

# **What's Next: Growing Sustainable Nonprofit Housing Providers**

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Working Together for Strong Communities



# Sponsor Strength

- **STRENGTHMATTERS**®
- Enterprise Underwriting
  - Capitalization
  - Profitability
  - Liquidity
  - Asset Quality
  - Management & Governance

# No Money – No Mission

- **BUSINESS MODEL REINVIORATION**
- Balance of mission and sustainability
- Profits: increase revenues or reduce expenses
- Appreciation: consider your asset mix

# **NeighborWorks Symposium: December 14, 2011 Washington, DC**

## **BALANCE SHEET**

- Portfolio must cash flow –whatever it takes
- Development – reliable cash flow required
- Less subsidy –change management? Types of properties?  
Income mix? Location mix?
- Scattered site – w/ sales? w/ shared appreciation interests?
- Possibility of some degree of new capital?

# **NeighborWorks Symposium: December 14, 2011 Washington, DC**

## **INCOME STATEMENT**

- Collaborating to increase efficiencies and focus – contracting out for services? Offering services for fee?
- Consolidating for impact Consolidating for impact
- Opportunity w/ PHAs and for profits

# STRENGTHMATTERS®

([www.strengthmatters.net](http://www.strengthmatters.net))

- Collaboration bringing national and local affordable housing organizations together with investors to increase capacity to produce and preserve affordable homes.

# STRENGTHMATTERS®

- Sponsors: NeighborWorks America, Housing Partnership Network, SAHF (Stewards of Affordable Housing)
- MacArthur Foundation support for 5 years
- Impacts 200,000 affordable rental units owned and managed by nonprofits

# STRENGTHMATTERS®

- Mission: Support growth of strong nonprofit housing enterprises and increase affordable homes development and preservation:
  - Develop financial reporting best practices;
  - Provide benchmarking data warehouse to inform the financial sustainability of rental developments;
  - Develop best practice sponsor underwriting and monitoring guidelines for investors;
  - Recommend ways to reduce the policy constraints confronting nonprofit real estate developers.

# Initiatives/Principles: Benchmarking Data Warehouse

- Organizations can improve operations and lower operating costs by comparing financial and operational data with peers in affordable housing industry.
- Nonprofit owners can consider alternative business models to increase revenues and build stronger capital base.

# Strength Matters

## Benchmarking Data Warehouse

- Web-based platform (CoopMetrics)
- Common chart of accounts
- 40 organizations, 100,000 units in warehouse
- Membership expanding annually
- Compares financial information
- Help Desk support and Asset Mgt Users Grp

# Initiatives/ Principles: Financial Reporting Best Practices

- Transparency and consistency of financial reporting across nonprofit real estate industry is essential to attract investment
- Strength Matters CFO Working Group
  - Financial Reporting Best Practice Papers (21)
  - Webinars

# Initiatives/ Principles: Enterprise Level Investment

- Promote investment in nonprofits at the enterprise level.
- Strength Matters Lender Working Group
  - best practices for evaluating debt and equity investments in nonprofit real estate organizations
  - sound underwriting and monitoring practices..

# Initiatives/ Principles: Enterprise Level Investment

- Accounting integrity across the sector
- Enterprise Underwriting
  - Capitalization
  - Profitability
  - Liquidity
  - Asset Quality
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# Initiatives/ Principles: Enterprise Level Investment

- By Lender Working Group w/ CFOs
  - Five-year cash flow template
  - Property owned schedule
  - Development pipeline report
  - Debt/guarantee schedule

# Initiatives/ Principles: Policy to support Sustainability

- See discussions at [www.strengthmatters.net](http://www.strengthmatters.net)
- Reforming policies so that nonprofit real estate developers can more efficiently use the assets they operate to recapture equity and redevelop housing.