

NeighborWorks Blackstone River Valley **Asset Management Plan - Summary**

Statement of Purpose

NeighborWorks Blackstone River Valley has developed an Asset Management Plan to bring about and preserve its long term goals through oversight and management of the financial and physical health of its various properties. By formalizing an asset management plan, NWBRV protects institutional memory and builds a framework for continued oversight and measuring success at the Project level.

Goals of the owner - NWBRV

NWBRV believes that communities are stronger when their residents reside in safe, affordable and well-maintained housing – it is our goal to strengthen and protect our communities through the long-term provision of housing with these characteristics.

Pillars of Asset Management

Thoughtful design and construction
A strong relationship with property management
Reporting & Communication
Resource Allocation
Financial reviews
Site inspections – maintenance
Site inspections – capital improvement projects
Compliance reviews
Risk Management / Insurance
Property Disposition

The Asset Management Plan

1. Introduction

- a. **Project detail** – [Contained in each Property’s Deal Book & in the Key Information Resources Binder]
 - i. Funders
 - ii. Schedule of Debt
 - iii. Rent Restrictions
 - iv. PIS date
 - v. BIN #s
- b. **Compliance and funding detail** – funding sources and related income limits / unit counts
- c. **Property detail** – description of the physical property including construction type, systems detail (heating/cooling/electrical/fire protection), exterior & landscape elements – Property info maintained in Construction Department.
- d. **Design/Construction/Handoff** – The Asset Management team should be present during design and construction of all projects to bring the “long view” perspective to the conversation. At completion of construction the construction team should hand off to Asset Management a set of building plans, which are to be incorporated into the AM plan.

2. Property Management

- a. **Roles and Responsibilities of Owner and Property Manager:** The Property Manager is directly responsible for the day to day operations – marketing, leasing, and maintenance – of the property. These responsibilities are detailed in the Management Agreement. It is understood that the property manager, involved as they are in the day to day work of managing the property, is benefited by regular, thoughtful, and collaborative oversight by the owner. To accomplish this benefit and in fulfillment of its

goals of providing safe, affordable, and well-maintained housing over the long term, NWBRV will oversee the property manager's operations with specific focus on 4 areas of interest

- i. Properties comply with all program regulations throughout life of project
- ii. Properties are well-maintained throughout their life
- iii. Properties perform financially to the satisfaction of all funders, and with sufficient cash flow to cover all operating expenses as well as ongoing capital needs.
- iv. Maintenance and capital improvement projects
 1. It is understood that from time to time the Project will exhibit physical needs for capital improvement that exceed the resource capacity of the Property Manager. NWBRV will take a direct role in the administration of such projects, as detailed in the "Site Inspections and Capital Improvements Projects" section.

b. Evaluation of Property Management

- i. The Asset Manager shall, on an annual basis, review and evaluate the performance of the Property Manager using the Property Management Eval Criteria worksheet.

c. Reporting guidelines – Property Management Reports to Asset Management

The Asset Manager should meet formally with the on site Property Manager at least once a month to review performance and property issues, and on an ad-hoc basis as issues or projects require.

The property manager will submit the following reports to the Asset Manager for review and analysis. **Please note:** *It is often typical in these sorts of reviews that attention is given only to those areas that evidence poor or under-performance. It is the intention of this plan, though, that the Asset Manager will have the tools and awareness to recognize, celebrate, and thereby reinforce and perpetuate positive outcomes as well.*

i. Monthly:

1. Manager's Report (written memo – format given)
2. Move-out/Move-in Report (AKA Occupancy Report with Make-Ready info incl.; as of last day of prior month)
3. Availability Report (as of date of report)
4. Waitlist / Applicant list (as of date of report)
5. Rents as Charged Report (as of last day of prior month)
6. Turnover and Capital Improvement Schedule
7. Work Order Summary and Work Order List reports (prior month)

ii. Quarterly:

1. Property Manager's budget/actual report (prior quarter)
2. Multifamily Indicator Report
3. Summary Financial Report (modified old "board report")

iii. On Request:

1. GPR report
2. Resident Receivables report
3. GL's for review of specific accounts

d. Financial / Performance Analyses

- i. **Annual** – Upon completion of the yearly audits, the Asset Manager should review the following:
 1. Track property financial info in the Audit Summary worksheet. Observe income/expense trends and review with Property Manager
 2. Update utility tracking worksheets. Review with Property Manager
 3. Review Capital Accounts with Accountant and project forward minimum gain chargeback issues, particularly as projects age over 10 years.

