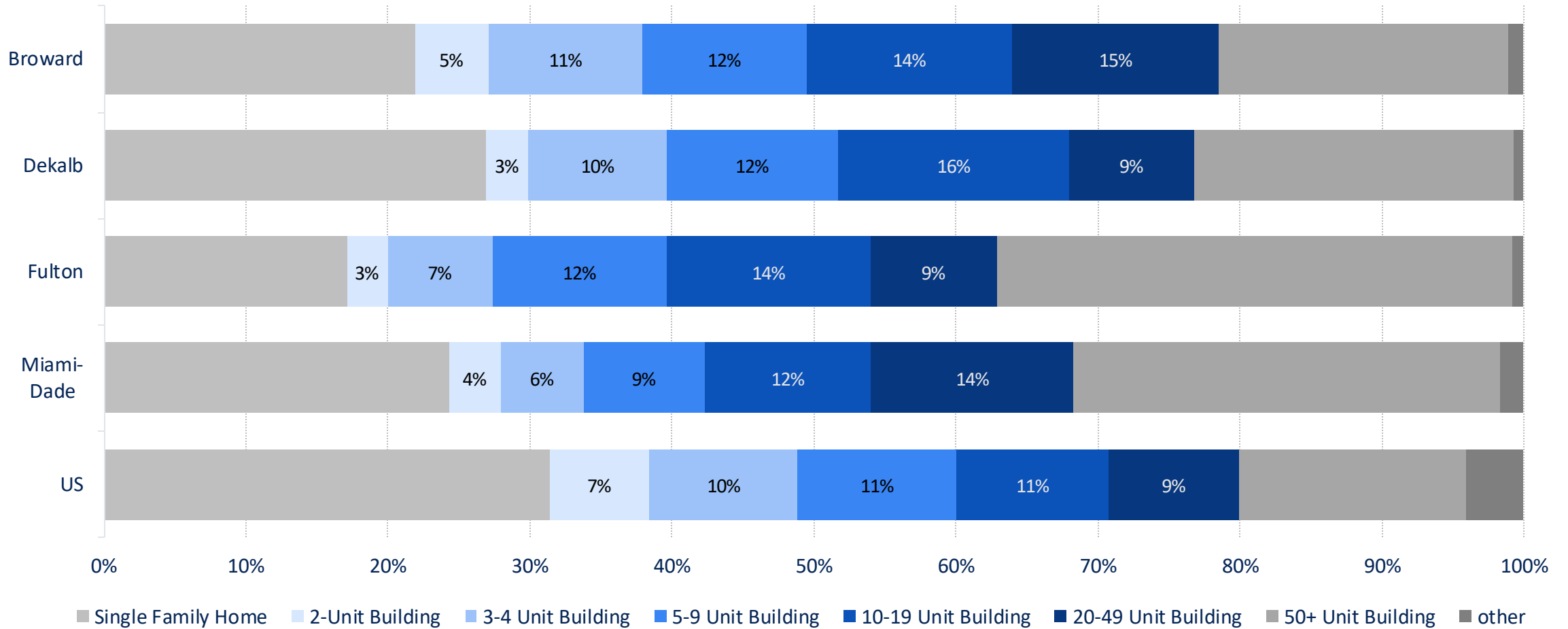
NO FEDERAL PROJECT-BASED SUBSIDY
for affordable SMMF units rented to
lower-income households

22%

SET TO EXPIRE BY 2027
Of the 996,000 SMMF rental units that are
subsidized, about 22% are set to expire by 2027

