Kent Buhl: And now, for the main event, multifamily property management. This webinar will focus on the next steps in the multifamily housing process, managing multifamily rental properties.

Our presenters will discuss two critical facets of the management: asset management and property management. In asset management, the presenters will go over how to manage the manager to effectively run your multifamily housing properties using third-party. In property management, you'll hear about the keys to managing your property, including marketing, choosing tenants, and running your multifamily property

This webinar is for NSP 1, NSP 2, and NSP 3 grantees and their partners. And for those new to NSP webinars, please know that this is an interactive event and there will be time during and following the presentation for your questions.

So with us today we have Sandra Abramson. She is the president of Tem-Pro-Tech, Inc. in Brooklyn, New York. Ken Crawford joins Sandra. Ken is the vice president of Enterprise Community Investment in Columbia, Maryland. Matthew Do is a program officer at Enterprise Community Partners in Washington, DC. And as usual, we have David Noguera -- and I'm not sure if Hunter Kurtz is joining us today or not.

David Noguera: He will not be with us.

Kent Buhl: He will not. David is the manager of the NSP program at HUD Central in Washington. Thanks, David, for being here today.

And on our agenda, Sandy and Ken will be our guides through what they've identified as best practices in these areas of multifamily property management. Matt will take us through NSP rules as it relates to property management. And David will be standing by to help answer your NSP questions. And again, welcome to all of you.

And we'll start with Sandy and Ken on multifamily property management. Ken, Sandy, it's all yours.

Sandra Abramson: Thank you very much. It's a pleasure to be here. Having had over 30 years of experience in developing, owning, managing multifamily properties in New York City and working with not-for-profits along the East Coast who own and manage affordable housing and supported housing, it's a pleasure to be here.

The first question that I have -- just to kind of throw it out -- is what do rocket scientists when a test is not as hard as they would think or say that it is? And what they say is it's not property management.

We know that -- this is not working as I click. [talking over each other] Okay. So thank you very much, Kent.
Owning and managing affordable housing: It may not be rocket science, but it requires at least as much patience with long-term and day-to-day attention. It's really interesting. We need to know what makes a good owner and what makes a good manager; what separates the best from the good from the not-so-good. Those who institutionalize and follow best practices are those who are the best owners and managers.

And those practices are a way of doing things that lead to greater effectiveness, efficiency, and give the owner and manager a competitive edge. You can discover best practices by often looking at the way high-performing organizations work.

And in terms of owning and managing multifamily properties, there are two levels of responsibility. The first is the owner's responsibility. From the beginning of the pre-development phase through the disposition of the property, the owner must ensure that the asset is well-managed, well-designed, well-constructed, well-managed [sic], and produces the profits and losses that were anticipated in the underwriting. It takes time and attention and resources on the part of the owner. And as you can see, it's their responsibility to manage the asset over the long-term.

The property manager manages the property in a manner that meets the owner's financial, social, and physical goals, and also so that it's in compliance with all the rules and regulations that govern a particular property or portfolio. And it's the property manager's responsibility to manage the property operations on a day-to-day basis.

So there are those two levels, and part of it we'll look at over the next 30 minutes or so is how those responsibilities are separated, who does what, and why they're important.

Ken Crawford: Okay. Just [inaudible] here? Just a little bit of background. I'm Ken Crawford with Enterprise. As well, I too have 20-plus of background in real estate. My background's a little bit different in that I did underwriting for a number of years. I've done workout. And for the last several years I've been working specifically on the asset management. So, bring a number of different angles to the topic today of asset management and property management.

But following up on Sandy's point, two different types -- the asset management, which is really a function of the owner. The owner owns the building and is responsible to all the parties, be it lenders, be it funders, be it their board, to make sure that the property is underwritten, built, and managed over the long term to deliver everything that they're supposed to deliver.

And on the property management side, the property management is day-to-day operations. And Sandy and I will be making a point over the next 30 or 45 minutes of the property manager works for the owner. They are managed -- and Sandy will hit this one hard -- the property manager is managed by the asset manager. And it's critical to understand the distinction between an asset manager, owner, and the property manager -- the day-to-day, Johnny-on-the-spot at the property. So really critical distinction between the two concepts.
The other little piece that I wanted to make sure that we emphasize is that be it property management or asset management, it is very much a people business. On the property side, you've got people that are coming in every day to try to lease units. You've got tenants that you're trying to manage their residency at the building. You've got maintenance people. You've got contractors coming onsite. It's people, people, people all the time.

And on the asset management side of the house, in a sense it's still people as well. The asset manager has to manage the expectations and the requirements of the people within the organization, be it the president of the company or the board of directors. And the asset manager also has to be able to manage the property manager on the property management side of the house. So it's really about -- it's a people business. And it's critical that folks realize that and that it is something incredibly important in all aspects of asset and property management.

Sandra Abramson: What Ken says is actually true. Very many owners and property managers are now calling -- we have lots of different names for the people who live in the units; tenants, residents. And what I've heard over the last couple of years is people calling them customers. They're customers. They're buying something from you. They're buying the right to live in that property. And there are customer service aspects of it that we look at. We call them tenant services, resident services. But it kind of fits into the way we're looking at how to provide the best for your customers.

So with that, keep in mind those two hats: the owner, the property manager -- the long term, the day-to-day basis.

Okay, everybody? All right. So now we want to look at -- first, we want to look at the goals of asset management, the goals of the owner. And the owner needs to know and understand the requirements which the owner has agreed to and must comply with. Essentially, its liabilities. These could be financing requirements, such as the mortgage terms, the reserve requirements, the insurance requirements. It can be program regulatory requirements.

It could be local or state program requirements. It could also be -- in support of housing -- it could be special service program requirements. Or it could be the HOME requirements or Section 8 requirements. It could be the IRS low-income housing tax credit requirements. So there are lots of different requirements that you need to know that you've agreed to. That's a key aspect of it.

And also, there are the partnership and the syndicator requirements, that are defined in the limited partnership agreement; whether there are guarantees or management oversight, risk management requirements -- all the different aspects of that.

In order to -- once you know and understand the requirements, you need to create policies that will ensure compliance with the requirements. So you'll create performance standards for the property. You'll set approval requirements. What does the property manager have to come to you for approval for, and what can they do with a kind of general approval?
You'll set the risk management requirements. How much insurance do you need? What are those requirements to meet to satisfy either the government or your partners or yourself? And also you'll set third-party reporting requirements and standards. Because after all, you're not in this by yourself, and the property manager needs to know that.

All of this is to ensure the long-term fiscal health of the asset. It's also to ensure the physical condition of the property. You need to ensure that the property's managed in such a way as to comply with the requirements. And that may be choosing an in-house or a third-party manager. You need to make sure that the manager knows and understands all of the compliance requirements as a way of ensuring that there is compliance. They've got to know what they've got to do. If they don't know that, then they're kind of in a boat without a paddle.

You also want to make sure that you maximize the income while reducing the expenses. That's ensuring that fiscal health of the asset. You made, in terms of what Ken talked about, as an underwriter you've made certain assumptions about the income and expenses of this property and you want to make sure that you meet those. You want to maximize that.

