

**STRENGTH**MATTERS®

# Strength Matters – Does Scale Matter?

STRENGTH MATTERS 2019 ANNUAL MEETING 9/17/2019



# Agenda

- ▶ Part I: How Important is Scale and Growth – “Why grow?”
- ▶ Part II: Achieving Scale through Portfolio, Partnerships, Mergers – “How grow?”



# Why grow? It's all about Mission

- ▶ U.S. has a *shortage* of more than **7.2 million rental homes** affordable and available to ELI renter households.
- ▶ Only **35 affordable and available** rental homes exist for every **100 ELI** renter households.
- ▶ **71% of ELI** renter households are *severely cost-burdened* (spending more than 50% of income on rent and utilities).

NLIHC Report: GAP: A Shortage of Affordable Homes March 2018



# Why grow? Benefits of growth

- ▶ Scale can lead to greater efficiencies
- ▶ More properties can lead to more cash to further growth
- ▶ Larger organizations can attract/afford upgraded staff
- ▶ More capital and solutions may be available
- ▶ Vertical integration possible
- ▶ Better tools, systems, procedures
- ▶ And more



## Why grow? Financially stronger

- ▶ First 10 years of Strength Matters – analysis of 16 organizations
  - ▶ Organizations ranged from 1,000 to 12,000 units; total 85,400
  - ▶ Analysis of financial changes from 2006 – 2016
- ▶ Results:
  - ▶ Added 39,000 units (16k developed, 23k acquired/preserved)
  - ▶ Revenue, Total Net Assets, and # of Employees more than doubled
  - ▶ Unrestricted Net Assets and Unrestricted Cash increased 170% and 191%
  - ▶ Self sufficiency improved from 85% to 114%



## Why grow? Challenges

- ▶ Limits of capital and people resources
- ▶ New businesses and geographies bring unforeseen issues
- ▶ Partnerships bring together teams with differing priorities
- ▶ What worked in the past may not be best for the future



# Why grow? Your experience

- ▶ Take 10 minutes at your table to discuss the following:
  - ▶ What are the biggest challenges you're facing in seeking growth?
  - ▶ What are the one or two things most important to your success in achieving growth?



# Why grow? Case study

- ▶ Jeff Reed, President Community Housing Partners
- ▶ 400%+ growth through merging, acquiring, building, and pruning



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Why grow?

► Questions and comments



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# How grow?

- ▶ **Growth comes in multiple ways**
  - ▶ Organic (build more units)
  - ▶ Acquisition
  - ▶ Partnership
  - ▶ Expanding geographically
  - ▶ Other



## How grow? Examples

- ▶ **Eden Housing – acquisition**
- ▶ **POAH – geographic expansion**
- ▶ **Community Housing Works – leverage portfolio for capital**



## How grow? Examples

- ▶ **Eden Housing – Tatiana Blank**
- ▶ **POAH – Randy Parker**
- ▶ **Community Housing Works – Brian Kaye**



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How grow?

► Questions and comments