Share of SMMF Units by Property Type

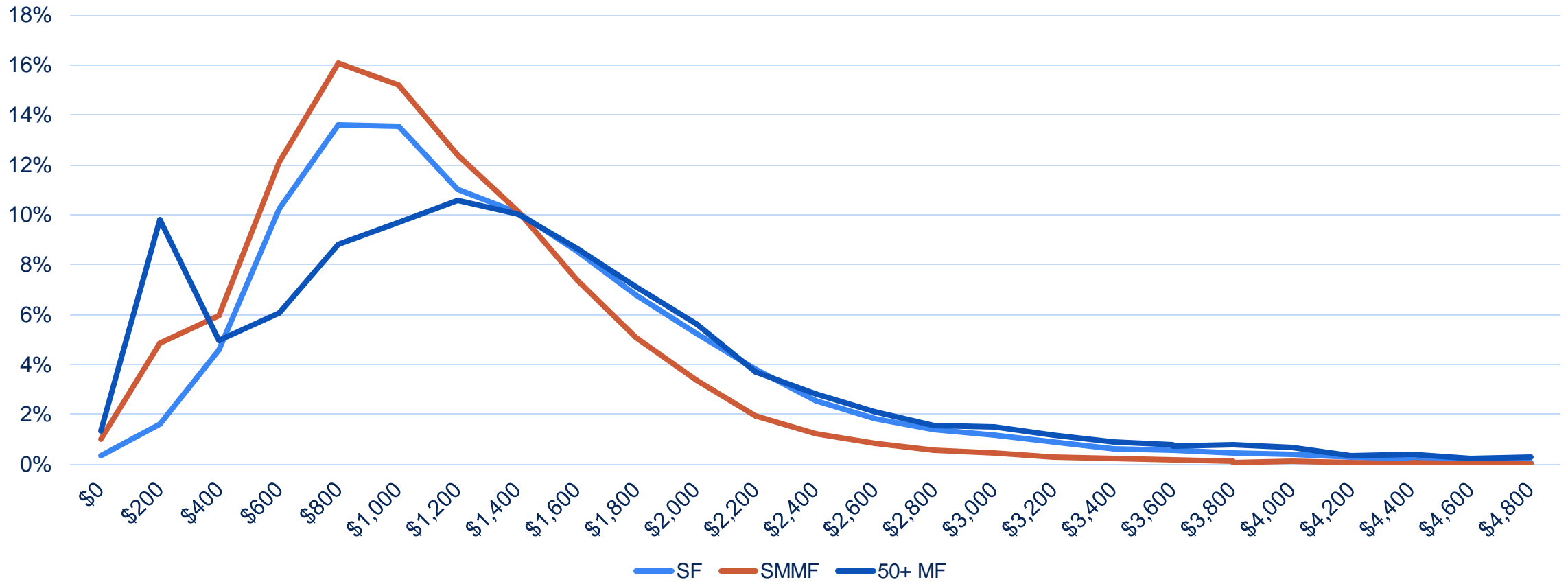
Atlanta, GA and South Florida Counties



Source: American Community Survey 2021 1-Year Estimates

SMMF Rents Tend Towards Greater Affordability

Rent Distributions, United States



Source: American Community Survey 2021 5-Year Estimates

SMMF Rents Tend Towards Greater Affordability

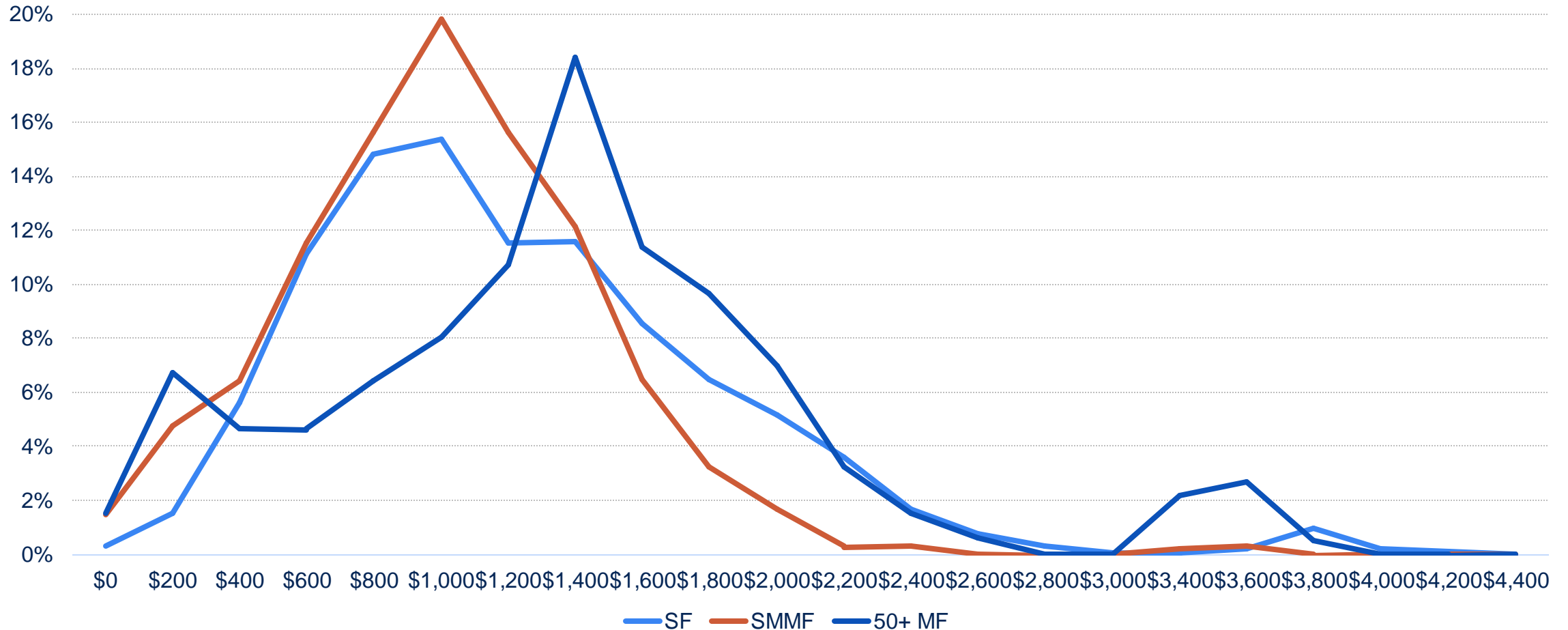
Rent Distributions, Florida



Source: American Community Survey 2021 5-Year Estimates