You also want to maximize that double-bottom line. You want to meet the financial as well as the social goals or mission of your organization. And this is in a public or private -- not-for-profit or for-profit. There are missions, and often there are the social goals. You want to maximize that double-bottom line, so that you want to ensure that there is everything in place in order to accomplish these.

Is there any questions about what the goals of asset management are?

Kent Buhl: I see none, but let me just pause for just a second here.

Ken Crawford: And while we're waiting for that, if I could make a point.

Sandra Abramson: Sure.

Ken Crawford: Sandy's description here about ensuring the long-term financial health, physical condition of the property, making sure that we're in compliance with regulatory agreements, etc. -- all of that is critically important for the owner or asset manager.

And a distinction that I want to point out and make sure that it's on everybody's radar screen from an asset management point of view -- oftentimes within an organization there are people that put together the deal, the development side of the house. Oftentimes what we see is that the development side of the house kind of operates in their world with their own rules and expectations as to how things are going to go.

And once the project has closed and the deal kind of moves from the development stage into the construction and lease-up and long-term management stage, oftentimes there is a gap of knowledge and understanding between the development side and the asset management side.
And I want to emphasize that it is critically important for an organization, when you're going from the drawing board and the structuring of the deal, that you bridge that piece to the asset management side of the house, which is ensuring that the asset management side of the house truly understands all of the ins and outs of the deal; that they understand all the numbers, that they have all the documents, that they understand the regulatory requirements; that they understand the loan documents, the grant documents, etc.

That transition between development and asset management is an absolutely critical, critical piece that oftentimes when it's not done well it leads to critical breakdowns on the asset management side of the house, which then bleeds down into the property management side of the house. So it's really, really important that people keep that on the radar screen.

Sandra Abramson: And what Ken did was he kind of presaged the next piece, which is that access to information; the transition for development to asset management.

And also, it's not enough for the asset manager -- or the asset management people who work for the owner, and that could be a chief financial officer; it could be a vice president of real estate. There's some high-level people dealing with the asset management. But it's no good if they have access to the information and don't provide it to the property manager. The property manager needs to know how many of those units have a requirement to be homeless units; how many of those units are HOME units and remain HOME units forever; which units are very low income, which units are low income, which units are something else.

And it's extremely important so that everyone has access. So it's the change from, in terms of closings and closing documents, from an all-paper closing, to a closing where everything is computerized, so that very often now owners will walk out of a closing on a project with all the documents on a disk. And that gives you incredible access to information that is crucial to managing the property and managing the asset.

One of the things that I've often told people to do is go through all of the documents in that closing binder and make sure that you pull out the ones that live. What are the requirements -- your mortgage requirements? What are your low-income housing tax credit requirements? What are your partnership requirements; your insurance? Almost create a living binder that you have access to. And it's the go-to binder for the crucial information.

And it's the managers and internal staff who need access to all that relevant information. I mean, some of the regulations and requirements may restrict the income of incoming residents, while others may limit the rent that an owner can charge for an apartment. Some of those may require that new residents come from the homeless population.

Whatever they are, it's extremely important that both the owner and the manager know and follow them for as long as they apply. Because as we know, the consequences of noncompliance may be extremely severe. And that's the situation that you don't want to get into. So summaries such as deal point memos, property profiles are useful tools to have so that people have access -- really fingertip access to the information that lives with that property.
And some of that information needs to be updated on a regular basis. Every year, the NSP, the low-income housing tax credit, rent, and income levels change. In New York City, the rent stabilization annual increases change. HUD Section 8 income limits change. Everything is updated based on the FMSA medians.

And you need to make sure that that information goes to the day-to-day manager, goes to the individuals who are performing the oversight, those asset managers; to developers of future projects so you know what's going on; and to asset managers who are looking to refinance or utilize or access reserves. They need to know how to access those reserves. You need to know what you need to do to manage the risk. And that's extremely important.

One of the things that I recommend as a best practice is that there's a transition -- there's a real meeting, a real sit-down meeting -- transition between those who are developing the property and those who are going to either manage it or manage the asset or both. It's as important to have that handover and handoff as it is to have the handoff from the contractor to the maintenance staff. As we all know, it's important than the superintendent knows how to run the boiler. But it's just as important that the property manager knows the makeup of that building in terms of the rent income, the income levels, etc., as it is for the physical information to be transferred.

Ken, any more on that or any other questions from anyone?

Ken Crawford: I would just emphasize the last point that you made, Sandy, that one of the things that you had mentioned is sort of the two-way street of information. Again, this is more of a future-thinking idea as it relates to asset management and property management. But the asset management/property management side of an organization should make sure that you are a relevant -- and a voice that is heard at the table when it comes to future development in that it doesn't do any good for the development side of the house to continue to live in an ivory tower with assumptions that don't really play out on the ground.

So that two-way communication between the asset management/property management side of the house with the development side of the house to ensure that they are, for future projects, building things and coming up with structures and formats and financing that really make sense in the real world versus --

Sandra Abramson: That's why I want to say asset management beings at the pre-development stage.

Ken Crawford: Absolutely.

Sandra Abramson: The asset manager and the property manager need to be in that room when you're talking with the consultant who may be putting together the financing package; the architect and engineers who are designing the building. You know what works, and that has to [inaudible] all the way through the disposition phase. It's key.
The more -- as I said, you learn from the better-performing organizations. Those better-performing organizations have that kind of structure. It's not a closed door -- it's not a smoke-filled room anymore. No smoking in those rooms; it has to be open.

Any questions from people?

Kent Buhl: I see none at this moment. But again, to ask a question, simply click your "raise hand" button. Or you can submit written questions in the Q&A box.

Sandra Abramson: So we've been talking about kind of the staff who does the asset management. But you really want to look at the board of directors. And in this sense, you may several levels of board members who should be involved in the asset management, involved at the level of at least receiving reports, if nothing else. And that could be the board of the parent organization that may or may not be a general partner of a limited partnership; maybe the board of the general partner, if not the parent organization; could be the board of the nonprofit or the housing development [inaudible] corporation that has an interest in the property.

And the reason that they need to be so involved is these are the individuals who will be held responsible for the well-being of the asset. These are the people who have the ultimate liability. If anything goes wrong, they're not going to turn to the director of property management or the person who does the income certification. It will be the board of directors, the people who signed those documents. And those people who signed the documents need to be a part of this process as well.

For another reason, they can also place a more objective view of both the property and the manager because they're further away. They're kind of at that 30,000-foot level. They can also -- because they are there often for a longer term, they have a longer-term sense of direction for the organization. And they have a perspective on the assets of the larger organization, not just on the property. So how does this fit into the larger organization? And particularly with consolidated audits, it's extremely important because these assets are now part of that larger asset pool for the organization.

And finally, one of the things to make sure though is they're less involved in the regular oversight of the manager, but more involved in setting the long-term goals. They've got that long-term perspective.

One of the things that you need to look at, too, is what kind of expertise you need on these different boards, so that you can make effective decisions -- financial decisions, real estate decisions, social mission decisions. For support of housing development, you would want individuals who have knowledge of the social service programs.

Because again, one, they should be involved at the beginning because they've got that long-term perspective. You know, does it make sense to develop the property? Does it make sense to develop this whole project? What should they be going after? And they've got that long-term view. And again, they've got the ultimate liability.
So we do have some questions here. One, "Is there an asset management software that I would recommend?" I don't know one.