- ii. **Quarterly - NWA** – NeighborWorks America MultiFamily Indicator Metrics. NWA through the MFI initiative requires the following metrics (with outcome goals) be reported quarterly at <https://www.mf-initiative.org/llogon.asp>
 - 1. Net Cash Flow 10.0%
 - 2. Debt Coverage Ratio 1.10
 - 3. Vacancy Loss 2.5%
 - 4. Collection Rate 98.0%
 - 5. Turnover 10.0%
 - 6. Average Days Vacant 20
 - 7. Resident Satisfaction 75.0% (annual)
 - 8. Physical Conditions 75.0% (annual)
- iii. **Additional Quarterly Analyses** – This reporting requirement presents a good opportunity for periodic review of each project’s financial health. In addition to review of the required metrics, the Asset Manager should take this opportunity to review and analyze the following:
 - 1. Reserve accounts
 - 2. Escrow accounts
 - 3. Cash on hand
 - 4. Aging Payables
 - 5. Budgeted to Actual Income / Expense
- iv. **Monthly** – Occupancy, waitlist, collections, manager’s narrative report
 - 1. Close attention should be paid to the occupancy reports, with both unit turnover and unit make-ready information. This information represents the life blood of the property’s operations.
 - a. Long unit make ready times may be indicative of a number of issues – resident selection, maintenance priorities, maintenance work load, etc. The importance of short unit make ready times cannot be stressed enough – a long make ready increases the total vacancy time two-fold as a unit not ready is a unit that cannot be effectively marketed.
 - b. Long unit turnover times (Average Days Vacant metric) may be indicative of ineffective marketing, over-priced units, (long make-ready times), compliance-related issues, etc. The Asset Manager should meet with the Property Manager to uncover these issues if unit ADV increases significantly over 20 days.
 - 2. Collections should be tracked monthly through the Property Manager’s submission of a list of all residents paying late. Close attention should be paid to recurring late payments, especially rolling months. Late payments may be indicative of broader financial struggles for a resident, therefore any resident paying late for 3 or more months in a year should be referred to NWBRV’s HomeOwnership and Financial Education Center. The Eviction Prevention Policy and accompany documents outline this entire process.
 - 3. The Manager’s narrative report gives the Asset Manager insight into the more typical happenings of the “life” of the property. The narrative report should serve as a starting point for discussion of periodic or seasonal issues such as
 - a. seasonal service contracts
 - b. unit preventative maintenance timetables
 - c. compliance audits
 - d. insurance
 - e. recertifications
 - f. issues relating to safety and security

e. **Tenant Relations**

- i. **Communications** – All direct communications with the tenants (with the exception of the monthly newsletter) should go through the Property Manager. Because the Property Manager deals with all day to day issues, and the owner may not have knowledge of unique circumstances, it is imperative that the owner refer all questions and correspondences (including rent \$) from tenants directly to the Property Manager.
 1. Newsletter – NeighborWorks Blackstone River Valley produces a monthly newsletter for the benefit of its residents and community. The newsletter serves as an educational and awareness tool and promotes community through community event announcements, NWBRV program announcements, advice & tips columns, local news, and local opinion.
 2. Notices – all notices to tenants should be addressed from and sent by the Property Manager. While NWBRV reserves the right to conduct unit inspections, prior arrangements must be made with the Property Manager.
 3. Tenant Satisfaction – a resident satisfaction survey will be completed on an a bi-annual basis. The survey includes both rate/rank responses and sections for open-ended comment. Issues raised in the annual survey should be reviewed jointly by the Asset Manager and the Property Manager.
- ii. **Handbook** – The tenant Handbook is provided to all residents upon move in and spells out the rules and regulations, maintenance, emergency and certification policies, and community/organization resources and information.
- iii. **Tenant Dispute Resolution Policy**

