Affordable Housing Management and Preservation Initiative

Final Report

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(continued)

Introduction

Tax-Credit Financed Affordable Rental Housing in Philadelphia: a Tale of Two Cities?

The long-term viability of Low Income Housing Tax Credit-financed affordable housing has never been more doubtful: while regulations hold operating revenue down, housing managers are hard-pressed to counter the relentless market forces that drive operating costs up. The disparity between expenses and income seems to be particularly wide for struggling LIHTC developments located in poor inner-city neighborhoods, serving the poorest families and residents with special needs. Recently the future of these developments has been further clouded by a sustained boom in the inner-city housing market, which gives housing managers an incentive to abandon the low-income marketplace when the tax credit compliance periods for their developments expire (typically after 15 years). Several of the earliest LIHTC properties – those developed near the outer ring of Center City Philadelphia in the late 1980s and early 1990s – have already demonstrated the seriousness of this threat: low income residents' leases are terminated to make way for wealthier new tenants, or they face unrestricted rent increases to reflect the changing marketplace. Housing policy makers, finance agencies, housing managers, lenders, and community developers alike need be concerned about this troubling convergence of ever-weakening financial viability, ever-higher housing values, and expiring rent restrictions.

The Women's Community Revitalization Project (WCRP) owns and manages a portfolio of 167 units – high-quality affordable housing for which it struggles to cover costs and meet residents' needs, while sales prices in the surrounding area regularly set new records. WCRP's mission is to serve single female heads of household with incomes far below the maximum LIHTC cap (typically 50 percent of area median income). With support from the William Penn Foundation, WCRP has taken the initiative to study ways of improving the economic viability of the existing affordable housing portfolio. The study is part of a broader strategy to keep intact the existing affordable housing stock while creating conditions in which future affordable development is possible even within gentrifying neighborhoods. WCRP and William Penn have commissioned the study to examine WCRP's methods of property management, and the costs and income associated with the operation of its developments, in the hope of finding ways to improve the long-term economic feasibility of affordable housing. One purpose of the study is to determine whether WCRP's mission places any special operational burdens on its housing operations, and if so, how that burden is reflected in cost\ and/or income anomalies.

The study analyzes information from properties managed respectively by WCRP and by Pennrose Management Company (PMC), a for-profit manager of over 7,000 units of affordable housing. A major concentration of PMC-managed developments serves a resident population similar to WCRP's in similar Philadelphia neighborhoods. Without Pennrose's willingness to share publicly the details of its income, costs, and methods of operation, this analysis would not be possible. Summary cost data are also provided from the universe of all comparable developments in Philadelphia. Calendar year 2004 costs are compared for five

WCRP developments built between 1992 and 2002, with 123 units in total, and 17 Pennrose-managed developments built or rehabilitated with LIHTC financing between 1988 and 2001, with a total of 621 units.

The comparison with Pennrose in no way implies that the larger for-profit manager is somehow inherently better or manages its income-constrained tax credit portfolio more efficiently. Pennrose faces much the same economic squeeze as WCRP; by participating it hoped to demonstrate the pervasiveness of the problem. Pennrose also hoped to learn as much as WCRP about its own operations. It wanted to learn whether the findings would challenge or support the common assumption in the industry that a larger for-profit management company is better able to manage the financial burden than its smaller non-profit counterparts. Determining whether there are significant differences in the way the two entities conduct their management businesses or in their project income and costs, and whether there is a benefit to size, is of secondary importance, however The most important outcome for both Pennrose and WCRP (and for the industry as a whole) is to identify any means by which affordable-housing managers generally can improve operating efficiencies, ensure future management success, and ultimately achieve the long-term preservation of Philadelphia's affordable housing stock.

Summary of Key Findings

2004 Income and Expense Data Findings

Based on audited expense data for 2004 provided to the research team by the Pennsylvania Housing Finance Agency (PHFA), WCRP's per-unit expenses in 2004 was **$7,902**, as compared to **$6,340** for the comparable Pennrose developments and **$7,363** for all comparable PHFA-financed developments in Philadelphia. Most of this variation can be traced to the following expense categories:

Property Insurance: WCRP's costs equal **$904** per unit, as compared to **$357** for comparable Pennrose developments, and **$449** for all comparable developments in Philadelphia. *If WCRP could purchase property insurance at the same cost as Pennrose, it could lower its per-unit operating costs by $547.*

Water and Sewer: WCRP's costs equal **$853** per unit, as compared to **$540** for Pennrose, and **$469** for all comparable developments in Philadelphia. *If WCRP could lower its Water and Sewer costs to the average or the citywide portfolio, it could lower its per-unit operating costs by $384.*

Health Insurance: WCRP's costs equal **$269** per unit, as compared to **$100** for Pennrose and **$126** for all comparable developments in Philadelphia. *If WCRP could lower its Health Insurance costs to the level paid by Pennrose, it could reduce its per-unit operating costs by $169.*

Congregate Services: WCRP's cost equals **$480** per unit**,** as compared to **$159** for Pennrose and **$135** for all comparable developments in Philadelphia. For sites that show congregate services costs, WCRP's average cost per unit ($590) is nearly 40 percent higher than Pennrose's ($440). *If WCRP could provide congregate care services as inexpensively as Pennrose, it would lower its per-unit operating costs by $150.*

WCRP's average per-unit averages for non-payroll related **Maintenance Cost**s and non-payroll related **Administrative Costs** are **about average** when compared to all other PHFA-financed, and **slightly lower** than the same cost categories for the Pennrose portfolio.

WCRP's costs for **Legal Expenses** and **Bad Debt** are **17 percent** and **60 percent lower** than at other PHFA-financed developments in the city, suggesting that the higher Congregate Services costs and the amenities that lead to higher Water costs may be somewhat offset by the lower level of resident evictions.

Income: WCRP's per-unit income, *exclusive* of fundraising income which it uses to supplement its higher than average resident services costs, is **$5,789** as against the Pennrose average of **$5,894** for its comparable Philadelphia tax credit portfolio. WCRP's policy is not to raise rent to the maximum allowed by the LIHTC guidelines, while Pennrose aggressively seeks rent increases unless unique marketing constraints preclude that action.

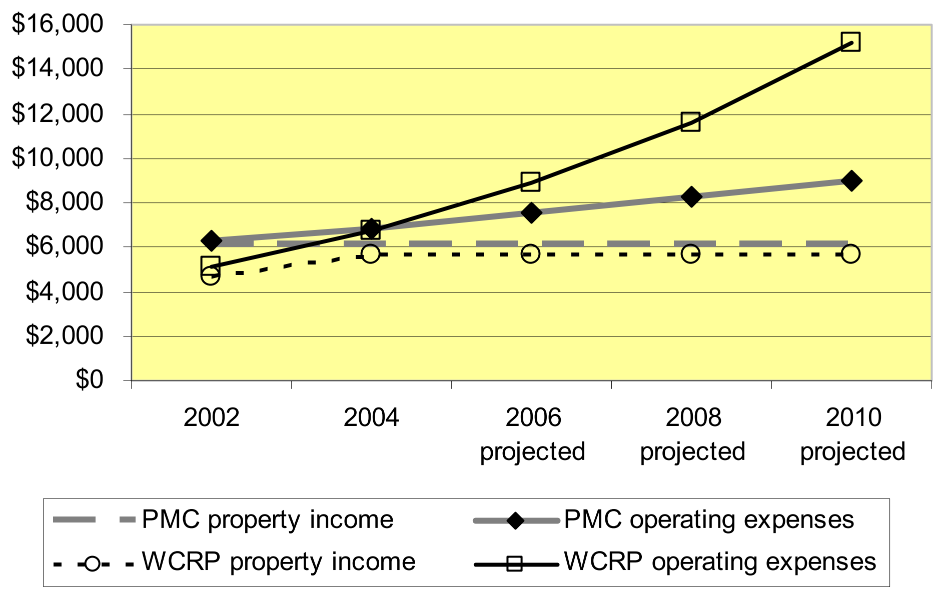
Trends in Income and Expenses

Data from 2002 to 2004 were compared for four WCRP and eleven Pennrose developments. Over the three-year period, WCRP's net rental income per unit at these developments **increased $1,435** (from $4,500 to $5,629), while its adjusted total operating expenses **increased $1,598** (from $5,165 to $6,764). *WCRP's increased rental income results entirely from its decision to accept Housing Assistance Payments* from the Philadelphia Housing Authority (PHA) – rental subsidies that raise per-unit income above the LIHTC limit. It bears mentioning that this additional income may be offset by higher maintenance costs to respond the PHA's routine (and often rigorous) property inspections, as well as by higher administrative costs to comply with and manage the PHA's administrative requirements for housing managers who receive its subsidies. The effect of PHA subsidies on expenses is not discernible from the data examined for this study.

Pennrose's net rental income per unit **decreased $141** (from $6,071 to $5,930) while its adjusted total operating expenses **rose $670** (from $6,262 to $6,862). By this yardstick, then, the gap between income and expenses increased **$163** per unit for WCRP and **$811** per unit for Pennrose.

In the graph below, adjusted property income (of which all but a tiny fraction is rental income) is assumed to remain constant at 2004 levels for the next six years; adjusted total operating expenses are projected at the 2002-04 rate of increase:

Expenses vs. Income 2002-2004, Projected to 2010



Operational Observations

Site Staffing

The two organizations have a roughly similar ratio of staff to units. WCRP has one property management staff person per 83 units and one maintenance staff person per 42 units. Pennrose has one property management staff person per approximately 60 units and one maintenance staff person per approximately 40 units.

Back Office Staffing/Accounting

The PMC fiscal department, staffed by 10 persons, is responsible for accounting, maintaining all financial records, paying bills, and issuing the required reports on each site's fiscal operation. The ratio of fiscal staff to total portfolio is about 1 person to 800 units.

WCRP has a fiscal staff equivalent to 1.5 full-time positions.

On-site Property Management

Both Pennrose and WCRP use an unsupported and older version of Yardi Property Management Software for accounting and property management Both Pennrose and WCRP produce Monthly Operating Reports that track income and expenses for all budget line items and compare actual performance against anticipated income/expenditures.

