



Lessons from the Field

A Series of Asset Manager Interviews Conducted by Elaine Magil, TCAM/MRI

An Asset Manager's Preservation and Recapitalization Journey

Interview with Alicia Hoppers

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Alicia Hoppers has worn many hats in the affordable housing industry over the last 15 years but possesses a true passion for asset management. This interview follows her journey developing and executing a 12-year timeline for her organization's preservation strategy.

EM: I know you've been really focused on preservation and recapitalization. Tell me about that.

AH: Preservation is really critical. We commit to own and operate these properties 50+ years, and my job is to support the asset through its life cycle: acquire it, plan for and develop it, operate it, and then maybe plan its retirement. When I was hired, I was tasked with preservation planning. I spent time learning about our properties and developing a set of criteria for assigning them onto a preservation timeline for which to prioritize. It worked almost like a preservation risk rating. One criterion was: is there a loan maturing in the next 5 – 10 years, or some other kind of financial cliff coming? Mixed into that, we also looked at, "is there an investor still involved?" The second criterion was: what are the capital needs at the property, and will we be able to meet those? If there were significant capital needs, then we looked at a third item: the asset's ability to fund those capital needs. We analyzed the reserves held by the property. A property was determined high risk when its capital needs exceeded its reserves in the next 5-10 years.

If a property met all three of these criteria (loan maturing, significant capital needs, and insufficient reserves) it would be placed early on the preservation timeline. We developed a 12-year timeline for preservation, and this addressed about 20 of our total 60 properties.

EM: How did you get to a number for what the capital needs were? Were you already doing regular Project Capital Needs Assessments (PCNA)?

AH: We have internal capital needs assessments updated at least annually. These internal documents capture the schedule of major systems, replacement timelines, estimated costs, and forecasts of reserves. These were a place to start. If data was missing or out of date, I conducted physical inspections. Some of our buildings are 100+ years old, so we went to visit those ones sooner, since their systems would definitely be due for an update. Whenever it wasn't clear, I knew: go to the site.

I can't get everything I need from solely looking at documents and running financial analysis. It was imperative to visit the property and listen to the site teams for what was going on and what they were experiencing. I do not have an engineering background. If they said, "it doesn't feel like I have air flow going on here," we'd look into that. Sometimes we needed to bring in an expert, particularly for the properties that were on the 12-year preservation plan or had complicated systems.

Beyond the PCNA, especially with older buildings, we also often had to look at bringing things up to code. We have routine preventative maintenance that takes place. At times, those reports are good tools to alert us that systems needed further attention like updating or replacement. We would look to experts to build scope around updating or replacing those systems.

EM: I've definitely heard a lot of anxiety about the scale of need for retrofitting, especially earthquake, flooding, and wildfires, and especially in the Pacific Northwest and California.

AH: Precisely. We know we have to do retrofits even before a bigger recapitalization may be possible. For instance, we had buildings that were converting to RAD, and we actually finished the RAD conversion of the vouchers first; we're still planning to do a tax credit recapitalization as a second step. At that time, we'll tackle the retrofitting. It turned out to be advantageous to do it in this two-step process so we wouldn't need to compete for resources with other projects we wanted to do, and we could at least get the RAD conversion piece of the preservation planning done.

EM: Yeah, a lot of people think 'preservation' = 4% LIHTC, but it isn't always.

CHS Photo 1 – Farmworker Housing

AH: Absolutely. For instance, we have a lot of farmworker housing that's been around long enough that now it's multi-generational housing, and people have started to have different economic realities than when we built it. This makes it difficult to be viable with its current AMI set-asides. We're having trouble income qualifying farmworkers for that housing. In a case like this, preservation can be more about modifying the regulatory agreement to better align with its current use so it can operate and perform well.



EM: How would something like this have come to the fore in your 'preservation risk rating' model?

AH: There are properties which may not rise to the top of the preservation plan based on the criteria, but they do raise a flag insofar as the property isn't operating well. That's a preservation risk, even if it's not because of a loan maturity or capital needs. Properties can be on our preservation radar for cash flow reasons (short-term or long-term). At some level this is just about having both property management and asset management staff monitoring our basic operating vitals.

EM: You said you were hired to think about preservation planning. How did CHS already have that on their radar?

AH: The person who hired me had made it a priority in the organization. Asset management hadn't actually been a title in the organization before, though the various facets of it lived in different places (Facilities, Finance, Development). CHS has gone through rapid growth over the last 15 years, so it became clear that the scale of that growth led to a need to create an asset management function to keep an overall eye on the health of the assets.

