



# STRENGTH MATTERS

## Boot Camp on Financial Reporting for Rental Housing Nonprofit Enterprises

### Module 7:

### Transition to Operations, Key Operating Documents

**Wednesday, November 2, 2022**

**1:00 – 2:30 PM Eastern**



## Thank You to Our Sponsors



Morgan Stanley



# Meet the Presenters

**Gayle H. LaCroix, CPA**

Chief Financial Officer

Roxbury Tenants of Harvard Association, Inc.



**Rita B. Dela Cruz, CPA, CGMA**

Partner

Lindquist, von Husen & Joyce LLP



# 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](mailto: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



## 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: November 9, 2022**

**Time: 1:00– 2:30 PM Eastern**

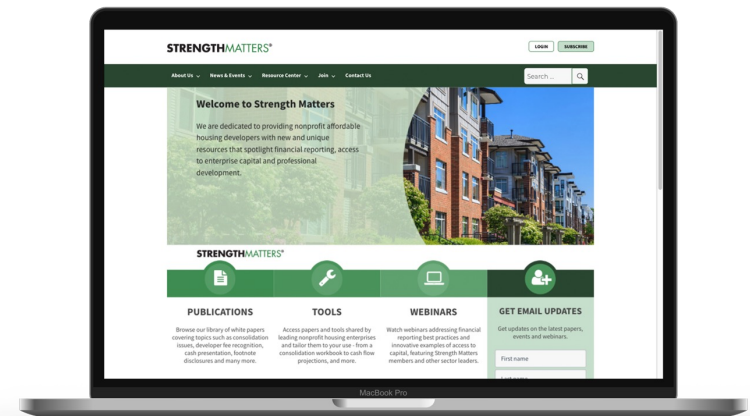


# EVALUATION POLL

**Your feedback is important to us!**

- ✓ **Please complete the evaluation poll for this session.**
- ✓ **Email [info@strengthmatters.net](mailto:info@strengthmatters.net) with any questions or concerns.**

Visit [www.strengthmatters.net](http://www.strengthmatters.net) to subscribe and access resources.



# CONTACT INFORMATION

**Gayle H. Lacroix**

glacroix@voamass.org

617-390-0227

**Rita Dela Cruz**

rdelacruz@lvhj.com

415-905-5423

**Lindsay Wells**

*(CPE credit contact)*

[consult.lwells@gmail.com](mailto:consult.lwells@gmail.com)

Visit [www.strengthmatters.net](http://www.strengthmatters.net) for more resources, and become a member today!