Pennrose also produces monthly vacancy reports as well as delinquency reports. WCRP does not at present track vacancies and rent delinquencies in the same way.

Maintenance Operations

The maintenance operations of the large for-profit and the small non-profit organizations are remarkably similar given their size disparity. Because Pennrose's computerized database for work orders it is not used consistently at the site level, WCRP's manual three-ply carbonless paper system is about as effective for tracking outstanding work orders. Interviews with both maintenance organizations yielded the same ***highest priority****: to solve the cash flow deficits that shut down material suppliers and service vendors, and require maintenance staff to do without the basic tools and materials for the job*.

Tax Credit Compliance

WCRP raises funds to pay a consultant who helps ensure compliance with the program. The consultant also assists WCRP in completing the annual reports required by PHFA. Other compliance matters are handled by the site management staff and their supervisor.

Pennrose has a Tax Credit Department staffed by fifteen people. The compliance staff is responsible for completing the initial certifications (move-ins) and annual recertifications for most of the portfolio. The department also completes the annual reports, deals with any issues of non-compliance and helps prepare sites for compliance audits.

Pennrose and WCRP both accept ACC and HAP payments at various sites in their respective portfolios and report that managing compliance with ACC/HAP regulations and local administrative procedures requires significant staff resources. Both companies agree that while the deep subsidies ACC and HAP provide fill an important need, their administration could be improved.

Rent Receivables

WCRP tries to avoid eviction when a rent-delinquent resident demonstrates a willingness to pay back the amount owed over time. Once eviction proceedings have been started, however, the process is not stopped unless full payment is received.

Pennrose's policy is to send out late notices on the sixth day of the month if rent is not paid. An eviction notice or "Notice to Quit" is sent if rent is not paid by the fifteenth and there has been no communication from the resident. If the site has an assigned Supportive Services staff person, the resident can be referred for Supportive Services intervention at any point.

A review of Bad Debts shows little difference between the performance of WCRP and Pennrose: bad debt costs for both are much lower than average.

Vacancies

WCRP's average turnover time for a unit is 49 days. PMC reports that its average turnover time for one of its Philadelphia portfolio is 30 days. No hard data were available to support either number (suggesting that both organizations could benefit from improvements in management information systems). The turnover data provided is not supported by a comparison of 2004 vacancy loss numbers: PMC Philadelphia sites lose an average of 3.5 percent of income due to vacancy, while WCRP sites lose an average of only 1.8 percent of income due to vacancy.

Methods

Sources of Income and Cost Data

This study analyzes the reported income and costs of two affordable housing property management organizations: WCRP and Pennrose Management Company. It compares expense and income details for their respective Philadelphia portfolios of garden-apartment (i.e., non-elevator) and townhouse developments serving families and special-needs residents in Philadelphia. Cost data for WCRP and Pennrose are also compared to cost data for the universe of LIHTC non-elevator, non-public housing developments in Philadelphia. Costs and expenses are taken from the database of audited 2004 year-end statements maintained by the Pennsylvania Housing Finance Agency (PHFA). Income data cannot be compared using this database, as PHFA's release for this study excluded such data. Accordingly, income data are compared only between the WCRP portfolio and the portfolio of similar Pennrose developments. More detail is provided under **Financial Data Used in This Study**, p. 17.

The key elements of this analysis are:

- Rent Receipts per unit
- Overall cost per unit for all operations
- Real estate taxes and insurance costs per unit
- Non-payroll administrative costs
- Utility costs per unit
- Non-salary maintenance costs per unit
- Payroll and benefit costs per unit
- Congregate services cost per unit

Methods of Operation

The following elements of the WCRP and Pennrose operations are assessed and compared:

- Resident Services: lease violation intervention and counseling.
- Administrative Operations: site and back office staffing; rent receipting, maintenance interface; unit turnover management
- Administrative Systems: business systems and software for accounting (A/P, A/R, general ledger, monthly operating reports), and tracking rent receipts/delinquencies, vacancies, work orders, purchase orders, inventory.
- Maintenance Operations: staffing numbers and skill level to handle routine maintenance requests; unit turnovers, preventive maintenance, capital projects management, contracting, vendor purchase negotiations, etc.

- Maintenance Systems: Preventive Maintenance systems, repetitive contracting methods, material and equipment purchasing, capital improvement contracting scope development and oversight, environmental hazards handling, and mold/moisture management procedures.
- Legal Compliance: tax credit compliance oversight; PHFA site audit requirements; PHA ACC/HAP compliance; OSHA/right-to-know compliance, Wage and hour law compliance, workers compensation requirements, fair housing laws, accessibility requirements, insurance coverage scope and exclusion.

Performance Data

The following performance factors are examined:

- Receivables (rent delinquencies)
- Vacancies (average time)
- Budget Compliance (variances by category and overall, cash flow projected vs. actual)
- Safe work environment (accident reporting/right to know compliance)
- Maintenance unit turnover time (elapsed time, backlog, cost (if available)
- Capital projects completion (planned vs. executed, costs)
- Average operating costs per unit
- Management Audit findings (e.g. PHFA)
- Resident relations (if measurable with existing data)
- Supportive Services programs (measurable criteria only e.g., cost per resident program/activities per quarter, etc.)

WCRP, Pennrose, and Their Respective Portfolios in the Study

The Women's Community Revitalization Project (WCRP) has been a non-profit service provider in Philadelphia since 1987. The organization, which employs 24 people, develops housing and neighborhood facilities, provides supportive services, and advocates for policy change to foster social and economic justice for low-income women and their families. WCRP honors leadership, dignity, and equity in its communities.

WCRP builds and operates affordable housing developments from start to finish: finding the sites, designing the houses, raising the money, managing construction and making sure that the women and families who live there become part of a strong and vibrant community. WCRP manages the developments that it builds. The current portfolio consists of seven housing developments, 167 units in total, in the eastern part of lower North Philadelphia. All developments were funded utilizing the Low Income Housing Tax Credit Program (LIHTC) and other funding sources.

Pennrose Management Company (PMC) is a for-profit company which has specialized in the management of affordable housing since 1981. PMC now manages nearly 8,000 affordable housing units in 130+ developments, and employs approximately 400 people. PMC was created to manage the properties developed by its parent company, Pennrose Properties. In later years, the company increased its service base to provide fee-based management services to other owners, non-profit organizations, and public agencies. The company's mission is to "provide the highest quality of affordable housing with a superior level of service in order to establish a sense of community and to promote a better quality of living."

In this section, developments are listed alphabetically. In the data tables, however, they appear in order of year first occupied.

WCRP Developments

WCRP currently owns and manages seven developments comprised of 167 units. All of WCRP's developments are located in the eastern part of lower North Philadelphia. The gentrification of this area has raised real estate values and increased property taxes.

The portfolio consists entirely of affordable family units serving families with income no higher than 50 percent of the area median. LIHTC is the major funding mechanism. Very recently WCRP applied for and received project-based Section 8 certificates for about 50 percent of its units. By consistently investing its developer fees to create internal operating subsidies, WCRP has been able to house very low income households at rents they can afford. Following is a brief description of each site in WCRP's portfolio. None of the sites has any hard debt service; all except the Crippen II and Iris Brown Townhouses have PennHomes funding through the Pennsylvania Housing Finance Agency (PHFA). Because of their recent completion, there are no income and expense data for the Iris Brown and Karen Donnally projects; accordingly these two are not included in the financial analysis. The three-year trend analysis further excludes the Crippen II Townhouses, which were not yet occupied at the start of the analysis period.

Iris Brown Townhouses – 12 units. Completed in October 2005. Two, three, and four-bedroom apartments and townhouses for very low-income families at 2742-70 North Mascher Street. Total Development Cost: $3,289,400. Sources of funds include CDBG/ HOME and Low Income Housing Tax Credits. The property has a Section 8 contract for all units.

Lillian Crippen Townhouses I – 26 units**.** New construction (1999) includes two-, three-, and four-bedroom townhouses and apartments in a townhouse configuration. Total Development Cost: $4,597,896. Sources of funds include National Equity Fund, City of Philadelphia, and the Pennsylvania Housing Finance Agency There is a Section 8 project-based rental subsidy for half of the units. Incomes are limited to 45 percent of median.

Lillian Crippen Townhouses II – 20 units**.** New construction (2002) of two- and three-bedroom townhouses at 6th and Montgomery Streets in Philadelphia for very low-income families with special needs. Total Development Cost: $3,980,605. The site has an office space that is being converted to a community room and supportive service offices to be shared with Crippen I There is a Section 8 project-based rental subsidy for half of the units.

Karen Donnally Townhouses – 32 units**.** Completed in June 2005. New construction of two, three, and four-bedroom apartments and townhouses for very low-income families with special needs (those with physical disabilities, homeless families residing in transitional housing, and those who have been denied access to housing due to language and/or cultural barriers) at 4th and Diamond Streets. Total Development Cost: $7,127,900. Sources of funds include CDBG/HOME dollars and the National Equity Fund. The central property management office is located at this site, which also includes a community room and Supportive Services office. The property has a Section 8 contract for all units.

Johnnie Tillmon Townhouses – 23 units. New construction (1997) of two-, three-, and four-bedroom townhouses and apartments in a townhouse configuration located on Orianna Street, Master Street, and Germantown Ave. Total Development Cost: $3,265,708. Sources of funds include First Fidelity Urban Investment Corporation, Pennsylvania Housing Finance Agency, and the City of Philadelphia.

Adolfina Villanueva Phase I Townhouses (Somerset) – 24 units. New construction (1997) of two-, three- and four-bedroom homes and apartments in a townhouse configuration. Total Development Cost: $2,500,000. Sources of funding included Philadelphia Housing Finance Agency, City of Philadelphia, National Equity Fund, and the W.W. Smith Foundation.

Adolfina Villanueva Phase II – 30 units. New construction (1995) of two-, three-, and four- bedroom homes and apartments in a townhouse configuration, located across the street from Adolfina Villanueva Phase I. Total Development Cost: $3,900,000. Sources of funds included First Fidelity Urban Investment Corporation, Pennsylvania Housing Finance Agency, the City of Philadelphia, and the Department of Community Affairs of the Commonwealth of Pennsylvania. Shares a supportive service office and community room with Villanueva I across the street.

