

Survive and Thrive as a Nonprofit

Presented by Florida Housing Coalition

April 11, 2023





AFFORDABLE HOUSING CATALYST PROGRAM

**Sponsored by the
Florida Housing Finance Corporation**



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Catalyst Training Schedule

A banner for SHIP Catalyst Training. The left side features a photograph of three people (two men and one woman) sitting at a table, smiling and looking at documents. The right side has a teal background with white text. The SHIP logo is on the left, and the text 'Fine Tune Your SHIP Program' and 'REGISTER NOW FOR CATALYST TRAINING' is on the right. Below the banner, there is a white bar with the text 'Register Now for SHIP Catalyst Training!' and a row of four small circles. At the bottom, a white bar contains the text 'The Coalition is Florida's affordable housing training and technical assistance provider.'

Fine Tune Your SHIP Program
REGISTER NOW FOR
**CATALYST
TRAINING**

Register Now for SHIP Catalyst Training!

The Coalition is Florida's affordable housing training and technical assistance provider.

Hotline: 1-800-677-4548

www.flhousing.org



Webinar Logistics

- Participants are muted but we encourage you to post questions and comments
- There are handouts attached to this webinar, which you can download
- PowerPoint and recording will be available on our website
- Additional questions? Just email or call!
 - west@flhousing.org
 - 850-518-2235
 - chaney@flhousing.org
 - 850-980-1307



Presenters

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Today's Agenda

1. How to Thrive as a Nonprofit Developer
2. Best Practices for Building Nonprofit Capacity
3. FHFC and the Low Income Housing Tax Credit (LIHTC) Nonprofit Set Aside
4. Development Considerations for Nonprofits



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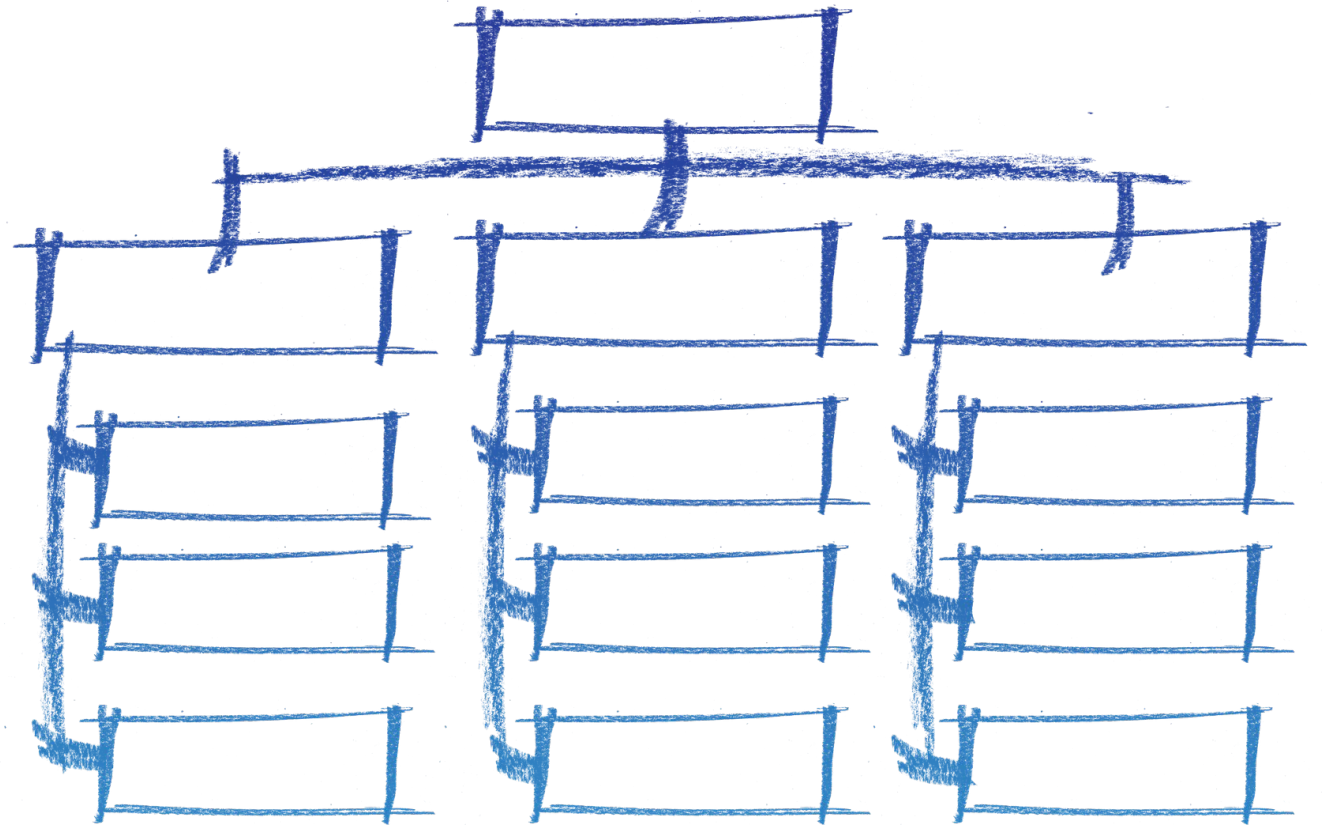
Who is in the Audience Today?

- Nonprofit Developer
- Nonprofit Service Provider
- Local Government Staff
- For Profit Developer
- Other



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How to Thrive as Nonprofit Developer

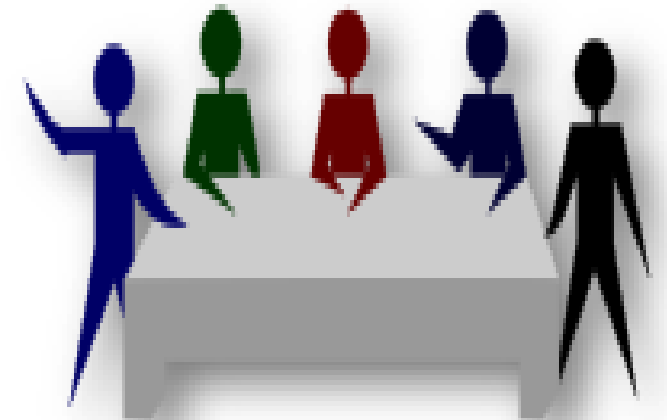


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Organizational Structure

Board of Directors

- Board positions and committees are clearly defined
- The Board is the catalyst for the agency's vision & success
- Board members are dynamic and involved and are recognized experts in the fields relevant to the agency's mission



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Board of Directors

- Board is in-sync with CEO/ED-driven by a common goal and provides meaningful support to the entire organization
- The board members have a strong public presence and are well-known agency advocates
- Board is responsible for the ED/CEO annual performance review, hiring, and firing



Executive Director/Chief Executive Officer

- Well qualified, recognized expert in their field
- Evaluates organization for areas of improvement
- Strong management of duties
- Recognizes and rewards staff accomplishments
- Positive, dynamic, builds organizational and community consensus
- Inspires the agency and mission



Chief Financial Officer (CFO)

- Excellent adherence to professional financial management procedures
- Independent annual audit & regular financial monitoring is routinely reported to the Board
- Fiscal information is routinely evaluated to identify strengths and needed improvements
- Budgeting is integrated into all operations
- Capital reserve account regularly funded
- Responsible for managing Compliance Director



Human Resources

- P&Ps reviewed, updated, & adhered to, compliant with legal requirements, & are easily accessible
- Job descriptions for all paid positions
- Excellent salary & benefits to attract/retain best qualified personnel & employs qualified staff
- Mandatory professional development
- Well-designed tool to evaluate & reward job performance



Operations Director

- Frequent evaluation of system costs & trends, data analyzed regularly & annually to inform policy and operations
- Maintaining assets
- Access to latest technological advances & databases, workspaces are well-maintained and adaptable to growth
- Thoughtful decision-making, quick sharing of information
- Clear chain of command
- Responsible for managing Leasing, Maintenance, and Accounting/Reporting



Fundraising Director

- Written plan describing comprehensive funding strategy & goals
- Detailed annual fundraising plan
- Securing funding through a wide-variety of funding sources
- Effective system for informing the community about programs & resources
- Agency meets & exceeds funder expectations



Real Estate Development

- Strategy is developed based on current housing needs
- Ability to overcome NIMBY and negotiate with community
- Strong, supported relationship with local government
- Portfolio of properties is in stable physical and financial condition
- Liquid assets & equity available for expenses



