

Role of Asset Management in the Application Process

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Information Provided

- City/County Occupancy Reports
- Market Demographic Report
- Form 2013 Revenue/Expense Analysis
- Asset Management Application Scoring
- Preservation Letter Requests

Occupancy Reports

- Recent three months of occupancy %
- Identify underperforming markets
- Compare to State Occupancy Average - 92.4% as of 6/30/22

Market Demographic Reports

- Identify possible oversaturated/underperforming markets.
- Share City/County Demographic Interviews.

MHDC Form 2013 Review

- Assist underwriting in determining project's overall viability over initial 15 year period.
- Determine reasonableness of the proposed 1st year budget.
- Provide suggestions for developer's consideration based on current portfolio.
- Benchmarking Analysis.

Form 2013 - Benchmarking Analysis

Project Name	▼	○
Dev Type	▼	○
Region	▼	KANSAS CITY MSA
City	▼	○
Zip	▼	○
Mgmt Co Name	▼	○
County	▼	Clay
Expense Type	▼	Property and Li...
Expense Group	▼	6700
Units Band	▼	48-99
Statement Type	▼	○
Urban/Rural	▼	URBAN
Statement Year	▼	2014
Building Type	▼	○
Audit Report Type	▼	Unqualified Audit
IncomeStateme...	▼	Taxes and Insu...
ProjectStatus	▼	ACTIVE

County	City	Total Units	Dev Type	Property and Liability Insurance (Hazard) Amount	Property and Liability Insurance (Hazard) Per Unit
Clay	Kansas City	87	FAMILY	32,120	369.20
Clay	Kansas City	48	FAMILY	22,506	468.88
Clay	Kansas City	56	FAMILY	25,718	459.25
Clay	Kearney	55	ELDERLY	12,459	226.53
Clay	Liberty	48	FAMILY	17,959	374.15
Clay	Liberty	65	ELDERLY	25,254	388.52

Form 2013 Budgeting Tips

- Meet with management company to discuss portfolio trends.
- Analyze expenses of existing phases or related properties in the area.
- Review MHDC published data.

Cost Per Unit Data



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HOME / PROGRAMS / ASSET MANAGEMENT / PROGRAM COMPLIANCE / COST PER UNIT DATA

- Program Compliance
- Low Income Housing Tax Credit (LIHTC) Compliance
- Annual Reporting Requirements
- Income Limits
- MHDC Fund Balance
- HOME
- FDIC/RTC
- TCAP & TCR
- Annual Financial Statements
- Management Resources
- LIHTC Extended Use

[Cost Per Unit Data](#)

Cost Per Unit Data

- [2020 Cost Per Unit](#)
- [2019 Cost Per Unit](#)
- [2018 Cost Per Unit](#)
- [2017 Cost Per Unit](#)
- [2016 Cost Per Unit](#)
- [2015 Cost Per Unit](#)
- [2014 Cost Per Unit](#)



Cost Per Unit Data

Entire AMRS Portfolio
2020 Expense Per Unit

Total Properties: 718

LIHTC ONLY	Urban/Rural	DevType	Const Type	City	County	Total Units	Admin	Supportive Service	Utility	Operating & Maintenance	Real Estate Taxes	Property and Liability Insur	Taxes & Insuran	R4R Deposits	Total Exp	Exp / Unit
NO	Urban	ELDERLY	New	Saint Louis	Saint Louis City	89	\$161,471	\$0	\$58,316	\$234,683	\$21,921	\$41,825	\$30,898	\$35,845	\$584,959	\$6,572.57
NO	Urban	FAMILY	New	Saint Louis	Saint Louis City	126	\$266,225	\$0	\$157,695	\$299,997	\$0	\$86,625	\$36,985	\$60,357	\$907,884	\$7,205.43
NO	Urban	FAMILY	New	Saint Louis	Saint Louis City	148	\$230,239	\$0	\$95,891	\$767,854	\$47,384	\$53,386	\$39,094	\$66,997	\$1,300,845	\$8,789.49
NO	Urban	FAMILY	New	Saint Louis	Saint Louis City	12	\$18,892	\$0	\$25,605	\$9,900	\$6,193	\$25,269	\$723	\$6,313	\$92,895	\$7,741.25
NO	Urban	FAMILY	New	Saint Louis	Saint Louis City	158	\$344,365	\$0	\$184,696	\$353,180	\$0	\$97,403	\$42,681	\$70,618	\$1,092,943	\$6,917.36
NO	Urban	FAMILY	New	Saint Louis	Saint Louis City	10	\$13,446	\$0	\$16,838	\$4,520	\$10,948	\$12,910	\$0	\$4,538	\$63,200	\$6,320.00
NO	Urban	FAMILY	New	Saint Louis	Saint Louis City	80	\$205,576	\$0	\$43,180	\$218,260	\$70,132	\$52,068	\$48,863	\$24,300	\$662,379	\$8,279.74

Form 2013 Budgeting Tips Cont...