Pennrose Management Company Developments

PMC currently manages 138 properties, totaling 7,992 units. While most of the portfolio is affordable housing, the company also manages some conventional and commercial units. LIHTC financing was used for 107 properties with 3,610 units Varying levels of rental assistance, such as Section 8 subsidies, are provided at some of the sites. For parity in the comparisons, this study considers only the LIHTC portfolio of 17 non-public housing townhouse and non-elevator flats developments in Philadelphia. These 17 properties comprise 621 units. They are listed below with unit capacities and date of initial occupancy; brief descriptions are given for a representative sample only. **Note:** in this report, any site that is managed by Pennrose Management Company but not owned by a Pennrose-related partnership is identified as **"Pennrose Management Company"** instead of by its name. This convention maintains the same anonymity as PHFA maintains in releasing expense data for its portfolio. The three-year trend analysis considers only the 11 developments managed by a Pennrose-related partnership (those here identified by name).

Church Lane – 40 units (1989). Rehabilitation of 1930s-era garden apartment in Germantown. All units have project based assistance (PBA) with contract rents at $660 per month. Never had issues with vacancies or resident receivables. The site was in its final year of Tax Credit compliance in 2005; the HAP contract was renewed. It has always performed well, giving its owners an annual return of $20,000 to $30,000 on their investment. The site has some debt.

Diamond I – 48 units (1991)

Diamond II – 32 units (1991)

Diamond III – 35 units (1996).

The Diamond Street Residences are comprised of three phases of scattered site historic rehabilitation of townhouses into duplex and triplex buildings in Strawberry Mansion. A mixture of PBA and straight Tax Credit units. While there has been some difficulty over the years keeping the market units full, there's no problem with the PBA units. Retention of maintenance staff is a problem. Diamond III has two important advantages: it is a PHFA PennHomes development and does not have hard debt; further, as a part of the FSSP it has an annual supportive services grant of $500 per unit.

Mansion Court I – 30 units (1994).

Mansion Court II – 19 units (1999)

The Mansion Court developments are adjacent to the Diamond Street Residences (see above) and are comprised two phases of historic rehabilitation of large townhouses into two unit buildings. Located in North Philadelphia, struggles with a mix of straight tax credit and 16 PBA units. Many of the same comments for Diamond III apply except for two: there is some debt and until 2005 the site was paying over $20,000 per year to an outside provider for supportive services. The site still has no cash flow due to due to vacancies, staffing issues, the neighborhood, and age of property.

Pennrose Management Company A – 30 units (1990)

Pennrose Management Company B – 24 units (1991). A mix of renovated townhouses and small historic apartment buildings location in a tough inner-city site of historic renovation that serves previously homeless clients. In spite of its problems, the site has performed well financially. No hard debt.

Pennrose Management Company C – 47 units (1993)

Pennrose Management Company D – 39 units (1993). A mix of new townhouses and historic rehabilitation of townhouses completed about 14 yrs. The site is located in a challenging area of North Philadelphia. Because of competition in the area, primarily from new modern units developed by PHA, it is hard to keep the units at this site under lease. Its condition is declining, though a strong R&R account keeps it afloat.

Pennrose Management Company E – 53 units (2001)

Pennrose Management Company F – 31 units (2001). A challenging scattered-site development. Experiences a lot of turnover at times and resident receivables are high. The site had done well financially in the past, but turnovers have resulted in high painting and carpet replacement costs. The site has no hard debt. It has PennHomes funding and is also a part of the FSSP program.

Regent Terrace – 80 units (1988) – Re-syndicated and rehabilitated in 2005 using PHFA reservations tax credits. All data provided herein are for the years immediately preceding the re-syndication.

Spenser's Place [Aspen Olive] – 22 units (1997). New construction, townhouse units with modern amenities, off-street parking and rear yards.

Tasker Village – 28 units (1995). New construction of flats and town homes, fully accessible site and units. The site does well: vacancies are not a problem; resident receivables have been high in the past, but are fine now. The location is good. The project has PennHomes funding and no hard debt.

Tioga Gardens – 33 units (1996). A combination of rehabilitation and new construction of flats and town homes, located in North Philadelphia. The site has performed well financially. There are some straight tax-credit units and some with project-based assistance. The project has PennHomes funding and no hard debt. It is a part of the FSSP program.

Universal Court I – 32 units (1998). A mixture of new construction and rehabilitations of scattered site townhouses. The site has disappointing vacancy losses and receivables; because of the improving market in South Philadelphia, some additional rent increases could be sustained. It has no hard debt and until recently had always performed well . Over the past two years, however, there have been rather large capital project costs.

Review of Operations

Resident Services

Preliminary information gathered through budget analysis and staff interviews suggests that both Pennrose and WCRP have well structured supportive services operations, which are funded in large part through grant sources and internal operating subsidies that are not included in the operating budget. WCRP appears to invest about 50 percent more resources per resident than Pennrose does; hard budget data were difficult to confirm given the general social services mission of WCRP and the integration of resident services into its core service programs. A review of “bad debt” data, which is one measure of the effect of intervention services, shows little difference between the performance of WCRP and Pennrose. When compared to the PHFA-financed Philadelphia portfolio, both WCRP and Pennrose show significantly lower than average bad debt, suggesting perhaps the positive effect of their resident services.

Recommended further study: To determine the efficacy of Pennrose’s and WCRP’s respective resident services programs, a more careful analysis is needed. This analysis should distinguish (for example) the program components that are intended to improve resident income from the services, such as budget management and housekeeping intervention and training, that are intended to mitigate lease violations and reduce evictions.

Site staffing

On-site management of the five WCRP sites (123 units) operating in 2004 was conducted from a single office, now located at 4th and Diamond Streets at the Karen Donnally development. In a similar fashion, PMC conducts its site management using a single location for a multiple-development portfolio. Virtually all of the PMC developments have site offices and community space, however, whereas – except for Social Services office space at other locations – WCRP’s office space is limited to the Karen Donnally site. PMC tends to rotate its shared site staff so that each site office is occupied at least part of the time.

For the entire portfolio of 167 units, WCRP employs one Property Manager and one Assistant, both full-time, to oversee site operations. Some of the property management staff responsibilities include leasing, ongoing administrative activities such as recertifications, intake and resolution of work orders, the collection of rent, purchasing and procurement of service contracts, and dealing with daily resident matters. Additionally, WCRP employs one Maintenance Superintendent and two Maintenance Technicians to handle the work orders, the purchasing and inventory of repairs materials and the supervision of service vendors. (Note: With the advent of two new developments first occupied in 2005, a fourth maintenance staff person was hired to handle grounds maintenance).

Before 2005, the ratio of the staff to units was thus one property management staff person per 83 units and one maintenance staff person per 42 units.

Pennrose employs one Regional Property Manager and one Regional Maintenance Director for a portfolio of approximate 750 units. Site specific staff includes site managers, rental assistants, maintenance superintendents, maintenance technicians, and assistants.

Exclusive of the regional property management and maintenance management staff, the approximate ratio of Pennrose staff to units for the Philadelphia portfolio is one property management staff person per 60 units and one maintenance staff person per 40 units.

Back-Office Staffing

PMC rents are collected at the site level. The site staff then issues the required information to the fiscal department for posting to the appropriate accounts. The fiscal department staffed by 10 persons is responsible for accounting, maintaining all financial records, paying bills, and issuing the required reports on the site's fiscal operation. The ratio of fiscal staff to total portfolio is about 1 person to 800 units.

WCRP likewise collects rents at the site level and employs one full-time and one half-time staff person to perform a separate "back office" fiscal functions and all other financial responsibilities.

Accounting and Property Management Reporting

Both Pennrose and WCRP use an unsupported and older version of Yardi Property Management Software for accounting of Accounts Payables, Accounts Receivable, general ledger posting, monthly operating reports, and tracking rent receipts, delinquencies and unit vacancies. Pennrose is in the process of updating its Yardi package and will soon be using the newest version of Yardi. WCRP has also obtained quotes for the cost of updating its software, but at this writing had not committed to making the purchase (which may cost as much as $20,000).

Both Pennrose and WCRP produce Monthly Operating Reports (in accordance with PHFA format) that track income and expenses for all budget line items and compare actual performance against anticipated income/expenditures.

Pennrose also produces monthly vacancy reports as well as delinquency reports. WCRP does not currently track vacancies and rent delinquencies in the same way.

Work Orders, Preventive Maintenance Systems, and Purchase Orders

WCRP uses a manual three-ply carbonless paper Work Order system. The intake is done by the site management staff; the written work order is placed in the pending folder in the site office. The maintenance superintendent assigns the work to his staff or to himself, depending on the difficulty and complexity of the task. Upon completion, a summary description of the work performed is written on the carbonless paper form, a copy is left with the resident and the remaining two copies are returned to the office. Key fields on the form such as "time-in" and "time-out," material used, and itemized costs are generally not filled in. The information that is collected is not captured on a separate database or used in management reports.

WCRP has no formal preventive maintenance system. Its routine and preventive maintenance is done based on the Superintendent's understanding of what needs to be done at specified time intervals (e.g. gutter cleaning and filter changing).

WCRP-authorized purchases are made using local controlled accounts with "authorized buyers" and a manual carbonless purchase order system. Management and maintenance staffs acknowledge that the purchase order system is not always enforced and purchases can be made by the maintenance super based on his relationship with the vendors. However, recent steps have been taken to control spending by lowering spending levels of maintenance staff and minimizing spending authority.

Pennrose uses a proprietary web-based database for its integrated "three-legged stool" of purchases-inventory-and work order. It calls this system *e*Servisys®. Work orders are taken by a centralized customer call center, entered on computer at the time of the call, and a hard copy of the work order is digitally faxed to the site office where the responsible maintenance staff are based. After finishing the work called for, the maintenance and/or site staff are to "close out" the work order using the same *e*Servisys system. In theory, entering the "time-in" and "time-out" allows for elapsed time reporting; entering the materials used reduces the inventory coded for this location based on purchase data collected via the system's purchase order component. In reality, *e*Servisys is used as glorified manual system. The work order is produced electronically as described, but from there is only sporadically "closed-out;" the intended control on completion and timeliness, as well as key data on material usage and costs, is lost. Staff complains that the time required to enter the required data cannot be justified in the face of pressing emergencies and mounting work orders. Upper management seems to have acknowledged this objection, at least tacitly, because little enforcement of the protocol was evident.