Resident Services

- Clear roles, relevant experience & education
- Committed to mission & strategy
- Professional, accessible written guidelines
- Innovative, effective, & easily accessible programs meeting needs of community & agency
- Files are regularly reviewed by staff
- Consumers are active participants in their own successes
- Includes Services Coordinator and Case Manager



Org Chart Examples

BUILDING THE CAPACITY TO BUILD

ACHIEVING A HIGH LEVEL OF CAPACITY WITHIN YOUR ORGANIZATION

BOARD OF DIRECTORS

- BOARD POSITIONS AND COMMITTEES ARE CLEARLY DEFINED
- CATALYST FOR AGENCY'S VISION & SUCCESS; BOARD MEMBERS ARE DYNAMIC & INVOLVED
- RECOGNIZED EXPERTS IN FIELDS RELEVANT TO AGENCY'S MISSION
- IN SYNC WITH ED/CEO, DRIVEN BY A COMMON GOAL, STRONG & MEANINGFUL SUPPORT TO THE ENTIRE ORGANIZATION
- STRONG PUBLIC PRESENCE, WELL-KNOWN AGENCY ADVOCATES
- COMPLETES ANNUAL PERFORMANCE EVALUATION FOR ED/CEO; HIRES & FIRES ED/CEO

EXECUTIVE DIRECTOR/CHIEF EXECUTIVE OFFICER

- WELL-QUALIFIED, AND A RECOGNIZED EXPERT IN THEIR FIELD
- EVALUATES ORGANIZATION TO SEEK AREAS OF IMPROVEMENT, STRONG MANAGEMENT OF DUTIES
- RECOGNIZES & REWARDS STAFF ACCOMPLISHMENTS
- POSITIVE, DYNAMIC, BUILDS ORGANIZATIONAL & COMMUNITY CONSENSUS, INSPIRES AGENCY & MISSION

RESIDENT SERVICES

- Clear roles, relevant experience & education
- Committed to mission & strategy
- Professional, accessible written guidelines
- Innovative, effective, & easily accessible programs meeting needs of community & agency
- Files are regularly reviewed by staff
- Consumers are active participants in their own successes

SERVICES
COORDINATOR

CASE
MANAGER

REAL ESTATE DEVELOPMENT

- Strategy is developed based on current housing needs
- Ability to overcome NIMBY and negotiate with community
- Strong, supported relationship with local government
- Portfolio of properties is in stable physical and financial condition
- Liquid assets & equity available for expenses

CFO

- Excellent adherence to professional financial management procedures
- Independent annual audit & regular financial monitoring is routinely reported to the Board
- Fiscal information is routinely evaluated to identify strengths and needed improvements
- Budgeting is integrated into all operations
- Capital reserve account regularly funded

COMPLIANCE
DIRECTOR

OPERATIONS DIRECTOR

- Frequent evaluation of system costs & trends, data analyzed regularly & annually to inform policy and operations
- Maintaining assets
- Access to latest technological advances & databases, workspaces are well-maintained and adaptable to growth
- Thoughtful decision-making, quick sharing of information

LEASING

MAINTENANCE

ACCOUNTING &
REPORTING

HUMAN RESOURCES

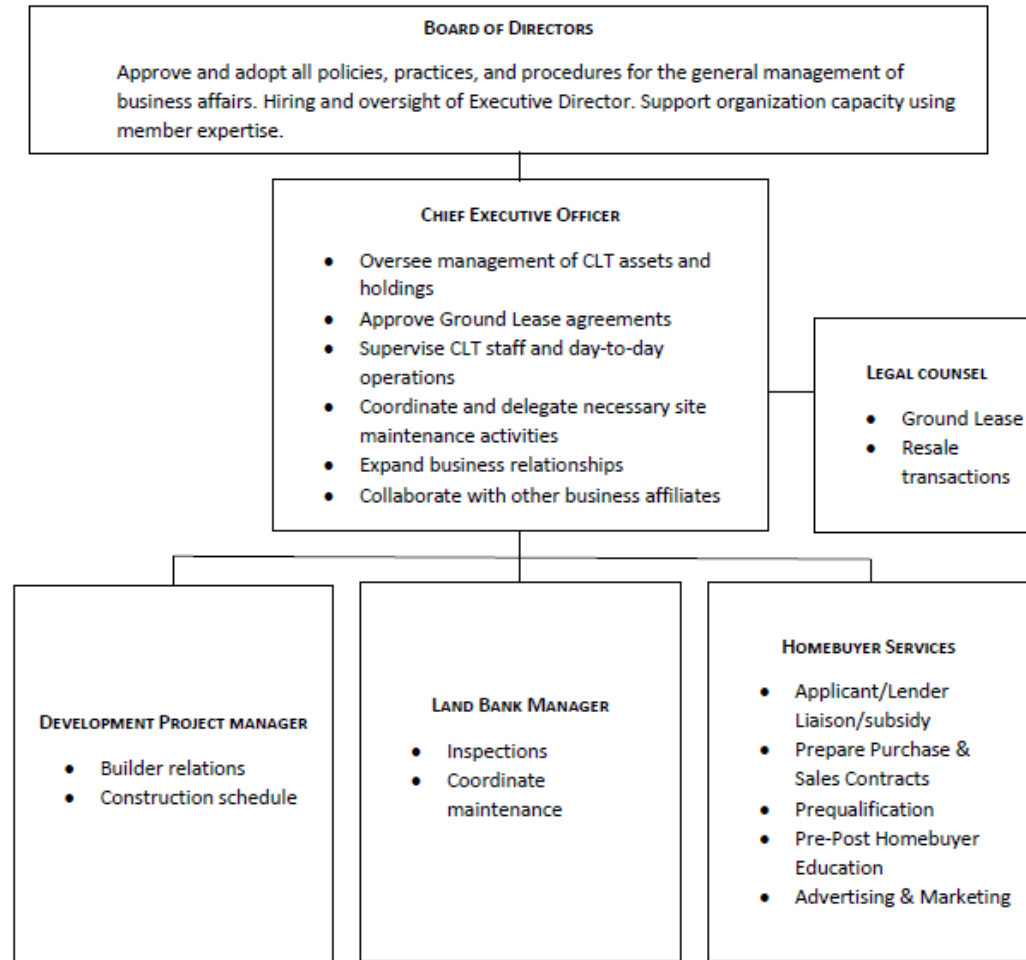
- P&Ps reviewed, updated, & adhered to, compliant with legal requirements, & are easily accessible
- Job descriptions for all paid positions
- Excellent salary & benefits to attract/retain best qualified personnel & employs qualified staff
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- Well-designed tool to evaluate & reward job performance

