
ENTERPRISE COMMUNITY PARTNERS, INC.

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Research Demonstrates Positive Impact of Family Resident Services On Property Financial Performance

In Selected Mercy Housing Family Properties Over Two Years

Introduction

Mercy Housing, Inc. and Enterprise Community Partners, Inc. have collaborated on research to determine the impact of resident services on property performance in affordable family rental housing. Both organizations are members of the National Resident Services Collaborative, established in 2003 by several national, regional and local community development organizations, to improve and increase the delivery of resident services for families in affordable housing.¹ Many low-income families living in affordable housing need social services to succeed in housing and build their financial and personal assets – through education and job placement to help adults obtain and advance in employment; after-school programs to ensure education success; and other social services — as well as help ridding their communities of crime and illegal drug activities.

Members of the National Resident Services Collaborative have anecdotal evidence that resident services in affordable, family properties helps reduce costs related to turnover and nonpayment of rent by helping families improve their incomes and financial management, get help when they face crises, comply with rental lease requirements and build communities, beyond housing. Such reduced costs contribute to the bottom lines of the properties and the owners. Enterprise was interested in funding additional property performance research and Mercy Housing agreed to share data on its portfolio for that purpose. Enterprise Community Partners is grateful to Mercy Housing which provided essential support for this research through cooperation in design, access to data and implementation of the study.

Study Results Demonstrate Cost Savings In Properties with Resident Services

The Mercy property performance research consists of a review of selected property performance data with obvious correlations with resident behavior in 36 properties totaling 1,787 units of family housing. Similar properties with resident services were compared to properties without services. Initial findings demonstrated that services provided to families by resident services staff reduced property vacancy losses, legal fees and bad debts. In this case the differences were \$225 per unit and \$356 per unit in two recent consecutive years. While not completely definitive, the results demonstrate a robust correlation.

- ◆ **Vacancy Loss Per Unit**
FY 2005: Properties *with* RS **out-performed** those *without* resident services by **24%**.
FY 2006: Properties *with* RS **out-performed** those *without* resident services by **42%**.
- ◆ **Cost of Legal Fees Per Unit**
FY 2005: Properties *with* RS **out-performed** those *without* resident services by **40%**.
FY 2006: Properties *with* RS **out-performed** those without resident services by **76%**.
- ◆ **Cost of Bad Debt Per Unit**
FY 2005: Properties *with* RS **out-performed** those *without* resident services by **44%**.

¹ Other NRSC members are: American Association of Service Coordinators, The Housing Partnership Network, NeighborWorks America, Stewards of Affordable Housing for the Future, Alamo Area Mutual Housing Association, The Community Builders, Community Preservation and Development Corporation, National Church Residences, Neighborhood Partnership Fund, Preservation of Affordable Housing, and REACH CDC.

FY 2006: Properties *with* RS **out-performed** those *without* resident services by **17%**. It is important to note that overall property management costs may be influenced by certain variables outside the scope of this study, such as newer vs. older properties, or variance in state regulations affecting tenancy and legal costs and thus were not part of this study. To establish validity of the existing data across the control group and the test group, the study investigated two sub-samples:

- one controlled by geographic location to California and Washington states
- another controlled by size (30-53 units)

These sub-samples clearly validated findings from the full study, showing especially strong consistency regarding vacancy loss per unit and legal fees per unit.

EXHIBIT A:

| | vacancy loss / unit | vacancy loss / unit | Legal fees / unit | legal fees / unit | bad debt / unit | bad debt / unit |
|----------------------------|-------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|
| | 2004 OR FY 2004 - 2005- | 2005 OR FY 2005-2006 | 2004 OR FY 2004 - 2005 | 2005 OR FY 2005-2006 | 2004 OR FY 2004 - 2005 | 2005 OR FY 2005-2006 |
| NO RS | -\$458 | -\$709 | \$42 | \$41 | \$221 | \$168 |
| With RS | -\$347 | -\$412 | \$25 | \$10 | \$124 | \$140 |
| Δ difference / unit | \$111 | \$297 | \$17 | \$31 | \$97 | \$28 |
| % difference | 24% | 42% | 40% | 76% | 44% | 17% |

This study expands the important “case” that in addition to positive outcomes for adults and children, affordable housing properties benefit *fiscally* when resident services are provided at family properties and help pay for the services themselves. The data demonstrates that properties offering resident services realized significant overall per unit savings when compared with properties NOT offering resident services:

OVERALL SAVINGS PER UNIT FOR PROPERTIES WITH RESIDENT SERVICES

| | |
|-----------------|-----------------|
| 2004 or 2004-05 | 2005 or 2005-06 |
| \$ 225 | \$356 |

Recommendation for Next Steps

The favorable findings of the Mercy portfolio property performance study are consistent with findings from the 2005 study conducted by the State of Pennsylvania Housing Finance Agency and provide a basis for deeper research. Possible next steps to further examine the premise of this study include:

- *longer-term analysis using control and test groups within the same market*
- *standardized data collection of specific aspects of property operations such as of security or maintenance costs.*

Design and Scope of Property Performance Study²

This study intended to demonstrate impact of resident services on property financial performance at family properties within the Mercy Housing portfolio over two recent fiscal years (FY 05 and FY 06). The work is similar to and supports the study conducted by the Pennsylvania Housing Finance Agency (PHFA). Like the PHFA study, the Mercy Housing study examined select data sets across a property sample specifically relating to asset management.

