



STRENGTH MATTERS

Boot Camp on Financial Reporting for Rental Housing Nonprofit Enterprises

Module 7:

Transition to Operations, Key Operating Documents

Tuesday, July 12, 2022
1:00 – 2:30 PM Eastern



Thank You to Our Sponsors



Morgan Stanley



Meet the Presenters

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Chief Financial Officer

Roxbury Tenants of Harvard Association, Inc.



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Partner

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CPE Credit Requirements

- We use polls and the Zoom attendance record to verify participation throughout the session.
- **Participants seeking CPE credits must:**
 - Participate fully in the learning activities and submit ALL polls throughout the course.
 - Log in to each session with first name, last name and email before the scheduled start time.
 - Request a certificate via the final evaluation or email.
- **If you plan to petition your state board of accountancy for CPE credits, please submit ALL polls, including the final evaluation.**



Certificates will be sent after the final session. For more information on CPE credits, **contact Lindsay Wells at consult.lwells@gmail.com.**

Getting Started

- If you have a technical issue, including issues with Polls, please contact the Host via **Chat**.
- Please use the **Chat** feature to submit all content questions.
- We will pause for questions during the presentation.
- Participants will be muted during the course presentation. Participant breakout rooms offer small group discussion with audio and video sharing.

Module 7: Transition to Operations, Key Operating Documents

90 min/1.5 CPEs

- See CPE Summary handout for **Core Competencies and Learning Objectives.**

*Please have your Handouts PDF available for reference.
You will need to look at your copies of handouts denoted with ** today.*

Module 7 Materials

- #15 - Definitions section of the Limited Partnership Agreement for Restoration Housing LP **
- #15 - Surplus cash section of the Limited Partnership Agreement for Restoration Housing LP – Section 10 **
- #16 – Sample Deal Book (for future reference)

Topics covered to date

- Module 1
 - Identify the Deal; Grants, Contributions & Exchange Transactions; Predevelopment Best Practices
- Module 2
 - Entity Formation and Deal Structure
- Module 3
 - Deal Structure, Deal Cycle & Participants, QAP, LIHTC calculations and the State Determination Letters
- Module 4
 - Financial Projections, Investor Letters of Intent
- Module 5
 - New Construction, Rehab & Funders Requisition
- Module 6
 - Cost Certifications & 8609's

Module 7: Transition to Operations, Key Operating Documents

Topics for this session:

- Transition to Operations
- Partnership/Operating Agreement

Warm-Up

Poll 1

1. Do you think that a project's transition from development to operations is a smooth process within your organization?
 - A. Yes
 - B. Sometimes
 - C. No

Operations

*Please use the **Zoom Chat** feature to share your responses.*

Individual Reflection Questions

- How does your organization transition deal points from development to operations?
- What works well?
- How could it be improved?

Operations

Deal Books

- This is a document that should be prepared by the Development Staff as they are most familiar with all of the players, key terms and conditions, reserve levels, debt coverage ratios, etc.
- If you do not have them for each of your deals, consider preparing an abbreviated version to have handy
- Best practice, copy and paste key definitions, terms etc into your deal book with a reference to where it was extracted from so that you know that it was not someone's interpretation.
- See class handouts for a sample deal book

Operations

Transition to operations

- Asset management involvement
 - Sponsor's asset manager
 - Investor's asset manager
 - Lender's asset manager
- Working with the property manager



Operations

Poll 2

1. Do you have an individual who is solely responsible for asset management at your organization?
 - A. Yes
 - B. No

2. If not, who performs that function?
 - A. The CFO or Controller
 - B. Someone on the Development Team
 - C. Other
 - D. No one
 - E. N/A – We have someone responsible for asset management

Operations

Transition to operations

- Lender and other regulatory agreements – what is of interest to accounting?
 - Unit mix and income levels
 - Reserve funding
 - Debt service coverage ratio requirements
 - Reporting requirements
 - Continued...

