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**STRATEGIC OPTIONS FOR CAPACITY BUILDING IN  
COMMUNITY DEVELOPMENT CORPORATIONS:  
• PROPERTY MANAGEMENT CASE STUDIES •**

by

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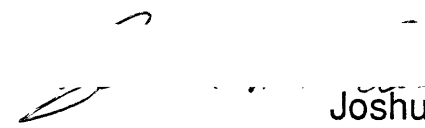
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COMMUNITY DEVELOPMENT CORPORATIONS  
• PROPERTY MANAGEMENT CASE STUDIES •

by  
JOSHUA M. SIMON

Submitted to the Department of Planning and Urban Studies  
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for the Degree of Master of Science in Real Estate Development

ABSTRACT

Strategic management was used as a framework to examine capacity building in the property management activities of Community Development Corporations (CDCs) and to identify implications for future CDC development of housing. This thesis used property management to study options for capacity building in terms of strategic management.

Relevant literature was examined to understand strategic management, management in nonprofit organizations and CDCs, management of low income housing, and residential property management. A strategic management framework for property management was established and the case studies were analyzed in terms of this framework.

The results indicated that operating costs were higher in scattered site housing with multiple operating subsidies. Yet, the operational problems of property management by CDCs were found to be no different than problems faced by for-profit managers. The primary difference appeared to be in their ability to set and maintain goals. Problems with CDC efforts to set goals were discussed, and it was suggested that CDCs increased their organizational capacity when they increased efforts to consciously formulate and implement their strategies.

Through the combination of property management and development activities within one organization, CDCs were found to increase their ability to identify and pursue new development opportunities. These benefits were increased to the degree of communication between the two organizations and acknowledgement of their resource and capital needs by the CDC's policy makers.

Thesis Supervisor: Sandra Lambert

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## TABLE OF CONTENTS

Chapter 1: Introduction: .....	6
A) Methodology.....	7
Chapter 2: Who are Nonprofit Housing Developers? .....	9
A) The Community Development Corporation.....	11
B) Property Management.....	13
Chapter 3: Organizational Capacity: A Theoretical Framework.....	14
A) Environment Scanning.....	15
B) Strategy Formulation.....	17
C) Strategy Implementation.....	19
D) Evaluation .....	20
Chapter 4: Residential Property Management and CDCs.	
A) Overview.....	21
B) Environment Scanning for CDC Property Management ...	23
C) Strategy Formulation.....	24
D) Strategy Implementation.....	27
E) Evaluation .....	36
Chapter 5: Case Studies.	
A) Case Study I: IBA and ETC: .....	38
1) Background and Societal Environment	
2) Strategy Formulation	
3) Strategy Implementation	
4) Evaluation	
B) Case Study II: Urban Edge and The Community Builders	53
1) Background & Societal Environment	
2) Strategy Formulation	
3) Strategy Implementation	
4) Evaluation	
Chapter 6: Analysis and Conclusions.....	69
Bibliography .....	87
Appendix I Interviews and Other Research Notes.....	91
Appendix II Components of the Nonprofit Affordable Housing Delivery System.....	92
Appendix III Descriptions of Selected Boston Housing Organizations.....	95
Appendix IV IBA & Urban Edge Portfolio Summaries.....	98
Appendix V 1988 Urban Edge Resident Survey Results.....	102
Appendix VI Characteristics of Successful CDC Property Management	104

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## CHAPTER 1: INTRODUCTION

This thesis examined organizational capacity building by private nonprofit housing development organizations known as Community Development Corporations (CDCs). The first purpose of this thesis was to define organizational capacity building in terms of strategic management. This definition was used to examine how CDCs build capacity in general and, more specifically, property management capacity.

Strategic management is a framework for looking at how an organization functions, why key decisions are made and what the costs of those decisions will be. The strategic management framework looks at an organization in terms of its societal, task and internal environments; how strategy is formulated, implemented, evaluated and controlled. **By defining capacity building as a form of strategic management, I can examine options for building capacity in CDCs.**

Property management was used as a window through which I could examine capacity building options. Property management is a central concern of CDCs. As their portfolios of rental housing expand, management of this portfolio becomes a prerequisite to further housing development. Property management was chosen because success in property management was viewed as evidence of a CDCs track record, and its track record is an important indication of its potential for future development.

My first working hypothesis was that:

Ho -1: **Property management is a financially feasible role for CDCs in Boston.**

There are several CDC property management companies in Boston, and all of them are struggling. My thesis assumption is that the difficulties faced by Boston CDCs can be overcome. In pursuit of this question, I examine the tasks involved in effective property management and the costs of carrying out these tasks. Differences in costs between inner-city and suburban areas were identified through interviews with property management companies. I then identified problem

areas that jeopardize the feasibility of existing CDCs and explore the degree to which their problems are endemic.

In the course of looking at CDC feasibility, I also look at their capacity building strategies. My second hypothesis was that:

**Ho -2: Community Development Corporations use a common set of capacity building strategies.** Based on my initial interviews with property managers, I suggest four strategies that are used. I then compare these to the strategies used by the case study CDCs.

The second purpose of this thesis is to understand the effects of building property management capacity on building the activity of housing development. My third working hypothesis was that:

**Ho -3: Despite the differences in the nature of real estate development and property management, diversification from housing development into property management will compliment a CDC's housing development activities.** As part of my examination of current problems faced by CDCs, I try to determine the degree to which these problems stem from the coordination, or lack thereof, between property management and development activities.

To analyze capacity building, I must first define what is meant by organizational capacity. In chapter three, I will be more specific and define capacity in relation to property management activities. These definitions are applied in chapter 4, where case studies for two CDCs are described. In chapter 5, I will return to the question of the role of CDCs in housing production. In particular, can CDCs manage what they produce and, if so, what is the impact on their development activities?

### **Methodology**

This research began with a review of the literature. Organizational theory was the starting point for my review. This included theories of strategic management, organizational growth, resource management, consulting, joint ventures, and organizational cooperation. At the same time, the literature that

described nonprofit organizations and, more specifically, nonprofit housing development organizations was also reviewed. Finally, I turned to property management. I included sources that describe property management by both private organizations and Public Housing Authorities. There has been very little written about property management by CDCs. This thesis is a step toward filling this gap in the literature.

Case study site selection was based on several criteria.

- 1) The cases chosen were CDCs that operated in a resource rich task environment. Boston's highly active intermediary and governmental organizations made the choice of Boston based CDCs ideal for this study.
- 2) CDCs chosen were members of Boston Neighborhood Development Support Collaborative which is set up to build capacity.
- 3) All were very involved in property management.
- 4) All of the CDCs chosen were highly regarded in the field.

Before selecting my final case study sites, I also had informational interviews with Phillip Clay at MIT's Department of Urban Studies and Planning, Jim Luckett at the Boston Housing Partnership, Matt Thal at the Fenway Community Development Corporation.

The research consists of property management case studies of two organizations, IBA and Urban Edge. These organizations were chosen from a pool of ten organizations which are deliberately working to build capacity as part of the Boston Neighborhood Development Support Collaborative. The two organizations chosen have or have had their own property management subsidiaries. Interviews were conducted with key personnel in each case study organization and with the directors of their property management companies. See Appendix #I.

Case study information about CDCs has been arranged to fit into the strategic management framework.



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## CHAPTER 2: WHO ARE NONPROFIT HOUSING DEVELOPERS?

“The essence of the nonprofit housing developer...is... the basic community orientation that results in an approach to housing production and operation singularly concerned with serving the people in that community to the fullest extent possible.”<sup>1</sup>

(Clancy et al 1971. p. 1)

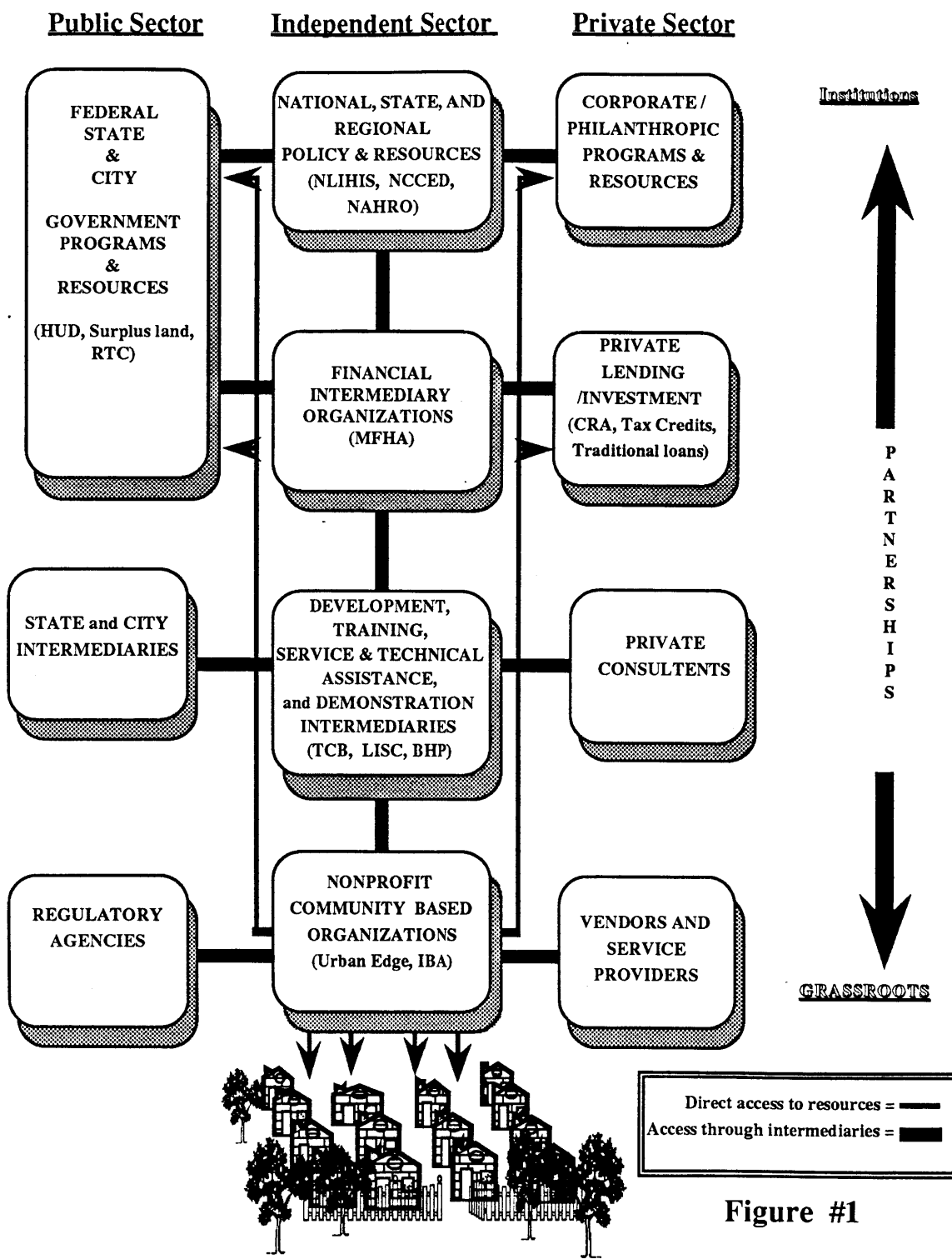
No phase of the housing development process is tied more directly on a day-to-day basis to “serving the people” in a community than property management. Traditionally, property management was considered to be either a private or, in the case of public housing, a public sector activity. Private nonprofit developers are neither. Nonprofit housing developers are a hybrid. They are private organizations that use both public and private funds to achieve a public purpose. They operate within a network of organizations that address housing and organizational development issues. Figure #1 is a diagram of this network. A more detailed description of organizations in the nonprofit housing delivery system is provided in Appendix II.

The total number of housing units produced by the nonprofit sector is a small portion of the housing needed in American cities. The extent to which these activities add to the stock of affordable housing has only begun to be studied (NCCED 1988, Vidal 1989). These surveys indicated that the average nonprofit housing developer completed less than 30 units per year. Yet, they also indicate that nonprofit housing development is increasing.

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<sup>1</sup> Clancy, Patrick and Keyes, Langley and Murchant, Edward and Whittlesey, Robert “The Role of Nonprofit Organizations in the Housing Process: A Report to the Department of Housing and Urban Development.” June 12, 1973

# The Nonprofit Affordable Housing Delivery System



## THE COMMUNITY DEVELOPMENT CORPORATION (CDC)

A CDC is a nonprofit organization formed to address concerns of a specific geographic area. A CDC has the same corporate legal structure as a for-profit corporation. It is run by a board of directors who oversee staff members charged with carrying out the organization's mission. The board of directors generally includes<sup>2</sup> representatives from local residents and clients as well as relevant professionals and others.<sup>3</sup>

Vidal's (1989) survey of 130 CDCs throughout the United States found that "the typical (median) organization ...has a full-time paid staff of seven, five professionals and two clerical or manual support staff, with a median total budget of \$705,750."<sup>4</sup>

In terms of annual increase in organizational budget and staff size over a five year period, the survey found that 73% of the sample increased in size. Most of the organizations increased by more than 50%. The survey also found that younger organizations grew faster and "show higher rates of increase in organizational strength" than older organizations. Vidal suggests that the strength of younger organizations can be attributed to two factors, "high leadership stability" and "clear strategy for delivering their programs."<sup>5</sup>

Although CDC activities can also include commercial and industrial real estate development or business enterprise development, most are engaged in housing development as one of their major activities. The CDCs studied for this report are all engaged in housing as one of their their primary activities. Other CDC activities included advocacy for public service, economic development and housing, planning and research, social services, job training, consumer activities and promotion of community pride (Vidal 1989).

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<sup>2</sup> For more detail, see Vidal, Avis Community Economic Development Assessment: [A National Study of Urban Community Development Corporations](#) (preliminary findings), New York: New School for Social Research, 1989, table III-7

<sup>3</sup> The activities and operation of CDCs in Massachusetts is generally governed by Chapter 40F of the Massachusetts Cities, Towns & Districts Code entitled "The Massachusetts Community Development Finance Corporation [New]."

<sup>4</sup> Ibid. Note that the survey sample did not include CDCs that did not have a track record of development activity.

<sup>5</sup> Ibid

Recognition of the nonprofit sector of CDCs as a source of long term affordable housing has increased in the 1980s.<sup>6</sup> Yet, CDCs are not able to produce as much housing as is needed. Two strategies for increasing nonprofit sector housing production have been discussed in the literature. One is to increase the number of CDCs nationally. This strategy is being pursued by several national intermediary organizations.<sup>7</sup>

A second strategy is to increase annual housing production by existing CDCs. This has been described as capacity building (Clay 1990, Mayor and Blake 1981). Several intermediary organizations have adopted this capacity building strategy.<sup>8</sup> The role of these organizations is to provide skills and resources to local nonprofit organizations that do not have the capacity to complete larger projects. In this thesis, I use strategic management as a framework to explore this second strategy and have focused my research on the expansion of existing CDCs. The work of existing CDCs is not easy.

“Producing housing requires that an organization negotiate its way through a series of irreducibly complex and interconnected mazes... Running the development gauntlet with greater speed, skill and effectiveness will be the test of CDC capacity. ...Organizations are considered competent in a given context based on experience - - their ‘track record.’ ... No one can grant or bequeath experience, but once acquired, a track record can be leveraged.”  
(Clay 1990. p.25)

The “development gauntlet” has several distinct phases. Clay (1990) outlines these as marketing, site design, finance, construction and property management. If the ongoing aspects of marketing and finance are considered to be part of property management, then property management is the only phase of the process that is an ongoing activity. Any reduction in their property

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<sup>6</sup> Vidal 1989, Ford Foundation 1989, Clay 1988 and 1990

<sup>7</sup> These organizations include: Local Initiative Support Corporation (LISC), The Enterprise Development Foundation, Neighborhood Reinvestment Corporation and their Neighborhood Housing Services.

<sup>8</sup> Capacity building programs include LISC’s Neighborhood Development Support Collaborations, the Enterprise Development Foundation’s technical assistance, Neighborhood Reinvestment Corporation’s Neighbor Works Program, and although not directly related to capacity building, the Trust for Public Land’s land trust support network and the National Trust for Historic Preservation’s Main Street Program.

management service to residents will hurt the CDC's standing in the community and, eventually, its track record.

### **Property Management**

“The absence of adequate attention to management and operating needs of housing has proved to be the Achilles heel in the development process for new publicly-assisted units.”

(Kolodny 1981)

My primary assumption is that property management is vital to the success of low income housing development by CDCs. This assumption is based, in part, on the loss of public support experienced by Public Housing Authorities throughout the United States in the 1960s and 1970s. During this time, public housing became associated with dangerous, poorly managed, high rise towers such as the Pruite Igoe projects in Saint Louis that were partially demolished by the housing authority in 1972 (Kolodny 1979). To avoid this association as CDC housing production increases, CDCs must distance themselves from the past problems of public housing by providing first rate property management for their housing developments. Like public housing, CDCs will find it difficult to obtain both community and financial support if they cannot overcome the management problems that have made low income housing synonymous with Pruite Igoe.

Furthermore, CDCs are under financial pressure to perform. Lenders typically look to the past performance or “track record” of any borrower before they will approve additional loans. If a CDC owns poorly managed property, lenders would be faced with an increased operating risk for loans on projects that add to the CDC's already troubled portfolio. Thus, the production capacity of a CDC can be undermined if it lacks management capacity.

### CHAPTER 3: ORGANIZATIONAL CAPACITY: A THEORETICAL FRAMEWORK

What is organizational capacity? For the purpose of this research, I define organizational capacity as **an organization's ability to understand its environment and use that understanding to formulate, implement, and evaluate a strategy that fulfills its goals.** The definition used for this research is derived from the concept of strategic management.

"Strategic management is that set of managerial decisions and actions that determines the long-run performance of a corporation. It includes strategy formulation, strategy implementation, and evaluation and control. The study of strategic management, therefore emphasizes the monitoring and evaluation of environmental opportunities and constraints in light of a corporation's strengths and weaknesses."

(Wheelen and Hunger, 1989. p.7)

Strategic management entails four basic steps.<sup>9</sup> These are:

- 1) **Environmental Scanning.**  
This entails identification of internal **Strengths** and **Weaknesses** and identification of **Opportunities** and **Threats** to the organization. (The process has been summarized by the acronym S.W.O.T.)
- 2) **Strategy Formulation.**  
This is an organization's ability to identify its mission, objectives, strategies and policy guidelines.
- 3) **Strategy Implementation.**  
Through implementation of the strategy, day to day decisions are made about how goals can be met.
- 4) **Evaluation and Control.**  
This is a monitoring process that allows the strategy to be fine tuned. If the strategy is found to be counterproductive, it also forms the basis for starting the process over again.

Strategic management is not necessarily a linear process. In fact, all four steps can be used simultaneously for different activities within an organization. Although these steps are not formally labeled, an organization's ability to perform effectively is a measure of its organizational capacity.

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<sup>9</sup> Wheelen, Thomas L. and Hunger, J. David Strategic Management and Business Policy Third Edition Addison-Wesley Publishing Co. Reading Mass. 1989.

## Environmental Scanning

Strategic management views an organization in terms of its internal environment, its “task” environment, and the societal environment that it operates in (see figure #2). **The Internal Environment** is made up of the resources, culture, and the social structure of the organization. These are shaped by the organization’s goals and its strategy in relation to the rest of its environment. **The Task Environment** is the network of organizations, agencies, funders, suppliers, and other entities with whom the organization must interact to carry out the tasks required to achieve its goals. In other words, a CDC’s task environment includes all of the organizations and individuals that a CDC must work with in the housing delivery system diagram in figure #1. **The Societal Environment** is the set of exogenous political, social, economic, demographic, and technological forces that shape the society in which all organizations operate.

Mayor and Blake (1981) identified key characteristics of successful CDCs. (See figure #2.<sup>10</sup>) Although they used different labels, they group these characteristics according to the organization’s internal, task, and societal environments. This environmental scan provides a map of the environment in which CDC’s exist.

