

Developing a Property Budget That Really Works!





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About the Presenter



Ms. Staggs brings knowledge from both sides of the aisle. Formerly with the Colorado Housing and Finance Authority (CHFA) and, prior to that, the U.S. Department of Housing and Urban Development, she is an expert in compliance with low-income housing laws and regulations. As a long-time property manager, Ms. Staggs possesses the real-world, hands-on knowledge of applying the rules of the trade. Her experience includes:

- More than 20 years of property management experience with deep knowledge of multifamily programs and regulations, including: Project Based Section 8, Low Income Housing Tax Credit, FDIC Affordable Housing Program, and FHA and Non-FHA Loan products
- Former Manager of Section 8, and Multifamily Program Compliance and Asset Management Officer with Colorado Housing and Finance Authority (CHFA)
- Former Project Manager with the U.S. Department of Housing and Urban Development
- Former Sr. Director of Property Management
- Former Community Manager/Assistant Manager with Windsor Communities / General Investment and Development
- Former District Manager with McCormack Baron Management Services and Wilhoit Properties
- Former Special Task Assignment Response Team Specialist with Property Asset Management / AIMCO
- Attended the University of Denver's Executive Leadership Program 2010-2011
- Rocky AHMA's Contract Administration Special Recognition Award for Commitment to Excellence in Affordable Housing in 2011
- Recipient of a Special Recognition Award from the Denver HUD Office 2012

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Before We Begin...

DO NOT
IMPLEMENT
ANYTHING YOU
HEAR TODAY
WITHOUT
APPROVAL

Ask
Questions

*Check with your
Supervisor on
Their
Expectations*

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What Is A Budget?

- A budget is an itemized summary of probable income and expenses for a given period in time
- Projection of income and expenses
- Usually for a period of 12 months
 - Calendar Year
 - Fiscal Year



Why Do We Have Budgets?

- Provides a roadmap
- Project cash flow
- Improve income
- Control expenses
- Meet established goals



Types Of Budgets

- Annual
- 5-year
- Lease-up
- HUD Budget
- Department
- Property



Players In The Budget Game

- Financial Institution
- Housing Finance Agency
- HUD
- Owner
- Management Agent
- Property Manager
- Maintenance Supervisor



What Do You Need To Get Started?

- A good template
- Last years budget
- Last years variance report
- Current YTD financials
- Market Study
- Rent Roll
- Current rents
- Current contracts
- Wish list



Template

- Company template
- HUD template

<http://portal.hud.gov/hudportal/documents/huddoc?id=92547-a.pdf>



Last Years Budget

- Historic numbers help project future numbers
 - Use actual previous expenses
 - Use the previous budget as a gauge
- Helps ensure all line items are included this year
- Look back even further to determine trends



Last Years Variance Report

- Were any budgeted items over or under budgeted
- Make allowances for current year



Current YTD Financials

- Provides current data for income and expenses
- Assists with reoccurring charges
- Helps identify items that need to be transferred to the next year's budget



Market Study

- What are the rents at competing properties
- What amenities do they have and what do you need to have to compete?
- Rent Comparability Study



Rent Roll

- Vacancy
- Lease expirations
- Turnover projections
 - Use historical data to determine vacancy trends
 - Estimate how many people may move-out based on local data
 - New units being built
 - Local employers



Current Rents

- Determine Gross Potential Income
 - Current occupied units
 - Vacants to be rented at “market”
 - Potential increases?
- Economic Vacancy
 - Total Gross Potential
 - Delinquency
 - Bad Debt
 - Employee Units
 - Concessions



Current Contracts

- Review current contracts
- Determine if a new vendor is needed
 - If so, obtain new quotes
 - If not, obtain the estimated percent of any annual increases
 - Always shop around for the best price



Wish List

- Training
- Conferences
- New equipment
- Resident services or functions
- Additional staffing
 - Security
 - Service Coordinator
 - IPM Coordinator
 - Office staff
 - Maintenance



How To Have A Better Budget



Projecting Income

- Can you increase Rents
 - Everyone?
 - Bring below market residents to market?
- HUD Contract Renewal
- HUD Rent Increase
- What are the maximum rents allowed (LIHTC)



Projecting Income

- Commercial income
 - Increase current tenant's rent
 - What is the price per square foot in your area
 - Project vacancy



