“JUST BECAUSE YOU CAN, DOESN’T MEAN YOU SHOULD”

A CASE STUDY ON HOW AFTER 44 YEARS EICAP STEPPED AWAY FROM MANAGING THEIR AFFORDABLE HOUSING PROPERTIES

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LEARNING OBJECTIVES:

After attending this session you will:

1. Recognize that good data is your friend and to utilize that data for better management decisions
2. Strategically assess your agency’s strengths and weaknesses and how those attributes influence the success of your mission
3. Capitalize on your agency’s strengths and leverage ways to redirect your agency’s weaknesses for positive outcomes
4. Avoid Mission Drift…“Just Because You Can, Doesn’t Mean You Should”
BACKGROUND ON EICAP

- 54 years providing a range of services to low income and underserved populations in Eastern Idaho.
- Service Area covers a 10-county region covering 22,000 square miles with a total population of approximately 280,000 – Mostly Rural
- Home office is in Idaho Falls, Idaho with outreach offices in Salmon, Idaho and Rexburg, Idaho.
- Services include Head Start, Early Head Start, Family and Emergency Services (Energy Assistance, CSBG, Temporary Shelter for families), Low-Income Weatherization, Senior Services (Advocacy, Homemaker and respite services, Ombudsman, Congregate and Home Delivered Meals), and Affordable Housing (Senior, Disabled, and Family Units)
- First Affordable Housing Property obtained in 1975
EICAP HOUSING – HISTORY OF PROPERTIES

- Lost River Senior Housing, Phase I – 16 units – 1975 – RD (Sold May 2019)
- South Fremont Senior Housing – 14 units – 1977 - HUD
- Riverside Senior Housing – 42 units – 1978 - HUD
- Lost River Senior Housing, Phase II – 12 units – 1979 - RD (Sold May 2019)
- Teton View Senior Housing – 36 units – 1981 - HUD
- Aspen Park Apartments, Family Housing 72 units – 1994 - LIHTC
- Twin Pines Manor, Family Housing – 56 units – 1996 - HUD
- Camas Street Apartments – 68 units – 2003 - RD
- Kortnee House – 2009 - NSP
- Market Lake Townhouses – 8 units – 2010 – HUD/HOME
- Lakeview Family Housing – 24 units – 2010 – RD/HOME
- 1st Street Apartments – 3 units – 2013 - Conventional
EICAP AFFORDABLE HOUSING TOTAL

- Total Senior/Disabled Housing Units – 92
- Total Family Housing Units – 231
- Total Single-Family Dwellings – 1
- Total Units – 324
HISTORY OF HOUSING MANAGEMENT STAFF SINCE FY2012*

- 5 Directors
- 4 Compliance Managers
- 3 Accounting Staff
- 2 Administrative Staff

* Upgraded to new database in FY2012 – prior staffing data no longer available.
PROPERTY SITE MANAGERS STAFFING PATTERN

- So. Fremont/Twin Pines – 1
- Market Lake/Lakeview – Shared between 2 property managers
- Aspen Park/1st Street – 1
- Teton View/Riverside – 1
- Camas/Arco – 1
- Kortnee House – Compliance Manager
MAINTENANCE STAFFING PATTERN IN FTES

- 1 Maintenance Supervisor
- 1 Unit Turn Supervisor
- 2 Unit Turn Laborers
- 1 Unit Turn Inspector
- 2.5 Maintenance Staff

Fully Staffed Housing Program = 15.5 FTEs
FINANCIAL HISTORY OF HOUSING PROPERTIES FY2012 - FY2020

Revenue & Expense Trends

Net Income

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<th>Fiscal Year</th>
<th>Revenue</th>
<th>Expense</th>
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<tr>
<td>FY12</td>
<td>(163,099.42)</td>
<td>555,837.32</td>
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<td>FY13</td>
<td>(102,080.67)</td>
<td>(258,569.37)</td>
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<tr>
<td>FY14</td>
<td>(148,662.60)</td>
<td>(420,038.21)</td>
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<td>46,818.51</td>
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<tr>
<td>FY20</td>
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FINANCIAL HISTORY OF HOUSING PROPERTIES FY2012- FY2020