Ken Crawford: I've never heard of a particular asset management software. I mean, typically speaking the software that we always hear about is the software down at the property level, be it Yardi or --

Sandra Abramson: [inaudible]-Pro, Yardi; there are quite a number of them. Yeah.

Ken Crawford: I would say from an asset management point of view, I would suggest that -- our experience here at Enterprise is typically speaking, most organizations kind of create their own set of dynamics for the way that they define success -- occupancy, rents within underwriting, operating expenses within underwriting, [inaudible] that's being delivered, debt service coverage that's being delivered. And I think that as an asset manager understands the economics of the transaction, you can kind of create your own matrix for how an asset manager will view the performance of the property based on the original underwriting.

Sandra Abramson: And one of the things to do if you're looking to create your own software, be it something like Excel, is also to look at comparative data, comparing it over portfolios or comparing it over properties. So looking at the entire -- your entire portfolio; whereas on a property management level you're going to look at it property by property. But here, you can see what works, what doesn't work on a larger portfolio perspective.

So I hope that answers it. And if we do find something we can also add that to -- that's from [inaudible]. And if we find something, we'll get you some information on it.

As Ken said before, the main job -- and you're going to hear me say this once, you're going to hear me say it twice; you're going to hear me say it many times during this -- this is necessary whether the property manager is an internal manager or an internal department of an organization or a third-party manager. Whether you hire someone internally who says, "I am -- I've managed property -- you hire me; I've managed properties for 30 years and this is how I do it." That's not what you want.

You want to make sure that I will do it in the manner that you want it done, in the way that you want the goals -- you want my expertise, but this is a team. Same thing is with a third-party manager. You can hire the best manager in the world. But if they don't work for you, as Ken said, and you as the asset manager or the asset management team of the owner, don't manage them, then you're going to be very unhappy with the results. I can almost guarantee that.

The primary -- part of your asset manager's responsibility is to make sure that the asset is protected, and that the long-term financial viability -- we keep going back to what are those goals that you had. So in terms of what's involved in managing the manager -- and we've talked about it for a while now -- is to ensure, one, that the property is managed in such a manner as to comply with all the requirements; that the physical and fiscal health of the property is ensured over the long term. And that goes back to that development to management handover.
Making sure that you have a management agreement in place. Making sure that the manager has all of the information necessary to ensure that a property remains in compliance.

Make sure that you're very clear on what the owner's responsibilities and the manager's responsibilities are. And we'll talk a little bit about that in a moment, but that comes through a management plan, which is different than a management agreement.

You want to set up the goals. You want to setup the reporting requirements. You want to set up the authorization levels. You know, the manager can purchase up to $500 with no -- as long as it's in the budget. Anything over $1,000 has to be approved by two people. You set that up as the owner.

Then what you do is you make sure you set up the reporting requirements. You set up how you review the manager's reports, how you meet with the manager, how you communicate. You make sure that the manager engages in corrective action if there are problems. And each project is different, and the standards and the goals might be different. So you can't kind of completely piggyback them from one property to another. They're different. They're like children. Child number one has its own way of doing things; child number two -- same thing with properties. They were built by different contractors. Perhaps they're managed with different tenancies. So you need to make sure that the manager knows the building.

But one of the things that you don't want to do is you don't want to micromanage. You're not there for the day-to-day. You're there for the long term. You're there to ensure that the manager does what they're supposed to do. But you're not there to manage the building. So you're not there to manage them on a day-to-day basis.

And you need to, in order to do this, define your clear internal staff and board assignments and make sure that they're implemented. If your CFO is to be the head of your asset management team and you have one or two other people, make sure that each of those people knows what they're supposed to do. Same thing with the board. You may have a monthly or a quarterly meeting of the real estate committee of the board, and that has tasks. One of those tasks need to be -- to do an annual walkthrough of each building, or to review the compliance reports. And you need to make sure that know what they're supposed to do because that's how you will manage the manager effectively.

Ken?

Ken Crawford: One point I really want to make here is that in managing the manager, oftentimes what we find in our portfolios are we have nonprofit organizations that hire a property manager and then have a tendency -- I mean, sometimes this happens on third-party property management, even with for-profit organizations. But oftentimes the owner ends up getting manhandled by the property manager.

And it's so important to make hiring the property manager -- just like if we have somebody do some service for us, if they are not performing then we have the ability to fire them. By hiring somebody, we have the ability to set up the standards by which we want them to perform, the
goals that we want them to achieve, etc. And it's important that the owner remembers that they have the ability to fire the property manager if they're not doing their job right.

Sandra Abramson: Or they also have the ability to take corrective action.

[talking over each other]

Sandra Abramson: But you also -- let's take reporting. The manager says, "This is how I report on a financial basis. And the owner looks at it and says, "That doesn't meet my needs and it doesn't meet the needs of my partners because I've got to report on a quarterly basis to the syndicator, the limited partners."

And the manager will say, "I will do it in such a way that meets your requirements." Or the manager will say, "I can't do that." And you've got a choice. You can say to the manager, "If you can't meet what I need, then I need to find another manager." Or you can say, "I recommend that you figure out how to do this so that you can continue working with us."

Ken Crawford: Your point is a valid one. I didn't mean to sound so draconian. But it is the sort of thing that -- it's important to just remember what the relationship is. And the owner is paying a property manager to do that work. And if you're paying for something and everybody agrees what the roles and responsibilities are going to be, then you need to just make sure that there are systems in place to be able to make sure that they manage to your expectations.

Sandra Abramson: And we'll see that as we go forward. Part of the way you'll do that is both the owner and the manager need clear, written policies and procedures. So the owner needs the policies and procedures to perform their asset management tasks, and the manager needs clear, written policies and procedures that says, this is how I'll manage it. And you incorporate all of the tasks to be performed and you identify who performs them.

So this is what I'm telling you I'm going to do. It's who's going to do it, when I'm going to do it, what the outcome is going to be so everyone knows that. And that gives you a way of overseeing the performance. Because you'll say, "Well, you said you were going to do this and you didn't." You memorialize and agree upon it to avoid duplication and confusion, so that the manager is not going to be doing certain reporting that the owner does.

But the manager will do other reporting on the property. The owner will report on the limited partnership books. They won't be doing the same thing. But they'll know and be able to agree on what they're doing. You don't just hire a manager. You don't just hire a manager and say, go manage my building, without clarifying your expectations and understanding how it'll be done.

And you update these as often as necessary. Turns out that the syndicator has changed the kind of reports they want. You've got to go back to those policies and procedures and ensure that that information is included and it's revised. Because again, you want to be effective at what you're doing. You want your manager to be effective, too. So they need to know exactly what needs to be done.
And again, you need to disseminate these two all-concerned parties. And I have here, including residents -- and sometimes you don't necessarily want the residents to know everything. So you may have a modified policies and procedures with things that relate to them.

We've spoke earlier of management plans. Management plans really spell the owner's and manager's roles and responsibilities. Everything is to build clarity. It's the delegation of authority. It also says to the owner, these are the manager's personnel policies and these are [inaudible]. And that's important because if a manager says, "I'll have one person managing 300 units," and it ends up with one person managing 500 units, the owner can come back and say, "I'm not getting what I'm paying for; it's not what you agreed to do."