Although resources are building blocks for capacity, building blocks do not become buildings unless they are assembled. There are many abilities needed to assemble resources and each ability represents one of the organization’s capacities.

To identify CDC capacity, therefore, one could look for examples of CDCs which identify needs, acquire needed resources and use them to accomplish a specific goal. This was done by Blake and Mayor (1984). In their study of 12 organizations, they found that CDCs pass through a series of “common processes” without any particular time sequence. They categorized CDCs “that have worked through more of the processes, more completely, as being at more

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<sup>10</sup> Also see the National Congress for Community Economic Development (1988), Avis Vidal (1989) and Phillip Clay (1990) for further analysis of CDC environments.

**Figure #2**

**The Strategic Management Environment of Nonprofit Housing Providers**

**EXTERNAL ENVIRONMENT**

**• THE WIDER ECONOMIC,  
SOCIAL AND POLITICAL  
ENVIRONMENT.**

Housing and Economic  
development market conditions,  
and Reluctance by private lenders  
to lend funds

Housing stock and land use  
characteristics

Timing of political events

Political conservatism

Raceism and sexism

Project cost factors

**TASK ENVIRONMENT**

**• RELATIONS WITH THE  
COMMUNITY AND RELEVANT  
OUTSIDE ACTORS**

Political clout

Technical Assistance

Roots in the community

Early aid from private risk-takers

Personal relations with funding sources

Outside relations with other private actors

Conflicts and harmony within the community

Ability to work with private project developers

Sources of continuing administrative and venture funds

Working relationship with key local actors (merchants, tenants, neighbors)

**INTERNAL ENVIRONMENT**

**• INTERNAL CHARACTERISTICS**

Doing homework

Effective leadership

Board/staff relations

Paid, full-time professional staff

Ability to limit work loads to manageable levels

Parent organization control over the development of for-profit subsidiaries

Planning (especially ongoing strategic planning)

Legal status as a nonprofit organization

Successful track record



advanced levels of development.”<sup>11</sup> In other words, their progress through these processes marks the growth of their capacity. The processes identified by Mayor and Blake included:

- Formal establishment as an organization.
- Decision to carry out programs and to create institutions.
- Confrontation of the difficulties of early neighborhood revitalization projects.
- Competence in specific project work.
- Development of a network of relations with outsiders.
- Creation of a diverse range of projects.
- Institutionalization of expanded project competence.

The two case study organizations in this research had demonstrated an advanced level of capacity by working through all of these processes.

### **Strategy Formulation**

Strategy formulation starts with determining an organization’s mission. This is generally easier for for-profit companies than it is for nonprofits (Nutt 1984). A for-profit organization has a clear overriding objective: profit. The objectives of nonprofits are a combination of the objectives of its board of directors, key staff and funding sources.

“Because the not-for-profit organization typically lacks a single clear-cut performance criterion (such as profits), divergent goals and objectives are likely. This divergence is especially likely if there are multiple sponsors. Differences in the concerns of various important sponsors can prevent top management from stating the organization's mission in anything but very broad terms, if they fear that a sponsor who disagrees with a particular, narrow definition of mission might cancel its funding. In such organizations it is the reduced influence of the clients that **permits** this diversity of values and goals to occur without a clear market check.”

(Wheelen 1989. p.558).

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<sup>11</sup> Mayor and Blake Ibid Page 40

Wheelan also contends that nonprofit strategy formulation is complicated by the fact that planning efforts tend to focus on available resources (funding) rather than on “services that are hard to measure.” He contends that “vague objectives and a heavy concern with resources” leads to internal political conflicts within nonprofit organizations.

Wheelan’s contention assumes that vague objectives and concern with resources are inherent to the board structures of nonprofit organizations. Vidal’s finding that younger CDCs were more productive and had clearer objectives indicates to me that this is changing among CDCs.

There is an increasing realization that more formalized strategy planning is beneficial (Nutt 1984). Nutt outlines a strategic planning process for nonprofit organizations that describes strategy formulation as an interaction between goal development and strategic options for obtaining the goals. In other words, nonprofits first decide what they must do. Then, if the tools are available, they do it. This can also work in reverse when an opportunity, such as funding for a specific program, is available, and CDCs add the program to their list of goals in order to get the funding.

In formulating goals, organizations have several strategic options for building capacity over time. These have been summarized as:<sup>12</sup>

- **Increased production.** This includes doing more per year (i.e. from producing or managing 10 units per year to doing the same for 100 units.), doing the same amount better (i.e. improving the quality of units or management.), or adopting to adverse conditions to do the same amount.
- **Vertical integration.**<sup>13</sup> This a “broadened scope of production processes.” This form of capacity building results in an organization taking more of the value system activities in house. (i.e. from project development to property management)

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<sup>12</sup> Jackson, John H. Morgan, Cyril P. and Paolillo, Joseph G.P. Organization Theory: A Macro Perspective for Management. Third Edition. (New Jersey: Prentice-Hall: 1986) page 359.

<sup>13</sup> Porter, Michael E. Competitive Strategy: Techniques for Analyzing Industries and Competitors The Free Press, 1980. Chapter 14.

- **Horizontal integration.**<sup>14</sup> This is “diversification of outputs to the same environmental segment.” (i.e. from elderly housing development to family housing, or from housing to economic development.)
- **Geographic expansion.** “Growth into new environmental segments” (i.e. from working in one neighborhood to working in several different neighborhoods)

If a CDC has the capacity to formulate its strategy, it must then turn to implementation.

### **Strategy Implementation**

Implementation of a strategy requires the strategy maker to consider three questions:

- “**Who** are the people who will carry out the strategic plan?”
- “**What** must be done?”
- “**How** are they going to do what is needed?”

(Wheelen 1989. p.244)

For nonprofit organizations, this is complicated by any indecision about the organization’s mission.

“The difficulty of setting objectives for an intangible, hard-to-measure service mission complicates the delegation of decision-making authority. Important matters are therefore often centralized, and low-level managers are forced to wait until top management makes a decision. Because of the heavy dependence on sponsors for revenue support, the top management of a not-for-profit organization must always be alert to the sponsors’ view of an organizational activity. This necessarily leads to ‘defensive centralization,’ in which top management retains all decision making authority so that low-level managers cannot take any actions to which the sponsor may object.”

(Wheelen 1989. p.359)

The ability to overcome these difficulties is one test of the CDCs capacity. Other tests are discussed in chapter 3 with the whos, whats, and hows of property management.

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<sup>14</sup> Porter, Michael E. Competitive Advantage: Creating and Sustaining Superior Performance  
The Free Press, 1985. Chapter 10.

### Evaluation and Control

Evaluation is the feedback mechanism used to monitor strategy implementation and to compare it to the organization's goals. This can get complicated if Board and/or staff members do not agree on what their goals are. It is further complicated by difficult to measure intangible goals, such as a sense of community or resident participation. If the organization has the ability to effectively evaluate its strategy, it can identify problems and adjust for them. If problems persist, the environment must be reanalyzed and the strategy reviewed.

#### SUMMARY OF STRATEGIC MANAGEMENT PROCESS

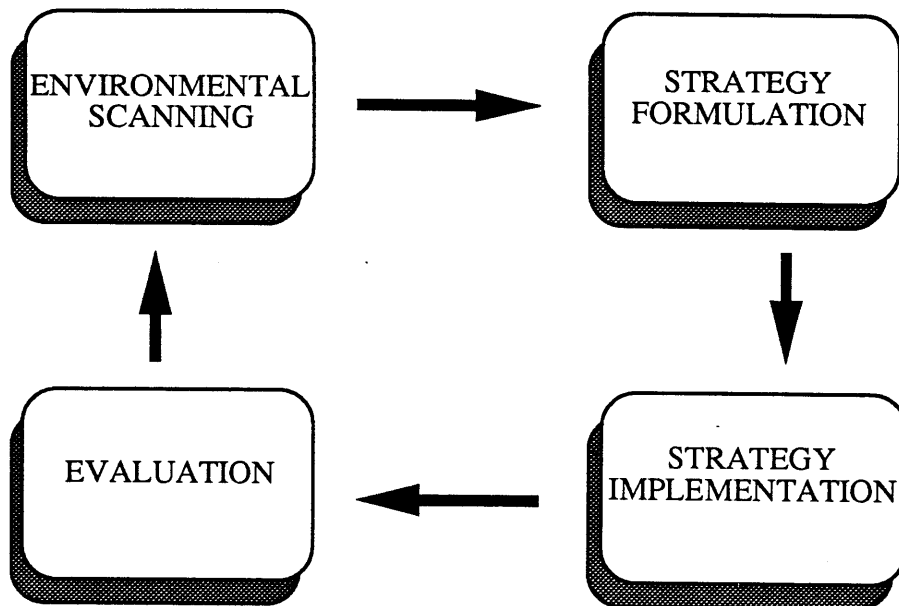


Figure #3

Evaluation can be used to identify problems with the organization's ability to implement or formulate strategy. It can also point to blind spots in the organization's understanding of its environment.

## CHAPTER 4: RESIDENTIAL PROPERTY MANAGEMENT AND CDCS

### Overview

Nolan (1981) argues that property management in the United States has developed in response to a series of crises. The first formal recognition of the property management profession was in 1923 when the National Association of Realtors created a property management division. The demand for property management services expanded very quickly throughout the depression as "institutional lenders found themselves involuntarily in the position of owners of foreclosed property."<sup>15</sup> The demand for professional property managers to operate foreclosed properties increased and by 1933, the Institute of Real Estate Management (IREM) was founded to foster competence and professional skills.

In the 1950s and 1960s projects increased in size and complexity and the property management field expanded. This growth was complicated in the 1970s by a combination of double digit inflation, social unrest, increased energy costs after the 1973 oil embargo, and a gradual deterioration of landlord tenant relations (Nolan 1981:2). This led to a new breed of computerized, socially and politically adept property managers that were able to manage difficult properties. The value of tenant participation in management became an issue at this time in both the private and public sectors. Residents took control of their housing by advocating rent control and by forming nonprofit organizations to purchase housing. Public Housing authorities began to experiment with resident management of Public Housing (Kolodny 1979).

A portion of the increasing costs in the 1970s and early 1980s was subsidized by the U.S. tax code which provided generous tax savings to the owners of rental property. These savings provided a cushion to soften the impact of vacancy and delinquency problems. When the cushion was removed by the Tax Reform Act of 1986 (TRA 86) many private for-profit owners found it difficult to stay in business. It was no longer possible for owners to off-set high vacancies and delinquencies with tax savings. Without the savings provided by the tax code,

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15 Nolan, John The Management of Housing in Distress: Strategies for Saving Troubled Buildings. Center for Community Development and Preservation Inc.: White Plains, New York, 1981

the cost of borrowing money for maintenance and capital improvements was also more expensive. These new economic realities increased the importance of property managers, who were expected to keep buildings rented with minimum expenditures for maintenance or capital improvements.

"Today, apartment developers and owners are looking for managers who will effectively turn profits and safeguard a project's value, rather than simply fill units and keep the parking lots clean."

(Nichol 1989. p.65)

William H. Elliott, Chairman of the National Multihousing Council described the change by saying that,

"property management operations will be fully recognized for the importance they have always represented. They will have significant new responsibilities... However ... a good deal more accountability is part of the package."<sup>16</sup>

With these new responsibilities has come a new name for the profession: asset management.

Entering the 1990s, the property management industry faces dilemmas similar to those faced in the depression. Failure of the savings and loan industry has left the government and large institutions with a large portfolio of difficult to manage property. The new "asset manager" must now do much more than collect rents in order to keep their new portfolios out of bankruptcy.

At the same time, owners of low income housing face a set of problems which, although unrelated to the savings and loan industry problem, are at least as difficult. Decreased social services for low income people and increased social problems such as drugs, alcoholism, AIDS, domestic violence and homelessness have all combined to make housing management more difficult. Within this changing environment, CDCs that seek to increase their housing production must also address these problems as part of their search to find someone to manage the housing that they build.

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<sup>16</sup> Elliott, William H. "'Good News Bad News' for Apartment Owners: Competition Is Heavy, Will be Lighter Tomorrow" National Real Estate Investor Vol. 30 No.8, July 1988 Pages 68-69

## Environmental Scanning for CDC Property Management

In the Boston area there are a variety of intermediaries available to assist CDCs. One of these is Boston's Neighborhood Development Support Collaborative. (NDSC). NDSC is a collaborative effort between seven private foundations<sup>17</sup> and LISC.<sup>18</sup> The collaborative provides five years of "predictable multi-year operating support for organizations that have historically lived hand to mouth."<sup>19</sup> This is combined with management assessment and technical assistance to build capacity within the organization.

An initial assessment of the ten NDSC participants was conducted in 1990.<sup>20</sup> In his base line assessment of the societal environment that Boston CDCs work in, Clay (1990:11-16 unpublished) identified eleven factors that effected the CDC task environment. These factors included:

- 1) The end of new federal Section 8 operating subsidies. He notes that, other than relatively small amounts of Section 202 funding for subsidies to the elderly and handicapped, "there is no other major federal program to offer a deep subsidy for the poor."
- 2) The Boston housing market has softened and continues to be soft.
- 3) A decrease in downtown commercial development will decrease the linkage funds available to CDCs.
- 4) A possible down turn in the national economy and in the Northeast.
- 5) A severe state budget crisis that will result in reductions in state subsidies for housing, technical assistance and operating funds for CDCs.
- 6) A reduction in the number of cheap or inexpensive land for new development.
- 7) "Boston banks are under new pressures to be responsive in their urban lending initiatives to minority and low income communities."

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<sup>17</sup> The funding partners to the collaborative and their initial contributions were: The United Way of Massachusetts Bay - \$1.8 million, The Ford Foundation - \$1.5 million, Boston Foundation - \$500,000, Boston Globe Foundation - \$150,000, Hyams Foundation - \$150,000, Riley Foundation - \$50,000, and Clipper Ship Foundation - \$50,000. LISC contributed \$150,000.

<sup>18</sup> See Appendix III for a more in depth description of LISC.

<sup>19</sup> From the Boston LISC Brochure.

<sup>20</sup> Clay, Phillip L. "An Assessment of the Environment and Baseline Report: An evaluation of the Boston Neighborhood Support Collaborative." Unpublished draft, April 1990

- 8) "Drugs and related crime have escalated in Boston neighborhoods." He notes that this is the "most significant barrier to empowerment of residents in low income communities."
- 9) "Homelessness presents a particular problem to nonprofits."
- 10) "With the important role of tax credits as a subsidy for low-income housing, the role of intermediaries has become increasingly more significant." This change is rooted in the tax code changes made in TRA 86. Another impact of these changes was to reduce the value of tax benefits available to some existing general partnerships formed to invest in affordable housing.
- 11) "Management is coming to be recognized as an important aspect of the development process."

These factors are among the social, cultural, political, and economic forces in the CDC's societal and task environments that shape its ability to achieve its goals. Several of these factors pose threats or provide opportunities to CDC property management. Some, such as the soft Boston housing market can be both a threat, in so far as project feasibility is reduced, and an opportunity, for CDCs that are able to find funds to take advantage of the depressed market.

In addition to the factors cited by Clay, each neighborhood has specific concerns that are unique to their neighborhood. Within the neighborhood's specific context, a CDC has its own historic strengths and weaknesses. These strengths, weaknesses, opportunities and threats must be assessed by a CDC to formulate its property management strategy.

### **Strategy Formulation**

Strategy formulation starts with defining the organization's mission. Over the past 60 years, property management has evolved to include many new activities, but the mission has essentially remained the same. Residential property management is a service business whose product is "satisfied residents (who) are proud of their homes."<sup>21</sup> The traditional property management company is an agent for the owner. The agent is charged with the responsibility of carrying out

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<sup>21</sup> Glassman, Sidney New Guide to Residential Management Washington D.C.:National Multi Housing Council 1984 Page 12



the owner's goals. This responsibility is codified in the first clause of IREM's Code of Professional Ethics. The clause states that:

"A certified property manager shall at all times exercise the utmost business loyalty to the interests of his or her clients and shall be diligent in the maintenance and protection of the client's properties."<sup>22</sup>

When the client is a CDC, there are some complications in understanding the "interests" of the client. Wheelen lists four complications to strategy formulation by CDCs. First, nonprofits have a variety of often conflicting goals and objectives (see Nutt 1984). Examples of this are conflicts between resident needs and the needs of the funding agencies that support the CDC. An example of this from my own experience was a funding source that wanted an organization to increase its service to homeless and very low income residents while the board, which was made up of residents, wanted to rent to their friends without considering incomes. There can also be conflicts between board members' priorities and staff priorities. The IBA staff, for example, found a potential project for housing project oriented towards the mentally ill. Although the staff felt that the project fit into IBA's portfolio, the board was unsure about whether or not it was appropriate for the organization.

In his assessment of NDSC participants, Clay noted that there were five major neighborhood issues that related to housing development by CDCs in Boston. These included concern about drugs, neighborhood control and resident empowerment, creation of neighborhood institutions that give it "substantial influence over ...physical development, ... social development, education, job training and the like,"<sup>23</sup> addressing increasing class distinctions that result from the persistent poverty that defines the "underclass," and addressing the special impacts of emerging problems. According to Clay, "these problems include the problems of the elderly, of mentally ill, of working class first-time home buyers, and

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<sup>22</sup> Institute of Real Estate Management, Code of Professional Ethics of the Certified Property Manager; National Association of Realtors.

<sup>23</sup> Clay, Phillip L. "An Assessment of the Environment and Baseline Report: An evaluation of the Boston Neighborhood Support Collaborative." Unpublished draft, April 1990

of low-income single people who often fall outside of the net of many traditional CDC initiatives.”<sup>24</sup>

The tasks that comprise the work of any property management entity depend on the goals of the owner. While a for-profit developer can be satisfied by the goal of making a profit, a CDC will include its social concerns in the goals of its management company. “Tenant participation,” for example is a common CDC goal.<sup>25</sup> CDCs have a variety of additional goals for their property management activities. Among the CDCs surveyed, these goals included:

- High quality property management services;
- Resident Participation;
- Employment and training opportunities for local and minority residents;  
and
- Career opportunities for staff and residents.

These CDCs also had a variety of objectives for carrying out these goals. Their objectives included:

- Recruit and retain top-notch staff;
- Provide service to residents;
- Build relationships with regulators; and
- Create financial management systems.

These objectives are the basis for strategy implementation.

In my interviews with CDCs and property management companies, I found four basic strategies that were used by CDCs to address property management needs. These strategies were to:

- 1) **Hire an outside management company.** This could be either a private for-profit company, or a nonprofit such as The Community Builders.

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<sup>24</sup> Clay, Phillip L. “An Assessment of the Environment and Baseline Report: An evaluation of the Boston Neighborhood Support Collaborative.” Unpublished draft, April 1990

<sup>25</sup> Clancy, Patrick and Keyes, Langley and Murchant, Edward and Whittlesey, Robert “The Role of Nonprofit Organizations in the Housing Process: A Report to the Department of Housing and Urban Development.” June 12, 1973

- 2) **Establish an in house subsidiary** to manage the organization's portfolio. This in house property management company can also be used to generate income for the organization by taking on management of easy to manage property outside of the portfolio.
- 3) **Create a joint venture management company.** This is an in-house subsidiary that retains an outside management company to act as a back-up to the in house company. The back-up company takes a consulting role and provides a well defined set of property management services.
- 4) **Form a collaborative venture.** A collaborative venture is a type of joint venture which brings together several organizations to provide management for people with particular social service needs. Encouraged by federal McKinney Act funding to address homelessness, this type of management brings together homeless shelter providers, property managers, and a variety of social service entities.

Strategy is generally formulated by the board and staff. Once the strategy is decided, policies for strategy implementation must be agreed on and carried out.