- Include expenses that are expected to reoccur on an annual basis.
- Budget One FTE Manager and Maintenance person for properties with 48 + units and are not part of a multi-phase development.
- Avoid the “Miscellaneous” temptation.
- Common space utilities still need to be budgeted.

Form 2013 Budgeting Tips Cont...

- Avoid grouping contract related expenses, i.e., snow removal, HVAC, exterminating, vacant unit preparation costs, etc. under the general contracts category.
- Obtain current insurance quotes.
- Indicate any tax abatement.
- Special Needs/Supportive Service Account.

Special Needs/Supportive Service Account

36) Vacant Unit Prep (Carpets, Painting, Etc.)	#6580	\$3,000
37) Misc. Operating & Maintenance Exp.	#6590	\$0
38) <u>Total Operating & Maint Expenses</u>	#6500T	\$47,490
39) Real Estate Taxes	#6710	\$10,000
40) Property & Liability Insurance	#6720	\$11,000
41) Health Insurance	#6723	\$3,000
42) Workers Comp	#6722	\$1,000
43) MIP Insurance	#6850	\$0
44) Fidelity Bond	#6721	\$250
45) Other Tax Assessments		\$0
46) <u>Other (Describe)</u>		\$12,000
47) <u>Total Fixed Expenses</u>		\$37,250
48) Replacement Reserves		\$10,800
49) <u>Total Expenses</u>		\$161,478
50) No. of Units		36
51) <u>Expenses per Unit</u>		\$4,486

Property “Busters”

- Unrealistic budgeting.
- Not planning for the end of the tax abatement.
- Not adequately planning for insurance premium and property tax increases.
- Not adequately planning for the end of useful life during the rehab – concrete, roofs, mechanical systems, elevators, etc.
- Security.

Security Budgeting Policy

- For development proposals in areas where the market study reports a crime index above two times the current state index of 1086 as reported in the areavibes.com data, such proposals must address security needs in the development and operating budgets, or provide a detailed explanation why such measures will not be necessary.
- **NOTE:** The state and local factors from areavibes.com change annually in the late fall of each year; therefore any market study update submitted for consideration must include updated crime statistics.

Asset Management Application Scoring

8 pts

- Average Inspection Score – 3 pts
- Total Noncompliance Events – 2 pts
- Corrected Noncompliance – 2 pts
- Portfolio Occupancy – 1 pt

Average Inspection Score - 3pts

- Blended score from physical inspection results from both the developer and proposed management company.
- Looked at most recent physical inspection score for all properties in portfolio and assign a value.
- 0 = Unsat Rating; 3= Below Avg Rating; 5 = Satisfactory Rating; 6 = Above Avg Rating; 7 = Superior Rating.
- Total of Physical Inspection Scores/ Total # of inspections performed.

Average Inspection Score

- Determine blended inspection score from both the developer and proposed management company.
- Determine where blended score falls within the new blended score chart.

Inspection Blended Score Chart		
Bended Score	Points	Rating
6.99 - 6.0	3	Superior/Above Average
5.99 - 5.0	2	High Satisfactory
4.99 - 4.0	1	Low Satisfactory
3.99 and below	0	Below Average/Unsatisfactory

Average Inspection Score

Example 1

Developer XYZ Company					ABC Management Company				
	Phy	Man	File	OCC		Phy	Man	File	OCC
Property 1	5	6	6	7	Property 1	5	6	6	7
Property 2	5	7	7	7	Property 2	7	7	7	7
Property 3	6	5	7	7	Property 3	6	5	7	7
Property 4	5	6	6	7	Property 4	5	6	6	7
Property 5	5	5	5	7	Property 5	5	5	5	7
					Property 6	5	6	6	7
Average Score	6.05				Property 7	5	6	6	7
					Property 8	5	6	6	7
					Property 9	5	6	7	7
					Property 10	5	5	7	7
					Average Score	6.10			
			Blended Score	6.075					

3 Points

Average Inspection Score Example 2

Developer XYZ Company					ABC Management Company				
	Phy	Man	File	OCC		Phy	Man	File	OCC
Property 1	5	6	6	7	Property 1	5	6	6	7
Property 2	3	7	7	7	Property 2	7	7	7	7
Property 3	6	5	7	7	Property 3	6	5	7	7
Property 4	3	6	6	7	Property 4	5	6	6	7
Property 5	5	5	5	7	Property 5	5	5	5	7
					Property 6	5	6	6	7
Average Score	5.85				Property 7	5	6	6	7
					Property 8	5	6	6	7
					Property 9	5	6	7	7
					Property 10	5	5	7	7
					Average Score	6.10			
			Blended Score	5.95					