Differences were noted in safe work environment (accident reporting/right to know) compliance. WCRP staff acknowledged the need to better understand and implement the required protocol related to the use of chemicals and volatile organic compounds. Pennrose clearly demonstrated an understanding of the requirements, although acknowledged compliance could be improved.

Data on maintenance unit turnover time (elapsed time, backlog, costs) are not available for WCRP sties and were unevenly available for the Pennrose sites, making a comparative analysis infeasible.

Tax Credit Compliance

Both WCRP and Pennrose must comply with a multitude of regulations and procedures applicable to various housing programs. Regulators, funders, syndicators and others have restrictions and procedures that must be followed, and mandate periodic reports.

Compliance with LIHTC program requirements is particularly critical; failure to meet them could have unacceptable consequences. Therefore, WCRP raises funds to pay a consultant to help them assure program compliance. The consultant checks all of the resident tax credit files to make sure that initial certifications (move-ins) and annual recertifications are completed in accordance with regulations. The consultant also assists WCRP in the completion of the annual reports required by PHFA. Other compliance matters are handled by the site management staff and their supervisor.

Because of PMC's large portfolio, the firm has a Tax Credit Department staffed by fifteen people – a ratio of one compliance person per 241 tax-credit units. The compliance staff is responsible for completing the initial certifications (move-ins) and annual recertifications for most of the portfolio. The department also completes the annual reports, deals with any issues of non-compliance, and helps prepare sites for compliance audits.

Both WCRP and PMC report difficulty with the administrative burden of ACC and HAP compliance that local housing authorities impose. While agreeing on the vital importance of the deep subsidies ACC and HAP provide, they feel that the process could be better organized and streamlined.

Observations of Key Performance Areas

Rent receivables

Observations for this preliminary review are confined to an evaluation of the Bad Debts accounting line item. Both WCRP and Pennrose have policies concerning rent payments. WCRP's policy is to work with families who experience a setback as long as the family demonstrates an effort to meet its obligation. Notwithstanding its social service commitment, however, WCRP has a clear policy regarding non-payment of rent: if a family cannot pay rent, immediate communication with the management office is expected. WCRP will reach out, but if the family does not show a willingness to communicate, eviction proceedings begin within the same month as the non-payment. Once eviction proceedings have been started, the process will not be stopped unless full payment is received. The purpose of moving ahead with eviction proceedings is not necessarily to evict the family, but rather to pursue a court-ordered agreement which usually stipulates that the family keep rent current and pay off the existing balance within six months. If the agreement is broken, WCRP reserves the right to resume the eviction process.

PMC's policy is to send out late notices on the sixth day of the month if rent is not paid. An eviction notice or "Notice to Quit" is sent if rent is not paid by the fifteenth and there has been no communication from the resident. If the resident comes forward and expresses the desire and willingness to pay rent, the manager has the authority (for amounts of $200 or less) to enter into what is called a Work-Out Agreement. Work-Out Agreements for more that $200 must be approved by the manager's supervisor. At any point in this situation, the resident can be referred for Supportive Services intervention if the site has an assigned Supportive Services staff person.

A review of Bad Debts shows little difference between the performance of WCRP and Pennrose. When compared to the PHFA-financed Philadelphia portfolio, both WCRP and Pennrose show significantly lower than average Bad Debt, suggesting perhaps the positive impact of their resident services as well as the overall effectiveness of their rental procedures.

Vacancies

WCRP's average turnover time for a unit is 49 days. PMC's average turnover time on a Philadelphia job is 30 days. Both WCRP and PMC say that they are continually assessing the issue of vacancy turnover time and are trying to reduce losses that may result from maintenance or administrative inefficiencies.

Preliminary observation of vacancy loss numbers reveals that PMC Philadelphia sites lose an average of 3.5 percent of income due to vacancy. WCRP sites lose an average of 1.8 percent of income due to vacancy. These averages are based on the 2004 vacancy loss numbers as compared to total *rental* income. The regional *mean* for vacancy loss, according to IREM (Institute of Real Estate Management) data, is 2.6 percent.

Financial Data Used in This Study

Analysis of PHFA Data for 2004

PHFA has invested in, and maintains some level of oversight for, a portfolio of nearly 8,000 affordable rental units in Philadelphia. These developments are managed by nearly 50 property management companies, which may be for-profit or non-profit, and of national, regional or local scope.

For this study, PHFA made available the audited expense (but not income) data for calendar year 2004. Developments were not identified by name. Less than half of the 8,000-odd units are in garden-apartment or townhouse style, non-elevator, non-public housing developments that are not age restricted and that cater largely to families and to residents with special needs (designated by PHFA as "general and "other").

On the pages that follow, Tables 1 to 7 and 9 to 11 are taken from this PHFA submission. They break out the cost data from the 3,509 PFHA units designated "general" and "other," not obviously public housing, and with no reported elevator maintenance expenses ("Totals all PHFA Philadelphia jobs"); from 123 WCRP units in five developments, and from 621 Pennrose-managed units in 17 developments. Of those 17 developments, only the 11 which are also Pennrose-owned are identified by name. Table 8 shows the income reported by Pennrose and WCRP for their 744 units. As explained in a footnote, the income data in Table 8 cannot be compared directly to the expense data in the other tables.

Analysis of Cost and Income Trends, 2002-2004

Table 12 shows aggregate 2002, 2003 and 2004 cost and income data for four WCRP developments (Lillian Crippen I, Johnnie Tillmon, Villanueva Phase I [Somerset] and Villanueva Phase II) and all 11 of the Pennrose-owned developments in the study. The data are from year-end Operating Reports (in WCRP's case, because of changes in the reporting format, General Ledger data for 2002 and 2003 were used to supplement the Operating Report data). Various adjustments were made to factor out accounting differences and permit direct income and expense comparison between Pennrose and WCRP projects. Because PHFA presents financial information in a somewhat different way – for example, shared operating costs of a multi-phase development are allocated differently – expenses by category for the individual developments aggregated in Table 12 do not correspond exactly to those shown in the preceding tables. The numbers in Table 12 do, however, accurately reflect changes over time.

Table 1

Pennrose/WCRP Comparison – TAXES and INSURANCE COSTS

		Real Estate Taxes			Property and Liability Ins			Misc Taxes and Insurance			Total Taxes and Insurance		
UNITS	Management Agent/Development	Real Estate Taxes	Average Cost per Unit $	Variance in Average Cost per Unit %	Property and Liability Ins	Average Cost per Unit $	Variance in Average Cost per Unit %	Misc Taxes and Insurance	Average Cost per Unit $	Variance in Average Cost per Unit %	Total Taxes and Insurance	Average Cost per Unit $	Variance in Average Cost per Unit %
80	Regent Terrace	26,180	327	90%	23,407	293	65%	4,874	61	146%	54,520	681	80%
40	Church Lane	16,232	406	112%	10,747	269	60%	2,125	53	127%	29,163	729	85%
30	Pennrose Management Co	10,210	340	94%	9,370	312	70%	0	(0)	0%	19,580	653	76%
48	Diamond I	12,263	255	70%	16,076	335	75%	2,444	51	122%	30,842	643	75%
32	Diamond II	8,234	257	71%	12,764	399	89%	1,896	59	142%	22,953	717	84%
24	Pennrose Management Co	8,836	368	101%	9,301	388	86%	1,133	47	113%	19,270	803	94%
47	Pennrose Management Co	16,611	353	97%	12,942	275	61%	3,365	72	172%	32,977	702	82%
39	Pennrose Management Co	13,784	353	97%	13,239	339	76%	5,235	134	322%	32,317	829	97%
30	Mansion I	10,941	365	100%	11,265	375	84%	1,370	46	109%	23,635	788	92%
28	Tasker Village	9,896	353	97%	11,071	395	88%	1,773	63	152%	22,799	814	95%
31	Tioga	11,292	364	100%	10,479	338	75%	1,576	51	122%	23,406	755	88%
35	Diamond III	3,914	112	31%	14,112	403	90%	1,683	48	115%	19,768	565	66%
22	Spenser's Place	7,790	354	97%	8,551	389	87%	507	23	55%	16,907	768	90%
32	Universal Court I	11,310	353	97%	13,784	431	96%	1,504	47	113%	26,598	831	97%
19	Mansion II	7,639	402	111%	7,845	413	92%	899	47	113%	16,490	868	102%
53	Pennrose Management Co	2,312	44	12%	24,633	465	104%	2,864	54	129%	29,868	564	66%
31	Pennrose Management Co	17,745	572	157%	12,082	390	87%	940	30	73%	30,826	994	116%
621			**314**	**86%**		**357**	**80%**		**55**	**132%**		**728**	**85%**
24	Villanueva Phase I (Somerset)	7,461	311	85%	21,882	912	203%	1,001	42	100%	30,344	1,264	148%
30	Villanueva Phase II	13,745	458	126%	25,397	847	189%	2,153	72	172%	41,295	1,376	161%
23	Johnnie Tillmon	8,129	353	97%	21,241	924	206%	2,298	100	240%	31,668	1,377	161%
26	Crippen Phase I	9,189	353	97%	24,513	943	210%	739	28	68%	34,441	1,325	155%
20	Crippen Phase II	7,405	370	102%	18,122	906	202%	1,264	63	152%	26,791	1,340	157%
123			**$373**	**103%**		**$904**	**201%**		**$61**	**145%**		**$1,338**	**156%**
3509	**TOTALS ALL PHFA PHILADELPHIA JOBS**	**$1,276,327**	**$364**		**$1,573,823**	**$449**		**$146,368**	**$42**		**$2,999,508**	**$855**	

TAXES and INSURANCE COSTS

Observations

- WCRP's overall Taxes and Insurance costs are 50 percent above the city average.
- WCRP's Property Insurance costs are more than double the city average.
- Pennrose's Taxes and Insurance costs are about 15 percent below the average.

One possible conclusion:

If WCRP's portfolio were insured as part of an umbrella policy purchased with the same buying power that Pennrose has, WCRP could reduce its operating costs by about $600 per unit per year.