FUNDRAISING DIRECTOR

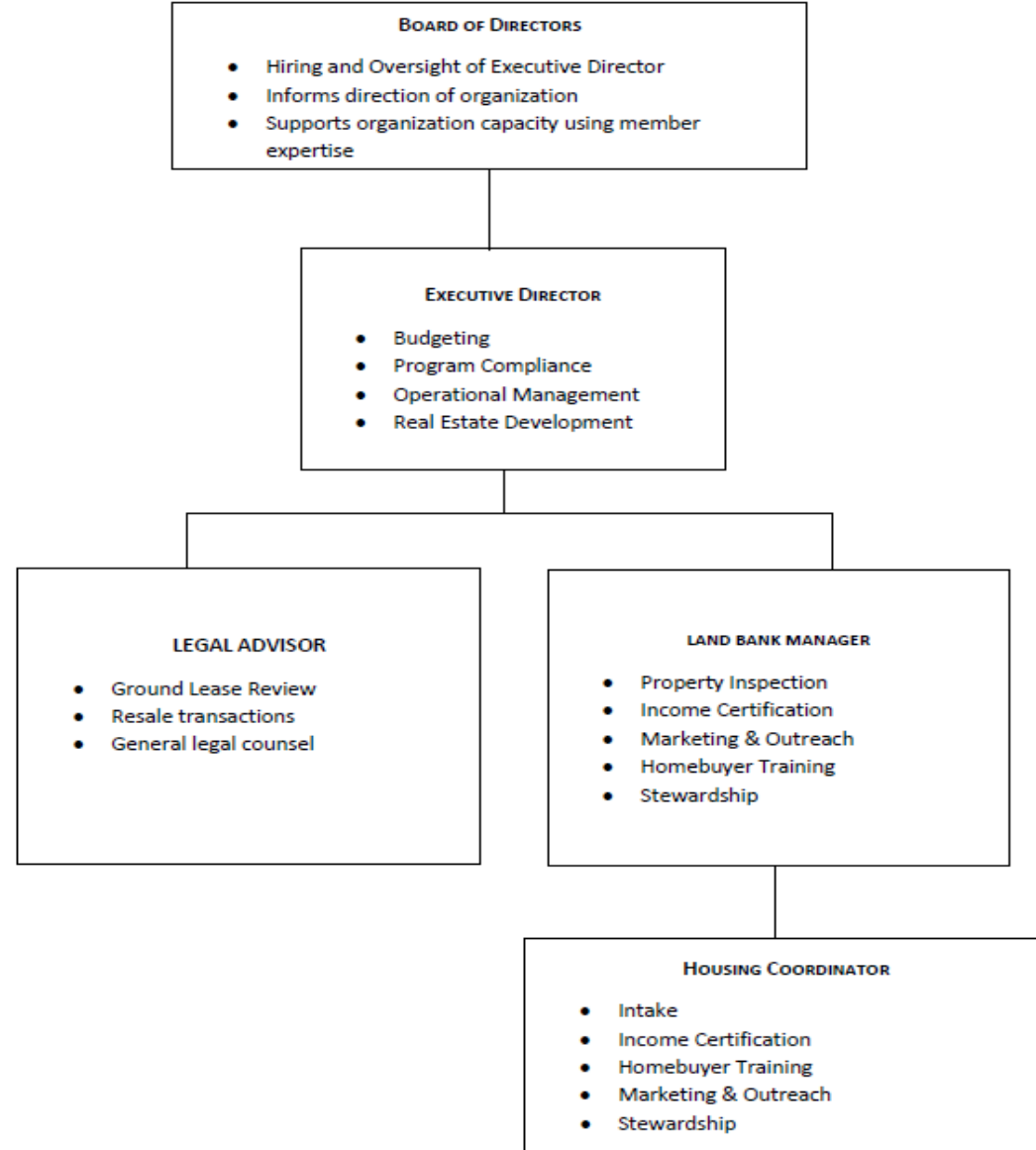
- Written plan describing comprehensive funding strategy & goals
- Detailed annual fundraising plan
- Securing funding through a wide-variety of funding sources
- Effective system for informing the community about programs & resources
- Agency meets & exceeds funder expectations



Org Chart Template V1



Org Chart Template V2



BOARD OF DIRECTORS

EXECUTIVE DIRECTOR

- Budgeting
- Program Compliance
- Operational Management
- Real Estate Development

HOUSING MANAGER

- Program Compliance
- Property Management
- Client Intake & Income Certification
- Marketing & Outreach

HOUSING COORDINATOR

- Client Intake
- Income Certification
- Coordinate Closings

Strategic Planning



Strategic Planning

- A strategic plan is a tool that provides guidance in fulfilling a mission with maximum efficiency and impact.
- As a rule, most strategic plans should be reviewed and revamped about every three years but special circumstances – like a pandemic – may make a revision more urgent.
- Strategy shifts are critical to be responsive to the effects of the pandemic.

Strategic Planning Methods

- Engage an external facilitator/consultant
 - Conduct interviews
 - Survey stakeholders
 - Complete organizational review
 - Serve as neutral party
- Engage staff and Board
- 3-to-5-year plan, with annual benchmarks
- SWOT analysis often a jumping off conversation

SWOT Analysis

	Helpful	Harmful
Internal	Strength	Weakness
External	Opportunity	Threat

Strategic Planning Implementation

- Strategic Plans are implemented through Action Plans, which are more detailed and specific.
- Measurable outcomes must be identified.
- Revisions may continue to be necessary as conditions change.



Best Practices for Building Nonprofit Capacity



The Overarching Purpose of Your Organization

- Does the purpose match the mission, and does the mission match the actions and goals?
- Was the purpose identified based on unmet housing needs (ie: development and preservation of affordable housing)
- Desire to build capacity of nonprofits to successfully participate in FHFC's RFA process



Mission

- **Mission Statement**
 - Is it clear, strong, relevant, frequently referenced?
- **Vision Statement**
 - Is it clear, bold? Does it inform policy and priorities?
- **Goals and Strategic Planning**
 - Are they clear, coherent? Is there a process for review and adoption? Are outcomes measured?
- **Culture and Values**
 - Are they the same for the board, management, staff, and stakeholders?

Board Of Directors

- **Commitment**

- Do members provide strong and meaningful support? How is attendance at meetings?

- **Composition**

- Are they experts in their fields? Are their fields relevant to your mission? Do they serve as resources to the Executive Director and staff?

- **Committees**

- Are there any? Are they active, relevant? Do they have staff support?



More about the Board

- **Relationship with Executive Director and Staff**

- Are all working towards common goal? Does the Board evaluate performance of Executive Director?

- **Orientation**

- Is there one? Who provides it? How comprehensive is it?

- **Governance**

- Are positions and committees clearly defined? Are meetings regularly scheduled, well-run, effective?



Senior Management

Experience

- Are members qualified with expertise?

Internal Leadership

- Are they positive and likable? Do they frequently evaluate organization for improvement? Do they actively seek to recognize and reward staff?

External (Community) Leadership

- Are they visible, recognized? Are they effective partners?

Staff Dependence

- Would the organization experience difficulty without daily presence of Executive Director? Can management team assume other duties?

Staff

- **Roles and Responsibilities**

- Are they clearly defined? Are they well-executed? Can staff assume other roles as needed?

- **Experience**

- Does staff have experience and education relevant to role? Are they able to perform all tasks associated with position

- **Motivation**

- Is staff committed to mission and strategy? Does staff actively seek additional responsibility and training?

- **Volunteers**

- Is there a dedicated base?

Program Management

Policies and Procedures

- Are they written down? How well-written are they? Are they regularly reviewed?

Job Design

- Do staff roles correspond well with programs? Are staff encouraged to modify and improve programs they are accountable for?

Program Design

- Do programs match the mission? Are they innovative and effective at meeting community and organization needs?

Program Reporting

- Are controls in place to ensure goals and objectives are met?



Financial Management

- **Policies and Procedures**
 - Is there low potential for mismanagement?
- **Funding Sources**
 - What is the source(s) of funding? Do programs and assets provide reliable sources of income?
- **Budgeting**
 - Does the process involve the entire organization? How involved is the Board? Are variances routinely examined?
- **Reporting**
 - Is fiscal information regularly scrutinized? Is it used as tool to evaluate strength and make improvements?

Legal

- **Organizational Documents**

- Has organization obtained proper IRS status? Are corporate filings in place? Are by-laws valid?

- **Risk Management**

- Is there sufficient insurance? Are all policies current?

- **Legal Counsel**

- Is counsel available? Is it pro bono or reasonable price? How is counsel utilized?



Marketing

1

Recognition and Reputation

- How well-known is the organization in the community?
- Famous or infamous?

2

Marketing Materials

- Are they professionally designed?
- Is there a functioning website (up to date)?
- Is an annual report published?

3

Publicity

- What efforts made by management, Board and staff to promote the organization and its mission?
- Is there a dedicated staff person or contracted firm for this purpose?

Systems and Infrastructure

- **Technology Infrastructure**
 - Is equipment up to date and operational?
- **Technology Expertise**
 - Is there IT expertise on staff or contracted? How comfortable is staff with equipment?
- **Database Management**
 - Is there organization-wide reporting and tracking? Is data analyzed and used to inform policy?
- **Records and Filing**
 - Are they organized and easily accessible? How often are they reviewed?
- **Physical Infrastructure**
 - How well does the physical office work for operations?



Human Resources

- HR Staff
 - Who handles this responsibility? Are there written policies and procedures?
- Staff Training & Development
 - How is the onboarding process for new hires? Is there ongoing training to ensure job expertise? Are there growth opportunities within the organization?
- Compensation & Benefits
 - Is staff paid on-time? Is compensation in line with industry standards?

Community



Relationship with Funders

Does organization meet or exceed expectations? Are funders eager to continue funding organization?

Partnerships

How well does the organization collaborate with others? Do partnerships further the mission? Are they mutually beneficial?

Needs Assessment

How well does the organization understand its community/clients?

Accessibility

Are programs easy to access and understand?

Policy

Does the organization influence policy decisions that advance its mission?

Real Estate Development

- Describe the Strategy:
 - Does it advance the organization's mission and vision?
 - Is it based on current or projected housing needs?
 - Are there adequate financial resources to cover development expenses?
 - Does staff have expertise to support RE development?
- How is the relationship with local government?
- Does staff negotiate with the community and overcome NIMBYs?