Operations

Transition to operations

- Lender and other regulatory agreements – what is of interest to accounting? *(continued)*
 - Restrictions on distributions
 - Restrictions on dispositions
 - Term of affordability restrictions



Transition to Operations

Poll 3

1. Of the list of items below, which interest you the most?
Select all that apply.

- A. Unit Mix/Income Levels
- B. Reserve funding
- C. Debt Service coverage
- D. Reporting requirements
- E. Distributions
- F. Dispositions
- G. Affordability restrictions

Break

- We will take a 10-minute break.
- Remain logged in during the break.
- Please return promptly.
 - This is especially important for participants seeking CPEs so that you may receive full credit.

Checking In

Poll 4

*Please use the **Zoom Chat** to share what has been most helpful.*

1. Have you learned anything today that you already know will directly impact your work?
 - A. Yes, definitely
 - B. Maybe
 - C. No, definitely not
 - D. Not sure

Operations

Transition to operations

- Partnership/Operating agreement – what is of interest to accounting?
 - Budget approval
 - Reserve funding and withdrawals
 - Other approvals required by the investor
 - Capital contribution timing
 - Continued...

Operations

Transition to operations

- Partnership/Operating agreement – what is of interest to accounting? (*continued*)
 - Waterfall
 - Best practice: include side by side waterfall per regulatory agency and then determine governing.
 - This will help during Year 15 as each regulatory agency might have different priority and/or different fees paid
 - Reporting requirements
 - Ownership percentages
 - Disposition/end of partnership/Sale

Operations

Class Exercise – Breakout Room

Please use the Limited Partnership Agreement to complete this exercise in the Breakout Room.

- Who is the investor limited partner in this deal? (Hint Pg 2)
- Who is in the fifth position to receive surplus cash in the waterfall distribution? (Hint – see section 10, the definitions section and pg 2)
- When are the audited financial statements due to the investor? (Hint – see exhibit J)
- What is the initial replacement reserve funding requirement? [dollar amount] (Hint – see section 6)

Operations

Class Exercise – Answer Key

- Who is the investor limited partner in this deal? Bank of America, N.A.)
- Who is in the fifth position to receive surplus cash in the waterfall distribution? RTH Restoration Housing GP, Inc.
- When are the audited financial statements due to the investor?
120 days following year end
- What is the initial replacement reserve funding requirement?
[dollar amount] - \$1,279,720 Section 6.12

Partnership/Operating Agreement

Poll 5

1. Are you indirectly or directly involved with the surplus cash calculations for your agency?
 - A. Yes
 - B. Sometimes
 - C. No
 - D. Not applicable

QUESTIONS?

- Please use the **Zoom Chat** to submit questions.
- Instructors will remain on the line to answer remaining questions.

Next Session: Operations Issues

Date: July 20, 2022

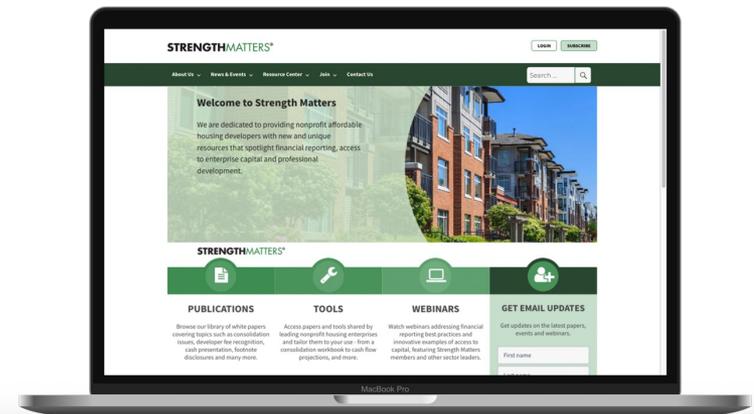
Time: 1:00– 2:30 PM Eastern

EVALUATION POLL

Your feedback is important to us!

- ✓ **Please complete the evaluation poll for this session.**
- ✓ **Email info@strengthmatters.net with any questions or concerns.**

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