SMMF Rents Tend Towards Greater Affordability

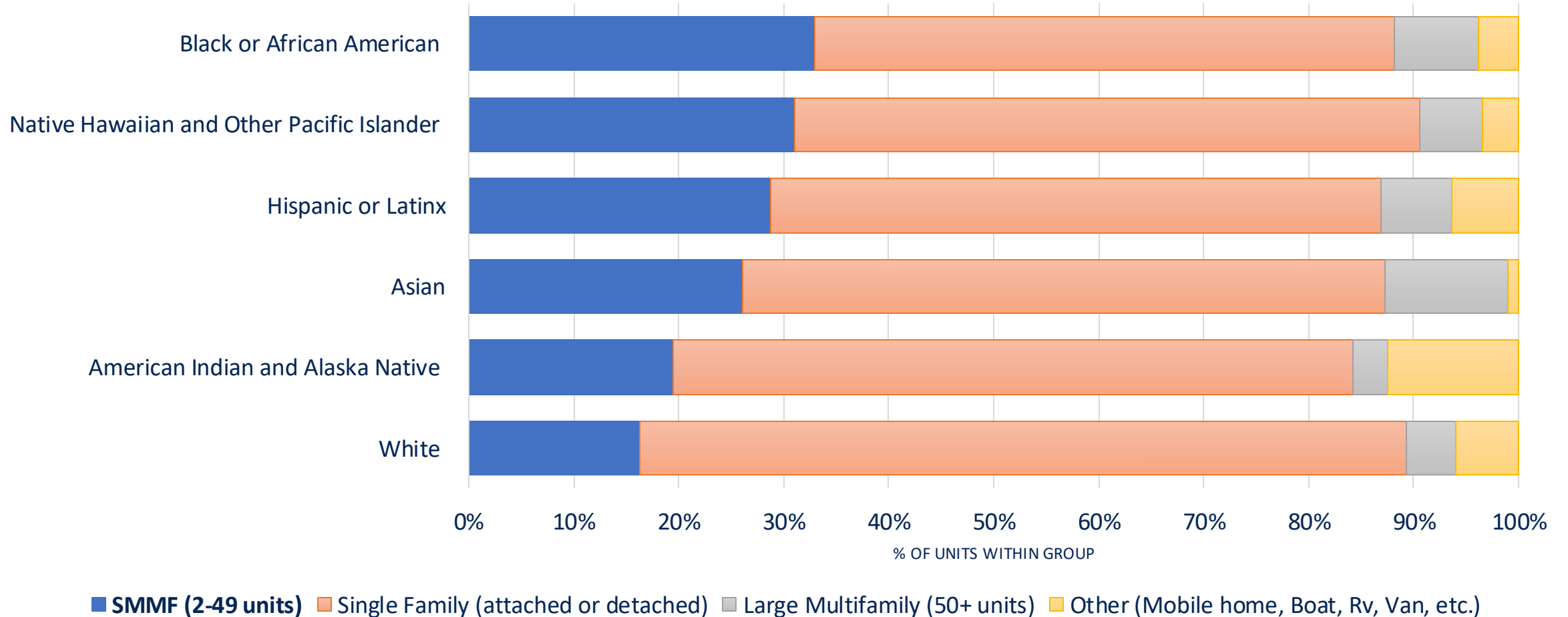
Rent Distributions, Georgia



Source: American Community Survey 2021 5-Year Estimates

Nationally SMMF Residents are Disproportionately BIPOC

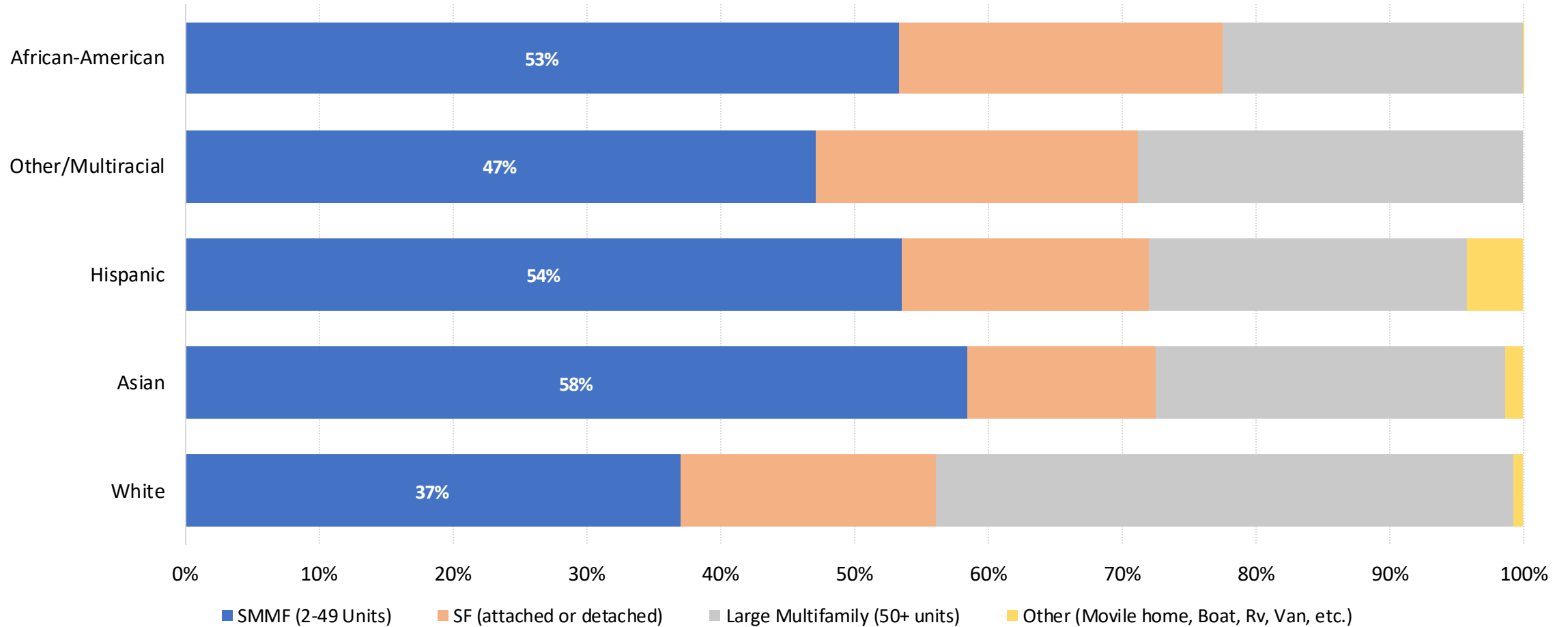
Share of Householders by Race/Ethnicity and Housing Type Nationwide



Source: American Community Survey 2020 5-Year Estimates

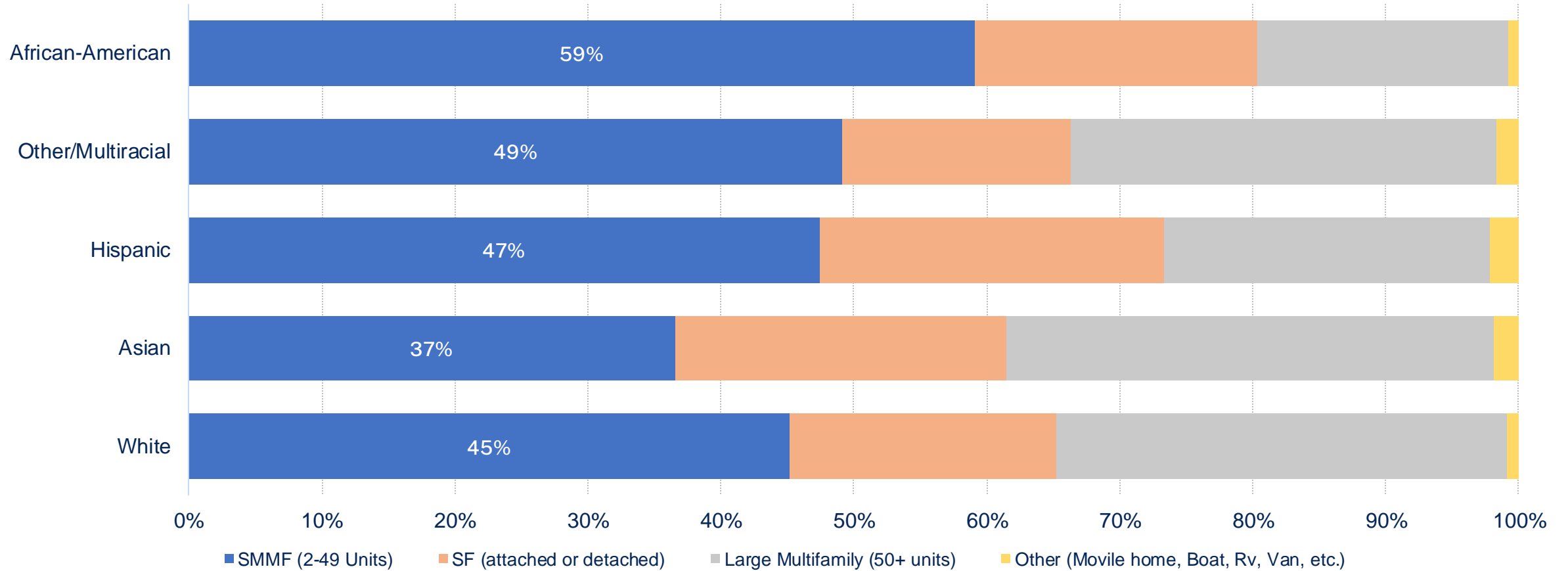
SMMF Residents by Housing Type: Fulton & DeKalb