Net Income

- FY12 – ($163,099)
- FY13 – ($555,837) – Decrease in rents/subsidies $203K, Dept Re-organization with 2 Directors, and major repairs/maintenance, hired Housing Accountant
- FY14 – ($102,080)
- FY15 – ($258,569)
- FY16 – ($420,038) – Dept Re-organization (Shared Director), increased maintenance staff, major repairs/maintenance, recorded Bad Debt Expense
- FY17 – ($148,662)
- FY18 - $46,818* Turning Point #1
- FY19 - $315,836** Turning Point #2
- FY20 - $449,182*** Turning Point #3
TURNING POINT #1 – HOUSING DEPARTMENT PROCESS REVIEW – FEBRUARY 2017

- Identified weakness in Rent Collections – Not consistent
- Allowed Past Due Rents to go beyond 60 days
- Some rents were delinquent over 6 months
- Uncollected Rents were not being sent for collection
- Tenants were not being evicted for broken leases (property damage, smoking, etc.)
- Too many vacancies - Unit turns were not timely – some vacant for 6 months or more.
- Identified weakness in Management and Staffing Structure
- Applied for and received approval for rent increases
TURNING POINT #2 – SOLD LOST RIVER PROPERTIES MAY 2019

- Reflected a large, one time increase in revenues – Approx. $360,000
- Reflected a decrease in expenses – Approx. $77,000
- Without this sale our Net Income would have been a net loss of approx. ($44,000) in FY19
- Multiple turn over in staffing at management/administrative positions
- Poor employee morale throughout Housing Department
- Multiple RD/HUD Compliance issues in financial reporting, operations and management budgets, tenant income certifications, and Unit turns
- Occupancy hovering around 80% due to slow unit turns
- Timely communications between EICAP Housing Team and USDA Rural Development Coordinator was non-existent
- Highly encouraged by Idaho Housing and Rural Development to utilize an experienced Property Management Company
TURNING POINT #3

Outsourced property management to Syringa Property Management beginning day 1 of FY20
DECISION POINTS LEADING TO PROPERTY MANAGEMENT TRANSITION

- 8/7/2019 - Learned of multiple Housing compliance failures
- 9/5/2019 - Terminated Housing Director
- 9/10/2019 - Housing Compliance Manager Resigned
- 9/10/2019 - Meeting W/Housing and Fiscal Staff to notify them of resignation and re-assignment of duties
- 9/11/2019 - Informed Rural Development Coordinator of staffing changes
- 9/16/2019 - Learned that none of the compliance issues identified in the prior year's reviews had been addressed
- 9/16/2019 - Meeting w/Housing and Fiscal Staff to evaluate options
- 9/18/2019 - Meeting w/Rural Development and Idaho Housing Finance Associates
- 9/20/2019 - Meeting (s) w/Dianne Hunt Syringa Property Management
- 9/24/2019 - Notified RD and IHFA of our Decision to contract with Syringa Property Management
- 9/24/2019 – Met w/Auditors to inform them of our decision to contract with Syringa Property Management and discuss accounting, reporting, and auditing implications
TIMELINE FOR TRANSITION TO SYRINGA PROPERTY MANAGEMENT

• 10/8/2019 Received Board Approval to enter a 3-year contract with Syringa Property Management
• 10/8/2019 Meeting with Housing Staff informing them of the Decision. Overall impact to EICAP Staff.
  o Syringa would hire most staff (office manager, accountant, maintenance supervisor excluded)
  o Syringa would match current wages
  o Syringa’s vacation benefit only 2 weeks
  o Syringa had similar Health, Dental, and Life Benefits
  o Syringa offers a 401K retirement plan
  o Syringa offers paid time off for Holidays and Sick Leave
• 10/10/2019 - Notified RD and IHFA that EICAP has officially contracted with Syringa beginning with our new fiscal year 11/1/2019
• 10/10/2019 - Notified Tenants of Property Management Change
• 10/11/2019 - IHFA provided Priority List for transition
• 10/15/2019 - RD Coordinator provided Priority List for transition
• 10/16/2019 - Follow up call w/Auditors
• 10/29/2019 - Follow up Meeting w/Syringa for transition plan
• 11/1/2019 - Fully Transitioned Property Management to Syringa
TRANSITION TASKS