It lays out the "how" of the operation and the roles of each. It's also important because you look at -- and here's where we talk about the policies. The owner has certain policies and the property manager has procedures for carrying them out. That's detailed in that management plan. So that again there's clarity and you can go back and say you are or aren't doing what you said you would do.

A management agreement is basically the contract between the owner and the property manager. It details the parties to the agreement; who is the owner, who is the manager; how long the agreement lasts, is it a year agreement, is it a two-year agreement, is it an agreement with a right to renew for a year? What is it? These are the terms. What are the scope of services?

And this is important particularly if, let's say, you may have a manager who doesn't do everything. You may have a kind of hybrid where the owner does certain property management tasks, like certification of tenants or leasing and marketing because there are very specific requirements. You want to make sure what the manager's scope of services is and how much they'll charge for that.

What are the manager's reporting requirements? Again, this is something that you need to make sure. Do they report on a quarterly basis? Do they report on a monthly basis? Are they responsible for reporting to partners or not? And that need to be clarified. In one instance, I knew the manager was reporting to the partners but was reporting only on the property management aspect and not -- need to make sure and be very clear about what is supposed to happen.

Again, the extent of limitations to the manager's authority. How much does the manager speak for the owner? What are the limits on purchasing, so that you don't get to a point where the manager has totally blown the budget and the owner doesn't realize that and there's no way to hold the manager responsible? What are the insurance requirements on the part of the manager and what are they supposed to indemnify the owner for? What's the compensation? That's the fee for services.

And very important, as Ken was talking about -- what are the terms of termination? If the manager does this, can I terminate the manager? The manager works for the owner. And again, as I piped in, you want to make sure that there are corrective actions you take. You don't want to jump from manager to manager. But you want to ensure that you're getting, one, what you pay
for; that the residents are getting the services they're entitled to; and that your partners are also getting what they bargained for.

Ken Crawford: And we'll talk about it a little bit later about choosing a property management company, sort of what some of the criteria and what do you go about finding quality property managers so ideally you don't have to worry about the whole concept of termination. But the even best property managers sometimes just find themselves either in something that they're not intimately familiar with or just in a market they're not particularly good with. So even in the instance where you may have a tremendous property manager on paper, sometimes with some properties it simply doesn't work out.

Sandra Abramson: It's also -- it's a two-way street, as Ken's saying. I mean, I know -- I did a survey of property managers and groups. Two different groups had the same property manager. One group felt they walked on water and the other group felt that they put them underwater because there wasn't -- they didn't communicate. One group had more procedures in place for communication and oversight; the other group didn't, so that the manager was doing his own thing and they weren't pleased with that. But they didn't understand that they had as much to do with what was going on as the manager.

So it's not that the manager necessarily is a good or bad manager, but it's kind of like a marriage. You can have one person married to another and doesn't work. Same person gets married and lives with the person for 50 years and everything's great.

But again, the clearer about what the expectations are, the better it is in terms of maintaining that relationship. And a part of that goes to monitoring the property performance so that -- because it's how the property performs that really gives you, is the manager performing?

Ken Crawford: Sandy, can I interrupt just for a second here?

Sandra Abramson: Sure.

Ken Crawford: Sandy's going to go into this really critical point of it. And I started originally by saying this is a people business; and it very, very, very much is a people business. But now I'm going to show -- I'm wearing my hat of a real estate finance kind of guy to say that the -- when it comes to property management, asset management, net net your lenders, your funders; ultimately your back office or your CFO or whatever, they're going to be looking at numbers.

And numbers are -- it's what Sandy's going to get into here. And it's important to understand your numbers upfront, what the expectations of the original underwriting were. And then, not just taking it that one snapshot in time, but budgeting in numbers needs to be looked at constantly. There's an annual budget that's created, and typically speaking, property managers work on a month-by-month basis when it comes to reporting information and paying bills and collecting rent, blah-blah-blah.

And then oftentimes for funders or lenders or syndicators, they typically will look for quarterly information. And it's those sort of cold, hard facts that are critically important -- and
unfortunately it tends to be one of those kind of things that, most people -- it's sort of like applying to college. Somebody can be a brilliant person but not test well, and therefore they don't get particularly good SATs, and a university might miss out on having a great student.

You could have a great property that delivers -- you know, it's a beautiful property; it delivers super services. But if the numbers don't pan out, if you can't deliver good numbers, then the project can be looked at as being a very challenged project. And ultimately, we all have to remember that real estate finance and real estate transactions often do have debt that's associated with them. They have to pay that debt or they have to pay that grant, or just net net they have to pay their operating expenses.

It's critically important that you understand the numbers, that you're on top of the numbers, and that the dialogue by and between the owner and the property manager on the numbers and making sure everybody understands them is really, really, really important.

Sandra Abramson: And that's why -- to segue -- creating reasonable targets that fit the property. And those reasonable targets include your budget, your occupancy -- that is a big part of that budget -- the vacancy that you can stand, how long it takes to do repairs -- all of these things you've got to create reasonable targets. Because if you don't know where you want to be, you can never gauge where you are. Okay?

It's almost like if you're driving from New York to Boston and don't have a map and don't have no clue how long it's going to take. You could be driving for 20 hours and not know that you're way past Boston. Okay? So that's a key in doing it.

You want to set targets that will help you ensure overall compliance with all the regulations and terms, and that those terms are the underwriting terms, too; what you agreed to that govern that property.

You want to make sure that the manager knows these because these are the targets. If they don't meet these, then there's a problem, both with their performance and with the property itself, and with the owner's performance.

On the other hand, you only want to set as many targets as you can measure on a reasonable basis. You want to set rent collection, occupancy level, vacancy levels, emergency repairs, compliance with what you need to do in terms of meeting the physical requirements for the housing department or the fire department. But don't set too many targets, because if you do, neither you nor the property manager will be able to really follow them and ensure that you meet them.

And then create the tools to help to measure the performance. So you have monthly reports or quarterly reports that make sure that you know, this is what I said I was going to do, this is what I did. If I didn't get there, why not? And how do I correct it? And you need to set those meetings and methods for correcting performance that doesn't meet the standard.
So if your occupancy level is at 90 percent and it's supposed to be at 95, what's going on that you're not meeting it? Are you not preparing the units in time? Do you not know that they're vacant? What are those kinds of tools that you need to have in order to know? And then, come up with ways of correcting the problems so that you can get that occupancy to a 95 percent. Because if you don't get there, you will never meet your financial projections.

And again, use the tools. The targets are only useful if you measure the performance against them.

Any questions?

Kent Buhl: We do have a question here from Ramon. Ramon, let me unmute you. Hello. How are you? Hello?

Sandra Abramson: We can come back to Ramon.

Kent Buhl: -- stepped away from his phone. Yeah. I can actually read his question for you. He wants to know if the management plan is a separate document from the management agreement.

Sandra Abramson: Yes. The management agreement is the contract. The management plan can be an addendum to the management agreement, but it's separate. It spells out how you will do what you said you're going to do. The management agreement is the actual contract. So there are really two documents. Okay.

Kent Buhl: Great. Thank you.