While the Property Manager has been given the authority and responsibility to manage all aspects of the Development including marketing, leasing, application disposition, compliance, rent collection and maintenance, it is understood that at various times residents (or denied applicants) may take issue with the handling of a situation by the on site Property Manager, and may look to NWBRV to resolve the dispute. In situations where an applicant who is denied an apartment brings a case for their acceptance to NWBRV, the case will be referred to the Board Appeals Committee. This Committee will convene a hearing to review information from the denied applicant and make a final decision on whether the determination of the Property Manager should be overturned or upheld. In all other situations, where a resident appeals to NWBRV to take action on their behalf, the resident should be referred to the Executive Director or Director of Asset Management, who will deal with situations on a case by case basis. In the majority of cases NWBRV staff will refer the case to the Property Management Company's Senior Management representative, although NWBRV reserves the right to take direct action on the tenant's behalf in egregious situations.

3. *Site Inspections and Capital Improvement Projects*

- a. The Property Manager is fully responsible for the maintenance and upkeep of the properties within the Project, and is thereby authorized (as detailed in the Management Agreement) to spend funds from operations in order to maintain the Project and to commit funds from the replacement reserve account in order to improve and extend the life of the property. The Property Manager is responsible for the development of and continued use of a maintenance plan and standards for completion of each area of maintenance (Preventative, Corrective, Routine, Deferred, Emergency, and Cosmetic).
 - i. **Maintenance and Site Inspections** – the Asset Manager should be in the habit of reviewing the physical health of the properties both through periodic

site inspections (Quarterly for interior/common areas and bi-monthly for exterior), and through periodic review of the Property Manager's work order records.

ii. **Capital improvements**

- I. **Generally** – it is recognized that from time to time the properties will exhibit needs for capital improvement that exceed the resource capacity of the Property Manager. Projects that are comprised of rehabilitation of older properties are especially prone to exhibiting such need. In practice, these needs will be dealt with on a case-by-case basis, and where the Property Manager has the manpower available to make the improvements with funds available from the replacement reserve accounts, they should do so. In all other cases, NWBRV, as both Project Sponsor and General Partner of the owner of the Project, by which it is directly responsible for the continued regulatory compliance of the Project, and relatedly, the well-being of its physical assets, and out of its commitment to the fulfillment of the mission to provide safe and affordable housing over the long term, will work to procure the funds, administer contracts, and oversee the labor necessary to return the property to an “as new” condition. NWBRV will also, from time to time, complete projects that improve the value of the property beyond the “as new” condition when opportunities arise to:
 - a. Improve the safety or security of the residents
 - b. Improve the green characteristics of the physical property – which may have either or both positive environmental impacts or tangible and ongoing energy cost savings for either the resident or the Project;
 - c. Improve the health and well-being of the community by the addition of recreational or other community amenities.
2. **Capital Needs Assessments** – The Asset Manager shall maintain a capital needs assessment, which should be reviewed annually and updated every 2 to 3 years.

4. **Risk Management**

- a. Risk Management assessment
- b. Minimum Insurance guidelines
 - i. Funders' requirements
 - ii. NWBRV's requirements

5. **Disposition**

- a. NWBRV formal procedure
 - i. Asset Manager to analyze Year 15 options and propose a plan to the Executive Director before the end of Year 13.
 - ii. ED seek board approval
 - iii. Asset Manager along with ED and other staff work with NEF and other funders through disposition process
- b. **NWBRV's Disposition Goal** – to continue operating the Project as affordable housing.

6. Appendices

- a. Asset Management Development Plan
- b. Resident Handbooks & Policies
- c. Development Map Info – Rent Restrictions
- d. Schedule of Debt –Consolidated, with back-up
- e. Analysis of Cash Flow Distribution and Cash Waterfall
- f. Internal Watch List
 - i. Watch List Criteria
 - ii. Watch List/Dashboard
 - iii. Watch Listed Properties
- g. Property Action Items
- h. Risk Management Assessment
- i. Insurance Specs from Investor Partner
- j. PM Evaluation Criteria
- k. Capital Needs Assessment
- l. Deal Books

There is a hard copy of each critical document for all properties in the NWBRV office. Each Deal Book is kept in the Key Information Resource Binder for each property that are all located on the Asset Manager's Desk.

In addition, there is a comprehensive digital file of each property with more extensive back-up information including the current audit kept on the organizational server under Asset Management/AM Plan 2012 and Asset Management/Properties/Deal Books.