Asset Management

- Are properties fully leased?
- Does income cover all expenses?
- Are properties in good physical condition?
- Are capital needs regularly evaluated?
- Are there adequate reserves?
- Is there adequate insurance coverage?

Resident Services

- Do programs and services meet the needs of residents?
- Are programs and services easily accessible?
- Do programs and services support the mission?
- Are there written guidelines, policies and procedures?
- Are residents active participants in their own success?



Development Team

**Development
Consultant**

Co-Developer

Lawyer

CPA Accountant

Title Company

Land Surveyor

**Builder, GC, &
Subcontractors**

Architect

Engineer

**Environmental
Consultant**

**Municipal
Planning &
Building
Departments**

Lenders/Investors

**Property & Asset
Management**

Realtor(s)

HB Counselors

Program Management



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Program Selection and Design






- Programs must be sustainable, valuable, and advance the nonprofit's mission.
- Evaluate to decide:
 - Discontinue existing ineffective and/or unprofitable programs
 - Launch new more effective and/or profitable programs
- Consider using an Impact/Profitability Matrix to evaluate programs

Program Performance Measures

Ensure that each program has explicit outcome measures that are tracked and reported regularly.



Program Dashboard Example

Measure	Target	12 Months Ago	Current
Occupancy Rate in Rental Units	90%	75% 	95% 
% HB Class Attendees that Purchased Homes w/in 6 Months of Attendance	75%	35% 	50% 
% Construction Completed on New 18-Unit Townhome Development	75%	N/A	85% 

Financial Management



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Financial Policies

- Be reviewed and approved by the Board of Directors, and revised as appropriate
- Establish processes for active and timely oversight, monitoring, and variance analyses
- Establish strong internal controls, which are important for financial stewardship

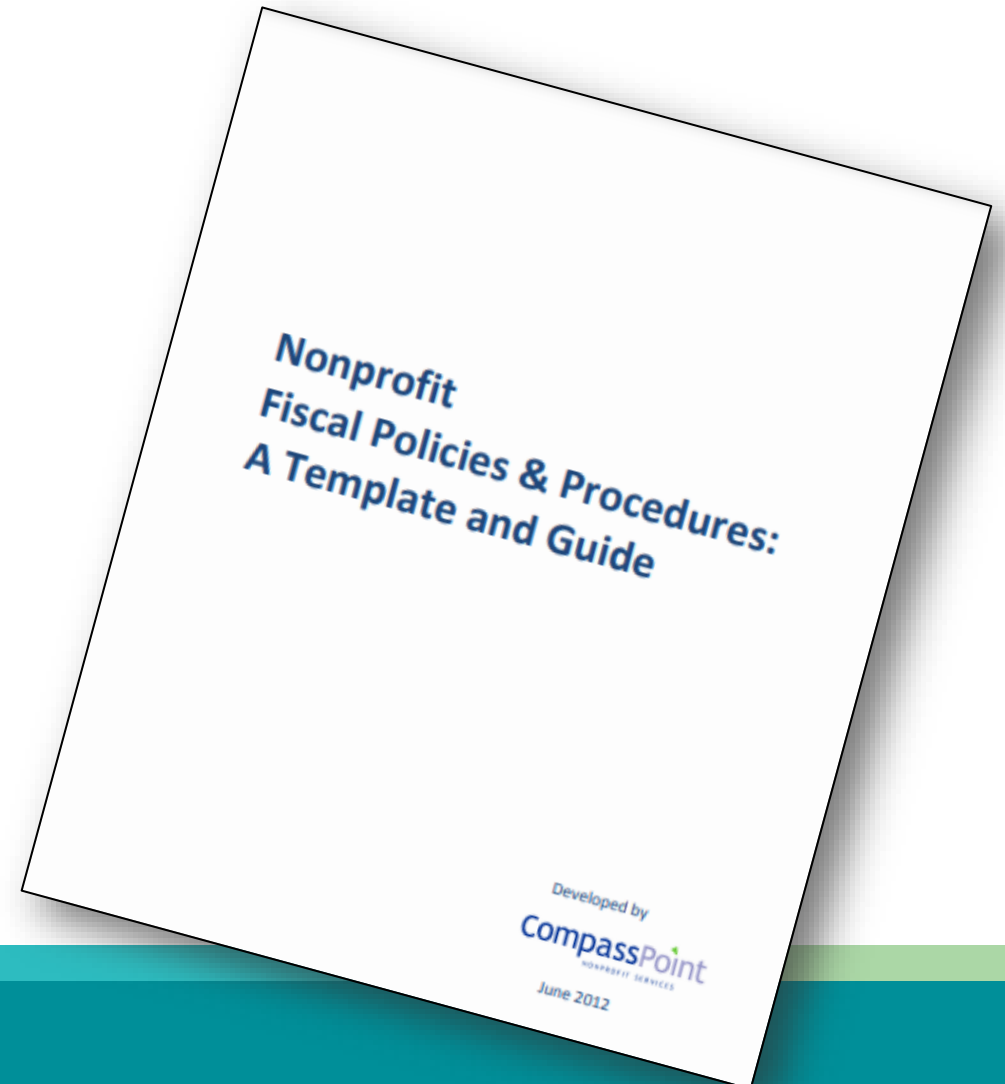
Financial Policy Examples

- Handling of cash receipts and direct deposits
- Handling of purchases and expenditures
- Approving payroll, bank reconciliations, purchases, etc.
- Expense and travel reimbursement
- Capitalizing or expensing expenditures

Sample Financial Policies Template and Guide

From CompassPoint:

- Nonprofit Fiscal Policies & Procedures: A Template and Guide



Internal Controls

- Establish responsibility for each step in the financial management process.
- Implement separation of duties.
- Restrict access.

Internal Controls Examples

- The person who makes the bank deposit should not be the person who records the receipts in the accounting system.
 - And a different person should review and follow up on overdue receivables.
- The person who generates a check from the accounting system should not be the person who signs the check.
 - Similarly, all EFTs initiated by the bookkeeper should be approved by a manager.

Due Diligence Materials

- Audit
- Balance Sheet
- Profit/Loss Statement
- Financial Statements & Reports
- Taxes



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Budgeting

- The management team drafts an annual line item budget to be reviewed and adopted by the Board prior to the start of the fiscal year.
- Your budget is an important tool but is not sacred. When reality changes, your budget projections can change.
- Myth-busting moment.
 - The term “nonprofit” is an IRS designation, not a business model.
 - Nonprofit organizations should always work to make a profit so those profits can be re-invested back into the organization to ensure that the mission is achieved long-term.



Example YTD Budget Analysis

REVENUE	Budget YTD (6 mo)	Actual YTD	Variance YTD	Variance %	Annual Budget	Annual Revised Projection	Variance: Budget vs. Revised Projection
Corporate Contributions	\$ 25,000.00	\$ 5,000.00	\$ (20,000.00)	-80.0%	\$ 50,000.00	\$ 10,000.00	\$ (40,000.00)
Government Grants	\$ 100,000.00	\$ 125,000.00	\$ 25,000.00	25.0%	\$ 200,000.00	\$ 225,000.00	\$ 25,000.00
Rental Income	\$ 65,000.00	\$ 60,000.00	\$ (5,000.00)	-7.7%	\$ 130,000.00	\$ 130,000.00	\$ -
Management Fee Income	\$ 25,000.00	\$ 25,000.00	\$ -	0.0%	\$ 50,000.00	\$ 50,000.00	\$ -
Application Fees	\$ 2,500.00	\$ 500.00	\$ (2,000.00)	-80.0%	\$ 5,000.00	\$ 1,500.00	\$ (3,500.00)
Ground Lease Fees	\$ 15,000.00	\$ 14,000.00	\$ (1,000.00)	-6.7%	\$ 30,000.00	\$ 30,000.00	\$ -
Developer Fees	\$ 25,000.00	\$ 20,000.00	\$ (5,000.00)	-20.0%	\$ 50,000.00	\$ 40,000.00	\$ (10,000.00)
Proceeds on Sale of Homes	\$ 12,500.00	\$ -	\$ (12,500.00)	-100.0%	\$ 25,000.00	\$ 25,000.00	\$ -
Investment Income	\$ 1,250.00	\$ 500.00	\$ (750.00)	-60.0%	\$ 2,500.00	\$ 1,000.00	\$ (1,500.00)
Other Income	\$ -	\$ 250.00	\$ 250.00		\$ -	\$ 250.00	\$ 250.00
TOTAL REVENUE	\$ 271,250.00	\$ 250,250.00	\$ (21,000.00)	-7.7%	\$ 542,500.00	\$ 512,750.00	\$ (29,750.00)

Note: A similar budget analysis would be presented for expenses.