Table 2

Pennrose/WCRP Comparison –ADMINSTRATIVE COSTS (less Payroll)

		Office and Telephone Exp			Management Fee			Legal Expense			Bad Debts			Total Admin - less Payroll		
UNITS	Management Agent/Development	Office and Telephone Exp	Average Cost per Unit $	Variance in Average Cost per Unit %	Management Fee	Average Cost per Unit $	Variance in Average Cost per Unit %	Legal Expense	Average Cost per Unit $	Variance in Average Cost per Unit %	Bad Debts	Average Cost per Unit $	Variance in Average Cost per Unit %	Total Administrative Expense	Average Cost per Unit $	Variance in Average Cost per Unit %
80	Regent Terrace	10,763	135	80%	32,919	411	95%	1,727	22	41%	6,246	78	67%	64,245	803	77%
40	Church Lane	7,895	197	118%	30,830	771	179%	1,630	41	78%	1,795	45	39%	48,981	1,225	117%
30	Pennrose Management Co	3,132	104	62%	11,938	398	92%	957	32	61%	2,556	85	74%	24,636	821	78%
48	Diamond I	5,339	111	66%	29,496	614	142%	571	12	23%	0	(0)	0%	43,919	915	87%
32	Diamond II	4,211	132	79%	19,001	594	138%	1,682	53	100%	4,577	143	123%	35,728	1,116	107%
24	Pennrose Management Co	4,792	200	119%	8,136	339	79%	1,477	62	117%	6,193	258	223%	27,300	1,137	109%
47	Pennrose Management Co	9,652	205	123%	17,284	368	85%	1,937	41	78%	0	(0)	0%	38,622	822	79%
39	Pennrose Management Co	4,086	105	63%	17,771	456	106%	1,452	37	71%	1,667	43	37%	38,412	985	94%
30	Mansion I	3,199	107	64%	16,225	541	125%	290	10	18%	157	5	5%	26,307	877	84%
28	Tasker Village	8,424	301	180%	11,519	411	95%	635	23	43%	1,613	58	50%	29,231	1,044	100%
31	Tioga	6,429	207	124%	21,118	681	158%	3,155	102	194%	1,608	52	45%	39,605	1,278	122%
35	Diamond III	7,974	228	136%	21,237	607	141%	470	13	26%	4,924	141	121%	44,408	1,269	121%
22	Spenser's Place	3,424	156	93%	12,227	556	129%	1,393	63	121%	305	14	12%	23,585	1,072	102%
32	Universal Court I	4,438	139	83%	17,403	544	126%	1,569	49	93%	2,270	71	61%	33,753	1,055	101%
19	Mansion II	3,024	159	95%	11,842	623	145%	426	22	43%	40	2	2%	20,029	1,054	101%
53	Pennrose Management Co	10,373	196	117%	23,759	448	104%	1,372	26	49%	0	(0)	0%	47,756	901	86%
31	Pennrose Management Co	6,986	225	135%	15,086	487	113%	2,156	70	132%	6,817	220	190%	41,223	1,330	127%
621			**168**	**119%**		**512**	**103%**		**37**	**57%**		**66**	**57%**		**1,011**	**97%**
24	Villanueva Phase I (Somerset)	4,080	170	101%	10,817	451	104%	630	26	50%	2,090	87	75%	23,945	998	95%
30	Villanueva Phase II	5,541	185	110%	13,305	443	103%	330	11	21%	4,833	161	139%	30,799	1,027	98%
23	Johnnie Tillmon	3,741	163	97%	10,408	453	105%	600	26	50%	1,053	46	40%	22,205	965	92%
26	Crippen Phase I	5,073	195	116%	11,898	458	106%	0	(0)	0%	0	(0)	0%	23,692	911	87%
20	Crippen Phase II	3,411	171	102%	9,100	455	105%	510	25	49%	609	30	26%	19,962	998	95%
123			**$178**	**106%**		**$451**	**105%**		**$17**	**32%**		**$70**	**60%**		**$981**	**94%**
3509	**TOTALS ALL PHFA PHILADELPHIA JOBS**	**$587,904**	**$168**		**$1,513,424**	**$431**		**$184,242**	**$53**		**$406,392**	**$116**		**$3,673,146**	**$1,047**	

ADMINSTRATIVE COSTS (less Payroll)

Observations

- WCRP has slightly lower than average Administrative costs.

- WCRP’s Bad Debt and Legal costs are much lower than average, suggesting a positive tenant retention experience and an unusually low eviction rate

One possible conclusion:

Both Pennrose and WCRP have much higher than average Congregate Services costs, which may be reflected in the much lower than average bad debt and legal costs that both management agents enjoy.

Table 3

Pennrose/WCRP Comparison – UTILITY EXPENSES

		Electric			Water and Sewer			Gas			Total Utility Expense		
UNITS	Management Agent/Development	Electric	Average Cost per Unit $	Variance in Average Cost per Unit %	Water and Sewer	Average Cost per Unit $	Variance in Average Cost per Unit %	Gas	Average Cost per Unit $	Variance in Average Cost per Unit %	Total Utility Expense	Average Cost per Unit $	Variance in Average Cost per Unit %
80	Regent Terrace	14,238	178	102%	32,082	401	85%	5,384	67	26%	51,704	646	71%
40	Church Lane	9,650	241	138%	21,835	546	116%	1,151	29	11%	32,636	816	90%
30	Pennrose Management Co	6,986	233	133%	13,008	434	92%	22,971	766	301%	42,965	1,432	158%
48	Diamond I	9,135	190	109%	22,904	477	102%	2,450	51	20%	34,489	719	79%
32	Diamond II	7,851	245	140%	19,632	613	131%	1,751	55	22%	29,234	914	101%
24	Pennrose Management Co	7,411	309	177%	10,848	452	96%	1,988	83	33%	20,247	844	93%
47	Pennrose Management Co	12,800	272	156%	28,400	604	129%	8,286	176	69%	49,486	1,053	116%
39	Pennrose Management Co	8,347	214	123%	33,626	862	184%	869	22	9%	42,856	1,099	121%
30	Mansion I	3,728	124	71%	15,265	509	108%	419	14	5%	19,412	647	71%
28	Tasker Village	4,197	150	86%	18,563	663	141%	2,921	104	41%	25,681	917	101%
31	Tioga	4,248	137	78%	19,854	640	137%	2,429	78	31%	26,531	856	94%
35	Diamond III	6,104	174	100%	18,579	531	113%	4,611	132	52%	29,294	837	92%
22	Spenser's Place	898	41	23%	14,452	657	140%	139	6	2%	15,489	704	78%
32	Universal Court I	1,254	39	22%	9,532	298	63%	710	22	9%	11,496	359	40%
19	Mansion II	430	23	13%	8,585	452	96%	439	23	9%	9,454	498	55%
53	Pennrose Management Co	3,954	75	43%	30,685	579	123%	719	14	5%	35,358	667	74%
31	Pennrose Management Co	102	3	2%	17,562	567	121%	0	(0)	0%	17,664	570	63%
621			**163**	**93%**		**540**	**115%**		**92**	**36%**		**795**	**88%**
					0								
24	Villanueva Phase I (Somerset)	743	31	18%	13,653	569	121%	790	33	13%	15,186	633	70%
30	Villanueva Phase II	732	24	14%	21,698	723	154%	575	19	8%	23,005	767	85%
23	Johnnie Tillmon	1,525	66	38%	23,386	1,017	217%	325	14	6%	25,236	1,097	121%
26	Crippen Phase I	2,047	79	45%	29,979	1,153	246%	663	25	10%	32,689	1,257	139%
20	Crippen Phase II	925	46	26%	16,213	811	173%	1,006	50	20%	18,144	907	100%
123			**$49**	**28%**		**$853**	**182%**		**$27**	**11%**		**$929**	**103%**
3509	**TOTALS ALL PHFA PHILADELPHIA JOBS**	**$612,746**	**$175**		**$1,646,065**	**$469**		**$892,045**	**$254**		**$3,179,097**	**$906**	

UTILITY EXPENSES

Observations

- WCRP has much lower than average electrical costs – a possible advantage of its townhouse portfolio with little to no common-area electricity use and limited site lighting.
- WCRP's water and sewer costs are nearly double the city average.
- WCRP's overall utility costs are about average.

Some possible conclusions:

A study of WCRP's water usage suggested that significant savings could be achieved with a meter derating program. It is unlikely, however, that the developments with which WCRP is compared here would have undertaken such a program: the effect of meter size on water rates, and the process for gaining PWD approval for such a retrofit, are not commonly understood.

It is more likely that WCRP's much higher than average water usage is a function of its policy to provide in-unit laundry facilities – a feature that is almost nonexistent in either the Pennrose portfolio or, we assume, in the other similar developments counted in the PHFA averages.

A typical participation rate for the Pennrose on-site commercial laundry rooms is four loads of laundry per unit per month at a family development. At $2.25 per load, that works out to $9.00 per unit per month or about $100 per unit per year. If laundry use is the primary contributing cause of the $400 per unit overage, WCRP could save as much as $300 per unit per year by replacing the in-unit laundry facilities with communal facilities that offered free or nearly free washes.

