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Sharing Resources and Knowledge – A Proposal for Joint Asset Management

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As the housing crisis continues to disproportionately impact low- income communities, community-based organizations (CBOs) such as MEDA and SFCLT have stepped up to acquire and preserve affordable housing and protect tenants from displacement utilizing local City programs such as COPA and Small Sites Program funds. The strategy of acquiring residential buildings, particularly smaller buildings which are most vulnerable to speculation and have a disproportionate impact on at-risk tenants, comes at significant cost and strains the capacity of CBOs. There is a need to expand acquisition and preservation efforts in San Francisco and bring in emerging nonprofits that serve particular geographies and BIPOC communities.

Asset management of permanently affordable housing is a labor and time-intensive initiative that requires human and financial resources that are currently beyond the capacity of smaller CBOs. Unlike private owners, which can achieve profits and have access to speculative capital through higher rents at market level, CBOs are constrained in staffing and financial resources by affordable rents. Some of the onerous compliance and regulatory requirements imposed by federal, state, and city agencies on nonprofits have also decreased the ability and productivity of these nonprofits to be able to focus on active asset management, resident engagement, and capacity building. The expansion of social housing in San Francisco can only be a reality if the asset management capacity of mission-driven nonprofits that play a significant role in housing preservation is expanded. In order to help community nonprofits build capacity so that they can better serve residents and resolve day-to-day operational challenges and concerns without being overly reliant on regular fundraising, we propose a joint asset management structure or program for properties owned by community nonprofits. This proposal outlines a joint asset management model that shares knowledge and resources for established and aspiring community-based non-profits that wish to follow an acquisition and preservation strategy for anti-displacement.

A selection of some of the functions for joint asset management:
1. Welfare Exemption – first and annual filing;
2. MOHCD Annual Monitoring activities and reporting;
3. Lender reporting – quarterly and annual;
4. Financial audits;
5. Income certification for new and existing tenants;
6. Escalation of tenant to property management relations;
7. Reserve Management – Operating and Replacement.

A joint asset management model could entail the creation of a single LLC that can be staffed by asset managers from different community nonprofits. This LLC could be contracted by the community-based developers owning the different properties to perform asset management services. The services could be a la carte - income certs, annual MOHCD monitoring preparation, or a complete asset management package for a building. The LLC will charge an annual asset management fee that is then shared amongst participating nonprofits. The allocation of fee amongst members will be based on the resources that each member of the LLC puts in in terms of staff, software, and other resources.

We believe that a shared asset management model can bring the following potential benefits:

1. Preserves, protects and expands affordable housing resources in the City.
2. Lowers the barriers for community-based developers to participate in the Small Sites Program
3. Creates more broad-based democratic participation by encouraging shared or joint decision making across properties
4. Enhances the effectiveness of participating nonprofits by leveraging the size and strength of the members and their organizational reputation and operational track record.
5. Increases opportunities for nonprofits to continue to serve existing neighborhoods in need and potentially expand geographical areas that they serve.
6. Achieves cost savings attributed from shared staffing resources that could potentially be reinvested into existing residents or future building acquisitions
7. Allows experienced asset managers to adopt and implement best practices across properties that will better serve resident needs
8. Creates greater diversity of voices and management styles across properties

Goals of the Proposal

The goal of this proposal is to expand the staffing capacity of mission-aligned nonprofits to be able to manage permanently affordable housing at scale without putting the organizational sustainability of each of the nonprofits at risk, with the ultimate goal of improving the quality of programming for existing residents and advancing social housing through stronger democratic participation and shared decision-making.

Describe how the proposal creates, supports or expands the development of social housing.

The proposal will expand the development of social housing by building nonprofits' asset management capacity to operate permanently affordable and resident-centered housing that serves households with a maximum average of not more than 80% AMI. Building asset management capacity could potentially free up financial and staffing resources so that community nonprofits could continue to build upon other resident-centered initiatives that will advance social housing goals.

Describe how the proposed program or type of project will advance racial and social equity, as well as geographic equity.
Part of the challenge of operating smaller properties is that the operating cost per unit tends to be higher as compared to larger properties due to staffing payroll being spread over fewer units. Consequently, many nonprofits have set a minimum unit threshold for the kinds of buildings that they would consider acquiring for housing preservation, which has resulted in smaller properties (fewer than 10 units) facing higher risks of being lost to private speculation.

Districts that have high real estate and land values such as District 8 have some of the highest no-fault evictions in the city. Many housing preservation projects in these districts do not qualify under the Small Sites Program due to the significantly higher per unit subsidy that would be required to acquire and operate housing units. A shared asset management model could potentially lower the per unit operating subsidy that would be needed to operate these properties and allow more nonprofits to advance geographic and social equity goals by preserving more affordable housing located in underserved districts with the highest rates of evictions.

Describe how the goals of the program or project can be accomplished or advanced and by what types of agencies or entities within Fiscal Year 2022-23.
It is important for the joint asset management entity to be independent from any city agencies to avoid the drain on internal resources and staffing capacity to comply with onerous compliance and regulatory requirements that are not productive for the ongoing asset management of buildings. The proposal contemplates an initial allocation of city dollars to fund the joint asset management program for the initial year or two to cover any legal and consultant fees associated with setting up the LLC with the expectation that annual asset management fees will be a stable source of revenue once the setup of the program is complete. MOHCD and other relevant city agencies will play a role in providing technical assistance to help set up the program.

We envisage that MEDA and SFCLT would play the major role in establishing a joint asset management entity. Sufficient funds are needed to hire a Coordinator/Executive Director to lead the project and to establish the infrastructure to share knowledge and enable staff from different nonprofits to work together. With asset management, the current fee structure approved by MOHCD assumes an incremental approach of fees earned on a per unit or building basis. CBOs accessing the joint asset management would only be able to contribute fees for revenue as buildings are acquired. Assuming that the LLC starts providing services with a small portfolio of 20 units or less at the start and expands to 100 units or more by the end of the 2nd year, this LLC could be self-sustaining in Year 3.

Start up Budget for 2022-2024:

1. Coordinator/ED salary/overhead: $120k
2. Legal fees: $24k

3. Reimbursement to MEDA and SFCLT for staff time: $120k
4. Infrastructure costs: Computers, networking, office space: $180k