Example: Year to Year Comparisons

<u>Year to Year Comparisons</u>	<u>2019 - 2018</u>
Change in Revenue = Current Year - Prior Year	\$ 176,386
Change in Expenses = Current Year - Prior Year	\$ (559)
Change in Net Income = Current Year - Prior Year	\$ 176,945
Change in Current Assets = Current Year - Prior Year	\$ 97,343
Change in Current Liabilities = Current Year - Prior Year	\$ 41,368
Change in CA-CL Current Year - Prior Year	\$ 55,975
Change in Total Assets Current Year - Prior Year	\$ 94,829
Change in Total Liabilities Current Year - Prior Year	\$ 41,368

Examples of Important Financial Statement Ratios

Ratio	Computation	Target Range	Notes
Current Ratio	Current Assets / Current Liabilities	At least 1.0	Generally, higher the better
Debt Ratio	Total Liabilities / Total Unrestricted Net Assets	Below 2.0	Generally, lower the better
Asset to Debt Ratio	Total Assets / Total Liabilities	At least 3.0	Generally, higher the better
Financial Distress Prediction Ratio	Total Net Assets / Total Revenue	At least 0.5	Generally, higher the better
Efficiency Ratio	Program Service Expenses / Total Expenses	75% - 85%	Generally, higher the better but should not exceed 90%
Dependency Ratio	Revenue from Specific Source / Total Revenue	Depends on funder	Generally, lower is better



Example: Financial Ratios

Financial Ratios	3/31/2018	3/31/2019	Target Range	Comment
Debt Ratio =				
<u>Total Liabilities</u>	1.50	1.41	0.00 to 2.00	Generally, lower is better.
Total Unrestricted Net Assets				
Current Ratio =				
<u>Current Assets</u>	0.85	0.95	At least 1, preferably more than 2	Generally, higher is better.
Current Liabilities				
Asset to Debt Ratio =				
<u>Total Assets</u>	2.77	2.74	At least 3	Generally, higher is better.
Total Liabilities				
Financial Distress Prediction Ratio =				
<u>Total Net Assets</u>	0.61	0.58	At least 0.50	Generally, higher is better.
Total Revenue				
Efficiency Ratio =				
<u>Program Services Expenses</u>	92%	98%	75%-85%	Generally, higher is better, but should not be over 90%
Total Expenses				



FHFC and the LIHTC Nonprofit Set-Aside

Florida Housing Finance Corporation 2022 Qualified Allocation Plan Low Income Housing Tax Credits Program

I. Introduction

Pursuant to Section 420.5099, Florida Statutes, the Florida Housing Finance Corporation (FHFC) is designated as the "housing credit agency" responsible for the allocation and distribution of Low Income Housing Tax Credits (Housing Credits) in Florida. As the allocating agency for the state, FHFC must distribute Housing Credits to Applicants pursuant to a Qualified Allocation Plan (QAP).

Section 42(m) of the Internal Revenue Code (IRC) requires each state allocating agency to adopt an allocation plan that includes certain priorities and selection criteria.

- A. Preferences given when allocating Housing Credits:
- Serving the lowest-income tenants
 - Serving qualified tenants for the longest periods
 - Projects located in qualified census tracts

- B. The following selection criteria will be considered when determining the allocation of Housing Credits:
- Project location
 - Housing needs characteristics
 - Projects characteristics including housing as part of a community revitalization plan
 - Sponsor characteristics
 - Tenant populations with special housing needs
 - Public housing waiting lists
 - Tenant populations of individuals with children
 - Projects intended for eventual tenant ownership
 - Energy efficiency of the projects
 - Historic nature of the project

- C. Provides a procedure that the agency will follow in monitoring for noncompliance with the provisions of Section 42, IRC, and in notifying the Internal Revenue Service of such noncompliance which such agency becomes aware of and in monitoring for noncompliance with habitability standards through regular site visits.

FHFC issues and allocates Competitive Housing Credits through competitive solicitation processes pursuant to Rule Chapter 67-60, F.A.C.

Prior to the issuance of a Housing Credit Allocation, a Development must be underwritten in accordance with Rule 67-48.0072, F.A.C., or as outlined in a competitive solicitation in order to determine the Development's feasibility, ability to proceed and the appropriate Housing Credit amount, if any. FHFC shall issue Housing Credits in an amount no greater than the amount

67-48.002(96), F.A.C.
67-21.002(89), F.A.C.

FHFC Qualified Allocation Plan (QAP)

“FHFC will endeavor to allocate through one or more competitive solicitations not less than 15 percent of the Allocation Authority for Developments with Applicants qualified as NonProfit under Rule Chapter 67-48, F.A.C., or as provided in the competitive solicitations, as applicable, unless the Board approves otherwise. FHFC is required by Section 42, IRC, to allocate no more than 90 percent of the Allocation Authority to Applicants which do not qualify as Non-Profit Applicants.”

[https://www.floridahousing.org/docs/default-source/programs/developers-multifamily-programs/competitive/2022-qualified-allocation-plan-\(qap\).pdf?sfvrsn=d5a1f57b_2](https://www.floridahousing.org/docs/default-source/programs/developers-multifamily-programs/competitive/2022-qualified-allocation-plan-(qap).pdf?sfvrsn=d5a1f57b_2)



FL Administrative Code: 67-48.002 Nonprofit Definition

- “Non-Profit” unless otherwise set forth in a competitive solicitation means:
 - A qualified non-profit entity as defined in Section 42(h)(5)(C), subsection 501(c)(3) or 501(c)(4) of the IRC and organized under Chapter 617, F.S., if a Florida Corporation, or organized under similar state law if organized in a jurisdiction other than Florida,
 - Provides housing and other services on a not-for-profit basis,
 - Owns at least 51% of the ownership interest in the Development held by the general partner or managing member entity,
 - Shall receive at least 25% of the Developer Fee, and
 - Entity is acceptable to federal and state agencies and financial institutions as a Sponsor for affordable housing, as further described in Rule 67-48.0075, F.A.C.



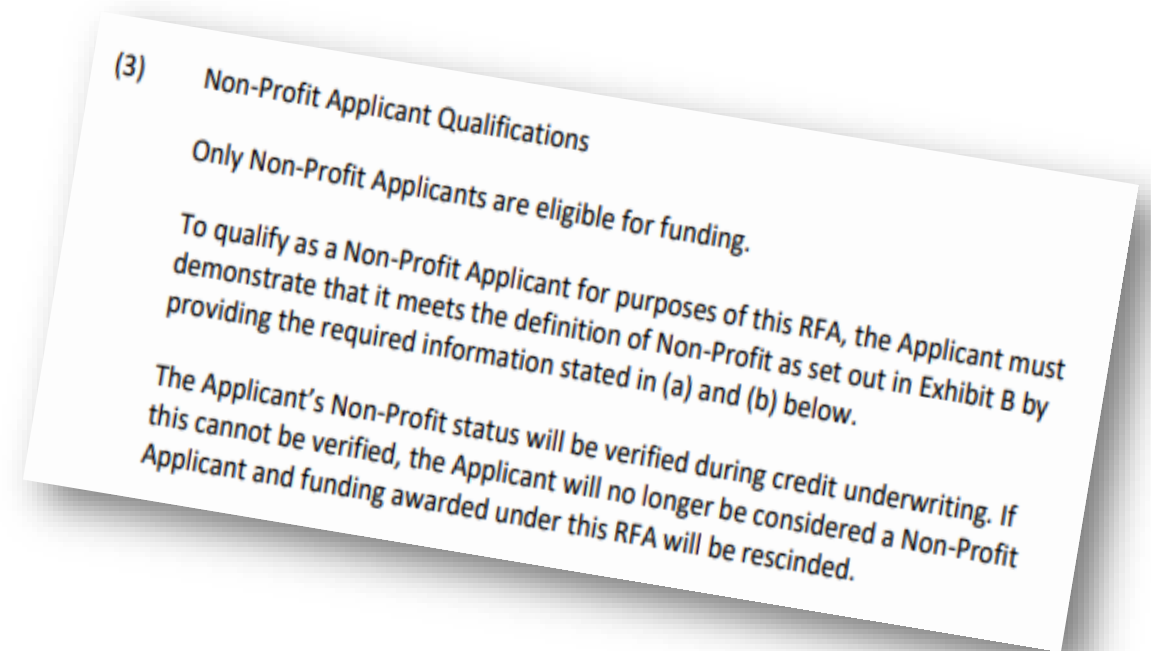
The Nonprofit Set-Aside

- IRC Section 42(h)(5)
- **At least 10%** of a state's allocation must be set aside for nonprofits (qualified low income projects)
- A **qualified nonprofit organization** must **own an interest** and **materially participate** in the development and operation throughout the compliance period