Share of Householders by Race/Ethnicity and Housing Type



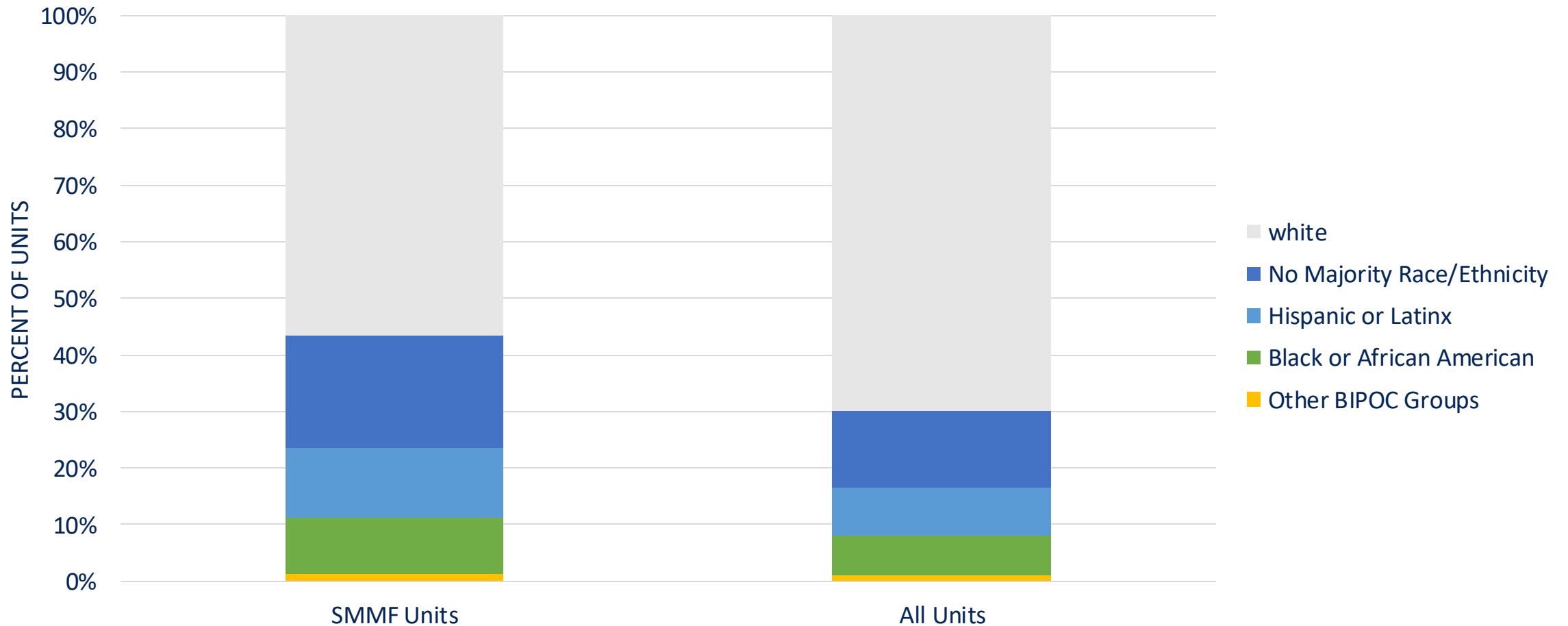
SMMF Residents by Housing Type: Miami-Dade & Broward

Share of Householders by Race/Ethnicity and Housing Type



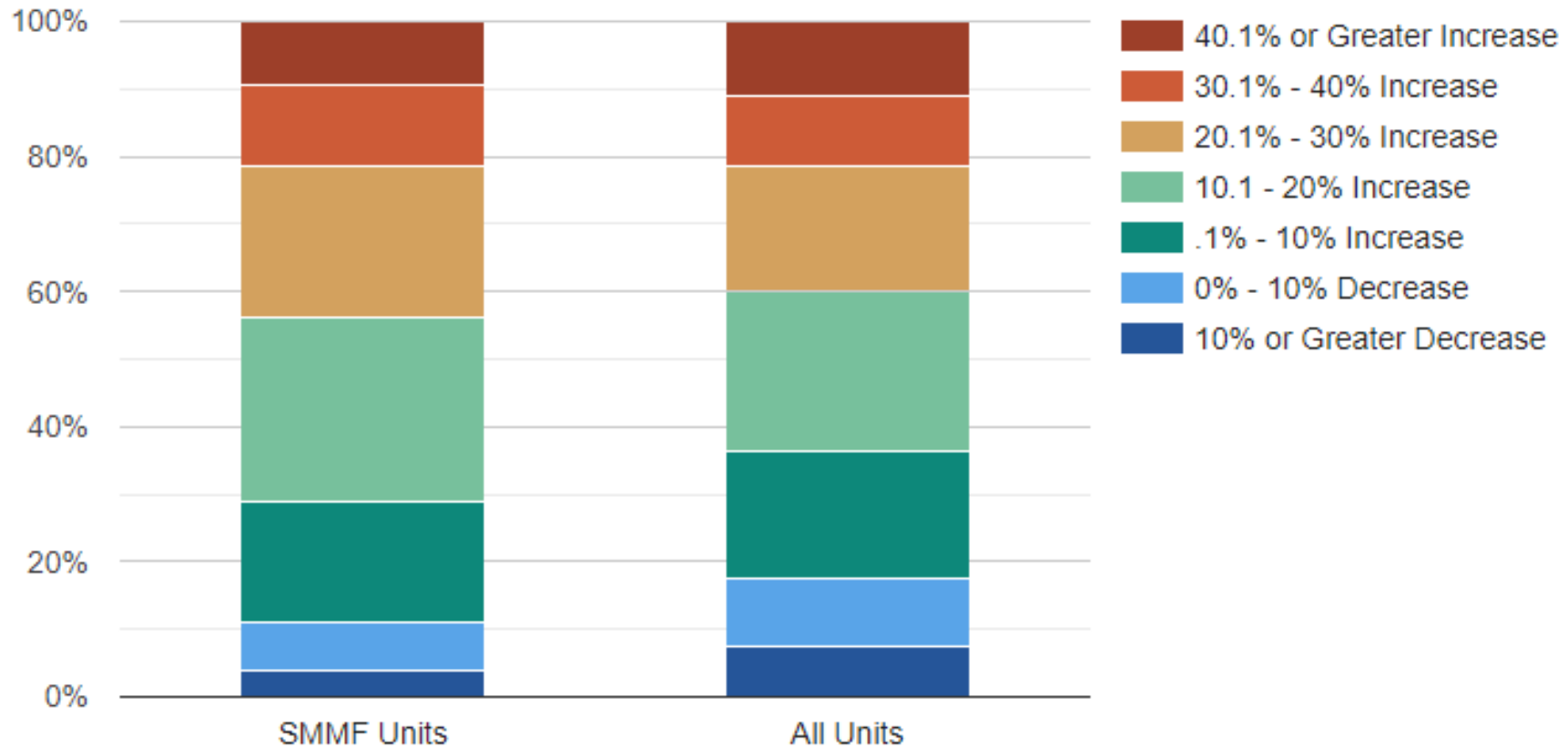
SMMF Homes are More Likely to be in BIPOC Neighborhoods

