

Building Sustainable Organizations

My Trinh

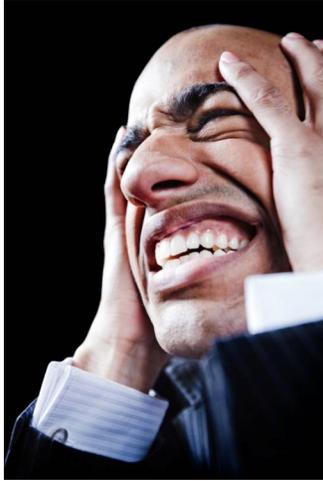


Roadmap



- Purpose and Methodology
- Recommendations for *Housing Organizations*
- Recommendations for *Other Stakeholders*





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Purpose



Ten Organizations



2 Axioms

- **Building Sustainable Organizations is the cheapest way to develop and preserve affordable housing portfolios**
- **Place-Based Organizations (PBOs) safeguard all assets in their service areas and not just corporate assets.**



Strengthen Financial Reporting and Analysis

- **Poor Internal Financial Statements**

- Not detailed or broken out by cost center
- Overhead was not allocated

- **Accounting Staff Turnover**

- Complex organizations
- Understanding all the compliance and regulations
- Internal controls



Beware of large cash receipts



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Beware of significant one-time cash receipts

- Real Estate is a Business of Large, Uneven Payments
- These Payments May Delay Tough Decisions on Properties or Business Lines.
- Deep Pocketed Partner or Affiliate



Grow Strategically



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Grow Strategically

•Property Management

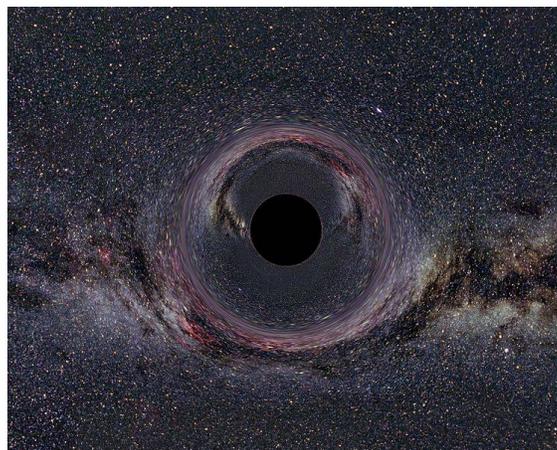
- Low estimation of start-up costs
- Geographical territory
- High staff turnover
- Defer fees or defer maintenance? That is the question.

•Other Business Lines or New Territory

- Mission Creep
- Expertise and infrastructures not built
- Never developed a self-sufficiency timeline
- Territory: Didn't have the relationships



Cast off revenue draining projects



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Cast-off Revenue Draining Projects

- Soak Up Senior Management's Time
- Sunk Costs
- Exacerbated by Weak Self-Managers
- Early Warning System – Going Over the Cliff
- Develop Criteria to Help with a Go/No-Go Decision
 - Very important for neighborhood based groups



Maintain Relationships



Maintain Relationships

- Strained Relationships with Government Agencies
- Compliance Folks in Waiting
- Impact on Future Awards
- Respected if Not Liked



Conduct Forecasting and Scenario Planning



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- **In LIHTC Real Estate, We Are Used to One 15 Year Proforma**

- Scenario planning – best, worst and most likely

- **Optimism Instead of Action**

- If these three things happen...



Diversify Revenue Streams

- **Groups Need to Diversify – Dependent on Developer Fees**

- **All Revenue Streams Are Not Created Equally**

- Timing and occurrence of payments
- Impact on bottom line

- **Diversification Opportunities**

- Properties and Populations
- Integrating Vertically
- Growing Geographically
- Joint Ventures



Prioritize Organizational Sustainability

- The Mission Battle**

- Rents
- Projects

- Full Costing on Services and Work**

- Fair Pay for What Is Done**



Consider Collaboration

- Duplication - Sharing Services**

- Back office
- Seeing more client and resident services

- The "M" Word**



Recommendations for Funders

- **Incentivize Long-term Ownership of Units**

- Cash flow contingent loans

- **Fully Fund Workout Projects for New Owners**

- There's a reason the project needs a new owner



Recommendations for Funders

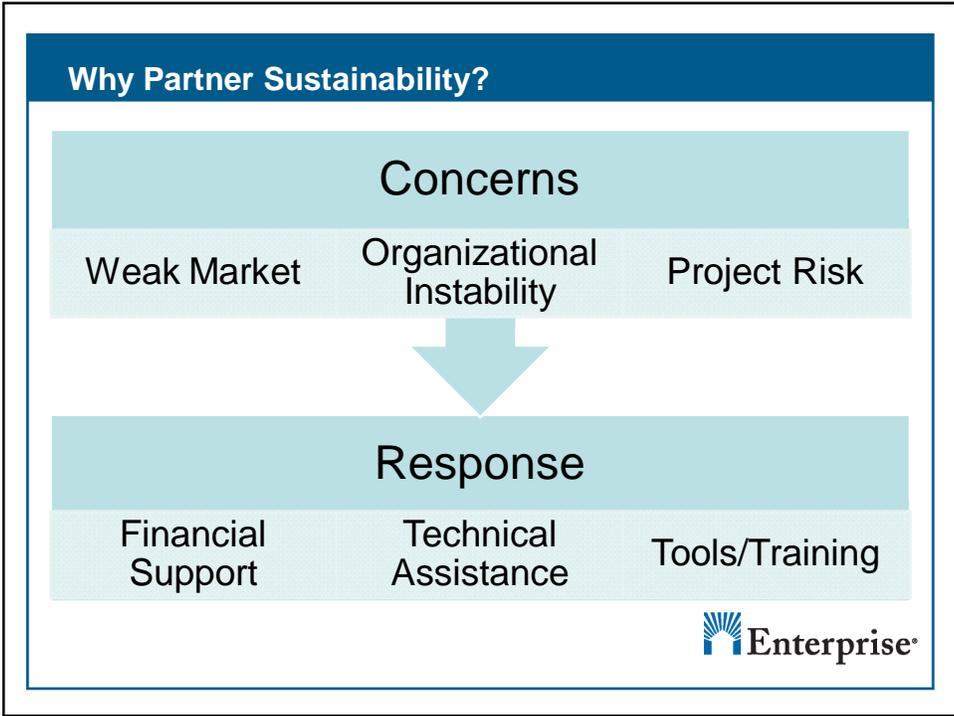
- **Set Realistic Management Fees and Structure Cash Flow**

- Asset management as well as property management

- **Embrace an Early Warning System**

- Welcome developers and owners who come to the table early
- Fear of penalty





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