Demonstration of Non-Profit Entity Qualifications: Refer to RFA

- Nonprofit Application Package
- IRS Determination Letter
- Nonprofit Bylaws and/or Articles of Incorporation
- Preapplication Meeting Incentive
- Nonprofit Experience



https://www.floridahousing.org/docs/default-source/programs/competitive/2023/2023-103/1-12-23-modified-complete-rfa-2023-103-homeless-clean.pdf?sfvrsn=7ea3f47b_0

Importance of an Experienced Co-Developer

- Developer experience requirements in accordance with RFA requirements
- Helps build capacity of nonprofit
 - Developer experience



Evaluating the Applicant

- **Staff Capacity**

- Key staff has qualifications needed to carry out the project
- Organizational chart indicates additional staff and report chain for key contacts

- **Board Capacity**

- Expertise of Board fills or augments knowledge and skills of staff

- **Partnership or Joint Venture**

- Split in ownership and/or division of responsibilities will facilitate effective execution of project



Evaluating the Applicant

- **Financial Capacity**

- Audited Financial Statements indicate stable finances with strong internal controls
- Current finances and balance sheet in good shape
- Ability to guarantee financing

- **Track Record**

- Has applicant completed a similar project before
- Status of previously funded projects



Use FHFC as a Resource



FHFC's LINK Unit Program

- FHFC requires developers to provide a specified percentage of a Development's ELI units for special needs households receiving community based supportive services who are referred by a designated supportive services agency in the community where the Development is located.
- Link Set-Aside Requirements For the affordability period as specified in the regulatory agreement, the Development shall set aside a percentage of the ELI units as Link units for the intended population (Link Set-Aside Requirement) as described in the Request for Applications (RFA).
 - At least one member of each Link household shall be referred by a Special Needs Household Referral Agency (Referral Agency) with which the owner executes a Link Memorandum of Understanding (MOU) approved by the Corporation.
 - The owner shall execute an MOU with at least one designated Referral Agency serving the county and intended population where the Development will be located and rent units to households referred by the Referral Agency with which the MOU is executed.



https://www.floridahousing.org/docs/default-source/programs/special-programs/special-needs-housing/serving-special-needs/how-link-works.pdf?sfvrsn=5960fd7b_2

Credit Underwriting

How Deals are Underwritten



Site Evaluation

Project Feasibility Evaluation

Public Benefit Evaluation

Applicant Evaluation

A Credit Underwriting Documentation				
	Applicant and Financial Beneficiary			
	Ownership Structure	Organizational Chart - Applicant	Requested	
	Ownership Documents	Articles of Incorporation/Organization and any amendments	Requested	
		ByLaws	Requested	
	Applicant Certifications and Financial Information	Resume of Applicant	Requested	
		Statement of Financial Affairs	Requested	
		Audited Financial Statements for most recent fiscal year, if available	Requested	
		Un-Audited Financials Statements, must be within the last 90 days	Requested	
		Tax Returns for two most recent years	Requested	
		Authorization to Obtain Credit Information	Requested	
		Banking Reference Contact Sheet	Requested	
		Verification of Mortgage (VOM) Account Request Form	Requested	
		Verification of Deposit (VOD) Account Request Form	Requested	
		Trade Reference Request Form	Requested	
		Trade Contact Sheet	Requested	
		Real Estate Owned Schedule/Contingent Liabilities	Requested	
		Certified Multifamily Ownership and Loan History Statement	Requested	
	Site Information	Preliminary Survey	Requested	
		Description of Intended Construction, Rehabilitation and Renovations (must include repair items known by the Applicant and any features desired by the Applicant)	Requested	
		Appraisal	Requested	
		Soil Test Report	Requested	
		Development Cost Pro forma	Requested	
		Sources and Uses of Funds	Requested	
		Purchase Contract for Land	Requested	
		Phase I and Phase II Environmental or TSP, if available	Requested	
		Availability of Utilities	Requested	
	General Contractor Information	General Contractor Resume	Requested	
		GC License	Requested	

Credit Underwriting Checklist Example: Property Information



B.1. PROPERTY INFORMATION

COMPLETE (X)	ITEM(S) TO PREPARE
<input type="checkbox"/>	Detailed Property description.
<input type="checkbox"/>	Legible location map, showing the Property and surrounding area, including commercial/shopping facilities, schools, competitive projects, and its proximity to the areas central business district.
<input type="checkbox"/>	Survey indicating the exact boundaries of the Property, any flood hazard area(s), all ingress and egress to the Property, all utilities, and the Property's legal description.
<input type="checkbox"/>	Site Plan
<input type="checkbox"/>	Zoning compliance.
<input type="checkbox"/>	Copy of the most recent Title Report for the Property.
<input type="checkbox"/>	Evidence of Site Control (i.e., copy of Ground Lease Analysis, Sales or Purchase Agreement and most recent Deed to the Property, or Ground Lease to include all attachments and addendum. Closing Statement if purchase has occurred within past 24 months).
<input type="checkbox"/>	Color photographs of the subject Property.
<input type="checkbox"/>	Aerial photograph of the Property and immediate surrounding area, if available.
<input type="checkbox"/>	Evidence of availability of utilities.
<input type="checkbox"/>	Building plans and specifications for the rehab of site and buildings.
<input type="checkbox"/>	Soil test report.
<input type="checkbox"/>	Building permits, if available. (Loan closing contingency).
<input type="checkbox"/>	Feasibility Study / Market Study.
<input type="checkbox"/>	Appraisal with resume and references of appraiser.
<input type="checkbox"/>	A Plan and Cost Review or Engineering and Property Condition Report (to be order by the credit underwriter at the Applicant's expense).
<input type="checkbox"/>	Phase I environmental review, including history of Title to the Property, with resume and references of environmental auditor.
<input type="checkbox"/>	Evidence of Insurance including, but not limited to, General Liability, Workmen's Comp., Builder's Risk, Auto Liability.

Credit Underwriting Checklist Example: Financial Information

C. FINANCIAL INFORMATION

COMPLETE (X)	ITEMS TO PREPARE
<input type="checkbox"/>	Current signed financial statements of Applicant entity and each Principal, General Partner, General Contractor and Credit Enhancer or Guarantor. All statements should be audited or prepared by a third-party CPA or professional accountant. Audited financial statements must include a statement of financial changes and all notes. If audited financial statements are not available, the statements must be certified as complete and accurate by the party whose finances are summarized by the statement.
<input type="checkbox"/>	Most recent three years' tax returns for Applicant entity; all Principals, General Partners, General Contractor and Credit Enhancer or Guarantor, with all supporting notes and schedules.
<input type="checkbox"/>	Applicant and Principals Analysis of Cash Flows and Contingent Liabilities certified as complete and accurate by the party whose finances are summarized by the statement. This must include a detailed schedule of all real estate owned by the Applicant, Corporate General Partner, and the Principals of the Applicant, and/or Corporate General Partner showing the type of property owned, ownership percentage, property value, mortgage balance, amount of income, expenses, debt service and debt service coverage for the past year and through the most current month of the present year.
<input type="checkbox"/>	Monthly income and operating expense projections until stabilization, showing absorption, occupancy analysis, and supporting terms and conditions for interest reserve calculations and operating reserves.
<input type="checkbox"/>	Fifteen-year income and expense pro forma (detail operating expense items). Rents must increase 3% per year and expenses must increase 4% each year.
<input type="checkbox"/>	For tax exempt developments, commitment letter from placement agency outlining terms of financing requested. If credit enhanced, commitment letter from Credit Enhancer including Credit Enhancer's resume with references.
<input type="checkbox"/>	Schedule of Proposed Secondary Financing or grants, if any, supported by commitment letters.
<input type="checkbox"/>	For housing credit developments, copy of the executed syndication commitment agreement.
<input type="checkbox"/>	Copy of an executed first mortgage loan commitment outlining the terms of financing.
<input type="checkbox"/>	If a refinance, the mortgage loan payment record for the past three (3) years.
<input type="checkbox"/>	Detailed Sources and Uses of Funds Statement.
<input type="checkbox"/>	Section 8 HAP Contract (if applicable).