### **Strategy Implementation**

Residential property handbooks cite a set of processes that are common to all well managed property management companies. Functionally, the tasks involved can be divided into five major areas:<sup>26</sup>

1. Leasing and renting of the property
2. Collecting rental payments
3. Administration of insurance
4. Maintenance of the property
5. Budgeting and record keeping

Interviews with property managers of low income rental housing indicated that administration of insurance was not considered a major issue. Administration of rental operating subsidies was considered far more difficult. Judy Weber, Director of Property management at TCB suggested that agency administration and resident issues/security were far more time consuming and more important. This was also confirmed in an interview with Mark Maloney, the President of Maloney Properties, who specializes in management of CDC owned housing. For

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<sup>26</sup> Dooley, Thomas W. "Selecting a Property Manager" Handbook of Property Management ed. Irwin, Robert McGraw-Hill Book Company: New York, 1986, Page 59

the sake of simplicity, I combine administration of operating subsidies with rent collection and tenant selection. I also combine budgeting and record keeping with leasing and renting of the property as a “major area” of CDC property management. Thus the major areas of CDC property management can be categorized as:

- Administration of operating subsidies, rent collection and tenant selection
- Budgeting, record keeping
- Maintenance of the property
- Resident issues and security

There were a variety of problems in the CDC working environment that complicate these tasks. The remainder of this section examines each task and the problems involved.

- **Administration of operating subsidies, rent collection and tenant selection**

Although new Section 8 subsidies are ending, the existing Section 8 contracts will continue into the next decade. These contracts are administered by the Boston Housing Authority (BHA). There are two types of Section 8 subsidies. The original Section 8 subsidies were 20 year contracts that were awarded to specific units in designated buildings. The BHA maintains a waiting list for tenants and is responsible for tenant selection. They also approve annual rent increases and budgets for repairs required by these projects.

The second type of Section 8 subsidy is the voucher. Vouchers are awarded to residents who must then find a Section 8 eligible unit. Once they find a unit, the BHA sends an inspector out to determine its eligibility and set a “fair-market—rent” for the unit. Based on their determination, a one year contract is signed with the property owner. This “recertification” is repeated annually.

All of the property managers interviewed for this thesis agreed that working with the local housing authority was a major cost factor in managing affordable housing. As administrators of the Section 8 program, the housing authority

controlled recertification of apartments for the program. If the local inspector does not feel that the apartment is sufficiently maintained, rents can be withheld from the management company until repairs are made. Once repairs are made, there is no guarantee that the withheld funds will be reimbursed.

In addition to direct costs there are administrative costs. Certification inspectors have been known to inspect different apartments in the same building on different days. This takes up more of the manager's time than a single inspection.

- **Budgeting, record keeping**

Budgeting is a crucial aspect of property management for subsidized housing.

The budget establishes the goals for property services maintenance, and improvement for the budget period. As such, it is the tenants' and manager's guide to what can be accomplished. It is helpful in insuring that the expectations of tenants are realistic, and in illustrating why their cooperation is essential to the building's maintenance and improvement. The budget is the foundation for the manager's work plan for the year. It lets the manager know where to concentrate time and effort, how much outside assistance is needed, and where major problems and opportunities may occur."

(Nolan 1981:32)

Nolan's comments are especially true in subsidized rental housing where budgets are often regulated by the providers of operating subsidies. If these subsidy providers do not approve rent increases required to maintain the building, for example, then maintenance must be deferred, or other funds obtained.

In the Boston area, there are a number of operating expenses which are increasing. Water and sewage costs, for example, were cited as a problem by everyone who was interviewed. In their annual analysis of the operating risks in their portfolio of loans to low income housing projects, MHFA<sup>27</sup> found that 8% of its

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27 Massachusetts Housing Finance Agency (MHFA) monitored the property management activities of several hundred properties in its loan portfolio. According to their 1989 annual report, "MHFA is a self-supporting state agency charged with financing and promoting the construction, purchase and rehabilitation of housing in the Commonwealth. The Agency accomplishes this through loan programs. The MHFA raises money ... through the sale of taxable or tax-exempt bonds to private investors." To

portfolio was considered high risk/troubled. Of the high risk projects, 79% were found to have high water and sewer charges that contributed toward their financial risk. This was up from 60% in 1988 and water costs are projected to continue to increase.

Energy costs have been a problem ever since the oil shortages in the 1970s and instability in the Middle East threatens to increase the problem in 1990.

Many of these costs were items which, through conservation and awareness, residents could control. Their willingness to exert this control depended, in part, on their knowledge of the problems. The budget provided a tool for making tenants more aware of the problems and monitoring their responses to them.

Record keeping is a vital part of budgeting. If accurate records of actual income and expense items are not available, then there is no information on which to base a budget. More importantly, if the information is not broken down into categories that need to be monitored, it is not possible to identify problem areas. The same is true for monitoring non financial measures such as vacancy and turnover rates, the frequency of crimes, and the frequency of various maintenance activities.

Combined, the financial and non financial measures are also used by lenders and operating subsidy providers to monitor the status of a development. Unfortunately, each subsidy provider and monitoring source has different reporting requirements. This means that the same information must be gathered and compiled in different formats. To the extent that this can not be automated in a computer system, this additional record keeping increases administrative costs and draws property managers away from their other duties.

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meet its extensive bond underwriting requirements, MHFA conducts an annual risk analysis of its projects.

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- **Maintenance of the property**

“Within the framework of a regular maintenance scheme, consider your building system by system, from top to bottom ... Remember, Benign neglect may work in politics, but it doesn't work in operating a property.”<sup>28</sup>

The list of maintenance items for a building depends on the building. A “Check for systematic maintenance” which the author claimed had “stood the test of time,”<sup>29</sup> included inspection, maintenance, and repair of foundations, masonry, roofs, gutters, exterior walls, electrical, plumbing, heating and cooling systems; caulking, glazing and weather stripping doors and windows; cleaning, repair, and upkeep of interior bathrooms halls attics and storage space. Both Urban Edge and IBA maintained lists for each building of regular items to inspect and, if necessary repair. One such list included weekly inspection of hallways, lights, globes, balusters, smoke detector, entry lock, key keeper, mail box, base board covers, building numbers, graffiti, hall walls, dumpster area, and basement doors and windows.

The MHFA risk analysis report noted that 72% percent of its troubled projects had maintenance problems. The question raised by the risk report was the degree to which this problem was related to the location, size, and scattering of some housing projects. According to the report:

“Managing inner-city properties -- especially small and scattered buildings -- has simply proven to be more expensive and difficult than it is for other developments: vandalism, vacancies, evictions, management turn over, security and other extraordinary factors combine to add stress to every aspect of the business of housing management.”<sup>30</sup>

In fact, 93% or 27 of MHFA's 29 troubled properties were located in the inner-city area. All of these units were either small or are located on scattered sites. 60% were less than 50 unit buildings. 40% were less than 25 unit buildings. These problems were confirmed by Mark Maloney noted that the problem with scattered site housing was that a property manager must get in the car and drive from one project to another. “Even if they don't stop for a cup of coffee on the way,

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<sup>28</sup> Koch, James H. “Maintenance for maximum profits” Handbook of Property Management ed. Irwin, Robert McGraw-Hill Book Company: New York, 1986, page 254.

<sup>29</sup> Ibid

<sup>30</sup> Keene, David L. "1989 Risk Analysis" Internal MFHA memorandum dated December 12, 1989.

it takes time to get from one to another. This is time that could otherwise be spent productively.” He also pointed out that it is very difficult to know what is going on at a site if you can not get there easily. The Director of Property Management for The Community Builders, Judy Weber, added that scattered site projects reduce opportunities for casual contact. Casual contact allows tenants to get to know the property manager in a context other than complaints and rent collection. This reduces the stress created by any problems that a manager might need to discuss later with a resident.

Maloney also found small projects to be more difficult to manage. Although they are characteristic of Boston’s historic inner-city neighborhoods, small (less than 60 units) older buildings tend to be inefficient. They have long hall ways that are difficult to maintain, they do not have central heating or cooling and they can not support the cost of an on-site manager. Unless an entire block, or several contiguous blocks can be purchased, the size of Boston’s housing stock almost forces CDC’s to develop scattered site projects.

Finally, Maloney noted that inner-city areas were more fast paced and therefore more stressful than suburban areas. This increased the likelihood that a tenant would scream at or threaten on-site managers enough to increase the likelihood of the manager to quit. This turnover was expensive in terms of staff training time and general organizational stress.

- **Resident issues and security**

”Residents are living in fear and the housing authority has acknowledged it.”<sup>31</sup> This comment from a July 18, 1990 Boston Globe Article about one of the state’s worst housing projects summarizes the fears of residents in areas with drug problems. Although the problems were not as bad at any of the organizations interviewed as those described in the Globe article, drugs and the crime problems that accompany them are a growing concern among residents.

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<sup>31</sup> Graham, Renee “Drugs set off suit in project” The Boston Globe, July 18, 1990



The importance of resident's issues and security can be illustrated by the experience of the Boston Housing Partnership (BHP).<sup>32</sup> BHP was an intermediary organization which established programs to assist the efforts of CDCs. One of their programs, known as BHP II,

"The BHP II program was a reclamation of the notorious 'Granite Properties' which were first acquired as part of HUD's federally assisted inventory in 1968 and rehabilitated by the Granite Company, a private, for-profit company... By July 1984, HUD had foreclosed on the properties... Drugs and crime were in full force. Due to poor management and oversight, illegal tenants moved into vacant units (often as a base for drug dealing) and the legal residents soon learned to expect nothing from management and their neighbors...

There was unanimous agreement that a successful rehabilitation of the 'Granite Properties' was going to require more than fixing up the buildings. Lessons learned from BHP's first rehabilitation project, BHP I, had suggested that a concerted effort to involve tenants and address tenant needs would require funding beyond the traditional funding for construction... The 'granite Properties' neighborhoods of Roxbury and North Dorchester, where BHP I buildings are also located, were experiencing spiraling increases in drug-related crime and violence."<sup>33</sup>

These problems and concerns are common to low income housing and are similar to the problems described in the Boston Globe article. In response, BHP established the Resident Resource Initiative (RRI).

"RRI provides ...CDCs...with a variety of resources related to work with their tenants. An RRI-funded CDC staff person, the Resident Resource Specialist, implements most of the local activities... Participating CDCs: plan renovations which attempt to coincide with tenants needs; work with their residents to jointly maintain properties after initial construction; and assist tenants to approach problems and solutions collectively through tenant committees and organizations.

Through RRI, CDCs and residents are more effectively fighting crime and drugs in their buildings and neighborhoods, transforming unsightly vacant lots into tot lots, gardens and other useful greenspaces, sponsoring 'community-building social activities, coordinating special initiatives for youth, and gaining access to needed social services to address unemployment, substance abuse, etc."<sup>34</sup>

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<sup>32</sup> For more information about BHP and Boston's other intermediaries, see Appendix III.

<sup>33</sup> Boston Housing Partnership "Resident Resource Initiative" program description.

<sup>34</sup> Ibid

This program illustrates both the problem and an approach to solving it that was common to all of the CDCs that were interviewed. Another response was to increase security measures.

Responses to security needs can range from encouragement of resident awareness through a neighborhood watch program, to fences and electronic entry systems that control who can enter a building and ultimately private security personnel. Electronic control systems represent a particularly wide range of security measures. Examples of these systems include "buzzer entry" systems which require guests to use an intercom or buzzer to contact their their host. The resident is presumed to only "buzz" a stranger into the building if they are guests. More sophisticated systems include video surveillance cameras which allow on-site building staff to view important entry points from their office. Although these systems require a staff person to keep a "weather eye" on the video display screen, the cameras alone are often a deterrent to crime. In extreme cases such as the one above, guards can be hired to patrol the property.

"Central to the success of any security program is a variety of people. For smaller projects that may not have security personnel per se, the manager and his or her staff represent a primary security force. On projects where full time security personnel are used, management and staff are still very much key players in the security plan. Consequently, The effectiveness of personnel training and awareness programs are essential factors in a security program."<sup>35</sup>

The role of on-site staff that act as security is to prevent security problems by making them more difficult. This can be as simple as locking an unlocked door or window or asking a stranger if they need help with directions. It is dangerous, however, for on-site staff to act as police. As one manager put it, "A manager shouldn't be a peacemaker when a police officer should be called in."<sup>36</sup> For managers, crime and drug problems require a set of abilities that are not discussed in much of the literature. In warning of these dangers, one property manager wrote, "I have personally known a manager who was shot by a deranged tenant, another who was stabbed seven times and thrown over a second floor

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<sup>35</sup> Waldhuber, Robert "Assessing Security Needs" *Journal of Property Management*, Vol. 52 No. 2 March/April 1987, pp 36-39

<sup>36</sup> Tustin, Mari "Dealing With Tenants" *Handbook of Property Management* ed. Irwin, Robert McGraw-Hill Book Company: New York, 1986, page 25

balcony, and several more at whom shots were fired.”<sup>37</sup> Weber added to this by stating that “this is a service business, but it’s not always easy to maintain or project a professional demeanor. It is an extraordinary challenge for an on-site employee to maintain his self esteem, let alone enthusiasm for his job, after being verbally abused by a frustrated applicant on a long waiting list or threatened by an angry resident under eviction.”

Within a property management company, tasks are divided among general administrative work (the home office) and work by on-site property managers. “Good resident managers are the single most important link in your entire management chain. A good resident manager can often cover for a mediocre management company, but a good management company can never cover for a poor resident manager.”<sup>38</sup> In effect, the administrative staff has two primary roles. One is to compile reporting information required by the owner(s), financing agencies, insurance companies, regulatory agencies, and others who need information about the property or residents. The other is to support the work of the on-site manager.

Support can take an infinite number of forms. Examples of support described by Frishman (1986) include policy manuals, training sessions, on-site inspections to demonstrate concern about job performance, newsletters and bulletins, seminars and inclusion of staff “when making major changes in policies or procedures or when preparing the annual budget.” Furthermore, staff decisions must be supported if residents and others try to go around them. Carlson (1987) adds that monetary rewards in the form of salary and bonuses, formal recognition of accomplishments and promotion opportunities are also important forms of support. Insufficient support can make it impossible for a site manager to work effectively.

If residents can undercut a manager’s effectiveness by going around him or her to get what they want, then the manager loses credibility. According to

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<sup>37</sup> Tustin, Mari Ibid page 26

<sup>38</sup> Frishman, Ruth I. “Hiring the On-Site Manager” Handbook of Property Management ed. Irwin, Robert McGraw-Hill Book Company: New York, 1986, Page 67.

Frishman, "as soon as a manager has lost credibility, he or she has lost control of the project and must be replaced."

### **Evaluation**

Evaluation can be made on at least two levels. On an organizational level, there must be an evaluation of how the management activity fits with the organization's mission and other programs. On a programmatic level, the tasks required to operate a program must be carried out to achieve the program's goals. Although this paper concentrates on a specific program area, property management, the program must be evaluated both in relation to its programmatic success and in relation to the role that it plays in the organization.

Clay identifies Key Characteristics of a successful CDC property management operation (See Appendix IV). These characteristics relate to either the effective functioning of the four property management task areas that were discussed previously in strategy implementation or the organizational requirements for its success. They provide benchmarks for evaluation of the property management function both within the organization and as a program. Unfortunately, many of these measures, such as "strong leadership" are intangible and difficult to measure.

Institutions, however, have created risk assessment measures which objectify data related to many of these characteristics. Massachusetts Housing Finance Agency (MHFA), for example, monitors the property management activities of several hundred properties in its loan portfolio. They monitor thirteen "risk points: Seven are derived from objective categories using audited financial statements, while six are derived from subjective categories using PMRs (Project Management Reviews) and FMRs (Financial Management Reviews)."<sup>39</sup>

Functionally, CDC evaluation of its property management activities is part of the regular reporting between staff members and their supervisor and ultimately to the board. At the same time, lenders, regulators, and operating subsidy providers make their own evaluations of the management activities.

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<sup>39</sup> Keene, David L. IBID

Evaluation and control directly relate to the goals set in strategy formulation and the operations carried out in implementation. In the words of one property manager,

“The firm’s accounting system, with its measure of financial and managerial performance, is part of the overall measurement system. The measurement system also includes non-financial measures of performance such as market share and vacancy rates.

Measurement also plays another role within control systems. The very act of measuring something has an effect on the actions of people. They tend to pay more attention to aspects of a job that are measured...

Reporting also is an important part of an organizational control system. A variety of reports, ranging from the financial statements to cost reports and performance reports, provides information about the results of operations to management and owners.”

(Carlson 1987)

Thus, once the organization’s goals have been set and are being implemented, the strategy is evaluated in terms of the data collected through measurement and reporting of its operations. Based on its evaluation, the organization may adjust its operations to improve its performance. If changes in operations are not sufficient, the organization can reward or provide other motivations for staff to implement its strategy.

## CHAPTER 5: TWO CASE STUDIES:

### Case Study I: **Inquilinos Baricuas en Accion (IBA) and the Emergency Tenant's Council (ETC)**

"No nos moveran / We shall not be moved."  
- Villa Victoria Resident Handbook.

#### **Historic Background and Environment.**

IBA's roots can be traced back to a 1967 urban renewal proposal by the Boston Redevelopment Agency (BRA). The proposal would have leveled 15 acres of Boston's South End neighborhood referred to by BRA officials as "parcel 19." It would also have displaced 1,000 primarily Puerto Rican families who lived in the area. The neighborhood organized to fight displacement by forming the Emergency Tenant's Council (ETC) to represent them.

"Under the leadership of Isreal Feliciano and with the help of other community groups, ETC then ... constructed their own community development plan for the parcel, enlisting the aid of architect John Sharratt and Greater Boston Community Development, Inc. After long months of work, ETC was designated the sole developer of parcel 19 and in 1969 began the work to build Villa Victoria."<sup>40</sup>

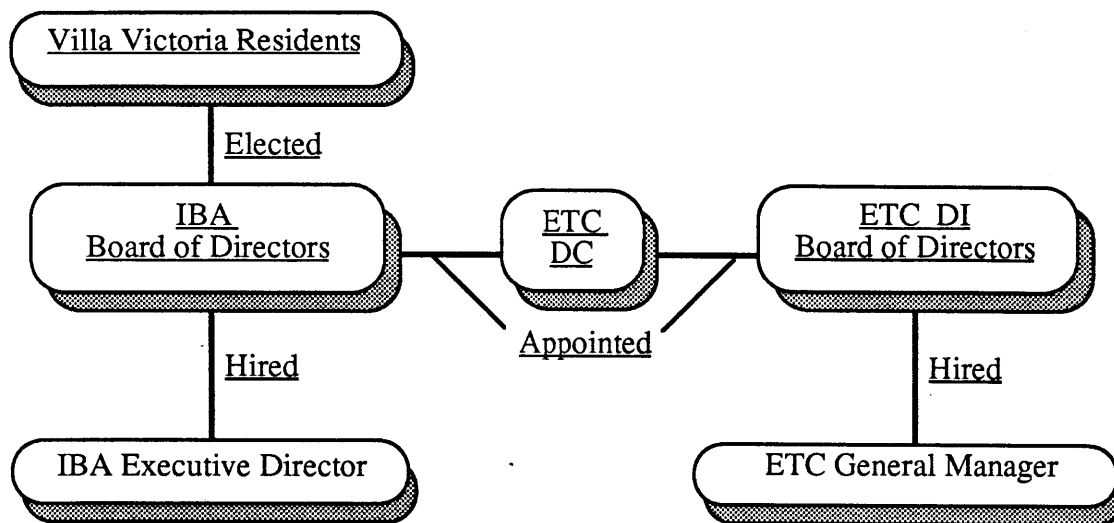
ETC Development Corporation (ETC DC) was a neighborhood controlled nonprofit development company. It negotiated with the BRA for development approvals and began to build Villa Victoria. Property management was provided by a not-for-profit subsidiary of ETC DC called ETC Development Incorporated (ETC DI). In 1974, ETC changed its name to Inquilinos Baricuas en Accion (IBA), or Puerto Rican Tenants in Action. As a nonprofit organization it addressed social, cultural, and other community development needs. When IBA was founded, ETCDC was converted into a subsidiary of IBA. ETCDI continued to manage the housing that it had built and, until 1982, ETC Development Corporation continued to build HUD subsidized rental housing. IBA concentrated its own development efforts on commercial development, such as the recently completed (1986) Jorge Hernandez Cultural Center, an office building for IBA's social service activities, parks, and child care facilities. Roger Herzog also noted that IBA had master

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<sup>40</sup> Emergency Tenants Council Developers Inc. Management "Villa Victoria Resident's Handbook"

leased space from ETC's Victoria Associates and Viviendas Associates projects to develop into commercial uses. The Viviendas Associates project included a laundromat, the Escuelita Agueybana day care center, and a credit union. A post office, grocery store, and restaurant were located in the Victoria Associates project. The only buildings held directly by IBA were the approximately 5,000 square foot six story office building where its Community Development, Social Services and administrative offices were located, and the approximately 6,000 square foot former church in which the Jorge Hernandez Cultural Center was located.