Sandra Abramson: You're welcome.

Kent Buhl: That's all we have right now.

Sandra Abramson: Okay. All right. So you need to hold regularly scheduled -- I'll go over this quickly. You need to hold regularly scheduled meetings with the manager -- or we'll beat you over the head with it. And as part of that, I always talk about using a standing agenda -- an agenda that has the same basic -- it's like the agenda for a meeting of a corporation. You read the minutes; you have the financial report; you have the rent collection report; you've got your maintenance report. And then you have other -- the new items. There's a new issue that's come up; something about review of the records. And that's different. But if you have a standing agenda, everybody knows what to expect.

You prioritize tracking the meetings through minutes; same thing. I always say, she who keeps the minutes rules the world. Whatever gets into those minutes is what people will remember and what will inform the meeting the next month. So it's extremely important to make sure you get the important issues in those minutes.

You'll review the property's performance against the targets -- financial performance against an adopted annual budget; the vacancy level against what the planned vacancy level was, that
informs that budget. The number of emergencies that were maintenance emergencies that were resolved within a 24-hour period, and what weren't? What are those issues? What are those problems?

You'll make sure that the manager follows up. This is the corrective action. And again, that will also be tracked through your minutes. So the next month or in less than a month, you'll get back to the manager, the manager will get back to you, saying, I've taken care of it, I've done that.

Both the manager and the owner need structure so that they both know what's expected. We've been saying this. Everybody needs to know what's expected.

Beyond the managing of the manager, one of the other roles of the owner as the asset manager is to develop a long-term disposition plan, if and when that's the best and most effective way of handling the asset. In order to accomplish this, the owner needs to know what the property needs in terms of both physical and financial requirements. You also need to know what the long-term regulatory requirements are that go beyond whether there are homeless requirements or resident income requirements that go on beyond the term that we're talking about. You need to know that.

And they'd also be necessary to secure refinancing, either for renovation or capital repairs. And both the owner and the potential purchaser need to know and understand whether there are any ongoing regulations or compliance requirements that might affect the pricing of the disposition of the property, the value of the asset. And this was also predicated in the underwriting, too. So you've got to kind of look at the building from birth to death, in a certain way. And that's an extremely important role for the owner; not so much for the manager, but for the owner.

Ken, anything from --

Ken Crawford: No. I think you're right on point there.

Sandra Abramson: Okay. In terms of resource management we've talked the overdoing all of this. But the owner needs to have resources, because for want of a nail, a kingdom was lost. You don't want to lose the property. So both the property manager and the internal board overseeing the manager must have adequate resources.

If it costs more to manage the building than was predicated in the underwriting, or if the owner has not ensured that it had those asset management resources in place, it's going to be very difficult to accomplish the goals that it wants. So you need to make sure that you do this to ensure the health of the property.

And as part of that, the owner needs to identify or develop reliable income streams. And that can come from management fees. It can come from asset management fees. It can come from income derived from the properties. It can come from fundraising, if that's necessary. Or in the support of housing projects, it could possibly come from program income. So you want to make sure that there's enough money to do what we've been saying for the last hour that you have to do.
If the owner can't set aside enough time to oversee the property, then maybe they need someone else to do it. If they do, then they need to ensure that they've got the resources to hire that person. You've taken on a responsibility. You've got to do that.

Ken Crawford: Just a quick point on this one. You know, typically speaking in real estate finance transactions, real estate is looked at on a singular asset basis. So ideally, in the original underwriting of the transaction, the deal will have been structured appropriately and be the revenue stream, the operating expenses, the debt service. All of that will be have been reality-based; meaning that the way it was underwritten will be the way that it's performed.

The communications and the understanding of is really critical to ensure that you are operating in the way that the deal was originally underwritten. It's so much easier -- or it's easier to affect problems that are identified early versus waiting a year, waiting two years, waiting three years and allowing an issue to fester, and then it becomes unsolvable because it's too big. It's really, really important to just make sure that underwriting is reality-based, that performance monitoring is done all the time, and you attack issues as quickly as you possibly can.

Sandra Abramson: Again, one of the issues, too, is that often you'll have a portfolio where you'll have cash cows or you've have projects that are operating reasonably; or you'll have dogs, and those dogs can affect the performance of the owner over the whole portfolio because a lot of the owner's resources are going to deal with the property that's not performing. So what Ken said is extremely important; ensuring that all of the properties -- again, it's that beginning. Start from the beginning, at that pre-development, and make sure that all the properties are -- will be functioning at a level that the owner can support and be supported.

Moving on to property management and how to reduce expenses and increase income. Again, you need to have a budget against which to measure the income and expenses on a regular basis. You can't look at it just at the quarter or at the end of the year when you do your audit. You've got to do it on a regular basis. You've got to prepare a budget that reflects the underwriting assumptions; describes where are why it differs from them, if it does.

Because occupancy is key to producing income, the manager must be able to identify vacancies immediately and then prepare them for occupancy and let the appropriate tenants meet the compliance requirements in an effective manner. You want to make sure that you both track and prepare vacant units for re-occupancy on a timely basis. And you need to use available tools to select good, rent-paying tenants. Again, there's a social mission, but you want to make sure that you've got rent-paying tenants who will keep those units in good condition.

And there are -- I mean, not-for-profits have moved to use credit reports and also look at landlord-tenant history, things that they didn't do initially, because they realize the value of having long-term, good tenants. You want to maintain ongoing communication between management and the tenants, because that's extremely important. If the residents aren't happy, that goes back to the customer service.
If the residents aren't happy, they either then don't care about the property, they may leave or -- shorter basis then they would have before. They're not happy with the way the property looks or is maintained. And if management doesn't know that -- if one, management doesn't see it itself or doesn't know it from the tenants, then your expenses are going to go up, and that's going to decrease your income incredibly. And your maintenance staff is a key to that relationship. They're the ones who have day-to-day communication.

Going green -- that's the NSP 2 and 3 grantees -- must meet green building standards adopted by their programs. Going green can not only reduce utility and maintenance costs; it also can help the environment by reducing the property's carbon footprint. And while that may not be the first thing on your mind, it certainly doesn't hurt.

You want to, as a property manager, secure good contractors, but also make sure that you supervise their work so that they do -- so the same with that the owner is supervising you, to make sure that you follow your scope of work. You need to make sure that a contractor has a scope of work and that's what they're doing, that's their performance.

You need to perform capital repairs and preventive maintenance as required. The preventive maintenance and compliance maintenance are -- often fall off the charts. But if there's not done, they can lead to major problems that will again increase expenses, either in terms of violation or fees that are charged to the property. Your elevators are not taken care of, you get a fee. Your sprinkler system or your alarm system is not taken care of, you will get -- not only will it not be safe, but you will have to pay a violation. And that will go to increase your expenses.

You want to make sure that the maintenance and security staff are the eyes and ears of the building, because they're the ones who are there all the time. They see what's happening. They know who the tenants are who contribute to the building, and they know who the tenants are that are a detriment to the building. And again, you're looking at making everything work well. Good tenants are extremely important to achieving that.

Ken Crawford: I feel like I just want to say something on that particular point.