Credit Underwriting Checklist Example: Property Management

D. MANAGEMENT AGENT INFORMATION	
COMPLETE (X)	ITEMS TO PREPARE
<input type="checkbox"/>	Management Agent's resume and references, to include number of years in business, number and location of other properties/units managed, and brief resume of key Principals.
<input type="checkbox"/>	Executed Management Agreement, including documentation of program requirements (i.e., income and rent restrictions).
<input type="checkbox"/>	Management Plan
<input type="checkbox"/>	Copy of standard tenant lease.



Credit Underwriting Checklist Example: Construction Information



E. Construction Information

COMPLETE (X)	ITEMS TO PREPARE
<input type="checkbox"/>	Detailed project cost breakdown highlighting breakout of hard construction costs (including contingencies, general requirements, and all overhead and profit figures) and soft costs. Please detail calculation of interest reserves, operating and working capital reserves, and builder's fee.
<input type="checkbox"/>	Proposed Construction Contract and General Contractor's license.
<input type="checkbox"/>	Resume, banking, and trade references (include bonding company) on the General Contractor, including a description of experience in the development of multifamily properties.
<input type="checkbox"/>	Signed Credit Authorization form for General Contractor (form provided by credit underwriter).
<input type="checkbox"/>	Copy of Architect's Contract, Current License, and resume which list experience with this type of Development. (Executed contract required prior to loan closing).
<input type="checkbox"/>	Copy of Engineering Contract, Current License, and resume which list experience with this type of Development. (Executed contract required prior to loan closing).
<input type="checkbox"/>	Construction Draw Schedule (for loan programs).
<input type="checkbox"/>	Termite inspection report and/or a termite bond (or other acceptable evidence of damage/repair coverage).

Credit Underwriting Report

- Development Project Overview
- Borrower Information
- Borrower Financials
- Land Cost
- Appraisal
- Environmental
- Financing Sources
- Development Cost
- Conclusion/Recommendation



Pro Forma



PLP Credit Underwriting Report

Exhibit B
SMG

EXHIBIT B

Total Costs and Sources to Construct

Development Costs	Applicant		Underwriter		Per Unit	%
	Total		Total			
Land						
Other Acquisition Costs	\$500,000		\$500,000		\$5,376	2.40%
Total Acquisition Price	\$96,500		\$99,000		\$1,065	0.48%
Construction						
Total Construction Costs	\$13,000,000		\$13,000,000		\$139,785	62.49%
Pre-Development & General Development Costs	\$13,000,000		\$13,000,000		\$139,785	62.49%
Other Pre-Development Costs						
Developer's Fee	\$250,000		\$250,000		\$2,688	1.20%
Contingency	\$3,192,480		\$3,192,480		\$34,328	15.35%
Soft Costs	\$1,300,000		\$1,300,000		\$13,978.49	6.25%
Total Development Cost	\$2,460,520		\$2,460,520		\$26,457	11.83%
	\$20,799,500		\$20,802,000		\$218,301	100%

Sources	Applicant		Underwriter		Per Unit	%
	Total		Total			
to be Financed						
	\$750,000		\$750,000		\$8,065	
	\$20,049,500		\$20,052,000		\$215,613	
	\$1,400,500		\$1,400,500		\$15,059	6.73%
	\$95,000		\$95,000		\$1,022	0.48%
	\$4,500		\$4,500		\$0	0.00%
	\$18,000,000		\$18,000,000		\$193,648	95.53%
	\$1,299,500		\$1,302,000		\$14,000	6.26%
	\$20,799,500		\$20,802,000		\$223,677	100%

Ms. Nicole Gibson
Seahorse Cottages at Big Pine Key I
June 7, 2022
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Exhibit A – Operating Pro Forma

OPERATING PRO FORMA		
	ANNUAL	PER UNIT
Gross Potential Rental Income	\$305,364	\$17,963
Rent Subsidy (ODR)	\$0	\$0
Other Income:		
Ancillary Income - Parking	\$850	\$0
Miscellaneous	\$6,720	\$0
Washer/Dryer Rentals	\$312,934	\$395
Gross Potential Income	\$312,934	\$18,408
Less:		
Economic Loss - Percentage:	0.0%	\$0
Physical Vacancy Loss - Percentage:	2.0%	\$6,720
Collection Loss - Percentage:	1.0%	\$3,129
Total Effective Gross Revenue	\$303,546	\$17,856
Fixed:		
Real Estate Taxes	(\$6,259)	(\$368)
Insurance	(\$3,129)	(\$184)
Variable:		
Management Fee - Percentage:	\$0	\$0
General and Administrative	\$42,500	\$2,500
Payroll Expenses	\$15,177	\$893
Utilities	\$8,500	\$500
Marketing and Advertising	\$30,600	\$1,800
Maintenance and Repairs	\$17,000	\$1,000
Grounds Maintenance and Landscaping	\$900	\$53
Contract Services	\$12,750	\$750
Security	\$8,160	\$480
Other Pest Control	\$0	\$0
Reserve for Replacements	\$5,100	\$300
Total Expenses	\$0	\$0
Net Operating Income	\$0	\$0
Debt Service Payments	\$0	\$0
First Mortgage - CHC	\$5,100	\$300
Second Mortgage - FHFC - CDBG-DR / Viability	\$145,787	\$8,576
All Other Mortgages -	\$157,759	\$9,280
First Mortgage Fees - CHC	\$0	\$0
Second Mortgage Fees - FHFC - CDBG-DR / Viability	\$106,955	\$6,291
All Other Mortgage Fees -	\$0	\$0
Total Debt Service Payments	\$0	\$0
Cash Flow After Debt Service	\$14,244	\$838
Debt Service Coverage Ratios		
DSC - First Mortgage plus Fees	\$121,199	\$7,129
DSC - Second Mortgage plus Fees	\$36,560	\$2,151
DSC - All Mortgages and Fees		
	1.475	
	1.302	
	1.302	

Operating Proforma

	Annual	Per Unit Rent	%
Gross Potential Rental Income	\$394,320	\$32,868	
Gross Miscellaneous Income	\$0	\$0	
3% Increase Every 3 Years	\$0	\$0	
Gross Income	\$394,320.00	\$32,868	100%
2% Loss of vacancy	\$7,586.40	\$657.20	2%
13 Total Effective Gross Income	\$386,733.60	\$32,200.80	98%
Expenditures			
Fixed:	Annual	Per Unit Rent	%
Real Estate Taxes	\$20,150.00	\$1,679.17	5.21%
Insurance	\$7,800.00	\$650.00	2.02%
Others	\$7,300.00	\$608.33	1.89%
Variables	Annual	Per Unit Rent	%
Management Fees: Percentage: 5%	\$19,321.68	\$1,610.14	5.00%
General and Administrative	\$1,932.17	\$161.01	0.34%
Payroll Expenses	\$1,300.00	\$108.33	0.00%
Utilities (Tenant Responsibility)	\$0.00	\$0.00	0.56%
Marketing and Advertising	\$2,160.00	\$180.00	0.56%
Maintenance and Repairs/Pest Control	\$2,160.00	\$180.00	0.56%
Ground Maintenance and Landscape	\$3,214.19	\$267.85	0.83%
Reserves Replacement	\$67,498.04	\$5,624.84	
Operating Expenditures	\$318,935.56	\$26,577.96	83%
Cap Rate	2.44%		
Debt Service	\$146,802.60	\$12,233.55	38%
Net Operating Income (NOI)	\$67,800.00	\$5,624.84	
Principle loan amount is \$12,963,377.07			
Cash Flow	\$172,132.95	\$14,344.41	45%

Development Considerations for Emerging Nonprofits



Challenges

Staff too busy to take on a new project

Organization staff lacks skill-sets

Site is inappropriate or will not score in competitive applications

Need local government support

Project design is unrealistic

Organization seeking to develop project that requires a co-developer

Sources of funding not foreseen



Site Suitability

- Characteristics
- Purchase price and terms
- Proximity
- Geographical Factors
- Area of Opportunity



Sources and Uses

- Build the budget
- This is a forecast
- Need to be close to balancing
- Ok to plan to apply for funds
- Ensure funding sources align with timeframe



Due Diligence

- Prepare for underwriting
- Line up third-party reports
 - Appraisal, survey, market analysis, CNA
- Market and affordability analysis
- Organization's financials
- Staff qualifications

The Timeframe

- Development Plan
- Underwriting
- Loan Closing
- Rezoning
- Permitting
- Construction
- Lease-up
- Pre-sales



Selecting a Developer or Co-Developer

What does organization bring to table?

