

“Building on SteelTown Village Success”



Petra Community Housing

STRATEGIC PLAN 2019 – 2024

Adopted: October 16, 2019

PETRA COMMUNITY HOUSING (Formerly Phoenixville Homes)

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Beginnings of the Organization

Petra Community Housing, formerly Phoenixville Homes, was founded in 1994 by the Greater Phoenixville Area Council of Churches to create needed housing affordable to low income persons. The first projects helped homeowners refurbish existing homes. Having proved its capabilities, Montgomery County and Chester County both recognized this IRS approved charitable organization as a certified Community Housing Development Organization (CHDO) and consequently provided federal HOME operating funds purpose of developing affordable housing. The corporation then renovated and resold single family homes to 40 low income first time home buyers from 1997 to 2012. Additionally, a William West endowment was created to support the development of affordable single family homes.

In order to also aide seniors and persons with disabilities, the organization utilized federal Department of Housing and Urban Development (HUD) funds to renovate three former factory buildings between 2000 and 2006. In the process, Phoenixville Homes became the property manager for the 58 unit Flag House and the 62 unit Bard Complex in Spring City both being for elderly only and the 19 unit Freedom House in Royersford for persons with disabilities. At completion, a new board of directors for each project had to be formed; a separate IRS recognized charitable organization functioning as the project owner.

Changing Times necessitate New Directions

During strategic planning in 2009, the organization decided to be focused as a regional developer of rental housing. Two years later the organization accordingly changed its name to Petra Community Housing (Petra) to reflect its wider mission. During this period, Chester and Montgomery Counties indicated that future Petra projects could only be for affordable rental housing. The Petra endowment was therefore revised to support rental housing development.

Due to heightened concerns associated with very low income persons and veterans returning from military service, HUD since 2012, placed greater emphasis on assistance to the homeless and veterans while eliminating or reducing funds for housing construction. Both Chester and Montgomery Counties also decided Petra was expected to produce new units every year in response to new requirements associated with HOME program and CHDO funding.

To meet this new challenge, Petra utilized Capital Access to study how Petra could best accomplish its mission. The Board endorsed the recommendations of Capital Access that are as follows:

- 1) make its property management administration efficient by relying more on technology with written operating procedures,
- 2) raise funds to create a new staff position in support of the Executive Director's efforts to develop housing, and
- 3) pursue a large scale project funded by the Low Income Housing Tax Credits (LIHTC)

In January 2013, during a Petra strategic planning analysis, it was predicted that the HOME operating funds from Montgomery County would cease due to HOME annual production requirements. Unable to develop new units annually in both counties due to its limited staff capacity, Petra completed its Schwenksville project consisting of two apartments in 2015 and turned its attention solely to Chester County for potential new CHDO related projects.

A Blueprint for Tax Credit Financing

Due to the loss of Montgomery County operating funds, a Petra Strategic Plan entitled “A Blueprint for Success” consisting of the following objectives:

- 1) Cease the ineffective fund raising efforts that were unable to provide the Executive Director with a housing development assistant;
- 2) Reassign existing staff duties in the wake of departures in the last few years of very capable staff members by centralizing administrative operations, creating crossover duties between departments, and thereby achieve greater efficiencies;
- 3) Create a new housing development in Chester County utilizing LIHTCs and the perceived ability to pay for pre-development costs from foundations and angel investors;
- 4) Generate developer fees deriving from the aforementioned LIHTC project to close the operating fund gap, and provide a significant increase to the endowment; and
- 5) Utilize the same mission statement, and core values contained in the 2012-2015 Petra Strategic Plan with an updating of the same four primary goals.

In 2015, Petra purchased a 3.2 acre brownfield site in Phoenixville by borrowing from the William West endowment to create general occupancy housing using 9% LIHTC financing. With financial support from Chester County, the Pennsylvania Housing Finance Agency (PHFA) and the Phoenixville Community Health Foundation (PCHF), and rental assistance vouchers from the Housing Authority of Chester County (HACC), the following occurred:

- In 2017, Petra accomplished what is never supposed to happen; PHFA awarded 9% LIHTC to Petra for SteelTown Village in its first ever attempt for tax credits;
- SteelTown Village was rated the highest of all projects outside a major urban area due to its residual property value, benefit to large families, military service veterans, persons with permanent disabilities and associated site amenities;
- Despite a \$1.5 Million fire loss that occurred May 2, 2018 at the mid-point of construction, SteelTown Village achieved substantial completion November 30, 2018;
- Without the funds to cover the cost exposure liability of an experienced public adjuster, Petra staff adjusted the insurance claim with all requested funds paid by August 2019;
- Due to financially harmful rent-up delays associated with a PHFA required property management mentor, PHFA allowed Petra to be the sole property manager;
- Full rent-up occurred in December 2018 thereby enabling the scheduled release of equity installments from the tax credit investor to developer fees; and
- Items numbered 2 through 5 above in the prior strategic plan “A Blueprint for Success” were all accomplished.

Evaluation process following SteelTown Village Project

To evaluate the status of the organization, a brief review of the history of the organization was undertaken as part of the 2019 strategic planning process. The status of housing projects now managed and under development is as follows:

Development	Primary Development Funding Source(s)	Status	Rental Units
Spring City Elderly (Flag House)	HUD Sec. 202	Placed in Service July 2000	58
Freedom House	HUD Sec. 811	Placed in Service Jan. 2002	19
Gruber Mills (Bard Complex)	HUD Sec. 202	Placed in Service Nov. 2006	62
Hopkinson House	HOME, Co. HTF	Placed in Service Feb. 2014	2
SteelTown Village	9% LIHTC, fed. HTF, Bank Loan, HOME, PA Disabled	Placed in Service Nov. 2018	48
Paradise Place	CDBG, PA Disabled	Municipal approval pending	9
Total Rental Units			198

With the SteelTown Village fire claim being completed in August 2019 and Petra now in receipt of sufficient developer fees to consider financing a new project, the Petra Board and staff embarked on a process of strategic evaluation. After a brief review of the organization’s history (as described above), this evaluation process consisted of analyzing:

1. Strengths, Weaknesses, Threats and Opportunities (SWOT);
2. Trends impacting the organization; and
3. Lessons Learned.

Internal Strengths and Weaknesses of the Organization

The internal Strengths and Weaknesses of the organization are summarized as follows:

Strengths	Weaknesses
Staff Expertise/Cross Training	Limited Staffing Prospects/Too few Staff
Team Learning & Decision Environment	Lack of PR/Exposure/Limited Branding
Determination to Succeed with excellent Partners	Inadequate Written Procedures & IT Systems
Property Assets, No Debt & Endowment	Excessive demands on Staff Time

With the completion of the SteelTown Village project, Petra Community Housing is undergoing significant growing pains due to its success. By accomplishing a tax credit funded development, the sophistication and level of compliance reporting is much greater than with the prior properties created with HUD funding. Strengths therefore include staff expertise to finance housing developments, the quality of the developed properties, and the resulting cash balance of the organization as well as Petra’s reputation for creating a strong development team.

The effort to develop SteelTown and its continuing compliance requirements has however exposed the weaknesses of insufficient staffing and inadequate administrative infrastructure to properly support the staff. Existing staff tasked with developing properties are spread too thin to perform additional duties previously provided such as public relations and grant writing. In response the Board in April 2019 approved the hiring of a full time person to assist in the Finance Office; enabling both the Finance Administrator and Housing Operations Assistant to allocate more of their time to duties separate from financial accounting.

Another weakness has been the lack of a complete set of property management policies and procedures easily accessible to all staff. Great strides were made in 2018 and 2019 by jettisoning three different software programs for property management that could not work with each other in favor of one program. To fully utilize this new software platform and streamline administration, we need to institute additional procedures and have reference guide Site Binders readily available.

Another significant weakness is the infrastructure to support facilities Information Technology (IT). Our computer and related equipment (i.e. routers, cameras, phones, doors) are high quality however they do not operate on a reliable basis. As we add satellite offices such as SteelTown Village it is taking more than six months waiting for our multiple IT vendors to “get the bugs out” and as one problem is solved a new one occurs. Instead of relying on our Facilities Coordinator to be an IT problem solver, we need to pay higher fees and obtain a full service IT vendor as our Facilities Coordinator has many other issues needing attention.

A remaining facilities support weakness is the lack of a broadly skilled general maintenance staff. Due to the job market and the available job pool, Petra is under staffed. To overcome this weakness, we need to rely on specialty vendors such as HVAC, landscaping, carpeting and painting to cover production shortfalls associated with apartment turnover or scheduled preventative maintenance. Until the job market changes and new staffing options are available, we need to have nearby vendors able to provide quality facilities maintenance support on a timely basis.