2 Points

Inspection Score Chart

Blended Scoring Chart	Points
6.99 - 6.0	3
5.99 - 5.0	2
4.99 - 4.0	1
3.99 and below	0

	Blended Score	Points
Example 1	6.075	3pts
Example 2	5.95	2 pts

Total Noncompliance Events – 2 pts

- Total of noncompliance events identified for the management company.
- Total # of noncompliance events / Total number of properties in management portfolio.
- Applications Divided into three tiers.
 - Tier 1 received 2 pts (Noncompliance range- 0 - .50)
 - Tier 2 received 1 pt (Noncompliance range- 0.51 - 1.0)
 - Tier 3 received 0 pt (Noncompliance range- 1.0+)

Total Noncompliance Events Examples

- Management had 5 total noncompliance events and manages 55 properties = noncompliance rate is .09 and receives 2 pts.
- Management had 95 total noncompliance events and manages 12 properties = noncompliance rate is 7.92 and receives 0 points.

Corrected Noncompliance – 2 pt

- No Noncompliance events during year = 2 pts
- Cleared noncompliance; minor open issues = 1 pt
- Major Uncorrected Noncompliance = 0 pts

Including but not limited to:

- Expired management application;
- Delinquent mortgage;
- Unsubmitted AFS;
- Uncorrected 8823s;
- Open inspections;
- Missing compliance exhibits;
- Unsubmitted COL.

Noncompliance reports will be generated on Tuesday October 11, 2021

Portfolio Occupancy – 1 pt

- Portfolio above 90% = 1 pt
- Portfolio below 90% = 0 pts

Asset Management Application Scoring Property Acquisitions

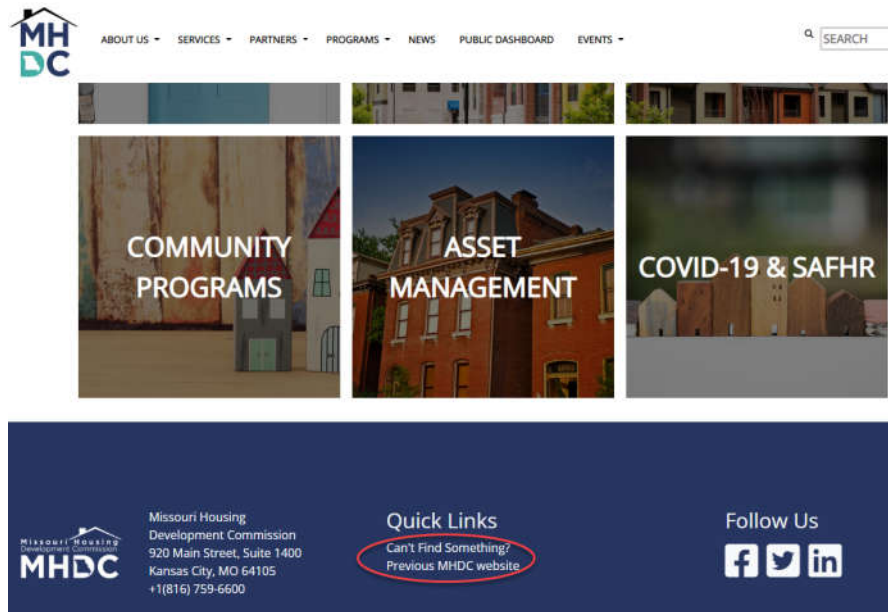
- Opportunity to identify troubled properties that were acquired within the calendar year.
- Results will be excluded from scoring analysis.
- Owner and management must disclose all properties in the comments section of Application Self Scoring Form.

Preservation Letter Review

- Asset Management will be performing site visits.
- All site visits must be completed by September 15, 2022.
- Contact Scott Hanak at shanak@mhdc.com to schedule the site visit.
- Refer to Preservation Letter Checklist on MHDC website <https://mhdc.com/programs/multifamily/multifamily-application/fy2022-application-forms-and-checklists/> to prepare for MHDC's site visit.

Note: Previous unfunded applications that received a preservation letter in previous years do not need to schedule an onsite visit. Contact Scott Hanak at shanak@mhdc.com to receive a new letter that corresponds with the QAP year under consideration.

New MHDC Website



Don't worry – It's still there!!
<http://mhdc-legacy.mhdc.com/>





 **Missouri Housing**
Development Commission

Questions?

MHDC.com