**SUMMARY OF IBA CORPORATE STRUCTURE**



**Figure #4**

By 1990, IBA, through ETC, had developed 857 units of housing for 3,000 low and moderate income residents and parcel 19 had been renamed Villa Victoria. Their housing developments included renovated turn-of-the-century brownstones, brightly colored stucco town houses with gardens, and a 19-story tower for the elderly.

All residents were encouraged to become members of IBA which entitled them to vote in Board elections and participate in IBA programs. IBA was divided into three program areas. The first, a Community Development Department was responsible for planning issues, economic development and for the development of new capital projects. In 1990, IBA had begun its first home ownership development, Taino Tower, and development of a second child care center was being planned along with additional facilities to compliment the cultural center.

A second IBA department, its largest in terms of staff, was Social Services.

"The goal of resident services is to help residents learn how to solve problems in a greater environment (Boston) that is often unfamiliar and many times hostile. IBA Social Services provides a comprehensive information and referral services to residents as well as escorting and translating services. Where possible, the Social Services staff will do crisis intervention and counseling work on an appointment basis."<sup>41</sup>

"The youth of Villa Victoria are an agency priority."<sup>42</sup> IBA youth programs included: youth counselling and the creation of a job clearinghouse; after-school tutoring, educational and recreational workshops; organized sports; and drug abuse prevention programs. A variety of services for the elderly were also available.

IBA's third department was based in their nationally recognized Jorge Hernandez Cultural Center. The department ran after school programs, classes, a cable television station (Canal 6 WIBA), and performance series. In 1977, IBA founded the Escuelita Agueybana day care center. Now independent, the day care center had been the only bilingual day care center in Boston. Clara Garcia, Executive Director of IBA, noted that "anybody can create housing, but you have to provide the support services to the people. The social piece is vital if something like Villa Victoria is going to work. It has helped to bring the community together."<sup>43</sup>

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41 Ibid

42 Ibid

43 Diego Ribadeneira, "Hispanics Celebrate 20 Years: Villa Victoria Benefit Marks Housing Achievement." The Boston Globe, Metro/Region section September 29, 1988.



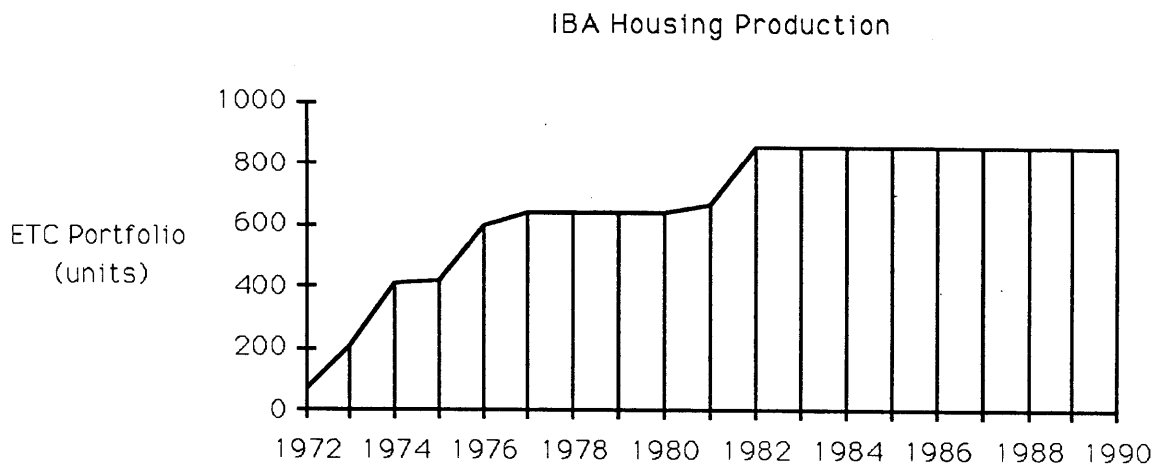
ETC continued to act as a property management company. In fact, IBA did not directly own any rental housing. "IBA's housing" was actually owned by its subsidiary, ETC. ETC was the general partner for all 4 of the partnerships that they managed. These projects were financed through tax syndication. ETC DI acted as the general managing partner and worked with GBCD (now known as The Community Builders) to assemble investment from limited partners who took advantage of the available tax benefits. As general partner, ETC had a fiduciary responsibility to the limited partners to protect their interest in the project.

By 1990, the ETC rental housing portfolio consisted of:

<u>Partnerships</u>		<u># of Units</u>	<u>% of Portfolio</u>
ETC and Associates	1972	71	8%
Viviendas Associates	1976	181	21%
Casa Borinquen Associates	1977	36	4%
Victoria Associates	1982	190	22%
<b>Sub Total</b>		<b>478</b>	<b>56%</b>
<u>BHA Turn-Key Developments</u>			
West Newton Street	1973	136	16%
Torre Unidad	1974	201	23%
Rutland and East Springfield	1975	14	2%
<b>Sub Total</b>		<b>351</b>	<b>41%</b>
<u>Other ETC Owned Property</u>			
South End Apartments	1981	28	3%
<b>Total Portfolio</b>		<b>857</b>	<b>100%</b>

Villa Victoria was made up of seven housing projects built between 1972 and 1982. Four of the projects with 478 units, or 57% of the ETC portfolio, were syndicated partnerships with HUD mortgage insurance and Section 8 operating subsidies. Two developments were built by ETC for the Boston Housing Authority (BHA) under the HUD turn-key public housing program. The BHA owned housing totaled 351 units in two projects. These two projects represented 40% of the ETC portfolio. Although the BHA projects were managed by ETC, BHA controlled all tenant selection.

The South End Apartments were the only buildings in the portfolio that were not located in the original 15 acres area of parcel 19. ETC general manager Phil Bradley, had been approached by the building owner to manage this privately owned HUD subsidized rental housing. Soon after it began managing the property, the owner defaulted on his HUD loans. HUD repossessed the housing and offered ETC the opportunity to buy it. ETC offered the Residents of the building an opportunity to purchase it as a cooperative, and when the residents decided not to purchase the building, ETC bought it.



**Figure #5**

In the eight years since the completion of ETC's last project, Victoria Associates, its role has been to manage its HUD subsidized rental housing and to work with the BHA to manage its turnkey housing.

In 1982, during the initial rental of the Victoria Associates project, a group of potential residents worked with the Massachusetts Commission Against Discrimination (MCAD) to end what they viewed as discriminatory rental practices. The resulting agreement between HUD, ETC, and MCAD was an affirmative action goal of "75% WHO (White, Hispanic and Other), 20% Black, and 5% Asian." In the agreement put together by IBA's Executive Director, Jorge Hernandez, all of the 478 units in ETC's four partnerships used this goal as a guideline for tenant selection. Richard Thal noted that the composition of the neighborhood had changed over the years to include new Spanish speaking immigrants from other parts of South America and the Caribbean.

The most recent IBA project, Taino Tower, was a 27 unit mixed income condominium with 3,500 square feet of ground floor retail space that was under construction. ETC was not directly involved in this project. The project was being developed by IBA's Community Development department.<sup>44</sup> Community Development Director, Roger Herzog, noted, however, that there had been coordination between the two entities. In one instance, a right of way was required over ETC property to reach the Taino garage. IBA proposed that the right of way be traded for landscaping improvements to either side of the right of way. This was accepted by the ETC Board. In another instance, IBA negotiated with ETC over treatment of a window on a common wall between the two buildings that would be blocked by Taino. Again agreement was reached. Since this project was to be sold to private individuals, it is not included in the chart of ETC's rental portfolio above and ETC was not selected to be the property manager in the projects initial year.

Further housing development activity in the area is difficult because, as one observer put it,

"When it ventures outside of Villa Victoria, it does so in a neighborhood with little vacant land, very high prices and a history of deep ambivalence about low-income housing and the poor."<sup>45</sup>

### Strategy Formulation

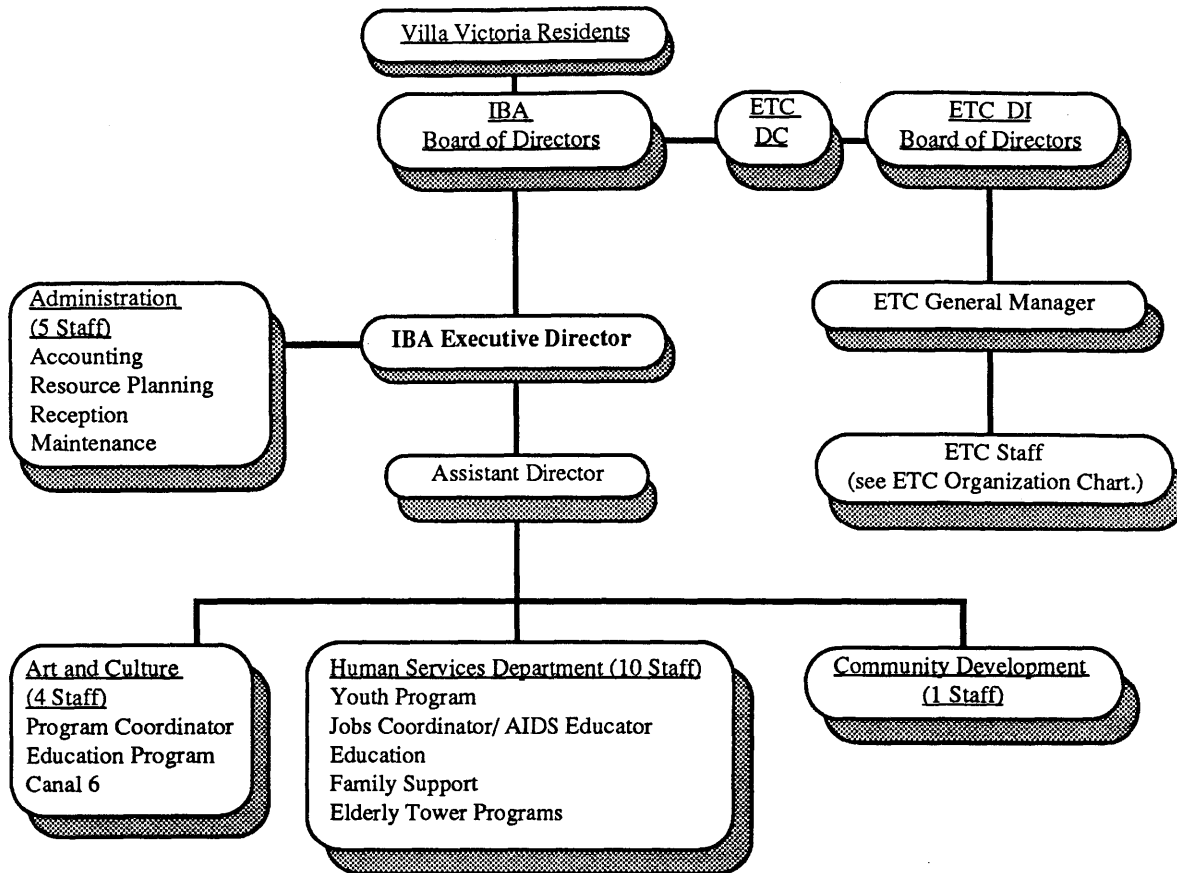
Ever since their fight against displacement by the urban renewal program, resident participation had been an important goal of ETC and IBA. This participation continued in the form of IBA board elections. IBA board members were elected for one year terms on a district basis and for one to three year terms at large. Any member of the neighborhood who was over 18 years of age could join IBA and vote. In 1990, there were 14 IBA board members, all of whom either lived or worked in Villa Victoria.

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<sup>44</sup> For more detailed information about ETC and IBA's housing developments, refer to Appendix #IV.

<sup>45</sup> Clay, Phillip L. An evaluation of the Boston Neighborhood Support Collaborative, unpublished draft: MIT Department of Urban Studies and Planning April, 1990, page 19

## IBA Organizational Chart



**Figure #6**

When the ETC board members decided to form IBA as a nonprofit CDC, they set it up as a parent corporation for ETCCDC. As a result IBA's board was responsible for appointing the ETC board. Technically, this was done in two steps:

- 1) The IBA board appointed members to the DC Board
- 2) The DC board appointed members to the DI board.

While ETC DI still acted as the general partner in all of their syndicated partnerships, IBA took on the development role of ETC and the DC board became symbolic. Functionally, the DC board members became the DI board members. The IBA Board had appointed 16 board members to the ETC Board. Six of these members were residents of ETC owned housing.

Separation of the two entities was designed, according to Thal, to assure the limited partnership investors that their interests would be protected by an

organization other than IBA. The concern was that, as the advocates for the community, IBA's interests could be different from those of the investors.

The general manager who operated the management company was hired by the ETCDI board of directors. Residents who broke laws and faced possible eviction often approached members of the IBA board to seek assistance. Since ETC was treated independently, IBA often pursued advocacy of the tenants rights and continued the tenant organizing role started by ETC in the 1960s. As a property manager, ETC's primary concern was to protect the interest of its property owners, the limited partners who had invested in the four partnerships and the BHA. As an IBA staff member put it, "It wouldn't be healthy for the IBA board to get involved in ETC."

Once the board had decided on a project, such as Taino, resident participation in the development process was assured through the creation of a project working committee. IBA's working committees were residents and board members who were recruited by the Board. The working committee for Taino was made up of 18 residents, 7 of whom were also Board members. Activities of the Taino Tower Working Committee included program development, team selection, design review and negotiation with the city. Resident participation in the development was insured by committee decisions that shaped the project.

Director of Community Development, Roger Herzog, noted that IBA's long term development interests were decided in the early 1980s in the form of the Villa Victoria redevelopment plan. With the development of Taino Tower and the completion of the additional facilities around the cultural center<sup>46</sup>, the original plan had been completed. As Herzog put it,

"Taino tower is the last major site in Villa Victoria. With its completion, people were saying, 'is IBA going to be able to continue to do more projects?' This is a decision that our board has to decide."

This decision was being forced by new possibilities. IBA had recently learned of a city owned property that was next door to one of its existing buildings.

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<sup>46</sup> Additional facilities planned included a new child care center, artist's studios, and a variety of community center activities.

The staff saw the building as an ideal location for a special needs housing project for mentally disabled people. Herzog noted that the staff felt that a collaboration could be forged between IBA's support program for the mentally handicapped and other organizations that provided health and human services. Using federal McKinney Act funds, IBA would set-up a collaboration between several organizations that provided support for the special needs of people in their new project.

According to Herzog, the IBA Board had not yet been convinced that the project was appropriate for IBA or that IBA could work with the potential partners in the project. In addition to this project, he described several other development opportunities that were outside of the original Villa Victoria plan. Here too, the board had not yet agreed on an appropriate role, if any, for IBA. At issue was whether IBA should work outside of the Villa Victoria neighborhood or should concentrate on maintaining what it has. Herzog pointed out that, until this decision was made, the only remaining development opportunities in the 15 acres of the Villa were the Taino Tower development that was under construction and additional portions of the cultural center. Once these were done, the primary development opportunity would be preservation of what they had already built.

Social Services worked with residents to form tenants' associations in ETC buildings and with ETC to modify procedures to accommodate participation. At the same time, Community Development staff worked on preservation strategies<sup>47</sup> with residents in buildings that faced expiration of subsidies. All four of IBA's partnerships, representing 478 units, were "eligible for prepayment" between 1992 and 2002. This meant that the limited partners could elect to prepay their federally subsidized loans and convert the buildings to market rate apartments. This was known as "expiring use" since the restrictions on rent expired upon payment. Thal and Herzog both said that IBA staff were working closely with ETC staff to investigate the possibility of the residents obtaining subsidies to buy the 71 unit ETC and Associates property before 1992 to form a limited equity cooperative.

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47 A preservation strategy seeks to preserve the affordability of housing whose operating subsidies were due to expire. This is primarily a problem with projects subsidized under the HUD Section 236 and 221d 3 programs.

### Developments with Expiring Use Prepayment Options

<u>Partnerships</u>		<u># of Units</u>	<u>% of Portfolio</u>	<u>Expiration Date</u>
ETC and Associates	1972	71	8%	1992
Viviendas Associates	1976	181	21%	1996
Casa Borinquen Associates	1977	36	4%	1997
Victoria Associates	1982	190	22%	2002
<b>Sub Total</b>		<b>478</b>	<b>56%</b>	

Looking beyond day to day management, ETC was concerned about protecting the interests of its limited partners. State tax administrators had made efforts to reinterpret tax codes that effect ETC properties. The general Manager noted that ETC had responded by working with the limited partners to fight these changes.

### **Strategy Implementation**

Administration of operating subsidies, rent collection and tenant selection were the responsibility of ETC's Site Manager Supervisor. "The Site Manager Supervisor is responsible for the day-to-day management of ... assigned properties and daily supervision of all other Site Manager(s). The Site Manager Supervisor reports to and works under the supervision of the General Manager."<sup>48</sup> To carry out these tasks, the ETC portfolio was divided into BHA owned properties and other ETC properties. The BHA Site manager had a part time assistant and two Residents Superintendents to assist with the 351 units in three developments. Three other Site Managers were responsible for the remaining 506 units ETC's other five developments.

For the most part, the responsibilities of the two Site Managers were the same. Among the 23 items included in the "Responsibilities and Duties" listed in their job descriptions, they both "develop short and long range goals," "annual recertification of tenants," "conduct private conferences with tenants," "Prepare weekly and monthly vacancy, affirmative action, rent collection. and arrearage reports," and collect rent. One difference was that tenant selection for BRA properties was done by the BHA.

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<sup>48</sup> Site Manager Supervisor Job Description from ETC Operating and Procedures Handbook.

“BHA has their own tenant selection and transfer policy. Whenever there is a vacancy in BHA property, the site manager gets in contact with The Tenant Selection Department at BHA so applicants can be submitted to ETC for credit and reference check.”<sup>49</sup>

According to their job descriptions, another difference between the BHA Site Manager and the Site Manager of other ETC property was that the BHA Site manager was responsible for supervision of the two Resident Superintendents for the BHA projects.

Resident Superintendents, are “responsible for the day-to-day maintenance operation and supervision of ... assigned properties.”<sup>50</sup>. In addition to the two BHA Superintendents, there were three Resident Superintendents for the rest of the ETC portfolio. The ETC Operating and Procedures Handbook indicated that these three reported to the Maintenance Supervisor. One of the three was assigned to the 28 apartments in ETC’s South End Apartments development. The other two split the remaining 478 units in four developments, with each responsible for two of the four projects. In addition to supervising the work of the three superintendents for ETC’s property, the Maintenance Supervisor was responsible for working with the Site Managers to coordinate tenant repairs and major repairs.

