



**Asset Management –
Investor, Owner and
Property Manager**

**Rental Housing Training
May 28, 2014**

WELCOME!

Multi-Family Asset Management

Perspectives of the investor partner
and nonprofit developer partner

What is Asset Management?

- Ensuring that your investment is operating like a line of business

What does this include?

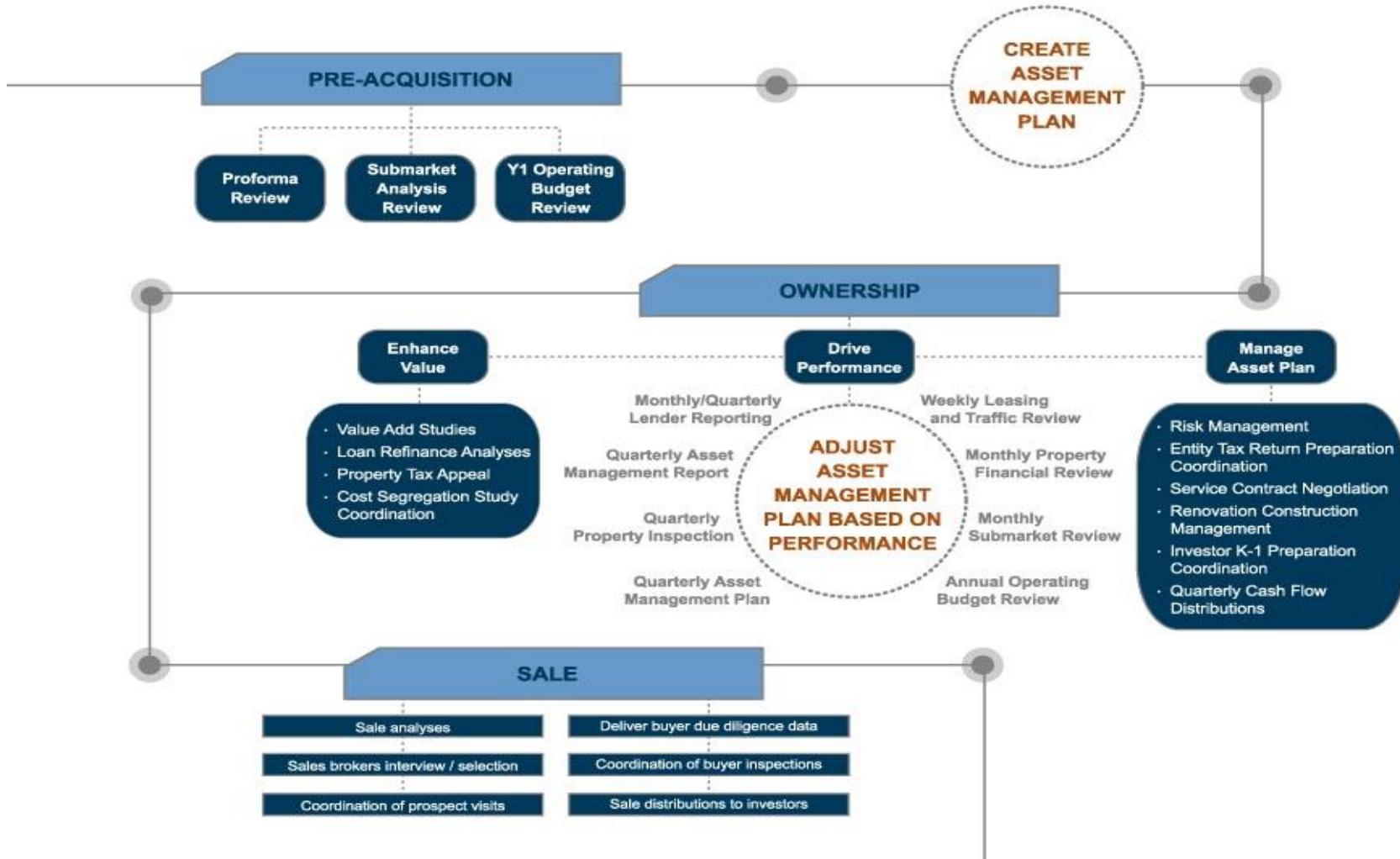
1. Providing a service
2. Property Management/Maintenance oversight
3. Employee oversight
4. Financial/accounting oversight
5. Data/record keeping
6. Identifying and mitigating risks
7. Planning