Table 4

Pennrose/WCRP Comparison – MAINTENANCE COST less PAYROLL

		Maintenance Contracts			Repairs Materials			Painting Expense			Vehicle Operations			Total Maintenance - less Payroll		
UNITS	Management Agent/Development	Operating / Maintenance Contracts	Average Cost per Unit $	Variance in Average Cost per Unit %	Repairs Materials	Average Cost per Unit $	Variance in Average Cost per Unit %	Painting and Decorating Expense	Average Cost per Unit $	Variance in Average Cost per Unit %	Vehicle Operations and Maintenance	Average Cost per Unit $	Variance in Average Cost per Unit %	Total Maint. Operations Expense	Average Cost per Unit $	Variance in Average Cost per Unit %
80	Regent Terrace	36,983	462	140%	0	(0)	0%	0	(0)	0%	0	(0)	-1%	92,334	1,154	101%
40	Church Lane	18,500	462	141%	5,600	140	62%	7,895	197	172%	0	(0)	-1%	48,559	1,214	107%
30	Pennrose Management Co	3,488	116	35%	11,077	369	164%	2,897	97	84%	0	(0)	-1%	24,122	804	71%
48	Diamond I	32,367	674	205%	12,484	260	115%	10,467	218	190%	0	(0)	-1%	64,773	1,349	118%
32	Diamond II	26,643	833	253%	3,666	115	51%	9,711	303	264%	0	(0)	-1%	53,511	1,672	147%
24	Pennrose Management Co	1,207	50	15%	1,037	43	19%	3,155	131	114%	0	(0)	-1%	8,366	349	31%
47	Pennrose Management Co	0	(0)	0%	9,386	200	89%	39,418	839	731%	0	(0)	-1%	88,902	1,892	166%
39	Pennrose Management Co	8,279	212	65%	3,890	100	44%	5,686	146	127%	0	(0)	-1%	65,241	1,673	147%
30	Mansion I	6,991	233	71%	14,455	482	214%	8,562	285	249%	0	(0)	-1%	37,085	1,236	109%
28	Tasker Village	21,345	762	232%	21,717	776	344%	9,233	330	287%	0	(0)	-1%	73,563	2,627	231%
31	Tioga	9,527	307	93%	13,679	441	196%	26,343	850	740%	0	(0)	-1%	61,377	1,980	174%
35	Diamond III	19,148	547	166%	15,233	435	193%	3,497	100	87%	0	(0)	-1%	54,063	1,545	136%
22	Spenser's Place	5,284	240	73%	1,142	52	23%	3,667	167	145%	73	3	34%	16,618	755	66%
32	Universal Court I	35,351	1,105	336%	257	8	4%	16,246	508	442%	645	20	211%	69,090	2,159	190%
19	Mansion II	2,919	154	47%	372	20	9%	5,313	280	244%	72	4	39%	15,548	818	72%
53	Pennrose Management Co	19,938	376	114%	15,431	291	129%	15,126	285	249%	349	6	68%	68,060	1,284	113%
31	Pennrose Management Co	6,585	212	65%	2,739	88	39%	2,346	76	66%	0	(0)	-1%	17,240	556	49%
621			**410**	**125%**		**213**	**94%**		**273**	**238%**		**2**	**19%**		**1,382**	**121%**
24	Villanueva Phase I (Somerset)	15,616	651	198%	7,865	328	145%	4,086	170	148%	2,304	96	1008%	32,702	1,363	120%
30	Villanueva Phase II	12,753	425	129%	6,364	212	94%	3,759	125	109%	2,489	83	871%	29,124	971	85%
23	Johnnie Tillmon	13,145	572	174%	834	36	16%	1,460	63	55%	1,842	80	841%	25,712	1,118	98%
26	Crippen Phase I	12,574	484	147%	6,983	269	119%	606	23	20%	2,115	81	854%	32,489	1,250	110%
20	Crippen Phase II	6,372	319	97%	5,376	269	119%	3,320	166	145%	1,492	74	783%	21,775	1,089	96%
123			**$492**	**149%**		**$223**	**99%**		**$108**	**94%**		**$83**	**875%**		**$1,153**	**101%**
3509	**TOTALS ALL PHFA PHILADELPHIA JOBS**	**$1,154,613**	**$329**		**$791,247**	**$225**		**$402,847**	**$115**		**$33,378**	**$10**		**$3,997,714**	**$1,139**	

MAINTENANCE COST less PAYROLL

Observations

- WCRP's maintenance costs are almost exactly average when compared to a similar portfolio of over 3,500 units in Philadelphia.
- On a percentage basis, WCRP's vehicle costs are nearly nine times the average – but the average is only $10 per unit, suggesting that most property management companies in the city do without a company-owned vehicle (as is the case with all but a small number of Pennrose developments).
- Interviews with WCRP and Pennrose maintenance revealed a common staffing plan, both in the structure of maintenance staff (Super, Tech, Assistant hierarchy) and in the methods of material purchasing, work order prioritization, and ratio of units to staffing (about 40:1)

Some possible conclusions:

Economies of scale are often thwarted by the poor cash flow and limited purchasing power of cash-starved individual developments – both Pennrose and WCRP maintenance staff identified the effort to keep accounts open and needed supplies on hand as their primary challenge. This suggests that cost-efficient purchase strategies, such as a statewide buyer's co-op, may have limited effectiveness unless the fundamental cash flow challenges are overcome.

"Small" may indeed be "beautiful." The intangible efficiency created by small dedicated teams whose members exhibit personal loyalty, trust and friendship produced productivity and resourcefulness that may not be equaled by a more centralized and specialized approach to maintenance management.

Table 5

Pennrose/WCRP Comparison – PAYROLL COSTS

		Office/Manager Payroll			Janitor/Maintenance Payroll			Payroll Taxes			Workers Comp			Health Insurance			Total Payroll Expense		
UNITS	Management Agent/Development	Office/Manager Payroll	Average Cost per Unit $	Variance in Average Cost per Unit %	Janitor / Maintenance Payroll	Average Cost per Unit $	Variance in Average Cost per Unit %	Payroll Taxes	Average Cost per Unit $	Variance in Average Cost per Unit %	Workers Comp	Average Cost per Unit $	Variance in Average Cost per Unit %	Health Insurance	Average Cost per Unit $	Variance in Average Cost per Unit %	Total Payroll Expense	Average Cost per Unit $	Variance in Average Cost per Unit %
80	Regent Terrace	38,976	487	88%	48,839	610	105%	9,339	117	106%	3,815	48	95%	8,799	110	87%	109,768	1,372	97%
40	Church Lane	12,452	311	56%	19,749	494	85%	3,810	95	87%	2,335	58	116%	2,279	57	45%	40,625	1,016	71%
30	Pennrose Management Co	9,167	306	55%	7,952	265	46%	1,633	54	49%	3,116	104	207%	1,696	57	45%	23,564	785	55%
48	Diamond I	26,254	547	99%	34,759	724	125%	6,760	141	128%	2,897	60	120%	4,502	94	74%	75,172	1,566	110%
32	Diamond II	15,345	480	87%	25,292	790	136%	4,506	141	128%	2,122	66	132%	2,890	90	72%	50,155	1,567	110%
24	Pennrose Management Co	11,235	468	85%	9,100	379	65%	2,201	92	83%	543	23	45%	1,549	65	51%	24,628	1,026	72%
47	Pennrose Management Co	18,804	400	72%	17,934	382	66%	4,036	86	78%	1,113	24	47%	1,982	42	33%	43,869	933	66%
39	Pennrose Management Co	21,132	542	98%	25,500	654	113%	6,313	162	147%	2,495	64	127%	4,025	103	82%	59,465	1,525	107%
30	Mansion I	8,657	289	52%	22,888	763	132%	3,522	117	107%	1,869	62	124%	2,153	72	57%	39,089	1,303	92%
28	Tasker Village	6,995	250	45%	19,208	686	118%	2,682	96	87%	1,194	43	85%	2,520	90	71%	32,599	1,164	82%
31	Tioga	17,185	554	100%	24,097	777	134%	5,259	170	154%	2,710	87	174%	3,758	121	96%	53,009	1,710	120%
35	Diamond III	24,196	691	125%	26,545	758	131%	6,829	195	177%	2,349	67	134%	5,315	152	121%	65,234	1,864	131%
22	Spenser's Place	16,638	756	137%	17,382	790	136%	4,099	186	169%	1,282	58	116%	2,965	135	107%	42,366	1,926	136%
32	Universal Court I	19,601	613	111%	33,796	1,056	182%	5,031	157	143%	2,637	82	164%	3,953	124	98%	65,018	2,032	143%
19	Mansion II	10,881	573	104%	16,102	847	146%	2,404	127	115%	1,212	64	127%	2,568	135	107%	33,167	1,746	123%
53	Pennrose Management Co	33,962	641	116%	49,200	928	160%	8,336	157	143%	3,218	61	121%	3,287	62	49%	98,003	1,849	130%
31	Pennrose Management Co	29,580	954	172%	24,196	781	135%	7,225	233	212%	2,458	79	158%	7,920	255	203%	71,379	2,303	162%
621			**517**	**93%**		**680**	**117%**		**135**	**123%**		**60**	**120%**		**100**	**79%**		**1,493**	**105%**
24	Villanueva Phase I (Somerset)	31,368	1,307	236%	0	(0)	0%	3,045	127	115%	1,375	57	114%	6,465	269	214%	42,253	1,761	124%
30	Villanueva Phase II	15,098	503	91%	22,542	751	130%	3,654	122	111%	1,654	55	110%	8,080	269	214%	51,028	1,701	120%
23	Johnnie Tillmon	11,324	492	89%	16,906	735	127%	2,740	119	108%	1,240	54	107%	6,187	269	214%	38,397	1,669	118%
26	Crippen Phase I	13,211	508	92%	19,093	734	127%	3,197	123	112%	1,447	56	111%	7,003	269	214%	43,951	1,690	119%
20	Crippen Phase II	10,066	503	91%	15,028	751	130%	2,436	122	111%	1,103	55	110%	5,387	269	214%	34,020	1,701	120%
123			**$659**	**119%**		**$598**	**103%**		**$123**	**111%**		**$55**	**110%**		**$269**	**214%**		**$1,704**	**120%**
3509	**TOTALS ALL PHFA PHILADELPHIA JOBS**	**$1,941,559**	**$553**		**$2,035,540**	**$580**		**$386,050**	**$110**		**$176,219**	**$50**		**$441,840**	**$126**		**$4,985,185**	**$1,421**	

PAYROLL COSTS

Observations

- WCRP's Payroll costs are about 20 percent higher than the citywide average. This is due to a 20 percent higher than average cost for manager salaries and health insurance.

Some possible conclusions:

The ratio of units per site manager is about equal for WCRP and Pennrose, but at the highest level WCRP has more highly-skilled staff on site. Whereas Pennrose's Regional Property Managers (whose salaries are paid from the management fees) oversee a portfolio of as many as 1,000 units each, WCRP's small portfolio requires that the more skilled person be site-based.