Projecting Income

- Ancillary or “Other” Income
 - Laundry
 - Garages
 - Application fees
 - Vending Income
 - Lease break fees
 - Late fees
 - NSF fees
 - Special Claims



Projecting Income

- Historical Replacement Reserve income
 - Review invoices to see if they can be reimbursed in the future budget year
 - Anticipate work to be done that qualifies for Replacement Reserve Income



Projecting Income

- Interest receipts
 - From Property Accounts
 - Operating
 - Security deposit
 - Residual Receipts
 - Replacement Reserve
 - Operating Reserve
 - Review historic numbers
 - Bank Statements
 - Financials



Items Which Affect Income

- Vacancy
- Bad Debt
- Employee Units
- Concessions

FOR RENT



Projecting Expenses



Controllable

- Delinquency/bad debt
- Office supplies
- Eviction costs
- Repairs and maintenance
- Utilities
- Mileage



Uncontrollable

- Debt Service
- Capital Repairs
- Property Taxes
- Management Fee
- Audit Expense



Projecting Expenses

- Payroll
 - Office staff
 - Manager
 - Maintenance Superintendent
 - Maintenance staff
 - Housekeeping
 - Grounds
 - Technicians



Projecting Expenses

- Administrative expenses
 - Training and Conferences
 - Advertising
 - Management Consultants
 - Advertising and Marketing
 - Office Expenses
 - Office Supplies
 - Postage
 - Copier
 - Answering Service
 - Telephone
 - Internet



Projecting Expenses

- Administrative expenses Cont.
 - Office or Model Apartment Rent
 - Management Fee
 - Administrative Rent Free Unit
 - Legal Expenses
 - Audit Expenses
 - Bookkeeping Fees/Accounting Services
 - Memberships/dues
 - Miscellaneous Administrative Expenses



Projecting Expenses

- Administrative expenses Cont.
 - Mileage
 - Software maintenance
 - Credit and criminal background checks



Projecting Expenses

- Utilities
 - Electricity
 - Water
 - Gas
 - Sewer



Projecting Expenses

- Repairs and Maintenance
 - Cleaning supplies
 - Grounds supplies
 - HVAC
 - Painting



Projecting Expenses

- Repairs and Maintenance Cont.
 - Appliance Repairs
 - General Supplies
 - Electrical Supplies
 - Carpet & Flooring Repairs
 - Plumbing



Contracts

- Elevator Maintenance
- Exterminating
- Fire Protection
- Monitoring Systems
- Trash Removal
- Landscaping
- Snow Removal
- Painting



Projecting Expenses

- Management Fees
 - Is there a cap?
 - HUD Elderly
 - HUD Family



Projecting Expenses

- Training
 - Programmatic training
 - Soft skills training
 - Fair Housing



Projecting Expenses

- Taxes and Insurance
 - Real Estate Taxes
 - Payroll Taxes (Project's Share)
 - Miscellaneous Taxes, Licenses, and Permits
 - Property & Liability Insurance (Hazard)
 - Fidelity Bond Insurance
 - Workmen's Compensation
 - Health Insurance and Other Employee
 - Benefits
 - Other Insurance



Projecting Expenses

- Mortgage expense
 - Interest on Bonds Payable
 - Interest on Mortgage Payable
 - Principal Payments
 - Mortgage Insurance Premium
 - Miscellaneous Financial Expenses



Projecting Expenses

- Reserve Accounts
 - Replacement Reserve
 - Residual Receipts
 - Lease-up Reserve
 - Operating Reserve



Capital Improvements

- Appliances
- Parking lot resurface
- Roofs
- Windows
- Building exterior paint
- Carpet
- Extensive
- Cabinets
- Elevators
- Computers



Projections

- Even monthly amount
 - Reoccurring amounts
- Actual monthly amount
 - An amount that may only be expected in a specific month
- Annual amount
 - One-time amount



Assumptions

- A narrative that elaborates on how you generated the dollar amounts for each line item as well as an explanation of when expenses may occur.



Tips

- Start a budget book and include
 - Variance reports
 - Bids
 - Work order summaries
 - Wish list items
 - Newspaper Articles



Final Thoughts

- Know when your budget is due and do not wait until the last minute
- Be prepared for the budget to be cut
- Be aware of industry standards
- Know program regulation requirements





**THANK
YOU**



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Questions?

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