Both Thal and ETC General Manager Pedro Mendez noted that changes in the regulations for HUD subsidy programs had a major effect on ETC’s housing. When Villa Victoria was originally built, rents for many of the units were subsidized with 20 year apartment based Section 8 subsidies. When a resident moved, the HUD contract allowed the rent subsidy to continue for a number of weeks after the resident’s departure. According to Mendez, this gave ETC time to find replacement tenants and it reduced the cost of vacancies during turnovers. Vacancy subsidies were reduced during the Reagan and Bush administrations and by 1990 there were no vacancy cushions. A similar problem was experienced with units which were managed under contract with the Boston Housing Authority. Mendez noted that Boston Housing Authority cuts in operating budgets made it increasingly difficult to maintain a positive cash flow. He also noted that BHA apartments had

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<sup>49</sup> Boston Housing Authority Tenant Selection from ETC Operating and Procedures Handbook.

<sup>50</sup> Resident Superintendent Job Description from ETC Operating and Procedures Handbook.



higher turnover and vacancy rates and were more expensive to repair after tenant moved out. In his words, "we don't get the money necessary to keep up the property."

According to the ETC Operating and Procedures Handbook, budgeting and record keeping were the responsibility of the Controller. Under the Controller's supervision, the bookkeeper maintained the general ledger, purchase order system, rent book, and payroll. Working with the Site Manager Supervisor, Maintenance Supervisor and General Manager, the Controller prepared reports required by property owners and by the General Manager. Budgets for each project were presented by the General Manager to the ETC Board of Directors who either approved or modified them.

Thal noted that resident issues, such as concerns about drugs, security, social equity and other social concerns were often addressed by IBA's Social Services staff. The two organizations also worked together to address social service concerns. Residents with a variety of social problems were routinely referred to IBA's social services department for assistance. ETC provided copies of 14 day notices (the initial notice given in an eviction process) to IBA social service workers, and IBA was often notified when ETC scheduled a meeting with a tenant to discuss problems.

Crime, in the past few years, was a growing concern in the neighborhood. ETC and IBA both encouraged the formation of Crime Watch groups. Richard Thal noted, however, that this was also a problem throughout the city and that, without the strong existing social ties within the community, the problems would be worse. "The old timers all say that it's worse now than it used to be, but the problems are not nearly as bad as other neighborhoods'."

These social ties continued to be strengthened by an ongoing array of cultural and support programs sponsored by IBA. The June 1990 issue of the IBA newsletter, for example, included information about an array of issues and programs. Among them were IBA's Areyto In-School Cultural Awareness Program, designed to address issues of racism; Together We Stand, a support program for

Spanish speaking families with mentally ill relatives; a Hispanic Drop-Out Prevention Plan; Crime Watch; National Endowment for the Arts (NEA) funding for the Cultural Center Endowment (\$75,000 plus \$100,000 in matching funds); AIDS Prevention for Youth; IBA's Elderly Program; an outdoor festival; and announcements for a variety of events to be held at the cultural center.

Thal said that increased community organizing by the social services department provided a tool to address problems of drugs and security that were an increasing problem in the neighborhood. Organizing took several forms. IBA worked with residents in several of the large buildings to organize tenants organizations. According to Thal, the primary concerns of these resident organizations were issues related to drugs, security and building maintenance. Another organizing technique was an annual IBA outreach day. On this day, the staff went door to door throughout Villa Victoria to visit residents, talked about IBA's services, and encouraged new residents to join IBA as members. Herzog estimated IBA membership at over 400.

On occasion there has been friction between IBA and ETC staff. In one case, a legal aid attorney who was working with IBA was described by an IBA staff member as "possibly overzealous" in an effort to "go after ETC" for what the person thought were "maintenance and repair problems that plague one of ETC's buildings." According to ETC General Manager, "One (of the evictions) was dealing drugs and the other one was nonpayment of rent." But he noted that "after that, it was mutually decided that notices of up coming private conferences with tenants were (to be) sent to IBA."

There were no formal arrangements for transferring funds from ETC to IBA. The ETC general manager noted that retained earnings and management fees that were not used for operating expenses had been set aside for reinvestment in the buildings. Over the years, ETC had been able to accumulate a surplus from the retained earnings of its four partnerships and management fees. These funds were controlled by the ETC board.

IBA had periodically negotiated for short term loans of the money. For example, IBA borrowed funds for soil tests and other soft costs for Taino Tower. The loan acted as gap financing to allow work to continue until the construction loan became available. In another instance, IBA used ETC retained earnings as a loan guarantee for the Jorge Hernandez Cultural Center. In both cases, the Executive Director of IBA negotiated with the ETC General Manager and the ETCDC board to obtain access to ETC funds.

Last year, MHFA required that ETC conduct a capital needs assessment for its Casa Borinquen Associates project. At the same time, IBA and ETC were assessing their options for purchase of units in the ETC and Associates buildings whose subsidies would soon expire. At this point, Mendez said that the Board decided to assess capital needs for all buildings managed by ETC. The assessment, prepared by On Site Insight, detailed all anticipated replacement reserve needs required over the next 20 years to maintain the buildings and to modernize older buildings.

### **Strategy Evaluation**

ETC operations were reported to the ETC DI board on a monthly basis. The ETC board reviewed financial operations and heard reports from the general manager. Problems and concerns reached the board via several routes. Since many of the board members lived in the property, they heard and experienced problems directly. As appointees of the IBA board, they sometimes heard directly from IBA Board members. If concerns could not be addressed directly to ETC staff, residents would often go to IBA Social Service staff members and the issue would be discussed between the IBA director and the ETC general manager. In some cases, they requested the help of other agencies. In the MCAD case, for example, prospective tenants of an ETC project approached MCAD, a state agency, rather than ask for IBA's help.

In one case, Casa Borinquen Associates, MHFA reviewed the property and conducted an annual risk analysis according to the 13 risk analysis factors described in chapter 4.

Although the properties managed by ETC required regular reports to funding agencies and the limited partners who owned them for tax purposes, staff members in both organizations agreed that there had not been a consistent reporting mechanism between ETC and IBA. The IBA Executive Director and the ETC General Manager had generally been in contact with one another, and in 1990 they began to meet on a regular basis.

Case Study II  
**Urban Edge and The Community Builders (TCB)**

“We are not out to prove that we could do it for less,  
but we want to do more.”

- Mossik Hacobian,  
Executive Director of Urban Edge.

**History and Environment**

Urban Edge started in 1974 with programs in home ownership counseling and the rehabilitation and sale of one to three unit houses to first time home buyers. By 1980, Urban Edge had renovated and sold 30 units in 20 buildings in Boston's Jamaica Plain neighborhood.

Hacobian noted that, “a lot of the houses and home buyers that we dealt with needed more help.” To provide this help, Urban Edge used city and federal funds to start the Vacant House Program. Urban Edge purchased vacant houses, renovated them and sold them to first time home buyers.

By the late 1970s, gentrification, the displacement of low income renters by high income “gentry,” was recognized as a neighborhood problem. Urban Edge board members and staff responded with a strategic decision to minimize displacement through acquisition and construction of low income affordable housing. The opportunity to do this came at about the same time that HUD began selling privately built subsidized rental housing that were in default. According to the 1990 Urban Edge Business Plan's history chapter, “The strategy was to secure control of as many affordable units of housing as possible before market conditions placed them all out of reach of the community.”

Throughout the 1980s, Urban Edge acquired housing in Jamaica Plain, Roxbury, and Dorchester. From the time that they began to purchase rental housing, they planned to set up their own management company. According to Hacobian, “We saw property management as a step towards resident control.” Empowerment through giving people more control over their lives was a primary goal of the organization.

For the first few years, Urban Edge continued to work with the same property management company that had managed the buildings for HUD. Hacobian noted that, "They appeared to be doing a decent job," and Urban Edge was not ready to start doing its own property management. Urban Edge had calculated that they would need 200 units in order to support their own property management company. In retaining the previous manager, they agreed that Urban Edge would take over management when the portfolio was large enough to support an in house management company. At that time, it was agreed that all staff with the existing company that worked with the Urban Edge portfolio would be offered the opportunity to work for the new Urban Edge Property Management company.

In 1983, when Urban Edge established this new company, it had a portfolio of 175 units, including 148 which were acquired from HUD. Most of the portfolio, however, was purchased in "As Is condition" with existing tenants. By 1985, when the portfolio had grown to 307 units, 184 or 60% required substantial renovations and another 63 units or 21% require moderate rehabilitation. According to Hacobian, the costs of managing this portfolio combined with the operating costs of the organization's construction subsidiary and other ongoing operations created serious financial problems.

In 1985, a consultant was hired to assess their activities. The problems grew worse and in 1986, based on the first consultant's recommendations, a second consultant, then known as Greater Boston Community Development, was asked to assist with implementation of the first consultant's recommendations. Since 1986, Urban Edge has worked with The Community Builders (formerly GBCD) to restructure the property management company. Urban Edge transferred all of its property management responsibilities to The Community Builders' property management company. At the same time, Urban Edge also closed down its construction company and restructured itself to reduce its cash flow problems. According to Mossik Hacobian, "We took too many risks without enough money."

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### Summary of Urban Edge Portfolio

	<u>Acquired</u>	<u>Rehab. Completed</u>	<u>Units</u>	<u>% of Portfolio</u>
Bancroft Street Apartments	1981	1991*	45	9%
Jamaica Plain Apartments	1982	1991*	103	22%
Montebello Road Cooperative	1983	1988	7	1%
Self Help Apartments	1983	1984*	27	6%
Dimock Bragdon Apartments	1984	1984	54	11%
Cleaves Court	1985	1985*	36	8%
21-23 Dixwell Street	1985	1988	6	1%
U. E. Limited Partnership	1987	1987	82	17%
Walnut/Washington (BHP II)	1988	1990	65	14%
182 Washington Street	1989	1991	3	1%
Chestnut-Lamartine	n/a	1992	50	10%

Total Portfolio	478	100%
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\* These buildings may still require moderate renovation in 1992 if financing is not available. Financing for all of the required renovation was being pursued.

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In his description of the neighborhood environment, Phillip Clay noted that,

"Urban Edge operates in a variety of settings in the multicultural Jamaica Plain area that still has plenty of development sites. Hardly any of the sites is easy, uncontested or affordable without public intervention."<sup>51</sup>

In fact, several of the projects were small scattered site developments that were spread between the neighborhoods of Dorchester, Jamaica Plain, and Roxbury.

These problems were not unfamiliar to Judy Weber. She was hired to be TCB's Director of Property Management in June 1988 with 18 years of experience in management and administration of low and moderate income housing. When she started, TCB had a portfolio of 2,015 rental units in 35 developments. At that time Urban Edge property was a little less than 19% of their portfolio. By January 1990, the TCB portfolio had increased to 41 properties consisting of 3000 units in Massachusetts and Rhode Island. TCB originally created its property management department to satisfy funding sources which required an acceptable property manager during the term of their mortgage. Although the department was not

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<sup>51</sup> Clay, Phillip L. Ibid, page 19

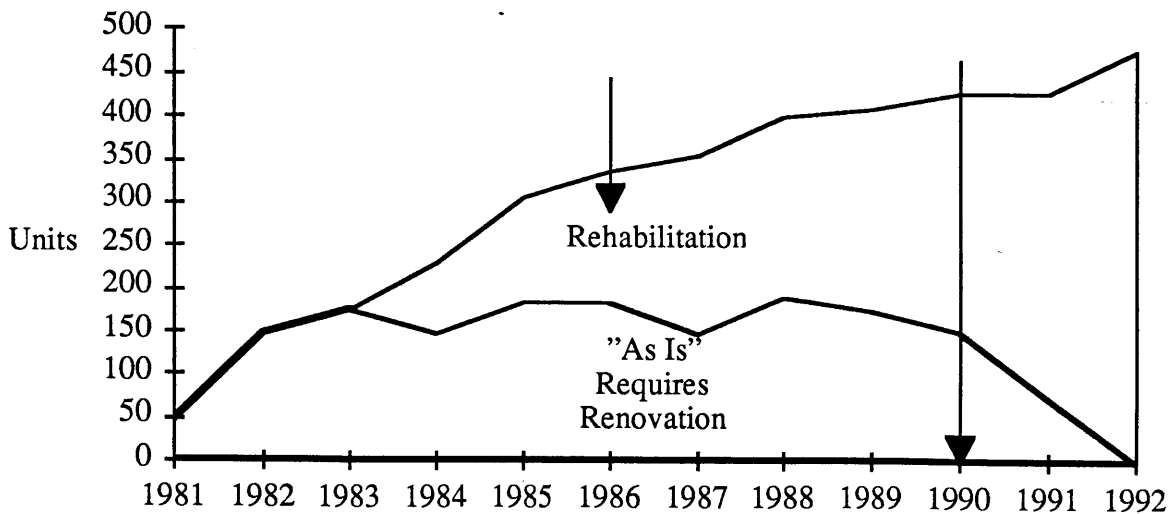
always self-supporting, Weber felt that it could break even with changes in operating systems.

Weber also hoped to begin work with the TCB housing development staff at an earlier stage to influence design. Without this coordination, she believed that, "many projects came through with insufficient operating budgets... others were not designed for efficient maintenance and security."

Many of the TCB employees and clients felt property management had come a long way under Weber's guidance. As the director of one of TCB's CDC clients stated, "I give them an 'A' for property management...it's a very tough business."

Throughout the four years that TCB managed Urban Edge's property, the two organizations worked together to improve operations. Hacobian noted that property management systems, reporting, staff motivation, and operating subsidy payments were all improved. At the same time, Urban Edge continued to acquire more property and to grow.

**Housing Units Owned by Urban Edge**



From UEPM Business Plan .

**Figure #7**



Urban Edge was structured like a corporation with a Board of Directors and an Executive Director who were responsible for three<sup>52</sup> nonprofit corporate entities. The first of its entities, Urban Edge Housing Corporation, was the parent corporation that owned and supervised the six general partnerships and three trusts that owned its property.<sup>53</sup> A second nonprofit entity, Urban Edge Construction, was currently out of business, but a strategy for bringing it back was in the planning stages.

According to their business plan, the third entity, Urban Edge Real Estate of Greater Boston (UERE) was the one that “carried out brokering, property management, and other fee service activities. Current plans are for Urban Edge Property Management(UEPM) to be a division of UERE.” They were also investigating the possibility of UEPM “operating as a department of Urban Edge Housing Corporation.”

### **Strategy Formulation**

The mission, objectives and policies of each of these entities were developed by a committee of the Urban Edge Housing Corporation Board. According to the business plan,

“Urban Edge Property Management will be clearly separate from UEHC operationally and in terms of funding and liability. Historically, separate Urban Edge Corporations have operated harmoniously by sharing senior staff and the membership of the Board of Directors.

According to Hacobian, they had decided very early on that it was important to structure themselves so that there would not be tension between the three entities. To accomplish this, strategy formulation for all three of the entities was finalized by the Board of Directors. In the past, more detailed policy decisions were made by an Executive Committee. With the planned restarting of the property management and construction companies, there was discussion of establishing a

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<sup>52</sup> A fourth entity, Urban Edge Charitable and Educational Fund was formed before the other three were approved as 501 (c) 3 tax exempt organizations. Its purpose had been to carry out projects that required donations. Currently, it was in active.

<sup>53</sup> See Appendix # IV

separate Executive Committee for each of the three corporate entities to act as advocates to the Board for each of the companies.

When Urban Edge faced financial problems in the mid 1980s, the Board established an Audit Committee. To expand the ability of this committee, community members and professionals in related fields were also asked to serve on them. With the success of this committee, four additional committees were added to address property management, development, membership, and legislation. The committees reported to the Board which, according to Hacobian, generally followed their advice.

According to their Property Management Business Plan,

“Urban Edge’s Property Management Committee monitors the property management operation and advises the Board of Directors. The 14 member committee includes six tenants (two of whom are Board members), two additional Board members, and six others who are interested community residents and/or bring professional expertise to the committee.”

“The role of this committee may be modified so that it serves as the Executive Committee of the Urban Edge Property Management (or UERE) Board of Directors. During the new company’s first 6 months, The Community Builders would be an advisory member to the committee.”

In the early 1980s, before TCB was asked to take over, the mission of Urban Edge Property Management was to:

- 1) “Provide good quality management services;
- 2) “Maximize resident participation in and control of the management of their developments;
- 3) “Increase opportunities for local and minority residents in the field of property management. (In 1983-85, Urban Edge, working with Oficina Hispana, conducted training programs for Hispanic candidates in several fields including property management.)

When Urban Edge turned over its property management to TCB, it did so with the intention of restarting the company after two years. Judy Weber worked with Urban Edge to refine their business plan and by July 1990, the process of restarting the company had begun. Urban Edge set several criteria for re-establishing their property management company. Among them:

- 1) "Stabilized operations of the multi-family developments under GBCD management. Two years of positive cash flow was proposed as one indicator of stable operations.
- 2) "Availability of adequate seed or working capital for the property management operation.
- 3) "Availability of qualified staff including a director of property management.
- 4) "Approval of UEPM by agencies with jurisdiction such as MHFA, HUD, Boston Housing Partnership.<sup>54</sup>

Over a four year period, Urban Edge and the Community Builders had worked together in "a very cooperative working relationship" to fulfill these criteria. Together, Judy Weber, of TCB, and Mossik Hacobian had interviewed applicants for the director of property management position and planned to complete a final review of their business plan to restart the property management company in 1990. Although the Property Management company was about to be reborn, both organizations agreed that TCB would provide a well defined property management consulting role for UEPM.

According to one observer:

"Everyone we interviewed agrees that the 'near death' experience was helpful for Urban Edge and should be instructive to other CDCs. Several of those with whom we spoke were emphatic in stressing the organization's deep and broad roots in the community and the long experience and high regard for the progress the organization had made for the community. Those sentiments were both critical in bringing out the support to rescue the organization and facilitating the financial commitments that the organization received from a variety of agency and foundation sources."<sup>55</sup>

The UEPM Business Plan was created as a team effort between Urban Edge staff, Property Management Committee Members, and Judy Weber who acted as a consultant to Urban Edge. Draft copies of the plan had been widely circulated to professionals in the field for comment.

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<sup>54</sup> See Appendix III, Descriptions of Selected Boston Housing Organizations.

<sup>55</sup> Clay, Phillip L. An evaluation of the Boston Neighborhood Support Collaborative, unpublished draft: MIT Department of Urban Studies and Planning April, 1990.

A new mission statement for the organization had been proposed in the Business Plan. The statement, which was labeled, "Mission Statement/Goals," stated that the organization's mission "in its first several years of re-activation," was:

- A. "To establish a high quality and cost effective property management operation, with a strong focus on attracting, maintaining and promoting qualified staff at all levels. An integral element of the operation will be the recognition that residents of Urban Edge developments are valued clients who deserve services in a timely manner and of the highest quality possible.
- B. "To develop a positive working relationship with administering agencies in order to build confidence in the quality of management, and to minimize cash flow and regulatory obstacles to an effective operation.
- C. "To institute state of the art financial and management systems which allow for an efficient operation, and which provide effective reporting and monitoring tools.
- D. "To plan for, and begin to institute, systems which encourage resident participation in management and its monitoring.
- E. "To provide employment and training opportunities in the field of property management for local and minority residents. Salary scales, benefits, and working conditions will be designed to attract and maintain dedicated, skilled and hard working staff members who will consider working at Urban Edge as an excellent career opportunity."

The business plan had been a joint effort by Hacobian and Weber over a six to eight month period. Their efforts were not only reviewed by the Executive Committee, which would ultimately finalize a draft to be recommended to the full Board, but by professionals throughout the Boston area, including key staff members in agencies such as MHFA, HUD, BHP, and PFD<sup>56</sup> who administrate the Urban Edge portfolio.

### **STRATEGY IMPLEMENTATION.**

Under their agreement with TCB, administration of operating subsidies, rent collection and tenant selection were the responsibility of TCB's management company. However, the staff who carried out this work were, with a few

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<sup>56</sup> See Appendix III, Descriptions of Selected Boston Housing Organizations.

exceptions, the same individuals who had worked for the original Urban Edge Property Management company. These individuals became TCB employees in 1986 with the understanding that if UEPM was reborn, they would be hired by the resurrected company. Weber noted, however, that only one of the original staff members from the original Urban Edge management company was still working with the Urban Edge portfolio at TCB.