Owners, funders, lenders, whatever -- oftentimes when we go out and look at a property, it's lovely to talk to the property manager, lovely to talk to the management of a property management company. But what we always like to do is pull aside the maintenance guy and say, "So tell me what you see. Tell me what you hear." Because they truly are the eyes and ears of a project. And if you want to find out all the blemishes about a project, it's going to be maintenance that knows it.

Sandra Abramson: Right. And you need to train and retrain both your maintenance staff and your property management staff. And that's either the property manager if you have an external one, or an internal one. They need to be trained and kept up-to-date on best practices for them.

You also need to identify all compliance requirements and have a strategy for complying with them. You need to know when these elevators need to be inspected. You need to ensure that
what the tenant requirements are. And again, ensure that there's a strategy for complying with them.

The question of in-house versus third-party management is something that has been coming to the fore as Year 15 occurs with the low-income housing tax credit project, or as different owners are taking on more responsibility; or owners that didn't have much property are coming in. The question is whether to hire an outside manager or have in-house staff.

And it's important whether there's conformity of property management managing the property with a mission. Is the mission of the organization one that is to provide -- increase the social strength of the community? Is it to provide jobs for local people? What kinds of mission does the organization have? And does managing the property internally comply with that mission? If it does, that's one thing on the side of having an in-house manager. But if it doesn't, it may lead you to want to hire a third-party manager.

You also need to look at financial considerations. Is it more expensive to have an internal staff? Or does it make sense to bid out the management to a third-party entity? Or if you want to have an in-house entity and a third-party entity bid against each other and see which can do it as financially effectively?

You also want to look at the capacity of the organization itself. Does having an internal -- in-house department strain your organization? Does it put more strain on your infrastructure, on your personnel, on your HR department, on your finance department, on your executives? Is it easier to have one person oversee an external manager? This is important in deciding what you're going to do.

And you might decide you have a fairly sophisticated finance department, but you don't have someone who has the kinds of skills to go out and supervise a maintenance staff or rent collectors or other things. But you may keep the back office in-house. Or you may outsource back office but keep rent collection in-house. So that's a kind of hybrid way.

And either way, you need to look at the annual performance, whether it's in-house or external, and see whether the performance met the targets. You want to see how well the property manager performed during the year, and then determine whether to continue with the current manager or bid again for outside services. So this is the asset management role of the owner to make this decision.

If you decide to go with -- or you're looking at going with in-house management, what are the advantages?

Ken Crawford:  Sandy, I'm sorry. Just real quick. I just want to make two quick points here.

Oftentimes with in-house property management -- which Sandy's going to get into a little bit here -- oftentimes the owners look and say, well, I can do that. I know my property better than anybody else, blah-blah-blah. But what we have found from an experience point of view is it does take a critical mass of units to be under management to make it economically viable. And
I've heard numbers as low as 250. But realistically speaking, most of the conversations that we have with groups, you need to have somewhere between 500 to 1,000 -- [audio break] -- viable business line.

It's a little bit different if it's going to be a zero-profit kind of business or something that you can subsidize from other resources within the organization. But I think it's important to make sure that folks know that the whole property management concept is -- sometimes it can look a little bit easier on paper. It certainly can be easier to talk about than to actually deliver all the services and all of the requirements that property management really does require.

The other point I wanted -- [talking over each other] -- I'm sorry. The other quick point I wanted to make was that oftentimes if there's a split responsibility between in-house and out-of-house or third-party management, it's critical to make sure that everybody understands who's accountable for what. Because we have seen on a number of occasions where there is a split management deal. And it's easy for the other group to point the finger at the other one. And that's not what you want as an owner. That's not what you want out of your property manager. You need accountability. You need people to take responsibility.

That's all. Go ahead, Sandy.

Sandra Abramson: So going on to potential advantages, and Ken talked about that a little bit. There's the close relationship between the development and the management staff, so the handoff may be easier. You've got an [inaudible] communication opportunities because your owner and your manager are in the same place at the same time. They may be next door to each other, so that will enhance the communication. And as Ken said, too, you can have a closer relationships to the tenants and the community than an outside entity might have.

On the other hand, potential disadvantages are -- goes back to interfering with the mission of the owner. It really takes away from what the organization's mission really is. And that may be to provide social services, rather than manage the properties. It may strain the capacity, so that you may be able to afford one or two staff people to act as the owner's asset manager, but you really don't have the capacity, either in your infrastructure or otherwise, to have five or six or seven new staff people.

And finally, it may be less cost-effective than having a third-party manager who can leverage their larger number of units. And that's what Ken was talking about before. It's a lot cheaper to buy fuel when you're talking about 500 or 1,000 or 10,000 units than it is when you're talking your 50. You can't negotiate as well.

So finally, if you do go with a third-party manager, what do you need to do? You need to seek recommendations from your syndicator, partners like your local housing authority, property management organizations. But also, as much as you may want to manage yourself -- or not want to manage yourself -- a property manager may say 250 units is too little for us to do. So you may be forced to manage a small portfolio.
One thing you can do is advertise in local industry papers, engage in a bidding process. You should always engage in a bidding process so that you can negotiate and take the best from any one or two or three potential bidders.

You need to identify what's most important to you, whether it's communication, whether it's reporting, whether it's overall performance. What's most important in choosing that third-party manager?

And finally, no matter what you do, you need to engage in an annual review process and revisit it if necessary, so that you meet on a monthly basis with the property manager, but you meet on an annual basis and go over the entire year. Did they meet the performance targets? If they didn't, did they engage in corrective action that was effective? If they did and things are on a good roll, you may say, okay, we're going to stick with you. Or you may decide to rebid just to see whether they're somebody else out there who could work with you better.

And that is the end of our presentation in the NSP portion of this webinar. Ken, any final --

Kent Buhl: Thank you. Thank you, Sandy and thank you, Ken for your insights there on asset and property management. For those of you in the audience -- and we'll take just a second here to remind you how to ask questions. We'll come back to questions, so you've got a little bit of time to think about them. And we will move on to Matthew Do and his discussion of property management as it relates to NSP rules.

And again, here's how you can ask your questions. These are -- verbally by raising your hand. You can also submit them in writing. And we will have time to take those after we hear from Matthew.

So let's move on to Matthew Do now. Hi, Matthew.

Matthew Do: Hi. Thanks, Ken.

I'm going to be taking us through the final portion of the presentation, really looking at the NSP rules that intersect with property management and ongoing compliance requirements. This won't be a start-to-finish project compliance discussion, so I really want to focus on a couple of key items: the affordability period, which sets the stage for the compliance period; rents, from both perspective of affordability and program income; tenant income; and also unit quality.

So the affordability period really defines the term of compliance for items such as rent limits and income limits and the term in the period where these requirements must be enforced and documented. So it's important to note here -- we've been talking about property managers and there might be a developer involved in the projects. But really for compliance, you're talking about the grantee who has the ultimate responsibility for ensuring that the NSP requirements are met.

Many grantees have also used the HOME program criteria for determining the affordability period. This is a safe harbor for NSP. Many grantees are already familiar with the HOME rules.
But just for some context, we're talking about periods of 5, 10, 15, or 20 years for the affordability period, depending on the per unit assistance or whether this is new rental construction.