External Opportunities and Threats to the Organization

The external opportunities and threats to the organization are summarized as follows:

Opportunities	Threats
LIHTC development with significant staff effort	Litigation in opposition to mission
Funding from County & Foundation partners	Shrinking non-LIHTC funding sources
Health to Housing Initiative	Strong reliance on few staff
Key Development Partners ready for new venture	Growing sense of entitlement in society

The ability of Petra to obtain 9% tax credits on its very first attempt to do so cannot be understated. The usual track record for experienced tax credit developers is to get approval by its third attempt and the pre-development cost for the first application for tax credits typically costs several hundred thousand dollars to the developer. In the process of developing SteelTown Village, Petra now has an excellent reputation in the housing industry and is in demand from others asking to join the development team for a new project.

Financing a 9% Tax credit deal is however quite difficult. For the SteelTown project in round numbers, the total project was \$14 M which generated \$10 M of cash equity from the tax credit investor with \$2 M provided by a private bank loan leaving a \$2 M financing gap. To keep the developed housing affordable to the low income tenants, a bank loan in excess of \$2 M would have made the project infeasible. Private bank financing terms without grant subsidies make market rate and luxury housing feasible, not affordable housing.

Every affordable housing deal must close a subsidy gap. The typical source to fill this gap is with government assistance as in the case with SteelTown Village. The only variation on this typical deal is for a nonprofit developer such as Petra to obtain some grants from foundations which was accomplished twice for Petra developed projects. The new threat is that government gap funding sources previously available a year ago are now: 1) being diverted to other types of financed developments, 2) eliminated entirely, or 3) available with new restrictions. Although a 9% tax credit deal makes it possible to carry out the organization's mission, the competition for available credits is becoming more intense as gap funding sources shrink.

A promising new source of gap financing could come from hospitals. As the insurance industry places greater emphasis on successful outcomes, studies are showing that a very significant factor in the long term success of that medical treatment is the quality of the housing the patient returns to. Additionally, foundations are increasingly requiring their applicants to provide outcome based "logic model" analysis in the funding request to show the likelihood of success. It is presumed therefore that significant opportunities exist to create new sources of gap financing if new partnerships with foundations and hospitals can be forged to take a holistic approach to development of permanent affordable housing.

An increasing threat to successful property management is the sense of entitlement that is exhibited by applicants to affordable housing. Fair Housing laws require the same standard of consideration for all and "protected classes" have been established to further safeguard against housing discrimination. An additional related threat to property management is that the preponderance of persons suffering from clinical mental illness reside in private housing, not institutions. To comply with Fair Housing, the landlord cannot ask if the applicant has a disabling condition and some applicants "act up" after obtaining tenancy claiming they have a mental condition allowing bad behaviors. The remedy for these situations continues to be strict enforcement of the lease based on comprehensive written policies and procedures along with strong crisis intervention partnerships with service support agencies.

A remaining threat to any proposed development or managed property is the increasing constant presence of litigation due to the propensity of many to solve problems through the courts. Legal action has been taken against Petra claiming exclusive rights of use to Petra property and a lawsuit initiated years after the alleged incident. There is no substitute to rigorous written property management and property acquisition procedures.

Organization Lessons Learned

Petra Community Housing is essentially two organizations in one; a Property Developer and also a Property Manager. The staff skillset for these functions is different and if the development is well financed, designed and built, it significantly make the duties of the property management staff easier. The IRS 501 (c) (3) designation of Petra as a charitable organization is based only on its ability to function as a Property Developer. The HOME funding and CHDO designation of Petra (required in its by-laws) is based solely on Petra’s performance as a Property Developer. If Petra can operate as a Property Manager in a cost effective manner, property management fees can support Property Development and thereby the role of property management supports the mission of affordable housing development.

The core administrative staff is continually in a state of dynamic tension between **Property Development** and **Property Management**. Maintenance and resident service staff typically provide only property management support. If the staff performing property development is redirected to **Fund Raising** duties, property development efforts cease, and the organization stagnates. Studies typically indicate that at least 20% of the organization’s resources must be spent on **Research and Development** (R&D). If the staff assigned to property development cannot spend at least 20% of their combined time on R&D, but instead are tasked with fund raising or property management, the organization will exhaust its financial reserves, have to jettison staff and concentrate solely on property management.