- Land
- Skilled staff
- Good community will
- Equity



Being a Good Partner

Partner Characteristics



Three Areas of Nonprofit Housing Organizations



**Building Organizational
Capacity**



**Building Financial
Capacity**



Succession Planning

Governance



Financial Capacity

- Need to diversity funding to create a sustainable organization
- Expands opportunities
- Increases staff capacity and overall reach
- Some funding sources are specific to nonprofits
- Desirable partnerships



FHFC Predevelopment Loan Program (PLP)

- Low-interest loan program for predevelopment expenses
- Applications open year-round to Florida not-for-profit or community-based organizations, local governments, or public housing authorities.
- Repayment is deferred until construction financing or sale of units
- Technical assistance is provided by the Florida Housing Coalition to support building capacity of nonprofits



About PLP

- Administered by Florida Housing Finance Corporation
 - <https://www.floridahousing.org/programs/special-programs/predevelopment-loan-program>
- Funded by Sadowski State Housing Trust Funds
- PLP Rule: Florida Administrative Code Chapter 67-38
 - https://www.floridahousing.org/docs/default-source/programs/special-programs/plp/2009-plp-rule.pdf?sfvrsn=9b1f3f7b_2
- Application Fees: \$1,300
- Technical assistance is included-and required



PLP Loan Terms

- 1% interest rate financing for predevelopment activities, including acquisition
- Principal and interest is deferred until project is completed or within a 3-year term
- PLP Loan is secured by site
- Land Use Restriction Agreement (LURA)
- Nonprofit organizations may apply for a loan:
 - Up to \$500,000 without site acquisition
 - \$750,000 with site acquisition and predevelopment expenses
 - Up to \$500,000 for site acquisition only



PLP Eligible Activities

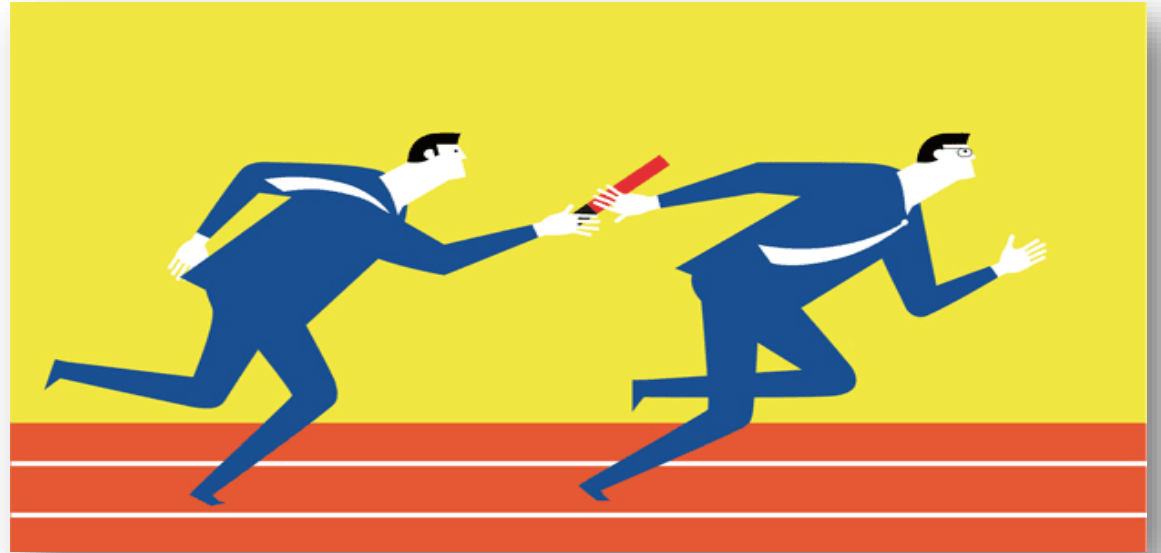
- Soil Tests
- Architecture
- Engineering
- Title Searches
- Appraisals
- Feasibility Analysis
- Legal Fees
- Underwriter Fees
- Audit Fees
- Earnest Money
- Impact fees
- Insurance fees
- Commitment fees
- Administrative
- Marketing
- Acquisition

No Hard Costs



Succession Planning

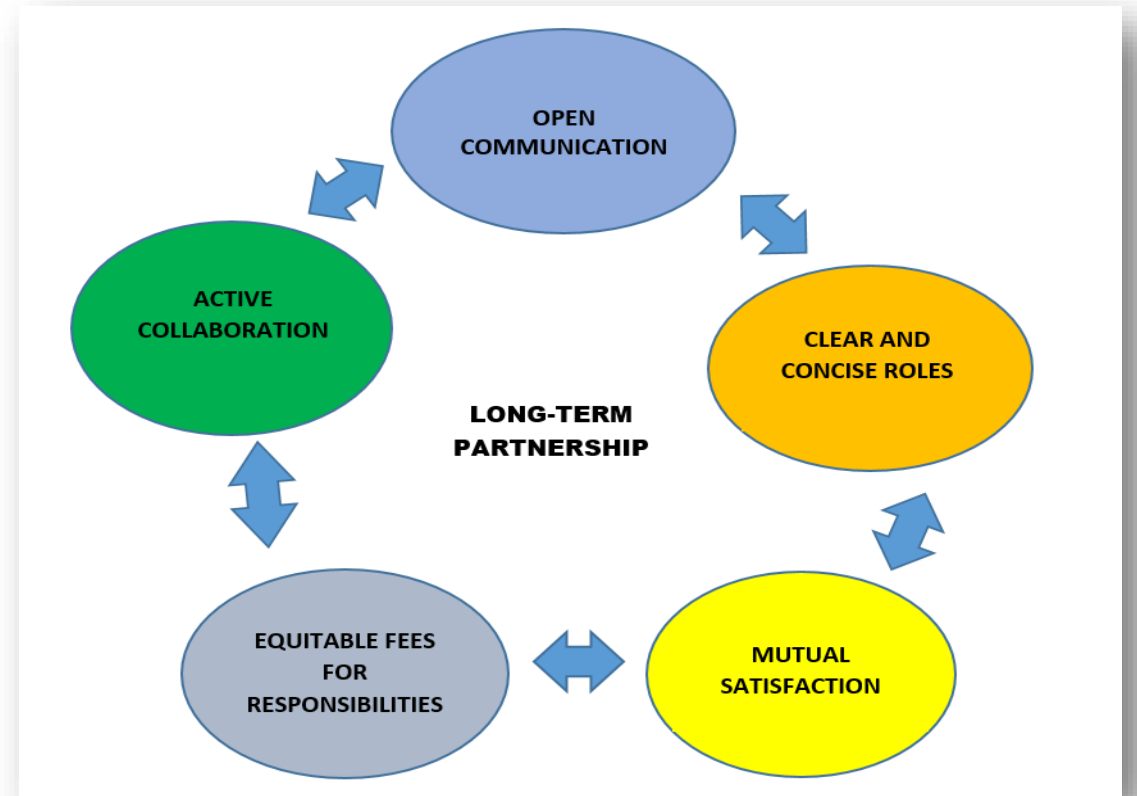
- Real estate development is a long-term commitment to...
 - Co-developers
 - Lenders
 - Partners, PHAs
 - Lifetime of the building
 - Local government
 - Residents
 - Community



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Partnership: Long-Term or Short-Term?

All partnership negotiations should be approached with a strategic mindset.



Resources

- FHC Nonprofit Capacity Building Institute
 - <https://flhousing.org/nonprofit-capacity-2/>
 - <https://flhousingcoalition.thinkific.com/courses/best-practices-for-nonprofit-housing-developers>
- Florida Housing Finance Corporation Competitive RFA Information
 - 2023-2024 RFA Cycle Info:
<https://www.floridahousing.org/programs/developers-multifamily-programs/competitive/2023-2024-rfa-cycle-information>
 - 2022-2023 Tentative Funding Amounts Timeline
https://www.floridahousing.org/docs/default-source/programs/developers-multifamily-programs/competitive/2022-2023-tentative-funding-amounts-and-timeline---4-6-23.pdf?sfvrsn=5d0f57b_26



Questions



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Thank you for joining!

**Please Complete the
Evaluation!**