WCRP purchases full family health insurance coverage for all employees, and must buy its insurance from the Philadelphia marketplace. Philadelphia's health care costs are among the highest in the state. Pennrose, which requires its employees to contribute toward the cost of family coverage, buys its insurance through a builders' association pool from the Blue Cross operator in Northeast Pennsylvania. An apples-to-apples cost comparison between the Northeast Pennsylvania insurance and the same insurance purchased from Independence Blue Cross shows the latter to be more than 20 percent costlier. As with property insurance, WCRP could realize a 20 percent reduction in the cost of health insurance – about $50 per unit per year – by having its payroll insurances subsumed under the umbrella of an organization such as Pennrose.

Table 6

Pennrose/WCRP Comparison – CONGREGATE SERVICES COSTS

		Congregate Service Payroll			Cong. Service Supplies			Total Cong. Service Expense		
UNITS	Management Agent/Development	Congregate Service Payroll	Average Cost per Unit $	Variance in Average Cost per Unit %	Congregate Service Supplies	Average Cost per Unit $	Variance in Average Cost per Unit %	Total Congregate Service Expense	Average Cost per Unit $	Variance in Average Cost per Unit %
80	Regent Terrace	0	(0)	0%	0	(0)	0%	0	(0)	0%
40	Church Lane	0	(0)	0%	0	(0)	0%	0	(0)	0%
30	Pennrose Management Co	0	(0)	0%	0	(0)	0%	0	(0)	0%
48	Diamond I	0	(0)	0%	0	(0)	0%	0	(0)	0%
32	Diamond II	0	(0)	0%	0	(0)	0%	0	(0)	0%
24	Pennrose Management Co	0	(0)	0%	0	(0)	0%	0	(0)	0%
47	Pennrose Management Co	0	(0)	0%	0	(0)	0%	0	(0)	0%
39	Pennrose Management Co	0	(0)	0%	7,969	204	547%	7,969	204	152%
30	Mansion I	0	(0)	0%	9,652	322	861%	9,652	322	239%
28	Tasker Village	0	(0)	0%	0	(0)	0%	0	(0)	0%
31	Tioga	13,225	427	439%	0	(0)	0%	13,225	427	317%
35	Diamond III	15,302	437	449%	0	(0)	0%	15,302	437	325%
22	Spenser's Place	0	(0)	0%	0	(0)	0%	0	(0)	0%
32	Universal Court I	0	(0)	0%	0	(0)	0%	0	(0)	0%
19	Mansion II	10,500	553	568%	0	(0)	0%	10,500	553	411%
53	Pennrose Management Co	26,500	500	514%	0	(0)	0%	26,500	500	371%
31	Pennrose Management Co	15,627	504	518%	0	(0)	0%	15,627	504	374%
621			**131**	**134%**		**28**	**76%**		**159**	**118%**
24	Villanueva Phase I (Somerset)	10,000	417	428%	0	(0)	0%	10,000	417	310%
30	Villanueva Phase II	10,000	333	343%	0	(0)	0%	10,000	333	248%
23	Johnnie Tillmon	0	(0)	0%	0	(0)	0%	0	(0)	0%
26	Crippen Phase I	0	(0)	0%	25,000	962	2575%	25,000	962	714%
20	Crippen Phase II	14,000	700	720%	0	(0)	0%	14,000	700	520%
123			**$276**	**284%**		**$203**	**544%**		**$480**	**356%**
3509	**TOTALS ALL PHFA PHILADELPHIA JOBS**	**$341,316**	**$97**		**$131,045**	**$37**		**$472,361**	**$135**	

CONGREGATE SERVICES COSTS

Observations

- WCRP spends, on average, about $350 more per unit per year on congregate services than its Philadelphia counterparts spend.

- WCRP's average cost per unit, for sites that show congregate services costs ($590 per unit), is nearly 40 percent higher than Pennrose's average cost per unit for its comparable sites ($440 per unit). No analysis has been done to determine whether the lower Pennrose figure reflects less intensive services or more cost-effective delivery of comparable services.

Some possible conclusions:

The citywide average of $135 per unit for congregate services suggests that this aspect of affordable housing services is very unevenly provided.

Non-profits in general offer more in the way of congregate services than for-profits do, either because of their more concentrated service territories and less diversified business missions or thanks to the advantages they enjoy in raising grant funds for resident life services.

Table 7

Pennrose/WCRP Comparison – TOTAL EXPENSES (PHFA Data)*

			Total Cost of Operations		
UNITS	Management Agent/Development	Date Initially Occupied	Total Cost of Operations	Average Cost of Operations	Variance from Average %
80	Regent Terrace	1988	426,041	5,326	72%
40	Church Lane	1989	247,452	6,186	84%
30	Pennrose Management Co	1990	213,839	7,128	97%
48	Diamond I	1991	280,374	5,841	79%
32	Diamond II	1991	229,459	7,171	97%
24	Pennrose Management Co	1991	111,055	4,627	63%
47	Pennrose Management Co	1993	308,365	6,561	89%
39	Pennrose Management Co	1993	254,196	6,518	89%
30	Mansion I	1994	164,353	5,478	74%
28	Tasker Village	1995	231,101	8,254	112%
31	Tioga	1996	239,171	7,715	105%
35	Diamond III	1996	239,749	6,850	93%
22	Spenser's Place	1997	114,965	5,226	71%
32	Universal Court I	1998	205,955	6,436	87%
19	Mansion II	1999	123,845	6,518	89%
53	Pennrose Management Co	2001	325,524	6,142	83%
31	Pennrose Management Co	2001	221,838	7,156	97%
621				**$6,340**	**86%**
24	Villanueva Phase I (Somerset)	1992	154,832	6,451	88%
30	Villanueva Phase II	1994	263,973	8,799	120%
23	Johnnie Tillmon	1997	193,060	8,394	114%
26	Crippen Phase I	1999	212,687	8,180	111%
20	Crippen Phase II	2002	147,360	7,368	100%
123				**$7,902**	**107%**
3509	**TOTALS ALL PHFA PHILADELPHIA JOBS**		**$25,836,961**	**$7,363**	

*Total expenses are shown differently by PHFA than on the year-end statements provided to the research team by the property management companies. The primary differences are in the way PHFA shows mortgage principal payments, reserve contributions, and capital project expenditures (taken from reserve accounts instead of operating revenue). Depending on whether there is a mortgage, or if there have been significant capital improvements, the variance can be significant. As this analysis relies on PHFA data for the comparisons with the essentially similar Philadelphia portfolios, the data shown above are taken from PHFA rather than from the WCRP and Pennrose reports. As PHFA did not provide Income data, this choice precludes a Net Operating Income calculation. To compare WCRP- and Pennrose-provided income data with PHFA provided Total expense data would provide an inaccurate and misleading picture.

Table 8

Pennrose/WCRP Comparison – TOTAL INCOME

		Philadelphia County		INCOME		
UNITS	Management Agent/Development	Occupancy	Date Initially Occupied	INCOME	Average Income per Unit $	Variance from Average %
80	Regent Terrace	General	1988	$423,994	5,300	89%
40	Church Lane	General	1989	$310,100	7,753	131%
30	Pennrose Management Co	General	1990	$162,411	5,414	91%
48	Diamond I	General	1991	$294,962	6,145	109%
32	Diamond II	General	1991	$194,586	6,081	102%
24	Pennrose Management Co	Other	1991	$114,667	4,778	80%
47	Pennrose Management Co	General	1993	$288,693	6,142	103%
39	Pennrose Management Co	General	1993	$238,601	6,118	103%
30	Mansion I	General	1994	$162,411	5,414	91%
28	Tasker Village	General	1995	$145,598	5,200	88%
31	Tioga	General	1996	$212,782	6,864	116%
35	Diamond III	General	1996	$227,143	6,490	109%
22	Spenser's Place	General	1997	$122,274	5,558	94%
32	Universal Court I	General	1998	$174,030	5,438	92%
19	Mansion II	General	1999	$105,339	5,544	93%
53	Pennrose Management Co	General	2001	$296,986	5,604	94%
31	Pennrose Management Co	General	2001	$185,849	5,995	101%
621					**$5,894**	**99%**
24	Villanueva Phase I (Somerset)	General	1992	$147,527	6,147	104%
30	Villanueva Phase II	General	1994	$180,457	6,015	101%
23	Johnnie Tillmon	General	1997	$137,891	5,995	101%
26	Crippen Phase I	General	1999	$160,136	6,159	104%
20	Crippen Phase II	Other	2002	$131,142	6,557	110%
123					**$6,156**	**104%**

	Income Adjustments - WCRP	**Total Income**	**WCRP Fundraising**	**Project Income**	
24	Villanueva Phase I (Somerset)	$147,527	$9,041	$138,486	5,770
30	Villanueva Phase II	$180,457	$10,909	$169,548	5,652
23	Johnnie Tillmon	$137,891	$7,309	$130,582	5,677
26	Crippen Phase I	$160,136	$10,667	$149,469	5,749
20	Crippen Phase II	$131,142	$7,232	$123,910	6,196
123					**$5,789**

Table 9

Pennrose/WCRP Comparison – TOTAL EXPENSES less Congregate Services

		TOTAL less Congregate Services		
UNITS	Management Agent/Development	Total Cost of Operations	Average Cost of Operations	Variance from Average %
80	Regent Terrace	426,041	5,326	74%
40	Church Lane	247,452	6,186	86%
30	Pennrose Management Co	213,839	7,128	99%
48	Diamond I	280,374	5,841	81%
32	Diamond II	229,459	7,171	99%
24	Pennrose Management Co	111,055	4,627	64%
47	Pennrose Management Co	308,365	6,561	91%
39	Pennrose Management Co	246,227	6,314	87%
30	Mansion I	154,701	5,157	71%
28	Tasker Village	231,101	8,254	114%
31	Tioga	225,946	7,289	101%
35	Diamond III	224,447	6,413	89%
22	Spenser's Place	114,965	5,226	72%
32	Universal Court I	205,955	6,436	89%
19	Mansion II	113,345	5,966	83%
53	Pennrose Management Co	299,024	5,642	78%
31	Pennrose Management Co	206,211	6,652	92%
621			**$6,181**	**86%**
24	Villanueva Phase I (Somerset)	144,832	6,035	83%
30	Villanueva Phase II	253,973	8,466	117%
23	Johnnie Tillmon	193,060	8,394	116%
26	Crippen Phase I	187,687	7,219	100%
20	Crippen Phase II	133,360	6,668	92%
123			**$7,422**	**103%**
3509	**TOTALS ALL PHFA PHILADELPHIA JOBS**	**$25,364,600**	**$7,228**	`

TOTAL EXPENSES less Congregate Services

Observations

- Looking at the citywide portfolio with congregate services costs excluded shows that WCRP’s overall operations costs are only slightly higher than the average for all 3,509 non-elevator, non-public housing PHFA-financed affordable rental units in Philadelphia.