The affordability period has to be enforced by recording a deed or a covenant. At this point in the project, when we're talking about management, this would already be done. So really, the affordability period and all the requirements should be clearly understood by all parties at [inaudible].

Over the next few slides I'll be taking a look at rents, both from affordability and from the perspective of program income. On the affordability side, grantees are required to define affordable rents and their action plans. And again, HOME is a safe harbor for rent limits. So using HOME limits, the grantee will want to communicate annually to the owner and the property manager when the rent limits are updated.

The owner will need to document that the NSP rents are consistent and comply with the NSP rent limits, whether they be for the HOME rent limits or another affordable rent that the grantee has elected to use.

From the perspective of program income, we're really talking about program income when it's earned by a grantee or subrecipient. And in a rental project, we're looking at the net operating income for rental property as the program income. Everyone should know the program income needs to be used for NSP-eligible activities and it's subject to all the NSP rules.

Income earned and the net operating income from the rental property that's earned by a developer -- and that's the key term there -- is not program income. But if the grantee does decide that as part of a deal they want to share in the net operating income from the rental property, as soon as that comes back into the grantee, the developer provides that to the grantee, that would be program income.

When we're talking about developers and a developer keeping the income, we want to make sure that we avoid undue enrichment. And HUD encourages, as part of that, to structure NSP assistance to developers as a loan.

So here's a quick example of looking at the net operating income; pretty basic example. Here we have the rental income at $40,000. That's the total income from the property. The operating expenses are being subtracted out from that. And we're also including any operating expenses -- operating and capital reserve account.

So what we're left with there is the net operating income, which is the program income, as I mentioned, of $10,000. And in this example we've also included an eligible private loan debt service payment. And I'll talk about that a little bit more on the next slide. But we're netting out that loan, the private debt service, from the program income. And we're left with a program income after that of $2,000 in this example.
So the program income can be used to pay for the debt service on the private loan, and that's that $8,000 that we just took a look at. If the private loan was used only for the assisted project and the proceeds were used in accordance with NSP rules -- so really we're saying here that if the program income is going to be used to pay for that debt service, it really needs to have -- the loan needs to have benefitted the NSP project and it needed to have followed the rules there.

The loan also has to have been made by an external lender and not the grantee or subrecipient. So the grantee or subrecipient can't lend money to itself and pay itself back through NSP with program income.

And finally, the use of program income to pay debt service was contemplated on the project when it was approved. So when the grantee or subrecipient is reviewing the project, doing the underwriting, doing a cost feasibility analysis, it makes sense that reuse of the NSP funds needs to be considered upfront to look at things like how much subsidy is being provided to the project.

We're going to move on to tenant income eligibility, which is again tied to the affordability period. The key here is that NSP requires income certification at lease of the project; so for the initial tenants of the building or at unit turnover. There have been a few questions about what happens if an existing tenant gets a raise or a new job and it's over income. This wouldn't require the tenant to move out of the building. So unless the grantees requires a more stringent income monitoring, for NSP we're really only looking at the incomes for new tenants at the unit turnover.

Another aspect to monitoring the tenant incomes is the unit mix and income restrictions for units. And there are really two things to think about here. The first is how many units are NSP-assisted. So if they have a property with 60 units, how many of those are NSP units? If we're providing half of the TDP -- the total development cost through the NSP funds, then we're required to maintain at least 30 units as NSP-assisted. We want to make sure those units follow all the rules, income, and rent restrictions through the affordability period.

And the second is the specific income restrictions on the units. So because 50 percent AMI benefit is important for NSP, we want to make sure that those units -- or the same number of units designated for the 50 percent AMI are maintained through the affordability period and at the unit turnover.

And finally -- and I've alluded to this a little bit already -- the NSP units in the property can float. So the number can float as long as the same proportion of units are maintained. So if we have the 30 NSP units in my example in the 60-unit project, 20 are designated for tenants at 120 percent AMI and 10 are designated for tenants at 50 percent AMI, we need to keep that same proportion but not necessarily the same exact units through the affordability period. Another thing you want to make sure is that if the NSP units are floating, that you have comparable units in the project.

Final point, talk about ongoing unit quality. And as you can see, there are no specific NSP property standards during affordability period. So for the development phase of the project, there'll be things like local codes that will need to be met. But during the affordability, there are no specific NSP standards.
Grantees, however, are strongly encouraged to adopt standards to ensure long-term quality. Ken and Sandra mentioned this. Maintaining occupancy rates and ensure you have a sufficient cash flow, and to make sure that the investment continues to be a positive investment for the neighborhood.

A multifamily project may require a pretty large investment of NSP funds, so it's important to maintain that asset. So one option for NSP grantees is to use the HOME standards. So this would be a requirement to maintain units consistent with the local standards or the HUD housing quality standard. Some of you may know those as HQS. The HOME standards also dictate the frequency of inspection. So for smaller units, for 1-4 unit properties, inspections would either occur every three years, or for larger projects of [inaudible] units or more, there would be an annual inspection.

In this inspection, a sufficient number of units would need to be inspected each year or each few years. So there's not an expectation that the grantee would -- or developer or subrecipient would inspect all of the units every single year. But a sufficient number that you'd get a good sense. And many grantees inspect a percentage of the units and then rotate, so that eventually you have a cycle where you're taking a look at all the units over time.

Finally, last but not least, there are a number of NSP resources for rental projects. The toolkit, which is the link here, is a pretty good place to start. There have also been a number of NSP webinars recently. The NSP rental project compliance webinar really does cover everything from start -- from development phase through the affordability period. So that's a good webinar to reference. And the program income webinar does a much deeper dive than I did, quickly reviewing these slides for rental program income.

And with that, I went quickly through so we'd have some time for questions. I'll hand it over to Kent to take some questions if you have any.

Kent Buhl: Great. Thank you, Matthew. I appreciate that. And we do have time for questions now. We'd like to answer them for you. But to answer them, we need to have some. So if you have any questions please raise your hand or submit in the Q&A box.

And we've got one from Lois. Lois, how are you? Where are you calling from?

Q: Hi. This is Lois calling from New Orleans Redevelopment Authority in New Orleans, Louisiana. Can you hear me?

Kent Buhl: Yes, we can.

Q: So I don't think Matt knows this question -- I don't think I've asked. I know Matt well. He answers a lot of my other questions. But, wondered if there was any further guidance. I'm guessing that this is probably up to the grantees.
So we're the grantee and we have a couple of multifamily developers in NSP 2. And the question arose about cure periods for noncompliance. We're doing our best with due diligence and we have good partners and they're writing -- you know, trying to do everything ahead of time. But inevitably something happens. Somebody over-income -- is not qualified and they get in by a couple percentage -- or if standards fail and there's a reason for us to feel that the developer is out of compliance.

Is there any guidance about what our cure period or what our repercussions can be? Because obviously, like someone said earlier, you're putting a lot of money into this upfront. You're not going to reclaim funding -- you know, all of it for one unit being out of compliance. And I'm guessing that if we just write some sort of course of action that we would take if this happens, that would be the best we could do. But is there any guidance on what other options there are and what HUD advises?

David Noguera: No. I'd say what you're describing, we'd probably have to deal with on a case-by-case basis because the situations will vary from one grantee to another and from one project to the next. Is the one where I think you had a security guard that wanted to rent one of the units?