EM: So, once you had a 12-year timeline of the roughly 20 top-priority properties, then what happened?

AH: I went to the Development team to begin to sort out what resources I could go after and on what timeline. We tackled which projects needed LIHTC funding versus which ones could work as just a refinance. This approach limited our new pipeline from competing with our preservation priorities. For instance, one of our chronically mentally ill housing clusters qualified for a resource that the state Housing Financing Agency (HFA) was prioritizing. This bundle moved up the list of what to focus on. As specific projects started to come together with a viable financing plan, we went to the Board because we reached the point of requesting financing, or spending money on pre-development costs.

EM: I often hear about tension where an organization's recapitalization needs start to be directly in conflict with the new development pipeline. Whether it's 9% LIHTC or soft money or even just staff attention, those demands can be at odds, especially for organizations that only operate in a limited geography. How did that play out for CHS?

AH: That's absolutely why I went to the Development team, so we could get ahead of that. As an organization, we work hard to respond to housing needs among communities of concern. We need to be intentional about honoring any commitments we made and also ensuring we have at least one preservation project in the pipeline each year for competitive funding. We seek to avoid impacting our ability to create new units because of the increasing demand for affordable housing. What that means for preservation is that we're looking to maximize our ability to preserve projects that won't require going after state or other limited resources. Can we do it with just refinancing private debt, or maybe is there a HUD program? We tried to save the LIHTC and soft debt applications for where there really was no other way to do the preservation. We even looked at whether we could do partial preservation, maybe take care of some of the units without needing scarce resources, even if we couldn't get the whole project done.



CHS Photo 2 – CCS/CHS have implemented initiatives that focus “Communities of Concern.” They target housing to the poor and low-wage earners in the Black, urban Native American and Latino/Chicano communities.

So now we're just working through that 12-year plan. We adjust it every now and then. We're currently doing a lot of our HUD refinancing so we don't need to compete with new projects right now. There are a lot of them that have built a lot of equity that we're able to access, which of course is great for the organization's health and ability to recycle those proceeds.

EM: Do you have any big lessons learned from this process? Was anything much harder than you expected?

AH: It's just hard not being able to do everything. There's a lot of need in a big portfolio. Other things come up sometimes and can derail the progress a little bit, and that can be a challenge.

Communication is key. We established “Stewardship Meetings” with those involved in fiscal responsibility of projects to vet our pipeline. At our Development meetings, we also have “Champions” who will bring forward new projects in responding to community needs. We bring those two groups together, and Asset Management is involved, to balance priorities.

As far as a lesson learned: smaller projects have to be bundled to make them viable. At first, I looked at every project individually but learned to create project bundles (more than one asset) to make them work financially. Small projects (under 35 units) in certain markets are hard to make work long term at that scale, especially without some kind of subsidy [like Housing Assistance Payments or Rural Development].

EM: Some owners may be a bit cautious, and might want encouragement from someone who's gone before to say, "you really do need a certain scale for this to work, so if that means bundling, do it." Any other lessons?

Being a known and trusted operator can open doors to a state HFA or other regulator asking an organization to take over any troubled or 'orphan' assets. In a case like that, it's important to do the math and figure out whether you're going to need an additional infusion of resources (or other changes!) in order to sustainably take it on, and really negotiate for what you need if you believe you can do a good job turning the asset around.

AH: In one recent case, we were asked by the state HFA to take on a troubled property. We identified that a document list and document collection was critical. It's also critical to identify those key internal stakeholders to review the documents and ask questions from each of their perspectives. Our Steward and Champion meetings are great because we already had a diverse staff of expertise coming to those meetings. Getting those varying perspectives to vet projects is valuable.

EM: Do you ever have problems with 'decision-making by committee' where not everybody votes the same, where people have different feelings about what's a go/no-go deal?

AH: Definitely. Legal is in the process too, so if we have someone raising alarms about things that really need to be further vetted by legal, they are. We might bring in our insurance advisor to look at something if that's an area of concern. If, in the end, we can't get comfortable, we can't. We have a reliable system of review and structure for vetting projects, both existing asset performance and prospective acquisitions. Even if we get to the end of our process and we're still not comfortable, we take that to mean it's not a good idea.

EM: That's great; it's less about, "how to think about taking over a troubled property?" and more about developing a good process with checks and balances for any acquisition, and then just trusting the process.

I see a lot of organizations that don't have Asset Managers or Property Managers review a prospective acquisition, but even in places where they do, they aren't always actually empowered to say, "this is a bad project."