- Pennrose’s costs stay at about 86 percent of WCRP’s, suggesting that its congregate services costs are not a significant component of its overall operation costs for its portfolio of 621 non-elevator, no-public housing PHFA-financed affordable rental units in Philadelphia.

Table 10

Pennrose/WCRP Comparison
TOTAL EXPENSES less Congregate Services and Utilities

		TOTAL less Congregate Services & Utilties		
UNITS	**Management Agent/Development**	**Total Cost of Operations**	**Average Cost of Operations**	**Variance from Average %**
80	Regent Terrace	369,011	4,613	75%
40	Church Lane	208,630	5,216	85%
30	Pennrose Management Co	163,746	5,458	88%
48	Diamond I	240,044	5,001	81%
32	Diamond II	193,054	6,033	98%
24	Pennrose Management Co	86,181	3,591	58%
47	Pennrose Management Co	252,318	5,368	87%
39	Pennrose Management Co	196,853	5,048	82%
30	Mansion I	129,811	4,327	70%
28	Tasker Village	197,166	7,042	114%
31	Tioga	191,700	6,184	100%
35	Diamond III	188,303	5,380	87%
22	Spenser's Place	94,250	4,284	69%
32	Universal Court I	188,023	5,876	95%
19	Mansion II	97,373	5,125	83%
53	Pennrose Management Co	257,524	4,859	79%
31	Pennrose Management Co	181,391	5,851	95%
621			**$5,210**	**84%**
				0%
24	Villanueva Phase I (Somerset)	123,195	5,133	83%
30	Villanueva Phase II	222,169	7,406	120%
23	Johnnie Tillmon	159,430	6,932	112%
26	Crippen Phase I	146,818	5,647	92%
20	Crippen Phase II	107,848	5,392	87%
123			**$6,174**	**100%**
3509	**TOTALS ALL PHFA PHILADELPHIA JOBS**	**$21,655,200**	**$6,171**	

TOTAL EXPENSES less Congregate Services and Utilities

Observations

- When WCRP’s costs are shown minus its unusually high congregate-services and utility (water and sewer) costs, WCRP can be seen to have an almost exactly average cost profile compared to all 3,509 PHFA-financed units in the Philadelphia data sample.

- The comparison with the Pennrose average, however, suggests that – even when the costs associated with WCRP’s mission-specific decisions to provide an in-unit laundry and to offer its residents intensive congregate services are factored out –its operating costs are almost 15 percent higher. The difference is attributable to WCRP’s property and health insurance costs, which together represent nearly $800 per unit per year more than the city average.

Table 11

Pennrose/WCRP Comparison – TOTAL EXPENSES less Congregate Services, Health and Property Insurances, and Utilities

		TOTAL less Congregate Services, Insurances, & Utilties		
UNITS	Management Agent	Total Cost of Operations	Average Cost of Operations	Variance from Average %
80	Regent Terrace	336,805	4,210	68%
40	Church Lane	195,604	4,890	79%
30	Pennrose Management Co	152,680	5,089	82%
48	Diamond I	219,466	4,572	74%
32	Diamond II	177,400	5,544	90%
24	Pennrose Management Co	75,331	3,139	51%
47	Pennrose Management Co	237,394	5,051	82%
39	Pennrose Management Co	179,603	4,605	75%
30	Mansion I	116,393	3,880	63%
28	Tasker Village	183,575	6,556	106%
31	Tioga	177,463	5,725	93%
35	Diamond III	168,876	4,825	78%
22	Spenser's Place	82,734	3,761	61%
32	Universal Court I	170,286	5,321	86%
19	Mansion II	86,960	4,577	74%
53	Pennrose Management Co	229,604	4,332	70%
31	Pennrose Management Co	161,389	5,206	84%
621			**$4,753**	**77%**
		0		0%
24	Villanueva Phase I (Somerset)	94,848	3,952	64%
30	Villanueva Phase II	188,692	6,290	102%
23	Johnnie Tillmon	132,002	5,739	93%
26	Crippen Phase I	115,302	4,435	72%
20	Crippen Phase II	84,339	4,217	68%
123			**$5,001**	**81%**
3509	**TOTALS ALL PHFA PHILADELPHIA JOBS**	**$19,639,551**	**$5,597**	

TOTAL EXPENSES less Congregate Services, Insurances, and Utilities

Observations

- Showing WCRP costs minus its anomalous high cost categories reveals that for all other aspects of it operations, WCRP operates at almost 20 percent lower cost than does the Philadelphia PHFA portfolio of similar developments – and about the same cost as Pennrose's Philadelphia portfolio.

Table 12

Income and Expense per Unit, 2002-2004: Pennrose (397 units) vs. WCRP (103 units)

	2002		2003		2004		Change 02-03		Change 02-04		% change 02-04	
	PMC	***WCRP***	***PMC***	***WCRP***	***PMC***	***WCRP***	***PMC***	***WCRP***	***PMC***	***WCRP***	***PMC***	***WCRP***
Net rental income	6,071	4,500	6,083	4,849	5,930	5,629	11	348	(141)	1,129	-2.3%	25.1%
Adjusted property income*	6,140	4,643	6,168	4,935	6,070	5,679	28	292	(70)	1,036	-1.1%	22.3%
Net reserve withdrawal income	208	0	171	132	271	2,385	(36)	132	63	2,385	30.4%	
Adjusted total income	6,348	4,643	6,340	5,067	6,340	8,064	(8)	424	(7)	3,421	-0.1%	73.7%
Total payroll expense	1,374	1,225	1,352	1,641	1,473	1,705	(22)	416	99	480	7.2%	39.2%
Total admin. expense (less salaries)	1,028	551	1,104	915	1,090	980	75	364	61	429	6.0%	77.7%
Total utility expense	615	618	715	916	738	933	100	299	123	316	19.9%	51.1%
Adjusted total maintenance expense (less wages)	1,395	763	1,849	1,762	1,613	1,506	453	999	217	742	15.6%	97.3%
Property-liability insurance	278	607	363	783	392	903	85	175	113	296	40.8%	48.7%
[Adjusted] total taxes & insurance**	923	1,294	952	1,234	1,074	1,338	29	(60)	150	44	16.3%	3.4%
Adjusted total financial expense	759	537	948	395	778	21	189	(142)	19	(516)	2.5%	-96.2%
Total congregate services	168	178	151	194	98	281	(17)	16	(70)	104	-41.9%	58.2%
Adjusted total operating expenses	6,262	5,165	7,070	7,057	6,862	6,764	808	1,892	600	1,598	9.6%	30.9%
Adjusted total operating expenses (less congregate services)	6,094	4,987	6,919	6,863	6,764	6,482	825	1,876	670	1,495	11.0%	30.0%
Gap between property income and expenses	(122)	(522)	(901)	(2,122)	(792)	(1,085)	(779)	(1,600)	(670)	(563)	548.5%	107.7%
Total income over (under) expenses	85	(522)	(730)	(1,990)	(522)	1,300	(815)	(1,468)	(607)	1,823		

Excludes WCRP's contribution to payroll starting in 2004.* * For T&I, only Pennrose total requires adjustment*

Income and Expense Trends, 2002-2004

Table 13 shows aggregate income and expense per unit for 11 Pennrose and four WCRP developments in 2002, 2003 and 2004. As indicated earlier, the analysis was performed using year-end Operating Report data (supplemented in WCRP's case by some General Ledger data). To factor out accounting differences and permit direct income and expense comparison between Pennrose and WCRP projects, various adjustments were required. Because of significant year-to-year fluctuations in some income and expense categories, the ability to analyze rolling averages over a longer interval might better reveal the true pattern of change. Be that as it may, over the period 2002-2004 the following trends are apparent:

The overriding fact is that these developments cannot generate enough income to keep pace with rising operating expenses. Property income per unit remained constant for Pennrose; the sole cause of the 22-percent increase for WCRP was WCRP's decision to accept Housing Assistance Payments from PHA – rental subsidies that raise per-unit income above the maximum allowed under LIHTC limits. In 2004 it was still substantially lower than Pennrose's. Property income was supplemented with net reserve withdrawals – which remained modest for Pennrose, but in WCRP's case increased from zero to two-fifths the value of property income. By 2004 the gap between property income and expenses had at least doubled, to $792 for Pennrose and $1,085 for WCRP.

Total operating expenses rose less than ten percent for Pennrose projects, but more than 30 percent for WCRP projects. With congregate-services costs factored out, the difference is only slightly less pronounced. Thanks almost entirely to reserve withdrawals, WCRP's overall balance sheet improved – showing a strong surplus of income over expenses for the first time in 2004 (when the Pennrose projects were in deficit).

The most prominent of WCRP's expense components are payroll, utilities, maintenance (less wages), and taxes & insurance.

- WCRP's payroll costs rose much more than Pennrose's. (Non-payroll administrative costs, while still slightly lower than Pennrose's in 2004, also rose faster.)
- Utility costs, similar to Pennrose's in 2002, were 26 percent higher in 2004. Water-sewer bills make up the lion's share of WCRP utility costs.
- Non-payroll maintenance costs, though still lower than Pennrose's in 2004, rose six times faster during the three-year period.
- While total tax-and-insurance costs rose less for WCRP than for Pennrose, they were nonetheless 25 percent higher than Pennrose's in 2004. The critical difference is in WCRP's 130-percent higher property-liability insurance costs.
- Pennrose's financial expenses were almost constant over the time period, while WCRP's dropped to a negligible level (reflecting a change in the way in which these costs were reported).
- Pennrose's congregate-services costs dropped by 42 percent over the time period, while WCRP's increased by 58 percent. Congregate services made up barely more than four percent of operating costs, however.