Housing Units by Majority by Race/Ethnicity Census Tract Nationwide

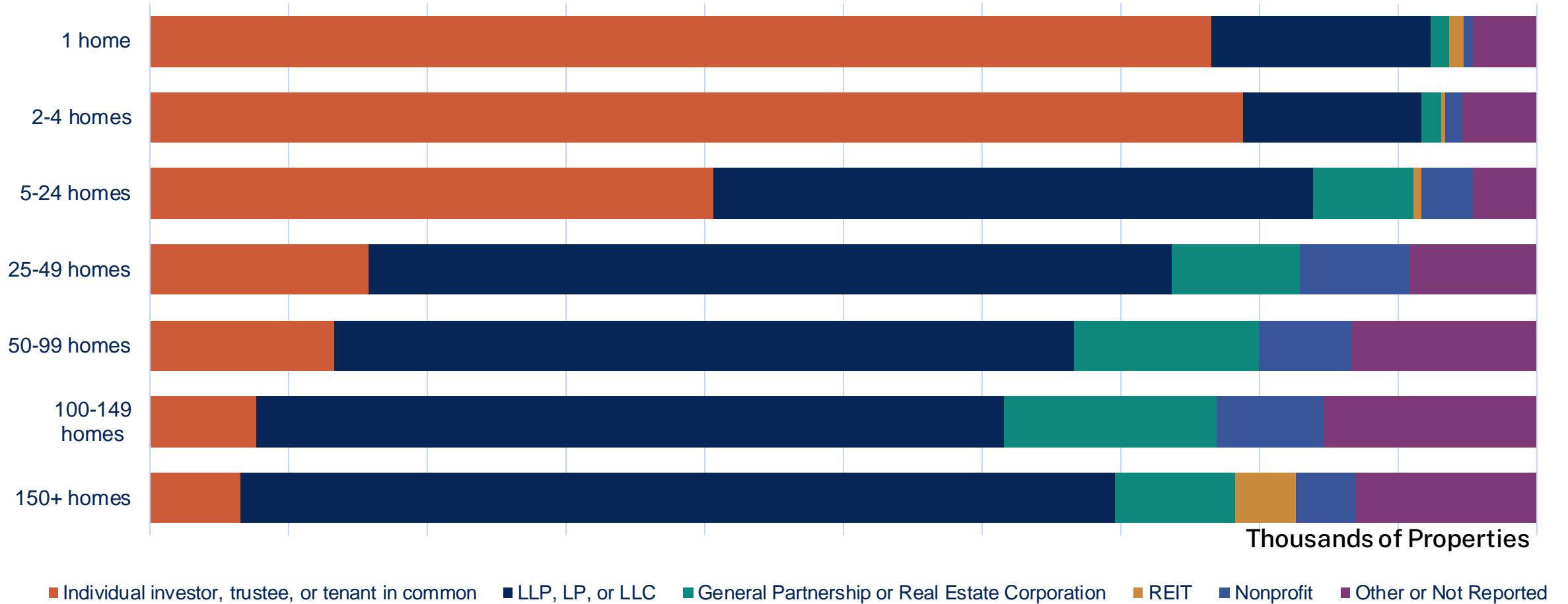


SMMF Units are Disproportionately Located in Areas with Growing Affordability Pressures

Units by Change in Census Tract Median Gross Rent in the United States, 2015 – 2020



Ownership Patterns Vary by Building Size



Source: Rental Housing Finance Survey

Identifying Your Role in This Work

Case Making for Preservation

- **Mission alignment** – are residents or neighborhoods you serve facing displacement pressures (either from rising market rents or poor living conditions)? Do those neighborhoods contain SMMF properties?
- **Enabling environment** – is there funding in your community, besides tax credits, available to support housing rehabilitation? Are there policies in place that support preservation work?
- **Capacity** – how might real estate work align with your broader business plan and structure? Do you have in-house capacity or could you form partnerships to sustain upfront capital, manage a rehabilitation process, and oversee a property and its finances long-term?

Identifying Your Role in This Work

Case Making for Preservation

How might **access** to affordable SMMF rentals impact residents who you serve?

- E.g., improved housing stability and habitability, better education and employment outcomes, improved health and well-being

How might **higher quality** SMMF housing impact the neighborhoods or communities you serve?

- E.g., more community stability, better living conditions, increased property values, racial diversity of tenants or owners

How might your **organization be impacted** by increasing your role in SMMF preservation?

- E.g., financial impact (more upfront strain but opportunity for long-term returns), community relationships, professional growth opportunities for staff

What is the **alternative**?

- How will your organization, residents, and communities be impacted if you do not engage in SMMF preservation?
- What are your opportunity costs (i.e., what would you not be able to do if you pursued SMMF preservation)?

Menti Poll: Identifying Your Role in this Work

Access the Menti Poll link in the chat or join menti.com and enter code **9825 5710**

- 1** Have you or your organization preserved SMMF properties?
- 2** What changes have you made to your organization to grow your ability and capacity to preserve SMMF properties?
- 3** What do you see as the largest challenge for your organization to embark on this work?

REVIEW: Why It's Important to Preserve SMMF Properties

Case Making for Preservation

- SMMF units are a **major source of housing** affordable to low- and moderate-income households in the U.S.
- Preserving the affordability and habitability of these units can **prevent displacement and impact racial equity.**
- SMMF preservation can be more **time and cost-efficient** than other development processes.
- There are **many ways to play a role** in this work, depending on how it aligns with your mission, capacity, and enabling environment.