AH: Asset Management and Property Management input is desired. When I attend Champions meetings and we're talking about a prospective acquisition, I feel my role there is to be a resource to Development, and that they view me that way. It is likely due to our Champion and Stewards model. We've developed a culture where Development seeks input from internal stakeholders; first-hand knowledge of how these assets operate after they leave the care of Development.

EM: What did you learn specifically from the experience of taking on a troubled property?

AH: When the HFA approached us, we used our internal process to look critically at our ability to make it viable. We weren't happy with the physical conditions at the property. We felt like we could improve the quality of life for those residents. We were already operating several farmworker housing properties and some even in nearby areas, so we knew that area and product type. We looked at how to gain efficiencies, for instance, whether or not we could share staffing across a few properties in the area. We also looked at the long-term prospects for the property, as in, how might we re-syndicate it someday, and it turned out that it fit well with the timing for the other projects nearby. It actually turned out that our other assets nearby were also having similar physical condition issues, probably because they're all the same style built around the same time. We saw it operating poorly because of that mismatch of the current

Within a portfolio-level preservation plan, there may be properties for which there's no viable solution, or where the timeline that Asset Management would like to see conflicts with the new construction pipeline. This is common and some different priorities may be inevitable, but it underscores the importance of having senior leadership's support for preservation activities. When the preferences of two different parts of the organization may not line up, clarity from leadership will help avoid conflict as well as delays or redundancy.

population with the property's set-asides, so we negotiated with the state agency to fix the misalignment with the regulatory restrictions. I'd tell anyone, "if you're being approached to take on a troubled property, don't hesitate to ask for what you need."

EM: I do see this sometimes, especially with smaller or newer organizations, that sometimes they don't totally realize how much power they have. If someone is coming to you to ask you to take on a property, it's not a "yes/no" matter, they're actually opening a negotiation, and you can ask for what you need in order to do it right. Were there any properties that you just couldn't make the numbers work at all, where there's still no plan?

AH: There were definitely a few. There are a few that I think it just doesn't make sense for us to operate. I should note that, "what dispositions should we be doing?" is definitely part of our preservation strategy. I did have explicit guidance from the outset to look at that, too. We as an organization have a history of not only taking over assets but also of having turned over properties, especially to a community of concern that maybe brought it to us in the first place. So even if we're letting a property go from our portfolio, it goes to another non-profit or a community group that is also invested in the community, and we're fine with that. That feels like a good outcome as well, and the property is still preserved.



Alicia Hoppers has worn many hats in the affordable housing industry over the last 15 years but possesses a true passion for asset management. After leaving a career as a personal financial representative, she became a student of the affordable housing world starting as an administrative assistant for a small nonprofit housing developer and operator. At this nonprofit, she gained experience working with property management, finance and accounting, the Board of Directors, and advocating for housing at local city council meetings. Her main area of interest is working with troubled assets and convening stakeholders to tackle issues that may compromise their long-term viability. She is grateful to support the work and mission of both Catholic Community Services (CCS) and Catholic Housing Services of Western Washington (CHS) in serving the most poor and vulnerable populations. Alicia came to learn about CCS/CHS when her mother was diagnosed with dementia and was blessed to have a caring staff of caregivers from CCS to help her family through a hard transition. After 15 years of building her knowledge and expertise in the affordable housing industry, she enjoys mentoring and coaching new employees in the field of asset management.

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[Catholic Community Services](#) (CCS) and [Catholic Housing Services](#) (CHS) are official human service outreach arms of the Catholic Church in Western Washington. Under the leadership of Archbishop Paul D. Etienne and Boards of Trustees, staff and volunteers answer the Gospel call to loving and compassionate service with particular concern for the sanctity of human life from conception to natural death and for the dignity of the human person.

Elaine Magil is the Director of the Advisory & Transactions practice at TCAM, an MRI company, a leading provider of asset management and consulting services to the affordable housing industry. At TCAM, Elaine is responsible for dozens of consulting projects, working with state and local housing agencies, large housing authorities, capital providers, and housing developers. She also leads TCAM's third-party underwriting work in support of property acquisitions, valuations, and dispositions, including on unrestricted ("naturally occurring") affordable housing and Year 15 investor exits. Prior to joining TCAM, Ms. Magil was a Senior Associate at a national LIHTC syndicator, and previously worked in program management as well as direct client service at community development nonprofits.

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March 2021. Available at www.chamonline.org/reports.