During the four years that TCB had managed the portfolio, systems had been put in place to track and fulfill the reporting requirements for operating subsidiaries, loans and limited partnerships. In September 1988, The Community Builders reorganized its staff "to strengthen its site operations and develop the capacity to assume the management of increasingly complex properties within its portfolio."<sup>57</sup>

As part of this reorganization, TCB, "conducted weekly day long Property Manager classes for five months focusing on financial and accounting practices in the morning ... and operating procedures in the afternoon."<sup>58</sup> These classes have continued on a monthly basis. In addition to being a basis for creation of a TCB Operations Manual, these classes had other "benefits that went beyond the classroom." According to Weber these benefits included:<sup>59</sup>

"team building among Property Managers who work primarily at the site level,

"improved standardization in operations throughout the portfolio,"

"improved understanding of financial management."

To expand on these benefits, communication between staff was also encouraged. This encouragement came in the form of an internal TCB Property Management newsletter. Communication was also facilitated by several types of regular meetings.

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<sup>57</sup> Memorandum from Judy Weber to the Community Builders Board or Directors Regarding "Property Management Division's Report." January 12, 1990.

<sup>58</sup> Ibid.

<sup>59</sup> Ibid

In describing the portfolio, Weber noted that “they report to every funding source out there.” Urban Edge operating subsidies included state subsidies administered by Boston Housing Partnership (BHP), federal subsidies administered by Boston Housing Authority (BHA), MHFA renovation subsidies administered by Citizens Conservation Corporation (CCC), and low interest loans with reporting requirements to LISC, Boston Community Loan Fund (BCLF), Linkage funds of the Neighborhood Housing Trust, and a variety of banks. Weber noted that all of these sources had different reporting requirements.

Day to day administration of operating subsidies, rent collection and tenant selection tasks were carried out by three site managers whose work is coordinated by an Urban Edge property manager. The Property Manager and Director of Property management would work with the Finance Director to coordinate record keeping and the generation of reports.

### Proposed Urban Edge Property Management Organizational Structure

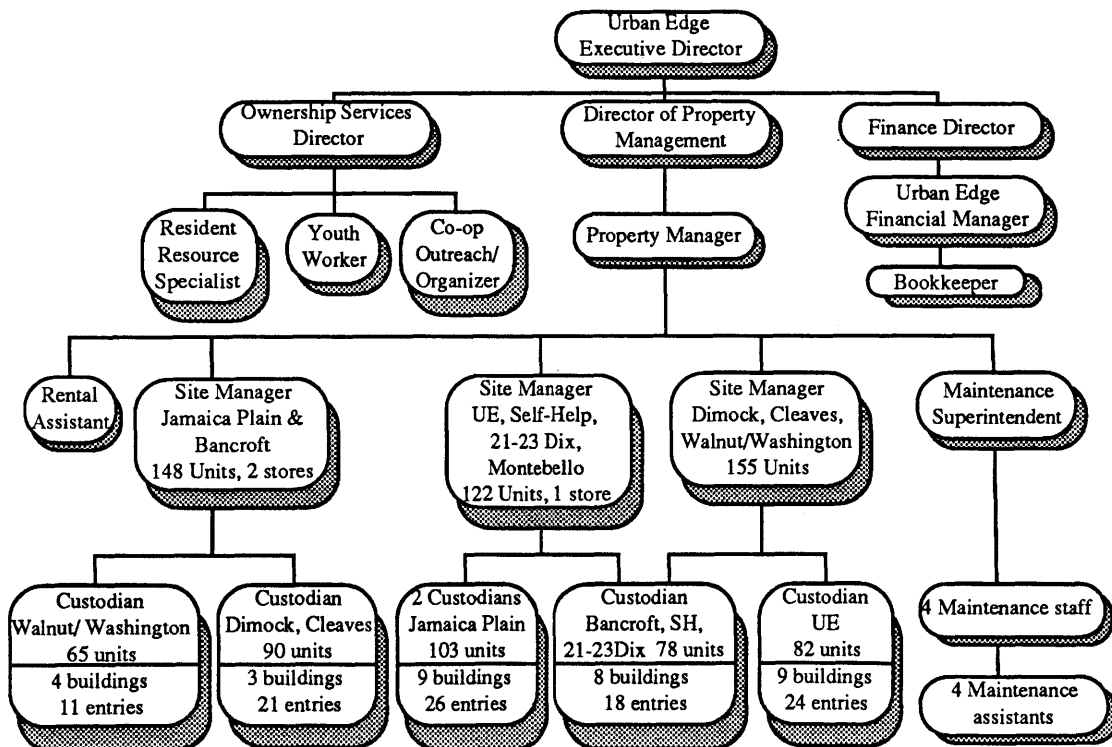


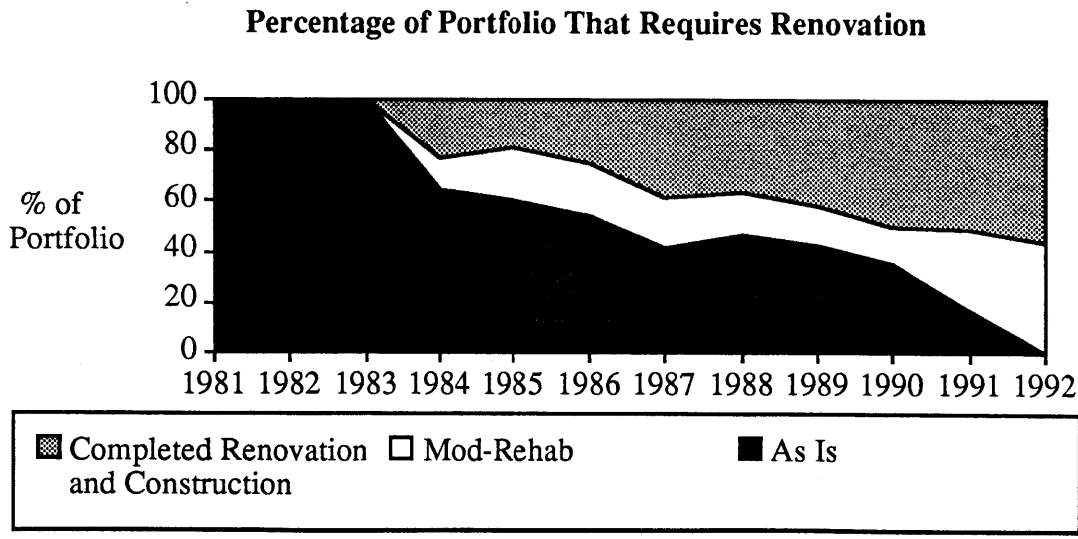
Figure #8

Budgeting and record keeping were currently the responsibility of TCB. Final review of budgets, however, was made by both Hacobian and Property Management Committee members, and final approval was made by the Board. Although they did not require board approval, reports to funding agencies, lenders and other regulators were prepared and reviewed in the same way.

Day-to-day maintenance and upkeep were handled by custodial staff while periodic maintenance and repairs were made by maintenance staff.

“The current structure has maintenance and custodial staff reporting to individual site managers and assigned to specific sites. In the proposed UEPM staffing structure maintenance staff will report to a maintenance supervisor. The custodial staff will continue to report to individual site managers.”<sup>60</sup>

Although much of the property had been in need of renovation at the time it was purchased, Urban Edge had continually worked to repair property in the portfolio. By 1990, 35% of their portfolio of 428 units were considered in need of significant rehabilitation while half the portfolio had been recently renovated. Figure #9 illustrates the change in the percentage of the portfolio in need of renovation over time.



**Figure #9**

<sup>60</sup> Urban Edge Property Management Business Plan. by Mossik Hacobian and Judy Weber DRAFT July 1990.

To assess its renovation needs and to project its replacement reserve requirements, Urban Edge hired an outside consultant, On-Site Insight, to determine capital improvement needs over the next 20 years. Two architectural firms were also working with Urban Edge to survey the renovation needs of four properties in the portfolio.

	<u>Acquired</u>	<u>Original Owner</u>	<u>Units</u>	<u>% of 1990 Portfolio</u>
Bancroft Street Apartments	1981	HUD	45	9%
Jamaica Plain Apartments	1982	HUD	103	22%
Self Help Apartments	1983	Private and City	27	6%
Cleaves Court	1985	Private and City	36	8%
<b>TOTALS</b>			211	45%

Mr Hacobian planned to test the ability of the revitalized Urban Edge Construction Company by using it to complete the capital improvements and major renovations still needed.

TCB's work had not been without problems. Weber noted that the geographic separation of the property made it difficult for Site Managers to know what was going on at their sites. Since it was out of the way for residents to go to the Urban Edge office, she noted that there were few opportunities for residents to see the manager unless they were coming in with a problem or a request.

The geography of the developments was also problematic. Since they were scattered site developments, individual buildings were often next to buildings owned by private individuals. Since the property management company had no control over how the neighbor's building was managed, Weber pointed out that, the Site Manager's time was occasionally taken-up by coping with problems created by the neighbor.

Resident participation was an important aspect of the business plan. The plan noted that there were resident associations "operating or in formative



stages”<sup>61</sup> in 121 or 28% of the 428 unit portfolio. There were “periodic meetings related to security and neighborhood issues”<sup>62</sup> in buildings that represented 165 or 39% of the portfolio.<sup>63</sup> Efforts were made to “identify in each building a Building Captain to report common area problems and other matters to management and serve as an important communication link between residents and management.”<sup>64</sup> Four Urban Edge tenants were board members and there were five tenants on other Urban Edge committees. Seventy-five residents were “confirmed as corporate members.”<sup>65</sup>

According to their Property Management Business Plan, Urban Edge always encouraged,

“resident participation and control of their own housing while anticipating the need to serve as the long-term owner of the housing. Resident participation helps to insure long-term stability of the developments and, by creating more direct community control of housing, helps to insure long-term affordability”

The Ownership Services department was established three years ago to address tenant’s social service needs. According to Hacobian, the department “really could be called tenant services.” When they started in 1988, he said that,

“We wanted to conduct a survey of tenants to find out how we were doing. To increase responses, we coupled the survey with a celebration. It started as a cook out where residents had to complete the form in order to attend. Two to three hundred people attended our first one... It’s become one of our two main annual events. Its very much a part of our strategy of creating a sense of community between residents.”<sup>66</sup>

See Appendix V for a copy of the 1988 survey results. A follow-up survey was conducted in 1990.

Long-term stability was also fostered through coordination between property managers and the Urban Edge Ownership Services department that

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61 Business Plan Ibid

62 Business Plan Ibid

63 The degree of member attendance was not discussed.

64 Business Plan Ibid

65 Business Plan Ibid

66 Excerpts from August 7, 1990 interview.

provided social services to residents. Both activities were located in the same building and the staff worked together to address social problems before an eviction was required. The director of the four member social service staff met monthly with the TCB staff to identify and resolve potential problems.

### **Strategy Evaluation**

Ever since the two organizations had begun working together, Urban Edge had worked with TCB to set up program evaluation methods for its property management activities. This ongoing evaluation had coincided with the introduction of new evaluation and staff coordination measures initiated by TCB.

Internally, TCB used several tools for evaluation of their property management services. One was the use of monthly staff meetings. Weber said that there were three types of meetings that were used for increased communication. In "team meetings," the TCB Assistant Director of Property Management (ADPM) met with all of the property managers, site managers and maintenance superintendents that worked with one of TCB's portfolios.

"Typically, all members of the portfolio meet together for 1 1/2 hours, then divide for 1 1/2 hours into manager and maintenance groups, then join together for lunch and a tour of the property. The meetings take place at a property in the team's portfolio and the ADPM establishes the topics for discussion. Sample topics have included maintenance staff sharing product information, having guest speakers on landscaping..., reviewing company benefits, reviewing operations... etc."<sup>67</sup>

"Manager's meetings" were attended by the Director of Property Management (Judy Weber), ADPM, Human Services Coordinator, and all Property Managers. Site Managers, and Assistant Managers for all four of TCB's portfolios. The manager's meetings were "held at a (TCB property) site and have involved topics such as time management, legal aspects of property management and budget preparation."<sup>68</sup>

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<sup>67</sup> Memorandum from Judy Weber to the Community Builders Board or Directors Regarding "Property Management Division's Report." January 12, 1990.

<sup>68</sup> Ibid

In 1989, two "General Meetings" were called to bring together the staff who generally attend team meetings. These meetings were held to provide general information on such topics as "AIDS and its ramifications for property management," and maintenance procedures for gas and oil heating systems.

In addition to TCB's in house reviews, a variety of outside organizations reviewed and commented on the operations Urban Edge. HUD, MHFA, and the Boston Housing Partnership all maintained, tracked, reviewed, and evaluated the management of developments in the portfolio that they had contributed to or financed. In reference to such reviews, a TCB memorandum to their Board of Directors stated that,

"Even our most difficult properties including ... the Urban Edge properties have received specific congratulatory comments on the efforts of the staff."<sup>69</sup>

The TCB staff met frequently with Hacobian to discuss the the status of each property. Budgets were compared to actual expenditures and any irregularities were discussed. Examples?

Each month, property management activities were reviewed by the Board's Property Management Committee. Information about expenditures and income was consolidated into a standard reporting form that was modified to include new problem areas as they were identified.

Resident evaluation of services was sought in several forms. In addition to receiving feedback from residents who participated on the Board of Directors and Board Committees, and from the survey of residents, residents also provided feedback through resident associations and Building Captains.

Ultimately, the evaluation of the Urban Edge - TCB collaboration would rest on the implementation of the Urban Edge Property Management Business Plan. When asked how the success of the plan would be evaluated, Hacobian noted that since TCB has been managing, they have reduced the vacancies, bad debts, and

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<sup>69</sup> Ibid

improved other financial measures of success. In addition, he pointed to the survey of residents in which 34% replied yes to the question "In general, would you say that during the past 2 years management services have improved. (44% said that they stayed the same and 22% said that they were worse.) If this rating is better in the 1990 survey, it would be a positive evaluation of their work. As for the future, he said,

"When we do it ourselves, we will try to do it at least as well or better."

## CHAPTER 6: ANALYSIS AND CONCLUSIONS

I initially set out to examine the feasibility of property management as a role for Boston CDCs and to look for common capacity building strategies used by CDCs. Based on these findings, I was to comment on the degree to which property management complimented the development activities of CDCs. To apply this to capacity building options for CDCs, I frame my analysis of these questions in the four steps of the strategic management process.

### **Environmental Scanning and Strategy Formulation**

An organization's strategy formulation is, as Nutt (1984) pointed out, an interactive process between a nonprofit organizations environment and desired goals and objectives. This interaction can be seen through an organization's history and the factors that have shaped its history.

"Because the not-for-profit organization typically lacks a single clear-cut performance criterion (such as profits), divergent goals and objectives are likely... In such organizations it is the reduced influence of the clients that **permits** this diversity of values and goals to occur without a clear market check."

(Wheelen 1989. p.558)

Both IBA and Urban Edge sought to increase the influence of their clients through resident participation in their property management and other activities, and, in essence, they shared the same mission of resident empowerment. They both provided social services to residents and both encouraged resident participation in their activities. Although the IBA board was elected by residents and the Urban Edge Board was selected by board members, they each encouraged resident participation on their boards.

Their strategies for housing development and management, however, were quite different. IBA's strategy grew out of its historic reaction to Boston's Redevelopment Agency proposals for the 15 block Villa Victoria area. The result was a strategy of horizontal integration in a geographically concentrated area. In other words, within Villa Victoria, IBA was involved in a broad range of cultural, social, and other activities which ranged from commercial retail space, offices and

cultural facilities to housing and parks. Within the activity of housing, IBA's vertical integration was confined to management and development of the remaining sites that were available within their geographic area.

Urban Edge, on the other hand, had a vertically integrated strategy which served a relatively large geographic area. Urban Edge sought to diversify their housing activities into construction and property management as a complement to their resident services and development activities. The primary product of their development activity was housing. Although they were working to increase production, the thrust of their strategy appeared to be vertical integration. The primary evidence of their commitment to this strategy was the fact that, despite previous failure, Urban Edge was about to restart their management and construction companies.

**SUMMARY OF STRATEGIES USED BY CASE STUDY ORGANIZATIONS**

<b>Strategic Options</b>	<b>Urban Edge</b>	<b>IBA &amp; ETC</b>
Increased Production	X	
Vertical Integration	XX	
Horizontal Integration		XX
Geographic Diversification	X	<b>Future Possibility</b>

**Figure #10**

The strategies chosen by the case study organizations reflect their evolution and the events through which they evolved. IBA started in 1969 to fight displacement and "build Villa Victoria." This naturally led to horizontal expansion into all activities needed within their neighborhood as resident elected board members presumably advocated the needs of their constituents. Furthermore, IBA's capacity for scanning its environment for opportunities and threats was based on the scanning ability of the Board members and staff. Thus, as residents, the board appeared to view changes in IBA's environment in terms of potential impacts on Villa Victoria. The staff's "opportunity" of a potential special use housing project, for example, raised board concerns about its appropriateness to the neighborhood. The staff, however, viewed it as an integration of IBA's social service and housing activities. The point here is that IBA strategic management,

and, therefore, their options for capacity building, were focused on the many facets of life in Villa Victoria.

Although its mission was essentially the same, Urban Edge did not have geographic constraints that were as defined as IBA's 15 acres. With a wider area came increased housing development opportunities. This, combined with their commitment to "community control," encouraged Urban Edge to concentrate on a vertical integration strategy. Relative to IBA, the Urban Edge strategy was geographically diverse and geared to increased production. The focus of the strategy, however, was vertical integration. The extent to which Urban Edge could increase production or expand geographically depended on the strength of their component companies to do the work. Their environmental scanning process was broadened both formally, through board committees which recruited outside expertise, and through TCB. As a state wide, vertically integrated nonprofit consulting entity, TCB expanded the environment scanning capability of Urban Edge. To the degree that this relationship was maintained, Urban Edge had an opportunity to formulate the strategy for its local portfolio based on TCB's a state-wide perspective of property management.

Based on their environmental scanning, history, geography, and their mutual mission, each organization chose a strategy for building property management capacity. Their capacity building options coincided with the four strategic options for capacity building outlined in Chapter four. Figure #11 summarizes when and how these strategies were used by Urban Edge and IBA.

**Figure #11  
Strategic Options for Capacity Building Used by Case Study CDCs**

	Urban Edge	IBA
Hire a private Management Company	1980-83 1986-present	
Create an in house subsidiary	1983-85 Planned for future	1974-present
Joint venture with a private company as a back-up to an in house company	Used as transition to new company in 1983 and planned for use in the future company.	
Collaborate with several different organizations to provide management services.		Considered for use in providing social services.

Urban Edge started its property management activities by working with the company that had managed its buildings before they were acquired from HUD. In pursuit of their strategy of vertical integration, they set up their own management company and hired the employees from the previous manager. The transition that they used to convert from private to in house management was a form of joint venture. The two organizations agreed that, over a several month period, they would transfer information, operating systems and personnel from one company to another. During the transition period, the private company acts as a “back-up” property manager for the in house company.

The notion of a “back-up” company is interesting in that it appears to be an important capacity building strategy. In its current joint venture with The Community Builders, the future staff of the smaller Urban Edge company benefit from the experience of its much larger back-up organization. Given the difficulties of managing the Urban Edge portfolio, a continuing connection to TCB for back-up support and training would be helpful to Urban Edge. The fact that Urban Edge continues to work with small scattered site projects with multiple operating subsidiaries, indicates that the portfolio will not get any easier to manage. At the same time, TCB might be able to learn from the Urban Edge experiments with tenant fairs and other events designed to strengthen tenant participation.