The State of Pennsylvania's Housing Finance Agency conducted a study in 2005 of 17 properties with services compared to 17 similar properties without services (all in Philadelphia). (<http://www.residentservices.org/documents/PAImpact.doc>). Over a two year period, the properties with services performed better on three of four property performance measures examined: legal expenses, bad debts and unit turnover. More research was needed, however, to demonstrate that family resident services positively impact property performance.

The Mercy property performance study further validates the aforementioned Pennsylvania property performance study. By compiling additional, credible data we find correlations in key result areas. This encouraging data expands the important "case" that in addition to positive outcomes for adults and children, affordable housing properties benefit *fiscally* when resident services are provided at family properties and help pay for the services themselves.

The nature and extent of resident services provided at Mercy Housing varies widely, depending on needs of the residents and the immediate community. Types of service include a range of youth, adult and family education, health-related programs, economic / financial development and/or community / civic engagement. All Mercy Housing properties offer a minimal level of Resident Services (i.e.: resource or referral information available in the Property Management office). Most family properties of 50 units or more provide paid professional resident service staff to coordinate programs to address resident needs.

Mercy Housing manages a current portfolio of 129 family properties, representing 7,871 rental units housing a total of 19,804 adults and children. At this time approximately 80 family properties provide Resident Services Programs with paid professional RS staff.

During the two fiscal years in the study, Mercy Housing Family Property Portfolio grew by 826 units, or 23.5% of the overall family housing portfolio. This research reviewed property performance data on a total of 1,787 units of family housing, or 22.8% of Mercy's total family housing portfolio. For purposes of this study, a sample of family properties was selected based on several primary criteria:

- ◆ **Similar number of units within properties.** All properties selected for both the Control Group (C- Group = 19 properties) and the Resident Services Group (RS-Group = 17 properties) had 30-80 units. These represent the typical sizes of family properties developed by nonprofit organizations under the Low Income Housing Tax Credit.
- ◆ **Resident services program staffing was consistent** during the two fiscal years studied at properties in the Mercy resident services sample (RS-Group). Properties in this study group were selected if RS programs had paid RS staff at that property for at least 11 of the 12 months in each fiscal year.

² Additional detail on property selection, data sources, data analysis and variables is available in a separate Addendum available in the online version of this report at www.residentservices.org

- ♦ **Consistency of geography among groups of properties samples** was important to ensure that both groups had a similar balance across urban, suburban, rural environments.
- ♦ **Properties for which complete data was available** for the past two complete fiscal years using current demographic and Yardi Asset and Property Management databases at Mercy Housing was essential.

Control Group = Properties which do not provide Resident Services through full or part-time staff are the C-Group.

Resident Services Group = Properties which provide resident services using either full or part-time dedicated Resident Services staff. Properties with inconsistent staffing during the period of study were eliminated from the RS-Group.

EXHIBIT B: The table below shows the composition of the C-Group and the RS-Group.

| | C-Group NO RESIDENT SERVICES | | RS-Group WITH RESIDENT SERVICES | |
|-----------------------|---|-------|--|-----|
| Total # units | 837 | | 914 | |
| Av # units / property | 46 | | 54 | |
| Urban | 503 | 57.5% | 607 | 66% |
| Suburban | 203 | 23.5% | 217 | 24% |
| Rural | 107 | 12% | 90 | 10% |

Conclusions Not Validated by This Study

This study focused exclusively on the financial performance of affordable family housing. The aforementioned analyses lacks baseline data, therefore, some hypotheses require additional study to demonstrate validity.

- The study demonstrates a reduction in vacancy loss per unit. While this also implies lower resident turn over rates per se, the underlying data does not support that conclusion. Actual resident turn over rates appear to be influenced by many variable factors, including the availability of Resident Services.
- Annual individual household income for 2004, 2005 and 2006 were not available for this study. Analysis of median household income by property (data source: 2006 demographic report) does not appear to influence financial performance of properties per se. However median household income in this study and all three sub-samples is notably higher (ranging from 4% - 24%) where Resident Services are provided.
- Number of children per unit does not appear to influence property financial performance.
- Overall operating cost per unit is calculated using numerous multi-faceted variables (i.e. cost of maintenance/unit) that vary due to differences in properties, neighborhoods and resident demographics. Therefore, we did not find any clear correlations nor valid conclusions.
- Analysis of properties performance by sub-categories (rural, urban, suburban) did not reveal a consistent performance trend. Therefore, we are not able to conclude that one type of geographic location allows better property performance than another.

This research was designed and conducted for Enterprise Community Partners and Mercy Housing by Terry Galpin-Plattner, Principal, Organization Options, Denver, CO in collaboration with Diana Meyer, Senior Director, Enterprise Community Partners.

Annual Per Unit Cost Differences

Between Mercy Housing family properties with Residents Services and similar properties without.
On all indicators, properties with Resident Services achieved considerable cost savings.