PRESERVATION NEXT: PRESERVATION ON THE GROUND

Preservation on the Ground

1

Barriers to SMMF
preservation today

2

Real-life **examples** of
SMMF preservation work

Barriers: Competition for Properties

Preservation on the Ground



Typically Trade for Profit Motivation

- Largely privately-owned and unregulated environment



Investor Interest

- Non-individual investor share of 5-24 units property increased 20% since 2001, to 2/3 of all
- Many purchases are concentrated in Black and Hispanic neighborhoods



Cash Offers, No Contingency

- Corporate investor cash offers a quick transaction
- Offer above appraisal and waive inspections



Higher Interest Rates Create Opportunity

- Potential decrease in investor competition from higher interest rates
- Creates opportunity for mission-driven organizations to compete

Barriers: Lack of appropriate financing

Preservation on the Ground

Need: access to flexible, fast-acting capital for mission-aligned organizations to compete.

Challenges: timing and quantity of sources

- Application and closing periods are out of sync with need. Barrier to moving on opportunities that emerge at times outside an application period
- Limited sources make it difficult to secure enough funding to cover financial gaps across both acquisition/rehab and ongoing property operations.

Barriers: Mismatch of capacity

Preservation on the Ground

Many mission-aligned organizations have skills in:

- strong community relationships
- strong tenant relationships

Preservation requires skills in:

- real estate & development experience

Options:

- Train current staff in new skills
ex: financial management staff in asset management duties
- Joint Venture partnerships with careful structuring

Barriers: Uncertain rehab needs

Preservation on the Ground

Overall rehab needs may be uncertain before you close on the acquisition because:

- A property inspection provides a modest level of detail
- Time may be limited for due diligence.

As a result, it is important to:

- Budget for higher levels of reserves in your rehabilitation budget so that unexpected needs don't halt your project
- Conduct due diligence, as possible, on age of systems, roof, foundation, and other physical information
- Be prepared to iterate on your budget, timeline, and overall development plan as you gather new information.

REVIEW: Barriers to SMMF preservation

Preservation on the Ground

- **Competition** when acquiring properties, particularly with the rise in investor interest. Recent interest rate hikes counter and create opportunity for mission-driven buyers.
- **Grants and subsidies are needed** to fill gaps in acquisition/rehab and ongoing operations.
- **Mismatch between capacity and need** for many community-based organizations. Joint venture (JV) partnerships create an opportunity to build capacity for development.
- **It is hard to know the full-scale of a property's rehabilitation needs** before closing. Anticipate this uncertainty in your budgeting and project planning.

TOOLKIT CONTENT

ISSUE BRIEFS

- ▶ Developer Capacity for SMMF Preservation
- ▶ Identifying SMMF Properties for Preservation
- ▶ Acquisitions
- ▶ Rehabilitation
- ▶ Engaging Stakeholders
- ▶ Green Building, Resilience and Health
- ▶ Property Management
- ▶ Preservation Enabling Environment

TOOLS

- Financial Modeling Tools
- Funding Sources Inventory
- Glossary

Speaker Introduction

Advancing Small to Medium Multifamily Preservation on Atlanta's Westside



Rachel Carey

CHIEF REAL ESTATE OFFICER
WESTSIDE FUTURE FUND

At Westside Future Fund, Rachel leads the organization's real estate, community development, and impact financing efforts. Prior to this, Rachel served as VP of Real Estate at the Atlanta Housing Authority and worked at Forsyth Street Advisors, where she advised owners and developers on the acquisition, rehabilitation and new construction of affordable housing.