IBA's experience with in-house management is slightly complicated by the fact that the in-house company was designed to act independently of the parent corporation. This has insured that the property has been managed in a manner that has been acceptable to the investors that are partners in the projects. It has also protected the reserve funds and other operating reserves that the IBA board might have been tempted to use for other projects. This separation may have protected IBA from the difficulties faced by Urban Edge that led to their 1986 "near death experience." Since the ETC board, was primarily concerned with ETC fulfilling its fiduciary responsibility as owner, it was not likely that they could allow expenses to increase to levels that jeopardized the organization's future. Thus, as a capacity building strategy, IBA has protected its property management capacity from being financially bled to support development of other capacity.

As IBA looked to the future, a version of the collaborative strategy was being considered. By combining its social service experience and development track record with the expertise of other organizations who were experienced in the management of special population housing, they would be able to expand their management capacity. Specifically, they were considering housing for mentally disabled members of the community. This could also provide a route for geographic expansion. Since their partner organizations for potential joint ventures, such as their proposed housing for the mentally handicapped, work in a larger geographic area than Villa Victoria, the partner organization could provide opportunities to work with IBA on projects outside of Villa Victoria.

### **Property Management Implementation**

The two case studies provide examples of CDC's using the four strategic options for capacity building. Their survival to date indicates that these four strategies can make property management a financially feasible role for CDCs in Boston. Yet, residential property management for rental housing is difficult for anyone, for-profit or not. Although I found no differences for CDCs in the operation of their property management activities, their goal formulation strategies were complicated by their organizational structure.

On an organizational level, both organizations were above the average CDC identified in Vidal's (1989) study of CDCs. Both had far more than the average seven employees, and budgets greater than the \$700,000 median budget. They also both implemented property management as a subsidiary corporation within their organization. The growth of their management subsidiaries also mirrored Vidal's findings in so far as the younger organization grew faster and showed "higher rates of increase in organizational strength" than older organizations. Vidal suggested that the strength of younger organizations can be attributed to two factors, "high leadership stability" and "clear strategy for delivering their programs."<sup>70</sup> Although there was no evidence that there was any difference in the stability of their leadership on either the Board or staff levels, there were distinct differences in the clarity of their strategies.

The two organizations approach strategy formulation very differently. Urban Edge, after several difficult years, appears to have used the creation of its business plan to set its strategy for the next few years. IBA and ETC each appear to address issues of strategy only when presented with threats such as expiring use or increasing costs, or opportunities, such as the city owned property next door to one of their buildings. Since their neighborhood plan in the early 1980s, they had not proactively adjusted their plan to accommodate the many changes in their environment.

The communication difficulties between the two sister organizations, IBA and ETC, raised a question of how effectively the Board of either could set organizational policy as long as their agendas were different. This was especially crucial since IBA had essentially completed its original master plan and needed to either establish a new agenda as a development entity or leave the development business and concentrate on social services. Their goal setting dilemmas appear to mirror the goal setting problems of nonprofit organizations as outlined by Wheelen. Without board agreement on an organizational agenda for the next decade, IBA staff were not able to respond quickly to new opportunities such as housing projects outside of Villa Victoria.

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<sup>70</sup> Ibid

Urban Edge had resolved these goal setting dilemmas by having a single board with separate committees to act as formal advocates for each of its subsidiaries. The challenges at Urban Edge arose more from the nature of their housing stock than from either their existing or proposed organizational structure. Since most of their portfolio was scattered site, Urban Edge found it difficult to maintain its own management company. With careful planning and help from The Community Builders, they appeared able to surmount their past operational difficulties.

Both organizations faced a variety of difficulties and opportunities in the day to day tasks of property management. The problems appeared to be the same as those faced by all property managers, but the two organizations each faced a different sub set of these common problems. To better understand the programmatic operations of each organization, I have grouped both organization's programmatic challenges according to their operating tasks.

**1) Operating subsidies, rent collection and tenant selection.**

- Insufficient subsidies. IBA found that Section 8 operating subsidies were not sufficient to pay for maintenance and replacement reserve expenses for BHA developments. At the same time, Urban Edge was working to finance similar expenses from private financing. An argument might be made that both organizations could reduce these costs through increased resident participation in operation of their buildings, and both organizations are pursuing this possibility, but there is a limit to the cutting that is possible. The fact that capital improvements were a concern in both cases, however, indicated that additional subsidy funds would be needed
- Administrative time required. Operating subsidies became a mixed blessing when they were administered by many different organizations. This was especially the case with Urban Edge which reported "to every funding source out there." This reporting was time consuming and, combined with the reporting requirements of lenders, increased the work loads of CDC staff. Although TCB had computerized much of the paperwork, the number of subsidies required to make a project work appeared to increase the cost of doing business.

- Scattered site projects. For Urban Edge in particular, the problems with subsidy administration were magnified by scattered site projects. Site visits required by HUD for Section 8 voucher recertification required that managers spend a portion of their day driving from site to site to show apartments to subsidy administrators. The geographic dispersion of the development meant that the manager was essentially reporting on several different projects rather than one.
- Expiring use. Expiration of subsidies represented a concern in both cases. Between 1992 and 2002, 56% of IBA's property could lose its operating subsidies. If this happened before financing to purchase the buildings was found, ETC could find that it is managing market rate units and half of the low income families that IBA had fought to provide affordable housing for would be displaced. This dilemma exposed a major problem with operating expenses for affordable housing. The problem is a primary concern of the Massachusetts Association of Community Development Corporations (MACDC) which is working to develop strategies for long term affordability. In the meantime, CDCs such as IBA must work to preserve the housing that they built 20 years ago. Although Urban Edge faced some expiring use dilemmas, their portfolio was young and syndications had been designed to solve these dilemmas.
- Tenant selection control. Although they did not explicitly identify it as a problem, several factors point to control over tenant selection as problematic for ETC's Boston Housing Authority properties. These developments were their most difficult to manage properties in terms of vandalism, vacancies, and maintenance. Tenant selection for the properties is controlled by the BHA while all other aspects of management are controlled by ETC. There may be no relation between these two facts. Yet, as Frishman pointed out, a manager's control of a property is crucial to good management. Even if applications are made through the BHA, it is vital that residents perceive the manager to be in charge rather than the BHA.

## **2) Maintenance of the property.**

- Replacement reserve projections. All of the managers interviewed agreed that proper maintenance reduced vacancies due to turn over, and that timely capital improvements reduced operating costs. This appears to have been recently recognized by CDCs. Both of the Case study CDCs had recently completed 20 year replacement reserve projections on their properties.

The move by both organizations to maintain a replacement reserve projection is an important step toward addressing maintenance concerns. By acknowledging the problem in advance, both organizations can begin to work with development staff to finance these improvements. It will also help ETC in its work with the BHA to demonstrate the need for funds to improve their property. Here the challenge will be the degree to which the ETC board is able to establish goals for the BHA properties. Although it was clear that the properties were problematic, there was no apparent urgency about the need to change management practices that effected the tenants treatment of the property. There was some urgency about ETC and IBA working together to address the expiring use problem at their 71 unit ETC and Associates development scheduled to "expire" in 1992. The two organizations were both looking at renovation options that would facilitate conversion of the project into a limited equity cooperative.

In the case of Urban Edge, maintenance was complicated by the geography of the sites. Since the developments were small scattered sites, they suffered from the endemic maintenance problems that were noted by Maloney in chapter 3. Efficient central plants were not possible, maintenance workers were required to spend portions of their work day in transit from one site to another, and the designs of the existing buildings required more maintenance than more efficient, modern designs. In anticipation of restarting their management company, Urban Edge appeared quite urgent about obtaining financing to renovate their property. Their commitment to renovation and maintenance was bolstered by their desire to reestablish their construction company.

**3) Record keeping and budgeting.** Record keeping and budgeting tied together the decision making processes for maintenance, operating subsidy, rent collection and other expenses, these systems were crucial to the operation of the two CDCs. Without accurate records of all of these items, decisions about how funds and other resources would be allocated could not be made. The difficulty experienced by Urban Edge in the mid 1980s was due, in part, to the difficulties of keeping track of costs and budgeting for future expenses. Although these problems have been remedied, there will be a continued need to streamline record keeping systems. This is especially true for Urban Edge in light of the reporting requirements for the many subsidies and lenders that they used for their developments.

Urban Edge appeared to be addressing the difficulties of budgeting and record keeping for scattered site multiple subsidy projects by enlisting the assistance of residents wherever possible. This was not as necessary for IBA whose projects were concentrated and had relatively straightforward reporting requirements. IBA, however, was working to organize tenant associations for other reasons, as will be explained below.

Both organizations faced threats to their financial feasibility that were common to all property managers in the Boston area. These include increasing water and utility costs. Although subsidy administration had posed a threat to Urban Edge, TCB's automation, staff training, and improvement of record keeping appeared to have reduced those costs. Both organizations were working to address maintenance and renovation concerns. Both had assessed the cost of repairs and were pursuing funds to complete the work. Beyond planning for cost savings through capital improvements, the author found no evidence that residents were being actively encouraging to help reduce utility costs.

**4) Resident issues and security.** Both organizations were concerned about issues of resident participation and empowerment. Through its Social Service department IBA worked with residents to address a variety of issues. In the realm of property management, the primary resident issues appeared to be maintenance and crime. Concerns about maintenance were being addressed though ETC's

capital improvement program. Until this issue was addressed there appeared to be some disagreement between the two organizations on their maintenance goals and priorities. This will be alleviated by regular meetings between IBA and ETC staff. IBA had also begun to work with ETC to address the social needs of its residents. However, ETC's two headed structure will make it easy for residents to play one off against the other.

Drugs and crime were a primary concern for residents of both organization's developments. and both organizations were working with residents to combat these problems through increased communication by residents. Urban Edges organizing and residents' festival appeared to be promising tools for such organizing. Both organizations also used newsletters (published in both Spanish and English) to increase communication. Unfortunately, Urban Edge was particularly handicapped by their small scattered site projects, and could only support minimal common spaces in which residents could informally meet each other.

Figure #12

Comparison of Task Environments

TASKS	Urban Edge and TCB	IBA and ETC
Administration of operating subsidies, rent collection and tenant selection	<ul style="list-style-type: none"> <li>• Geography: Small, scattered site projects.</li> <li>• Multiple subsidies with multiple administrators.</li> <li>• Control over tenant selection.</li> <li>• New projects with few expiring use issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Geography: Large developments on 15 acres.</li> <li>• Primarily HUD subsidies and private investors.</li> <li>• Tenant selection control.</li> <li>• Older projects with expiring use issues</li> </ul>
Maintenance of the property	<ul style="list-style-type: none"> <li>• Funding for capital improvements is being sought.</li> <li>• Residents view maintenance as an important issue.</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient funds available from BHA for maintenance &amp; improvements.</li> <li>• Residents view maintenance as an important issue.</li> </ul>
Budgeting and record keeping	<ul style="list-style-type: none"> <li>• Budgets reviewed by single Board.</li> <li>• Resident participation in budgeting</li> <li>• Increasing water and energy costs.</li> </ul>	<ul style="list-style-type: none"> <li>• Budgets reviewed by ETCDI Board. No IBA board review.</li> <li>• No resident participation?</li> <li>• Increasing water and energy costs.</li> </ul>
Resident issues and security	<ul style="list-style-type: none"> <li>• Drugs and fear of crime</li> <li>• Communication with residents is primary to their property management.</li> </ul>	<ul style="list-style-type: none"> <li>• Drugs and fear of crime</li> <li>• Board priorities?</li> <li>• Communication</li> </ul>

- In short, CDC property management was feasible, but only under certain conditions

In addition to the factors cited by Clay (See appendix VI), there are many requirements that the CDCs studied addressed before their property management activities could be considered feasible. Several of the highest priority conditions included:



- 1) If a project was **not** scattered site OR if the project compensated for the additional management costs of scattered site projects. Urban Edge appeared to have done exactly this by using resident participation and increased renovation to compensate for the expense of operating scattered site projects.
- 2) Reporting requirements for operating subsidies and lenders should be minimized and automated. For Urban Edge in particular, this reduced the administrative costs required.
- 3) Sufficient support must be provided to on-site staff. This included, communication with other property managers, backing on all decisions, and empowerment of property managers.
- 4) Reserves must be sufficient to keep up with capital expenditures.
- 5) Resident participation can be used to address crime, drug and maintenance problems. This was especially useful in the case of scattered site housing.
- 6) Feasibility is increased if it is part of a carefully thought-out business or strategic plan.

These items are not in order of importance. In fact, given the goal making difficulties outlined by Wheelen, I consider the sixth factor to be the most important.

### **Property Management and Development Capacity.**

Once a CDC incorporates property management and development activities, how do they effect one another? How do they complement and detract from one another? As Clay pointed out,

“Running the development gauntlet with greater speed, skill and effectiveness will be the test of CDC capacity. ...Organizations are considered competent in a given context based on experience - - their ‘track record.’ ... No one can grant or bequeath experience, but once acquired, a track record can be leveraged.”

(Clay 1990. p.25)

Property management, under the conditions described above, can be used to leverage an organization’s track record and to improve its ability to run “the development gauntlet”. These improvements were made in all aspects of strategic management by Urban Edge and IBA. Although I will discuss each of these

improvements separately, I will also discuss conditions under which a combination of development and property management activities resulted in problems for IBA and Urban Edge.

### **1) Environmental Scanning.**

- **Cost estimating.** For organizations whose development opportunities are difficult-to-manage, such as the small scattered-site housing managed by Urban Edge, thorough knowledge of property management becomes vital for accurate cost estimating. This was the case with Urban Edge whose careful analysis of management in their portfolio enabled them to accurately estimate the operation and development costs for new projects.
- **Choosing projects.** As Urban Edge learned from the financial difficulties of their first management company, understanding the relationship between project type and operating costs was important for reducing a CDCs operating risk. If a CDC has an already difficult-to-manage portfolio, operating risk can be reduced by concentrating development efforts on projects that will have fewer operating risks. Urban Edge appears to have recognized this by concentrating their development efforts on a 50 unit new construction project that is not scattered site (Chestnut-Lamartine).
- **Build relationships with funders.** Property management requires an ongoing relationship between a CDC and the funding entities that it reports to. This ongoing relationship allows the CDC to strengthen its relationship to these outside organizations. This can be vital in the development process when decisive action must be taken to close an acquisition deal. This was once again demonstrated by Urban Edge, when its survival of bankruptcy was assisted by “the organization’s deep and broad roots in the community and the long experience and high regard for the progress the organization had made for the community.”

### **2) Strategy Formulation.**

- **Internal communication.** Internal communication allows the departments in an organization to learn from each other and provide constructive feedback. This

feedback loop had not been in evidence at IBA, although there were efforts to increase communication. While the IBA board structure fostered a lack of communication, the Urban Edge board structure encouraged more of it. Staff members at IBA and ETC, for example did not agree on which properties were developed by whom. They also experienced difficulties in handling evictions due to communication problems. Urban Edge, on the other hand, had institutionalized regular communication between departments through regular meetings. Communication was further encouraged by the fact that they were located in the same office building and through the process of completing their Property Management Business Plan.

### **3) Strategy Implementation.**

- Design Feedback. Efficient design is an important way to reduce operating costs. As a property manager, the costs of design decisions are determined daily. By bringing the two functions in house, CDCs have the opportunity to improve their project designs to accommodate the lessons of management. This was being done by both IBA, in their effort to preserve their 71 unit ETC and Associates project from its 1992 expiring use date, and by Urban Edge, in their efforts to complete renovation of their existing property.
- Ability to negotiate better terms. When a CDC is able to develop on property that is next door to their existing projects, such as IBA's Taino Tower, it can be easier to negotiate for easements, and other development rights.
- Realistic development costs. In "running the development gauntlet" there is a strong temptation to "back-into the numbers." This is the practice of determining how much money is available for a project and then calculating how much housing can be built with it. Although this has gotten difficult projects such as some of the developments built by Urban Edge, it also encourages deferral of renovation until additional funds are found many years later. For Urban Edge, this deferred renovation has been paid for through higher operating costs. If a CDC has an in house property manager reminding them of the costs of cutting corners, the CDC is less likely to do a project that will need to be "fixed" by its management company. As Mossik Hacobian put it, "You have no one to blame if

you do the whole thing.” This advantage, however, is only available if there is close communication between the property management and development entities. In other words, if the development and property management departments do not communicate, it is still possible that the two departments would dump problem projects on the other.

- **Conflicting Capital Needs.** A dilemma of combining the two functions is the conflict in their need for working capital. The CDC must have access to sufficient capital or sufficient credit to cover delays between expenses and rent payments. Without this, the CDC faces an increased risk due to the conflicting needs of management and development. This was illustrated by the financial difficulties experienced by Urban Edge in 1985 when the combination of property management receivables, capital needs for operating expenses and capital needs for ongoing development projects all collided. At IBA this dilemma is evidenced by the negotiations between IBA and ETC for use of ETC's accrued earnings. ETC prefers to maintain these funds to pay for unforeseen costs while IBA would like to use them as working capital for various development projects.

#### **4) Evaluation**

- **Affordability.** For organizations whose mission is to develop affordable housing, management services integrated with social services provide an intimate understanding of ALL housing costs. Since the high cost of housing is considered a problem, understanding all of the roots of those costs assist the CDC to either reduce costs, or in the case of Urban Edge, provide more service per dollar of rent.

Despite the differences in the nature of real estate development and property management, diversification from housing development into property management will compliment a CDC's housing development activities.

**Figure #13**

**Mutual Effects of Property Management and Development Activities**

	<u>Urban Edge</u>	<u>IBA and ETC</u>
Environment Scan.	<ul style="list-style-type: none"> <li>• Funding availability makes property management more important.</li> <li>• Choosing projects.</li> <li>• Cost estimating.</li> <li>• Community Base</li> <li>• Builds relationships with funders.</li> </ul>	<ul style="list-style-type: none"> <li>• Expiring Use</li> <li>• Builds relationships with funders. Community Base</li> <li>• Internal communication.</li> </ul>
Strategy Formulation	<ul style="list-style-type: none"> <li>• Resident participation.</li> </ul>	<ul style="list-style-type: none"> <li>• Resident participation.</li> <li>• No explicit strategic management.</li> </ul>
Strategy Implementation	<ul style="list-style-type: none"> <li>• Design Feedback.</li> <li>• Realistic development costs.</li> <li>• Conflicting Capital Needs.</li> </ul>	<ul style="list-style-type: none"> <li>• Conflicting Capital Needs.</li> <li>• Ability to negotiate better terms.</li> </ul>
Evaluation	<ul style="list-style-type: none"> <li>• Affordability.</li> <li>• Reporting Systems applicable to development process</li> </ul>	<ul style="list-style-type: none"> <li>• Affordability.</li> </ul>

**Conclusion**

“The absence of adequate attention to management and operating needs of housing has proved to be the Achilles heel in the development process for new publicly-assisted units.”

(Kolodny 1981)

Building property management capacity is neither easy nor fast. IBA and Urban Edge are two extraordinary organizations in a city with many of the country’s finest CDCs, yet Urban Edge has struggled for years to establish its own management entity and the two sisters, ETC and IBA, face many difficult dilemmas related to their expiring use properties and development opportunities outside of Villa Victoria. There is very little written information to guide efforts to property management efforts by CDCs. Yet, as CDC production increases, they learn, as Kolodny (1981) concluded that, “housing improvement may not, in itself, be the most significant results of expanded consumer roles in housing production, operation, and ownership.”<sup>71</sup> Both Urban Edge and IBA had come to this

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<sup>71</sup> Excerpt was quoted from Rachel Bratt 1989 page 201. She cites Kolodny (1981) page 142.

conclusion and were working to integrate support services into their property management activities.