The history of SteelTown Village bears out this need to allocate sufficient resources to R&D. As Petra was about to begin construction on SteelTown Village, the Finance Administrator was hired. This action accomplished objective no. 1 the Blueprint for Tax Credit Financing since the Finance Administrator functions as the Development Assistant to the Executive Director. The person in this position however was never able to fully perform this role as they also performed too many tedious accounting functions. Recognizing this situation, the board authorized the hiring of a Finance Assistant who is to begin work in September 2019 and thereby enable the Finance Administrator to support the Executive Director in new property development.

Based on this backdrop, lessons learned are as follows:

Property Management	Property Development
Limit the no. of government voucher holders	Developer to select all partners inc. subcontractors
Aggressively enforce lease w/ standard procedures	Develop with PILOT prior to occupancy
Disabled hsg. management easier than family	Know your neighbors before you build
Resident Bd. Directors for appeals committee	Monitor compliance throughout process

The rent-up of SteelTown Village (STV) provided many lessons for the organization. Due to changes in society already cited in external threats to the organization, a much greater level of effort for property management was necessary than originally planned for.

Case in point, the Petra Operations Coordinator serves as the Property Manager for STV, and sufficient time has not been allocated to non-STV duties. To create cost effective property management, both the Executive Director and the Operations Coordinator have had to “change the culture” at STV making tenants more accountable. Nine months after initial lease-up, the tenant issues at STV have started to lessen, as the desired culture takes hold.

Additionally, the STV Resident Services Coordinator is now operating in many respects as the assistant to the Property Manager thereby improving property management efficiencies. It has also become evident that tenants chronically unemployed often present an attitude of entitlement. Lessons learned are that Petra must strategically limit the number of rental assistance vouchers in new projects, Resident Services staff needs to closely support the efforts of property management, and strict written lease enforcement standards are essential.

In recent years, it has been observed that tenants and prospective housing applicants are more likely to appeal decisions contrary to their liking. If the matter is a lease violation notice, it has worked well to allow an appeal to the Executive Director if it is made in a timely manner. For a housing prospect to appeal a denial of the application, the best arrangement is not to rely on a professional arbitrator (without a vested interest in the outcome), but instead rely on all the directors on the Petra Board who are also existing Petra residents as the appeals committee.

The remaining property management lesson is the high level of difficulty associated with tenant families as compared to single person households. Although Petra obtained extra points in consideration for the tax credit award to STV due to the many large family apartments (11 Of 48 units being 3-bedroom), it is too difficult for Petra to manage these units until there is first a comprehensive set of written property management policies and procedures already in place.

Property development lessons essentially relate to a higher level of control over the development process. As developer, Petra must be able to:

1. Have authority over who the general contractor chooses as subcontractor. Everyone on the construction team must be strongly inclined to be a team member, and support our Section 3 hiring and minority participation goals and standards. Relying on the general contractor for this compliance and coordination alone is not satisfactory.
2. Have authority over the entire design team. Each professional on the design team must report to the developer. This makes design decisions more integrated and causes construction problem solving to be more streamlined.
3. Thoroughly investigate the potential for conflicts with neighbors to the prospective site.
4. There is no substitute for knowing what the property tax assessment will be before finalizing the operating budget. A Payment-In-Lieu (PILOT) should be in place as soon as possible in the development process.

Guiding Principles and Trends going forward

Predicting the future as best we can, trends we see consist of:

1. Competition among developers for 9% LIHTC will only increase however the rewards for a successful application are great. Although 4% LIHTC is not nearly as competitive, the financing gap is much greater than for a 9% deal and that makes it likely unattainable for a new construction project. As the existing Petra managed properties are not in need of refinancing at this time with 4% tax credits, a 9% deal is attainable if:
 - Mixed income (market rate with low income) housing is created
 - Residential with supporting commercial development is explored
 - Cutting edge building construction technologies are incorporated
 - Housing is provided for the most needy
2. Society no longer has large mental institutions and is now supportive of the plight of persons with permanent mental health disabilities residing in private housing.
3. Demand will increase for permanent affordable housing for vulnerable (permanently disabled, low income and elderly) persons.
4. The potential for the medical community to invest in permanent affordable housing that improves their bottom line will continue to increase.
5. Use of the logic model will become more predominant with funders.