Basic flow of credits

- How does it work?
 1. Low Income Housing credit under section 42 of IRS code
 2. Credits allocated to each State on an annual basis
 3. State holds competitive QAP process to determine credit allocations
 4. Credits assigned and developer reviews investor offers
 5. Choose an investor partner and start construction

Basic Flow Chart

THE MULTIFAMILY ASSET MANAGEMENT PROCESS



Understanding Expectations

- Regulatory and Investor requirements
 - Underwriting assumptions
 - LOI
 - Limited Partnership Agreement, LURA, CC&R, and other regulatory documents
- Limited Partnership Agreement
 - Definitions – LPA and LURA
 - Calculations – DCR, closing spreadsheet assumptions
 - Tax credit delivery
 - Deadlines – Placed in Service and Lease-up
 - Lease-up (eligible basis calculation vs weighted average)
 - Claiming credits or deferring credits in the PIS year
 - Ongoing credit delivery
 - Potential adjusters (downward, upward, timing, ongoing, loss adjuster, other)

Understanding expectations cont.

Equity disbursements

- Timing of funding (how it can change IRR)
- Meeting benchmarks
- Cost Certification
- 8609 packages - what's included and executing the final 8609
- Stabilized occupancy analysis and package
 - What is definition in LPA?
 - How is calculation done?
 - What is the basis for adjustments?
 - Supporting documentation is needed
 - Invoices – RE Tax, Insurance, utilities
 - Staffing breakdown (especially if changed – temp staff, bonuses, etc.)
 - Clear understanding of concessions
 - Property contracts (audit/tax, grounds, security, trash, etc.)
- Tax Returns
 - Depreciable life during first year
 - First year tax credit delivery

Asset Management vs Property Management

- Who does what?
 - Asset Management
 - Property Management
- Areas of Overlap
- What information should asset managers expect property managers to provide?

Operations

- Knowing your property
 - How many layers of financing are there???
- Monitoring Operations – what you should be analyzing monthly, quarterly, and annually for a single property and across a portfolio of properties (*see next slide*)
- Budgeting, Creating Strategic Plans and setting property goals
- Reporting - what's required and in how many formats?
 - Executive Director, Senior Management and Board of Directors
 - Limited Partner/Investor
 - Lender
 - Regulatory agencies
- Compliance oversight
 - Staying on track – understanding how project financing impacts how you lease up the property
 - Best practices & file maintenance
 - Tenant File Audits and monitoring visits and each agency's regulatory requirements
 - Noncompliance findings and 8823s
- Staffing and training
 - Who needs it and how often
- Tenant relations and Fair Housing Complaints

Property Performance Analysis

- Occupancy Rates
- Rent Collections
- Turnover Time
- Work Orders
- Annual Turnover
- Expense to Income
- Accounts Payable
- Mortgage
- Operating/Replacement Reserves
- Preventive Maintenance Plans
- Assessment of Capital Needs
- Management Plans
- Reporting to Investors
- Community Development Goals
- Dispositions

Operations Continued

- Maintenance
 - Preventative maintenance plans
 - HQS Inspections
 - Filter changes/work-orders
- Capital needs assessments
- Use and funding of reserves
- Cash Management

Operations continued

- Self management vs. third party management
 - What's required to self manage
 - Experienced Staff
 - Insurance
 - Training
 - Is it worth it?
 - Management fees
 - Document control

Underperforming Assets – Righting the Titanic

- Operating Deficit Guaranty
 - What does LPA say?
 - Does it even matter?
- Watch List and Risk Ratings – AHICS Standards
- Increased reporting requirements
- Cooperative Improvements plans
- Stabilization model
- Restructures
- GP Removal

Diversifying Portfolio

- Pros/Cons
 - Using different syndicators
 - Relationship management
 - Understanding expectations
 - Knowing your documents
 - Reporting requirements
 - Using different managers
 - Management styles and experience
 - Location and population of the property
 - Developing different types of properties and serving various clientele
 - Using the same model over and over vs. trying new ones