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**APPENDIX I:  
INTERVIEWS AND OTHER RESEARCH NOTES**

Interviews were conducted with:

Robert Thal, IBA's Assistant Director;

Roger Herzog, IBA's Director of Community Development ;

Pedro Mendez, ETC's General Manager;

Robert Carter, MHFA;

Mossik Hacobian, Executive Director of Urban Edge;

Judy Weber, Director of Property Management for The Community Builders;

Mark Maloney, Maloney Property Management - Maloney is a widely respected for-profit management with many Boston CDCs as clients;

Mat Thal, Executive Director of Fenway Community Development Corporation. Fenway is an NDSC member which works with a variety of property management companies. Mr. Thal provided some insight into CDC relations with private management companies.

Other materials used for this research that are not in the bibliography include:

ETC Operating and Procedures Handbook

"Villa Victoria Resident Handbook " from ETC

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## Appendix II

### Components of the Nonprofit Housing Delivery System

- **Community-based nonprofit housing producers.** These organizations have been categorized into seven different types of organization.<sup>72</sup> These are :

- Community Development Corporations (CDCs)

- Housing Services Organizations

- Housing Cooperatives

- Social Service Agencies

- Religious Organizations

- Unions

- Mutual Housing Associations

Loan funds, land banks and land trusts have also been considered nonprofit community-based housing producers. Given my distinction between producers and intermediaries, I place these uses in the intermediary category below.

- **Intermediary organizations.** These are organizations “that stand between local nonprofits and other players in the development process such as lenders, investors, etc.” (Clay 1990: 98-104) Clay identifies five types of intermediary organizations. These are:<sup>73</sup>

**Development Intermediaries** provide development assistance and, in some cases develop their own projects,

**Financial Intermediaries** administer loan funds and assist nonprofits to obtain debt and equity financing,

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<sup>72</sup> Clay, Phillip L. Mainstreaming the Community Builders: The Challenge of Expanding the Capacity of Nonprofit Housing Development Organizations, MIT DUSP 1990 Page 17-19

<sup>73</sup> Clay Ibid Page 99-104

**Service & Technical Assistance Intermediaries** assist new organizations with start up activities and serve as an information networking source for existing organizations.

**Demonstration Intermediaries** establish and promote pilot programs.

**Training Intermediaries** provide educational services for CDC staff.

In addition, there are private sector businesses that support the activities of nonprofit housing developers. These entities include:

- **Corporate / Philanthropic Programs and Resources.** that provide and administer funding and research. Although many foundations provide donations for housing through intermediaries there are some that still provide direct donations to nonprofit developers.
- **Private Lending and Investing.** Like most real estate investors, nonprofit sector developers seek debt financing from banks, savings and loan institutions, insurance companies, pension funds and other institutions in the business of lending money. Most forms of nonprofit housing rely on debt financing to some extent. Mutual Housing Associations sought to minimize the debt burden on their housing projects, but this required large subsidies. A major source of equity capital for CDCs stems from their compliance with the Community Reinvestment Act (CRA).<sup>74</sup> Low income housing tax credits and other tax incentives for investing in nonprofit housing provide an additional source of investment in nonprofit ventures. Public/private partners are another source of investment. These are either investors or development partners from the private sector who seek to profit from community development activities or governmental entities that have provided assistance and/or funding to further political agendas or to participate directly in the development effort.

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<sup>74</sup> Snow, Jane Moss "The Community Reinvestment Act Business" Mortgage Banking, May 1990.

- **Private Consultants.** These are individuals who serve the same functions as the intermediary organizations listed above.
- **Vendors and Service Providers.** Nonprofit organizations require most of the same goods and services that are needed by the private developers. From office supplies to office copier repair, nonprofit housing developers have the same requirements as any other office.

The public sector is a primary source of financial support for the nonprofit sector. 53%<sup>75</sup> of funding to CDCs in 1988 was from public sector sources (see Vidal, 1989).

- **Federal State and City Government Programs and Resources.** State and local governments around the country have established a variety of funding agencies to promote and assist the development of affordable housing.
- **Regulatory agencies.** Nonprofits work with a host of building inspectors, fire marshals, police officers, tax assessors and other front line officials who monitor conformance to local regulations.

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<sup>75</sup> Vidal Ibid. Vidal found that, on average, 33% of the funding for organizations in her sample were federal funds, 9% were from the state sources and 11% were from city sources. This accounting did not include non monetary compensation such as waived fees, use of city office space or other in-kind contributions from governmental sources.

### **Appendix III**

#### **Descriptions of Selected Boston Housing Organizations**

In their task environment, both CDCs share a common set of colleagues. The organizations that make up their task environment include:

**Boston Housing Authority (BHA)** Like public housing authorities around the country, BHA administers Federal Section 8 subsidies from HUD and state operating subsidies. It is also the owner of its own public housing. In Three cases, the BHA has purchased units from CDCs. IBA's property management company ETC manages 337 units owned by BHA.

**Boston Housing Partnership (BHP)** was started by bankers and other corporate leaders in Boston who wanted to see more done to solve housing problems. "BHP's role is to convene major programs, aggregate the resources and select CDCs to participate in the program.." Community Builders initially acted as staff for BHP, and was initially approached about merging the two organizations. BHP now has its own staff, but "BHP doesn't develop (projects). They administer multi-project programs...garner resources and political support." BHP helps CDCs to assemble a project team, acquire site control, secure financing and to assist with design, construction, tenant selection and maintenance. "BHP provides assistance to ... CDCs to enhance their ability to develop and manage ... housing."<sup>76</sup>

**Boston Redevelopment Agency (BRA)** Controls land acquired during urban renewal programs in the 1950s and 1960s. The BRA assembled land for development and designated developers for the property. The developer's use of the property is dependent on fulfilling its development agreement with the BRA.

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<sup>76</sup> From BHP Brochure.

**Community Economic Development Assistance Corporation (CDAC)** "is a state funded agency that offers support to nonprofit community development organizations in the early stages of project development. CEDAC provides technical Assistance advances, front money loans, site control loans, equity financing guarantees and short-term technical assistance."<sup>77</sup>

**Community Economic Enterprise Development (CEED)** This is a state funding program which provides core operating funds to CDCs. Unfortunately, funds from this program are being eliminated from the state budget. CEED is administered by the Massachusetts Executive Office for Community Development (EOCD).

**Local Initiative Support Corporation** is a national intermediary that provides assistance to community based organizations around the country. They were formed with seed funding from the Ford Foundation, and from other foundation and corporate sponsors to assist local housing development efforts. They provide small gap financing loans and technical service grants as well as providing some technical assistance. Of LISC funds available in Boston, 64% are allocated for housing, 22% for economic development and 14% for capacity building. LISC is also active in lobbying efforts for national housing issues such as Housing Tax Credit legislation. LISC had its national headquarters in New York with offices in Boston Chicago, Cleveland, Kalamazoo, Lansing, Los Angeles, Miami, St. Paul, San Francisco, Seattle and Washington, D.C..<sup>78</sup>

**Massachusetts Housing Finance Agency (MHFA)** "MHFA is a self-supporting state agency charged with financing and promoting the construction, purchase and rehabilitation of housing in the Commonwealth. The Agency accomplishes this through loan programs...(for housing). The MHFA raises money for its loan programs through the sale of taxable or tax-exempt bonds to private investors."<sup>79</sup> To meet its extensive bond underwriting requirements, MHFA conducts extensive

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<sup>77</sup> "Opening Doors: Housing Innovations in Massachusetts", Massachusetts Housing Partnership/ 1989, Page 70

<sup>78</sup> From LISC annual report, 1988.

<sup>79</sup> Massachusetts Housing Finance Agency, "Annual Report for the year ended June 30, 1989" Massachusetts Housing Finance Agency. Inside cover page.



on going monitoring of its projects. MFHA monitors the property management activities of several hundred properties in its loan portfolio.

**Public Facilities Department (PFD)** This is a City agency that acts as a conduit for state and local resources that are critical to housing (Clay 1990). Included among its activities is allocation of federal Community Development Block Grant funds and control of city owned property.

**The Community Builders (TCB)** "is a nonprofit corporation that works with community-based nonprofit organizations to develop, finance and manage affordable housing and commercial properties."<sup>80</sup> With over 170 employees at "offices in Boston, Springfield, Massachusetts, Providence Rhode Island and Philadelphia, Pennsylvania, and a series of management offices at ... sites throughout Massachusetts and Rhode Island," TCB is a technical assistance intermediary that provides "soup to nuts" consulting.

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<sup>80</sup> From 1990 Brochure for The Community Builders.

**Appendix IV**  
**Case Study Portfolio Summaries**  
**IBA and ETC**

**ETC and Associates, 1972.** 71 units. (Tremont and Shawmut Avenue) These rehabilitated apartments were subsidized by Section 236 mortgage subsidies and Section 8 operating subsidies that are due to expire in 1992. IBA is currently working with the residents and ETC to negotiate renovation and purchase of 13 of the units before the subsidies expire.

**West Newton Street, 1973.** 136 units owned by Boston Housing Authority. These are low rise buildings designed to public housing standards as a turn key<sup>81</sup> development.

**Torre Unidad 1974.** a 201 unit, 19 story tower of elderly housing owned by the Boston Housing Authority. It was also designed to public housing standards as a turn key development with MHFA construction financing.

**Viviendas Associates, 1976.** 181 units of renovated town houses completed with section 236 mortgage assistance and operating subsidies to the rental assistance program (a predecessor to section 8). Operating subsidies can expire after 1996.

**Victoria Associates, 1982.** 190 units of new town houses and renovated apartment buildings. Section 221 d 4 mortgage insurance, 11B Construction and permanent financing and Section 8 operating Subsidies were all used for this project. Operating subsidies can expire after 2002.

**Casa Borinquen Associates 1977.** 36 units of rehabilitated section 8 housing with MHFA financing. Operating subsidies can expire after 1997.

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<sup>81</sup> "Turn key" refers to the turn key public housing program from the 1970s. This program encouraged private developers to build housing for Public Housing Authorities. If the housing authority approved the final product as acceptable, the building was sold to the housing authority. In theory, the only work required by the housing authority to build this new public housing would be to turn the key to let new residents move in.

**South End Apartments, 1981.** 28 units purchased by ETC from the owner who had defaulted on his HUD loan. The owner had approached ETC before he defaulted and asked ETC to manage these scattered site apartments. When he defaulted, ETC offered the residents an opportunity to purchase them as a cooperative. The residents chose to continue renting and the property was purchased by ETC

**Taino Tower, 1990.** 27 condominium units (Under construction). This is a mixed income project with 6 low income units, 9 moderate income units and 9 market rate units and 3,500 square feet of ground floor commercial space. The project has been developed by IBA under the Homeownership Opportunity Program (HOP) with MHFA financing. ETC is not involved in this project. IBA's marketing agent is Rome Cohen Associates.

## Urban Edge Portfolio Summary

**Bancroft Street Apartments, 1981.** 45 units on two sites in Jamaica Plain. Acquired from HUD fully occupied. Financed with a HUD mortgage and Section 8 operating subsidies. Moderate rehabilitation of this property is scheduled for 1991 (25 units) and 1992 (20 units). Funds to be used include \$350,000 from Linkage funds of the Neighborhood Housing Trust and \$100,000 from LISC.

**Jamaica Plain Apartments, 1982.** 103 units of housing and two stores on seven sites in Jamaica Plain, Roxbury and Dorchester. Acquired from HUD fully occupied. Financed with a HUD mortgage and Section 8 operating subsidies. Moderate rehabilitation of this property is scheduled for 1991 (50 units) and 1992 (53 units). The Bank of Commerce and the Massachusetts Land Bank have been approached for construction and permanent financing.

**Self-Help Apartments, 1982-1983.** 27 units in three sites in Jamaica Plain and Roxbury. Acquired from private owners and the City of Boston. Financed with MHFA mortgage, Mod-Rehab.. Section 8 subsidies administered by BHA. Moderate Rehabilitation was started in 1983 and is still under way. The Citizens Conservation Corporation (CCC), Linkage and LISC funds are all being considered for additional work at this property. These apartments are the only Urban Edge properties that are losing money. They are also on the MHFA high risk list.

**Montebello Road Cooperative, 1983.** 7 units. Acquired from Homeowners Savings Bank and converted from a nursing home with full renovation. Financing includes Elliot Bank mortgage, subordinated Public Facilities Department and Shawmut Bank mortgages, Mod-Rehab.. Section 8 subsidies administered by BHA and State 707 rent subsidies administered by BHP.

**Urban Edge Limited Partnership, 1983-1984 (BHP - I).** 82 units in five sites. Acquired from private owners and the city. Structured as a limited partnership with a separate Urban Edge subsidiary that acts as a general partner.

**Dimock-Bragdon Apartments, 1984.** 54 units

**Cleaves Court, 1985.** 36 units. Moderate renovation is required for these properties, but funding sources have not yet been identified.

**21-23 Dixwell Street, 1985.** 6 units

**Walnut-Washington 1988 (BHP II).** 65 units in four sites. Structured as a limited partnership with a subsidiary of Urban Edge as the general partner and limited partners who participate through BHP.

**182 Washington, 1989.** 3 units (vacant) Funds for renovation of these units is being packaged with applications to renovate the Jamaica Plain Apartments. An application has also been submitted to the Boston Community Loan Fund (BCLF). Residual Cash flow and losses are distributed 99% to the limited partners and 1% to the general partner. Residuals upon sale are divided 50/50 between the general and limited partners.

**Chestnut-Lamartine, 1992.** 50 units. A proposed cooperative that would be built as part of "the Boston Coop Initiative, a collaborative program of the Boston Housing Partnership and the City's Public Facilities Department."<sup>82</sup>

Two additional projects are on the drawing boards. "The first involves 27 units at three sites along Everett and Call streets in Jamaica Plain. Urban Edge has submitted its proposal; as a joint venture with Charles Eisenberg, a private developer. Three other developers are vying for designation."<sup>83</sup>

"The second is a 29-unit development on six sites on Cedar and Center Streets in Roxbury. Three other developers"<sup>84</sup> had submitted proposals.

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<sup>82</sup> From a newsletter published by Urban Edge entitled, "Urban Edge Update" April 1990

<sup>83</sup> Ibid

<sup>84</sup> Ibid

MARCH-APRIL, 1988

DEVELOPMENT NAME _____	URBAN EDGE TOTALS	
TOTAL NUMBER OF UNITS _____	347	
TOTAL NUMBER OF RESPONSES _____	241	(69%)

**SURVEY QUESTIONS (listed by number)**

(percentages are of those answering specific question, with the exception of # 8,12,13,15,16,23, which are based upon all 241 responses)

**GENERAL QUESTIONS**

1. How long have you lived in your building? (MEDIAN) \_\_\_\_\_ between . 5-8 Yrs.
2. In five years, where would you most like to be living:  
in your present apartment? \_\_\_\_\_ 120 (57%)
3. Do you know all your neighbors in your building  
by sight? \_\_\_\_\_ 188 (82%)  
by name? \_\_\_\_\_ 71 (37%)

**EVALUATIVE QUESTIONS**

6. Would you say that, overall, conditions in your building are
  - (a) improving? \_\_\_\_\_ 65 (28%)
  - (b) getting worse? \_\_\_\_\_ 54 (24%)
  - (c) staying about the same? \_\_\_\_\_ 110 (48%)
7. Do you feel that management procedures and rules are clearly communicated to tenants? "yes" \_\_\_\_\_ 175 (78%)
8. Check those procedures or rules which you would like more information about.
  - (a) how to report a problem in your apartment \_\_\_\_\_ 66 (27%)
  - (b) how to report a problem in your building \_\_\_\_\_ 68 (28%)
  - (c) who has a right to enter your apartment \_\_\_\_\_ 64 (27%)
  - (d) changing apartment door locks \_\_\_\_\_ 63 (26%)
  - (e) when or how to pay rent \_\_\_\_\_ 15 (6%)
  - (f) what is considered an emergency \_\_\_\_\_ 74 (20%)
  - (g) pets \_\_\_\_\_ 30 (12%)
  - (h) what appliances you can have in your apartment \_\_\_\_\_ 69 (29%)
  - (i) where to store your trash \_\_\_\_\_ 11 (5%)
  - (j) where to park your car \_\_\_\_\_ 33 (14%)

	ACCEPT-			NO OPINION
	GOOD	ABLE	POOR	
9. Check the column that best describes your opinion about Management's services to you				
(a) responding promptly to emergencies _____	73 (33)	68 (31)	52 (24)	27 (12)
(b) responding promptly to other requests for repairs _____	65 (28)	83 (35)	64 (30)	24 (10)
(c) quality of repair work performed _____	63 (29)	77 (35)	52 (24)	29 (13)
(d) keeping your building clean _____	92 (40)	78 (34)	47 (20)	15 (6)
(e) keeping the grounds clean _____	74 (32)	83 (36)	52 (23)	20 (9)
(f) keeping the building safe and secure _____	72 (31)	81 (35)	59 (25)	20 (9)
(g) courteousness of maintenance staff _____	126 (60)	65 (31)	4 (2)	14 (7)
(h) courteousness of office staff _____	123 (55)	76 (34)	11 (5)	13 (6)
(i) responsiveness of evening answering service _____	49 (25)	54 (28)	34 (17)	58 (30)
TOTAL _____	737 (37)	665 (33)	375 (19)	220 (11)

11. In general, would you say that during the past 2 years, management services have		
(a) improved ? _____	73	(34%)
(b) gotten worse? _____	47	(22%)
(c) stayed about the same? _____	96	(44%)

**QUESTIONS RELATED TO TENANT PARTICIPATION**

12. Has anyone in your family ever attended a meeting held by Urban Edge or Management ? "yes" _____	114	(47%)
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13. Would you like to attend a meeting to discuss conditions in, and improvements for, your building? "yes" _____	184	(76%)
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14. How often do you think that Management should meet with tenants? (MEDIAN) _____	3 developments - monthly	3 developments - quarterly
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15. Would you like to help plan a meeting for your building? "yes" _____	96	(40%)
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16. Would you be interested in participating in building improvement activities?		
(a) gardening? _____	71	(29%)
(b) spring /summer clean-up ? _____	98	(41%)
(c) decorating building hallway? _____	101	(42%)

23. Many of Urban Edge's tenants have talents and interests which they have shared with their neighbors. Would you or anyone in your family like to contribute in some special way?		
(a) helping to organize activities for kids _____	76	(32%)
(b) helping to organize a garden or other building improvements _____	75	(31%)
(c) preparing your favorite dish for an Urban Edge tenant party _____	65	(27%)
(d) helping to put together an Urban Edge tenant newsletter _____	40	(17%)
(e) performing music at an Urban Edge tenant party _____	7	(3%)
(f) organizing an adult sports team _____	42	(17%)
(g) serving on Urban Edge's Board of Directors _____	37	(15%)

**URBAN EDGE TOTALS**

## **Appendix V**

### **Key Characteristics of Successful Property Management**

Key Characteristics identified by Clay in interviews of CDC staff that are typical of a successful CDC property management operation consist of:

“

1. An experienced Executive Director and first-rate central office operation;
2. Personal commitment and involvement of company president and willingness of the company to invest resources in putting a site operation in place;
3. an understanding of central city neighborhoods or a commitment to learn;
4. Accounting and reporting systems to monitor costs and other project features and to do adequate and frequent reporting and certification to agencies and to the CDC;
5. a field staff that is accountable and well supervised;
6. a system to deal with routine functions that takes account of the particular housing features, project financing and client population in such areas as tenant selection, rent control, eviction, etc..
7. A model for frequent reporting to the executive director; and for non-crisis as well as crisis problem-solving;
8. A formal way to receive and take account of tenant feedback and/or liaison with a tenant organization and tenant service staff;
9. a capacity to minimize receivables (i.e. certification, quick turnover of units. rental collection procedures, eviction procedures);
10. a healthy statistical profile, including:
  - 95% occupancy rate;
  - 90% rent collection ;
  - less than 30 days vacancy turnaround;
  - utility consumption no more than 5% over the three year average;
  - expenses not exceeding income;
  - reserves equal to at least 15% of annual expenses; and
  - inspections of 100% of the units each year.