Westside Future Fund

Home on the Westside

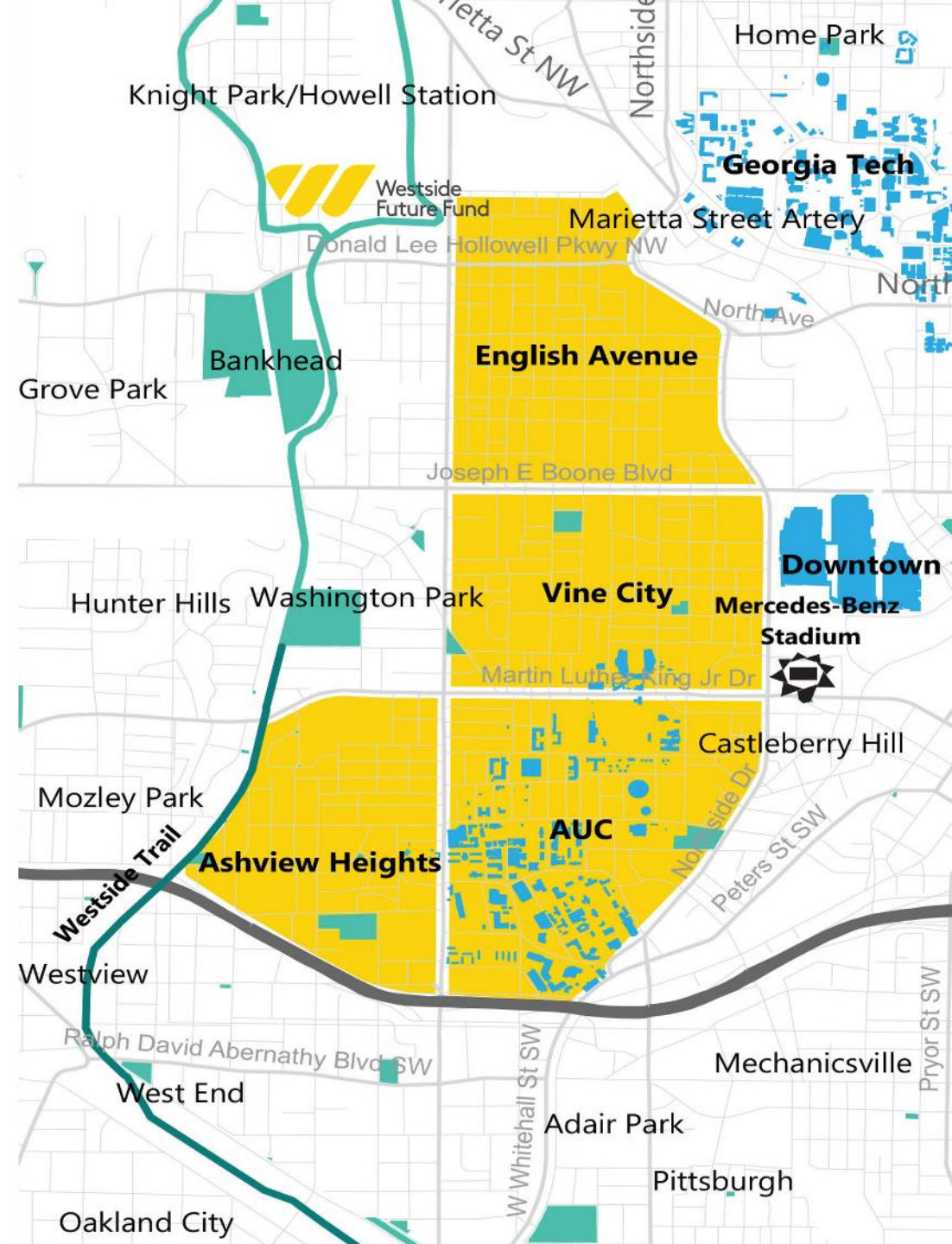


GEOGRAPHIC SCOPE

WFF focus areas were established as a combination of two major investments.

ENGLISH AVENUE + VINE CITY: Invest Atlanta investment set aside by former Mayor Reed from Westside Tax Allocation District (TAD)

ASHVIEW HEIGHTS + ATLANTA UNIVERSITY CENTER: Boundaries of U.S. Department of Housing and Urban Development's Choice Neighborhoods Program





Community Retention Guidelines

The WFF is deeply committed to community retention on the Westside.

In 2019, we adopted guidelines that prioritize households with ties to our footprint neighborhoods.

We support folks who:

-  Live here
-  Work here
-  Learn here

Home on the Westside

Occupied Multi-Family Properties



395 James P. Brawley

After



Before



507 English Avenue

After



Before



356 James P. Brawley

After



Before

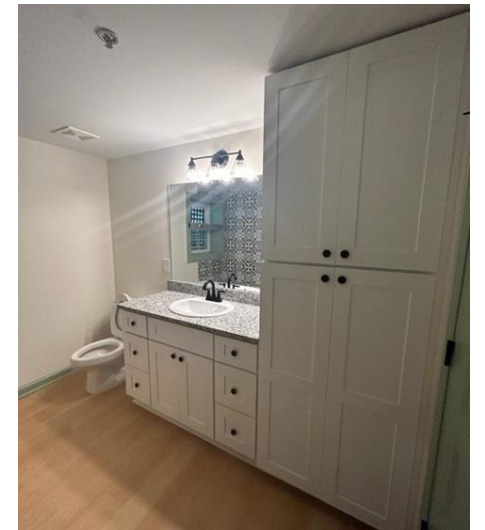


400 Paines Avenue

After

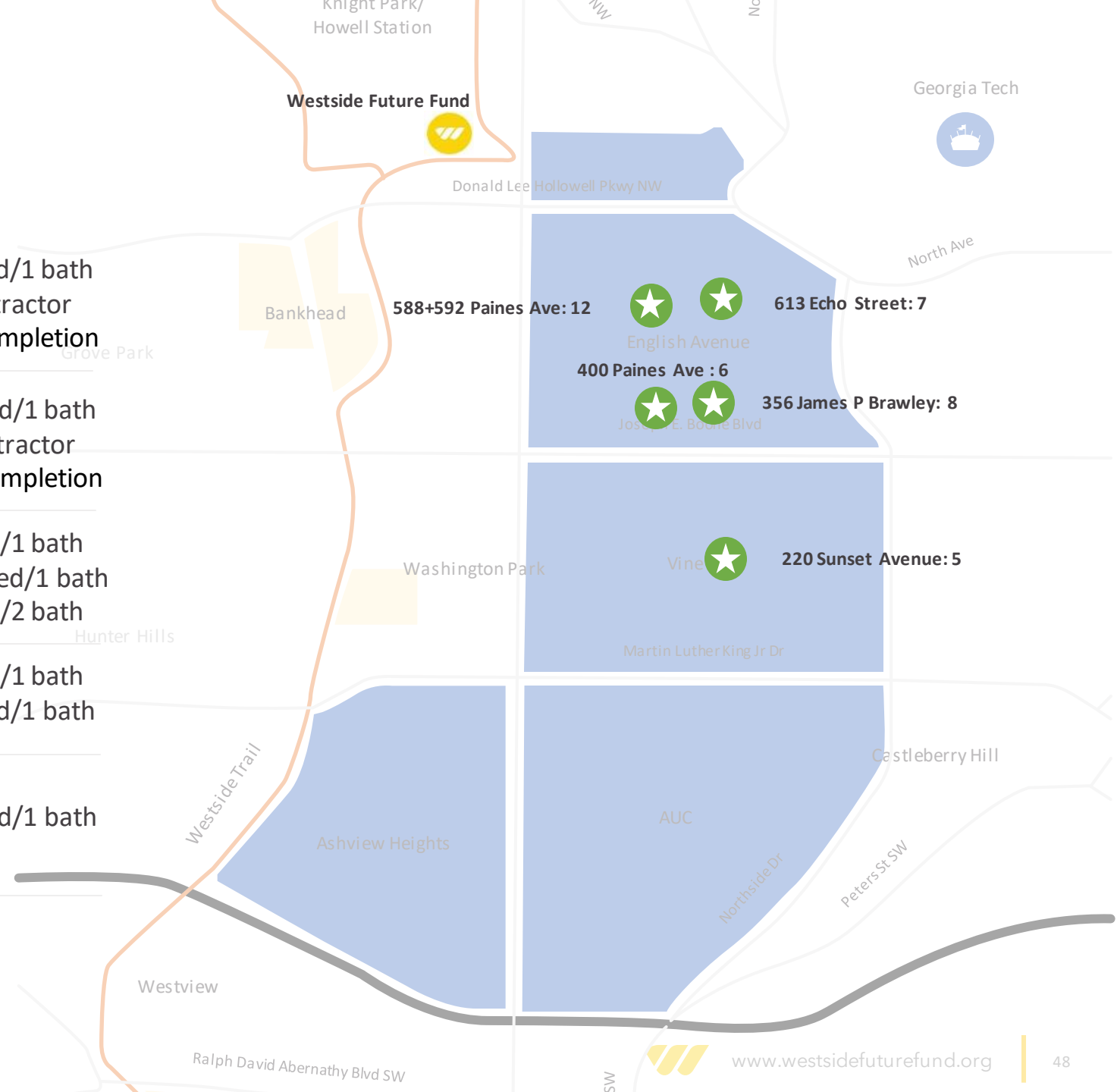


Before



6 Multi-Family Property Developments in 2022/23

1	356 James P. Brawley, NW	<ul style="list-style-type: none"> • 8 units – 2 bed/1 bath • Minority Contractor • December Completion
2	400 Paines Avenue, NW	<ul style="list-style-type: none"> • 6 units – 1 bed/1 bath • Minority Contractor • December Completion
3/4	588 + 592 Paines Avenue, NW	<ul style="list-style-type: none"> • 1 unit - 1 bed/1 bath • 10 units - 2 bed/1 bath • 1 unit - 3 bed/2 bath
5	613 Echo Street, NW	<ul style="list-style-type: none"> • 1 unit - 1 bed/1 bath • 6 units - 2 bed/1 bath
6	220 Sunset Avenue, NW	<ul style="list-style-type: none"> • 5 units - 2 bed/1 bath