- Transfer of personnel from EICAP to Syringa
  - 4 staff quit
  - 3 employees laid off
  - 1 employee transferred to other position within EICAP
  - 6 EICAP staff transferred to Syringa
- Establish banking access, signature authority, and e-check scanning for remote locations
- Transfer Tenant Information from EICAP’s system to Syringa’s
- Transfer Regulatory access (HUD, RD, IHFA) from EICAP to Syringa
- Establish purchasing limits and decision authority between Syringa and EICAP
- Complete crosswalk of GL Codes between Syringa and EICAP to integrate into our accounting system for tracking and reporting purposes
- Update EICAP Financial Policies and Procedures to add Syringa’s Accounting Protocol
- Notify Insurance Companies of change in management personnel
STATUS – SINCE TRANSITION

- Implemented Accounting Monitoring Protocols
- Annual Single Audit for FY 2020 (10/31/20) completed
  - No financial, compliance, or internal controls findings
- RD/IHFA Compliance Reviews
  - Several maintenance findings (from prior year inspection) delayed due to materials and contractor availability
  - Identified issues with tenant files - resolved when missing documentation was located
- $919.18 - Total delinquency (as of 7.31.21) Low delinquency is due in part to prepaid rents using stimulus payments
- 96% Current Occupancy (as of 7.31.21)
- Operating Cash $810,374 (as of 07.31.21)
- Net Income through 11/01/20 to 07/31/21 is $689,416
- Number of EICAP Staff still with Syringa - Two
LESSONS LEARNED

- Evaluate current programs to eliminate “Mission Drift”
  - Could result in programmatic restructuring
  - Could affect staffing patterns
  - Could have a financial impact
    - Example: Provide affordable Housing ....**NOT**
    - property management
• Review all funding/business opportunities with a critical eye
  o Does it fall within our mission
  o Is it redundant with other community partners
  o Do we have adequate expertise and resources (staff, facilities, etc.)
  o Have we performed a cost/benefit analysis
    ▪ EXAMPLE: Lost River I and II
LESSONS LEARNED

• “No News” Does Not Always Mean “Good News”
  o Regular Communications with Program Directors AND Staff is critical
  o Pay Attention to “Water Cooler” Talk
    ▪ Sometimes it isn’t just gossip
  o Program Staff often share important insight about program operations
    ▪ Program Staff are the boots on the ground
    ▪ Identify the “Culture Barometers” and seek out their input
      • Example: Issues with Housing Director

CULTURE
LESSONS LEARNED

• Listen to Non-Programmatic (Admin) Staff
  o HR, IT, and Fiscal Staff can raise red flags
    ▪ Programmatic success can be predicated on how well an employee performs in these administrative areas
  • Example: Housing Director Non-Compliance with Financial Policies and Procedures
LESSONS LEARNED

• Take Compliance Findings Seriously
  o Investigate root cause(s) of findings
    ▪ Personnel, funding, resources, expertise
  o CEO/CFO needs to be in involved in communications with Regulatory Agency or Funder
    ▪ Example: Unresponsiveness to RD inspections and budget questions by last Housing Director
LESSONS LEARNED

• **Listen to your Gut**
  o Instinct and basic intuition can be the best indicator of success
  o If it doesn’t **FEEL RIGHT**, don’t do it

▶ Example – Hiring Housing Compliance Manager when CEO had suspicion and doubts about potential character flaws
QUESTIONS???
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Dianne Hunt, President
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