Q: No. I have not heard that.

David Noguera: Oh. That was one I heard last week; a security guard who was working onsite wanted to rent one of the units and his income didn't qualify. So I had to deal with that.

Yeah. I'd just say if you do have a policy in place as to how you will cure any ineligible activities that are identified -- that are self-identified. Then I think that could certainly help, right? Rather than waiting for us or the IG office to come up with what we think is appropriate.

Q: Right.

David Noguera: But that's not one of the areas that we'd probably issue guidance on just because it'd be all over the map.

Q: Yeah. I agree. I kind of thought that. I wanted to confirm there wasn't some place I should be looking for. So that helps. Thanks. Can I ask one more question while I'm on or is there a line behind me?


Q: Same sort of question. If we have the -- we believe that there's probably going to be cases where within the affordability period and the reporting period, some of our developers are going to sell the multifamily complex or in some cases for us scattered site. But I know we're talking multifamily here.

Is there -- I'm a little worried about that happening and now having a pre-established relationship with the new owner that would give us enough leverage to get the information we need, whether it be reporting, monitoring, affordability periods and that sort of thing. Is there any advice that
anyone has about how you make sure that the next owner is a good partner? Again, that might be way too vague and all over the map.

David Noguera: One of the things I would suggest is -- are you using a covenant to secure the affordability period?

Q: Yes.

David Noguera: So you could probably put some language in there that says, upon transfer of the property from one owner to the next, just so that you have an easy opportunity to sit down with them or touch base with them by phone to go over what your protocols are and expectations. But I'll let the experts speak to how they see it in the field.

Kent Buhl: Ken or Sandy?

Sandra Abramson: No.

Q: Okay. Because I had heard that the covenant was part of the [inaudible] to use for establishing a relationship, like it might be ignored. And maybe that'll happen. But that might be the best we can do.

David Noguera: That's the best I think we have at this point, is to say that maybe use some language along the lines of, consult the city or the grantee before moving forward.

Q: Yeah. Okay. Thank you.

David Noguera: Sure.

Kent Buhl: Okay. Thank you, Lois. And a reminder that this event will be archived, and that archive will include a copy of the slides today in PDF format and a AV recording; and once it's completed, a written transcript as well.

And along those kind of lines, Kelly asks, "Do any of the panelists have an Excel spreadsheet that they use for asset management that they are willing to share?"

Sandra Abramson: I don't have anything readily available.

Ken Crawford: This is Ken. On our side we don't have an Excel spreadsheet, unfortunately. We have this large system that just crunches through lots of different bits of data. I've actually asked around internally while we were on the call to see if there are specific programs that are out there. I'll see whether or not I can actually possibly go to some of our customers and see if there are like templates that they utilize from their asset management point of view.

And Kent, I guess I would ask you, if we come up with something, is there a way that we can make that as part of the presentation?
Kent Buhl: That could be posted in the archive and probably, I imagine, it could be added to the NSP website as well, to the resources.

Sandra Abramson: There's also -- NeighborWorks may have some things that they use that could be available to folks. I would get in touch with them. We can get some information on them. I'm looking at some of the things that I have that actually can't give out.

David Noguera: What would the spreadsheet be used for, exactly? Because I'm looking at the toolkits that we have on the website. And we have a few of them in our multifamily rental toolkit. But specifically what's the purpose?

Sandra Abramson: [inaudible] information, track the rent collections, track the occupancy --

David Noguera: We have budget.

Sandra Abramson: -- budget -- there are all different kinds of things that you'd want to track.

David Noguera: Have them take a look at the multifamily rental toolkit. Because there's a few different spreadsheets that we have as part of that toolkit that may be of assistance. If what you're looking for is nowhere covered in that, that might be an opportunity for us to build out that toolkit. But start there, I think.

Kent Buhl: Great. So we're looking, Kelly. And if there's not one on the NSP website already, hopefully we'll find one to put up there.


Sandra Abramson: I think the newer ones are clearly more realistic. I think some of the earlier ones, it's very, very difficult to predict 15 years out, no matter what's going on. And when we had -- particularly with the fuel and the utilities -- the electric and water expenses, it was very unrealistic. So I think there are -- what I think, as both the developers and the syndicators became more sophisticated, they got more realistic. I don't know if Ken would agree with me.

Ken Crawford: Yep. Well, my observation would be -- I think that the point that you make is valid with regard to real estate taxes, utilities. Those are usually your two biggest killers when it comes to things not panning out the way the original underwriting went. But as a more general broad stroke, I would say that within our portfolio, somewhere in the ballpark of 80 to 85 percent of our portfolio ends up working out just fine; not necessarily exactly per the original underwriting. But if operating expenses have increased, well, developers have been able to increase the revenue side of the house. So net net it turns out to be okay.

So generally speaking, I think there is a -- you know, well-underwritten deals with well-thought out projects do have a tendency to deliver what was originally underwritten. I will always say --
like to Sandy's point -- in the first few years -- when I was at a bank and we did underwriting, we figured, how good is your crystal ball? Three years, maybe? Maybe even five years?

But like on the tax credit side, where we're trying to project out for 15 years, no one's crystal ball is that good. But that's where it goes back to making sure you understand the numbers that are coming in, make sure you identify issues as quickly as you possibly can if there are problems, to try to deal with them as rapidly as you possibly can.

Sandra Abramson: I think that whole issue of kind of corrective action and making sure if you're tracking when you see that you've got issues, then you can look to say, okay, where can I either increase income or reduce expenses in other areas where I do have control? Because there are places where you do have control that may have been over or underestimated. That's a way of doing it. But I think in terms of the actual, were they as realistic as we thought they were or hoped they were, probably not.

Kent Buhl: I'll take a moment to remind you of the webinars that are coming up; a number of them still to go this month and a couple more in July scheduled right now. And I imagine that schedule will be added to with this number, although with a lighter touch, probably once a week or so. So feel free to join any of these that you find interesting and would be helpful to your program.

Also, when you leave today's event you'll be automatically taken to a survey form with just a few questions on it. We would very much appreciate your feedback. Let us know how not only this one was for you, but also what you'd like to see in the future. Your input there is helpful for figuring out what to schedule for future webinars.

Sandra Abramson: Can I just add something? I mean, I'm just on the website now. NeighborWorks has a full asset management training. And it's an extremely, extremely good one. So for folks who are interested in gaining more experience and education on it, I would go on to the NeighborWorks site. Just to leave you with that.

Kent Buhl: Very good. NW.org for the NeighborWorks site.

And I'm seeing no more questions at the moment. If one comes in in the next few seconds we'll be happy to take it. But in the meantime, I'd like to thank all the presenters today -- Sandra Abramson and Ken Crawford for their presentation on asset and property management; Matthew Do for his discussion on property management as it relates to NSP rules and regs. And thank you, David, as always for being with us to help answer NSP-specific questions.

And I see no more questions, so I guess we can wrap it up here. Any final words from any of our presenters before we go?

Ken Crawford: Good to go. Thank you for participating.

David Noguera: Thanks, Kent. Appreciate it.
Sandra Abramson: Thanks so much.

Kent Buhl: Take care, everyone. Hope to see you soon on another NSP webinar. Take care.

(END)