Multifamily Rehab

Total Development Cost

Address	# Units	Acquisition Cost	Soft Costs	Hard Costs	Total Development Cost	Cost/Unit	Start Date	End Date	Number of Months
400 Paines Ave	6	\$ 264,305	\$ 58,893	\$ 829,967	\$ 1,153,165	\$ 192,194	5/23/2022	4/30/2023	10
356 James P. Brawley Dr	8	\$ 1	\$ 82,731	\$ 1,250,884	\$ 1,333,616	\$ 166,702	5/1/2022	5/15/2023	10
588 Paines Ave*	6	\$ 1	\$ 46,084	\$ 1,111,640	\$ 1,157,725	\$ 192,954	1/30/2023	12/1/2023	11
592 Paines Ave*	6	\$ 1	\$ 40,896	\$ 1,111,640	\$ 1,152,537	\$ 192,090	1/31/2023	12/2/2023	11
613 Echo St	7	\$ 161,000	\$ 47,427	\$ 1,299,270	\$ 1,507,697	\$ 215,385	1/30/2023	8/30/2023	7
Total/Average	33	\$ 425,308	\$ 276,031	\$ 5,603,401	\$ 6,304,740	\$ 191,053			10

*Includes 7.5% Contingency

- **Cost estimates presented in October 2020 indicated TDC of \$4.5 million, total increase of 40% in 20+ months attributable to historically high construction costs**
- **Average completion time of 10 months**
- **Project-Based Section 8 rents for 24 units across 356 James P. Brawley, 588-592 Paines, and 613 Echo Street will be 22% higher than originally projected, providing opportunity to leverage more debt**
 - **Will apply for Project-Based Vouchers at 400 Paines upon completion**

Case Study

613 Echo Street

- Purchased vacant and gutted with existing 18-unit complex in 2019
 - Occupied rents \$850 on avg.
 - 7-unit vacant building
- Design called for all new framing, electrical, plumbing, HVAC and roofing plus on ADA/UFAS unit
- Once complete, will execute a contract for 8 units of Project-Based Section 8 across the project to cover the entire 25-unit project



Corridor Garden + 613 Echo Street

Progress as of March 2023



Corridor Garden + 613 Echo Street Completed Project



Corridor Garden + 613 Echo Street

TDC and Sources & Uses

Corridor Garden & 613 Echo						
Corridor Garden (Occupied)			613 Echo (Vacant)		Total Units	
# of Units		18	7		25	
USES		Per Unit	Per Unit		Per Unit	
Acquisition & Closing Costs	\$1,589,000	\$88,278	\$161,000	\$23,000	\$1,750,000	\$70,000
Hard Costs	\$400,000	\$22,222	\$1,429,197	\$204,171	\$1,829,197	\$73,168
Soft Costs	\$51,890	\$2,076	\$84,646	\$3,386	\$133,410	\$5,336
Total Uses	\$2,040,890	\$113,383	\$1,674,843	\$239,263	\$3,712,607	\$148,504
CONSTRUCTION SOURCES			% Total		% Total	
Sponsor Equity	\$627,140	31%	\$474,244	28%	\$1,101,384	30%
Invest Atlanta TAD Grant	\$0	0%	\$325,000	19%	\$325,000	9%
WFFREIF Loan	\$1,413,750	69%	\$875,599	52%	\$2,289,349	62%
Total Sources	\$2,040,890	100%	\$1,674,843	100%	\$3,712,607	100%
PERMANENT SOURCES			% Total		% Total	
Sponsor Equity	\$627,140	31%	\$588,593	35%	\$1,215,733	33%
Invest Atlanta TAD Grant	\$0	0%	\$325,000	19%	\$325,000	9%
WFFREIF Loan	\$1,413,750	69%	\$761,250	45%	\$2,175,000	59%
Total Sources	\$2,040,890	100%	\$1,674,843	100%	\$3,712,607	100%

- Original bid from October 2020 was \$800,000—increase of 60% (excluding contingency) to late 2022
 - Additional structural work needed to due to time lag, plus overall increase in labor and materials
- In the occupied property, \$100k in capex incurred to retrofit a unit for UFAS
 - Allows for entire project to be covered by Project-Based Section 8
 - Approx. \$300,000 in planned expenditures to repave parking, replace fence, and paint existing buildings/repair porches and mailbox shed
- Cost on rehab still shows savings over new construction (\$240k/unit rehab vs. \$275k/unit new)

Q&A

SURVEY

bit.ly/southeastkickoffsurvey

PRESERVATION NEXT

Preservation Next Toolkit

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

Guidance and Best Practices

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

Localized Resources

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

Case Studies

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

Tools

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



A JOINT VENTURE PRESERVATION MODEL IN LOS ANGELES

PROJECT OVERVIEW
700 Simmons Ave
LOS ANGELES, CA

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

Financing sources:

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



TOOLS

Funding Sources Inventory

Keep Reading



TOOLS

Financing Modeling Tools

Keep Reading



Join us for our next session on Nov. 14!

**Preservation Deals:
Organizational
Sustainability and
Business Planning**

Our Guest Speaker

Karoleen Feng, Mission
Economic Development Agency
(MEDA)

What to Expect This Session

- Participants will gain understanding of how to assess their **capacity, mission alignment and financial realities** in determining whether to pursue SMMF preservation.
- This session will introduce **potential business models** for SMMF preservation and what it takes to be an effective operator.
- Participants will gain access to **tools and resources** to understand level of alignment and readiness to engage in SMMF preservation.

Thank you

Contact Us:

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Resources:

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

[Preservation Next](#)