To maintain the right culture for the organization, the following principles shall continue to guide the organization:

<p>Mission Statement</p> <p>Strengthening communities by creating affordable housing and empowering our residents for a quality living experience.</p>	<p>Core Values Statement</p> <p>Petra Community Housing is driven by:</p> <ul style="list-style-type: none"> • Affordable Quality Housing • Building Partnerships • Innovative Thinking • Community
<p>Vision Statement</p> <p>We strive to see all persons, with or without disabilities, obtain affordable housing with a high quality of life.</p>	

Strategic Goals & Objectives for 2019 - 2024

To carry out this strategic plan also known as “Building on SteelTown Village Success”, the following three goals have been adopted for the 2019-2024 period:

Goal 1	Develop new Affordable Housing with Community Impact
Goal 2	Improve Property Management Infrastructure
Goal 3	Establish Board Championed Community Partnering

Goal 1 Develop new Affordable Housing with Community Impact

The above SWOT analysis, Lessons Learned review and the Trends analysis research, tell us that our next new development must significantly benefit vulnerable populations (i.e. elderly, disabled, homeless, very low income) for us to successfully compete for available funding. Governed by the principle of “strategic calculated risk”, Petra is willing to proceed with a new development provided that: 1) the site(s) have sufficient residual value, 2) the development team and local governmental partnerships are strong, 3) we can readily demonstrate an ability to move forward, and 4) the project has significant impact on the community and to the extent possible for persons in abject need.

Petra Community Housing is therefore committed to utilizing its recently generated developer fees to pursue an affordable housing project with the following **objectives**:

1. Research the potential to provide affordable housing for vulnerable populations, including the use of governmental rental assistance vouchers.
2. Consider strategic set-asides in general occupancy housing and/or a condominium based legal structure within the developed property.
3. Actively consider incorporating medical provider investment into the housing project and commercial providers to compliment the residents.
4. Incorporate advanced building technologies and mixed income as possible to make a tax credit or similar application highly competitive and support the costs of operating housing that benefits low income persons.
5. Formally evaluate goal accomplishment on an annual basis.

Goal 2 Improve Property Management Infrastructure

To create a satisfactory administrative infrastructure supporting property management, we have the following **objectives**:

1. Obtain the services of a full function Information Technology vendor to sufficiently maintain existing computer and related equipment and is also actively involved in the design and implementation of any new housing developments.
2. Enhance the service relationships with vendors to comprehensively provide building and property maintenance support to cost effectively support maintenance staff for optimal performance of systems and services.
3. Update and make readily accessible all written property management policies and procedures with the latest in Fair Housing regulations in a comprehensive manner.
4. Create departmental operating procedures; user manuals.
5. Formally evaluate goal accomplishment on an annual basis.

Goal 3 Establish Board Championed Community Partnering

Although the roots of Petra are grounded in seeking donations, today's successful developers (i.e. Petra) are sophisticated in tax credit financing and strenuous property management compliance. Staff cannot be both a fund raiser and developer. We must therefore either hire a full time Funds Developer or rely on volunteers.

With significant Petra resources now committed to its next housing development, a Funds Developer cannot be hired at this time and we must instead rely on Board Directors to champion the cause of community partnering. The **objectives** to facilitate board championed community partnering are as follows:

1. The **board and its associated committee(s) of volunteers** will facilitate: 1) branding (i.e. speakers bureau), 2) relationship building (i.e. board breakfasts), and 3) fund raising (i.e. Spaghetti Dinners, annual giving campaigns, donor cultivation) for purposes such as Petra-On-the-Go bus maintenance and organization operating support.
2. The **property development personnel** will provide indirect support by allocating at least 25% of their time to Research and Development of new property including the research, education, grant writing, application preparation, public appearances, financing, design and pre-rent activities associated with creating affordable housing.
3. The **resident service support personnel** will provide direct support by allocating at least 5% of their time in direct support of board championed community partnering. This assistance includes social media monitoring, event planning, participation at partner meetings and maintaining a data base of donors and their contributions. The staff assigned to property development may also assist with community partnering activities provided that at least 25% of their combined time is spent on R&D.
4. Formally evaluate goal accomplishment on an annual basis.