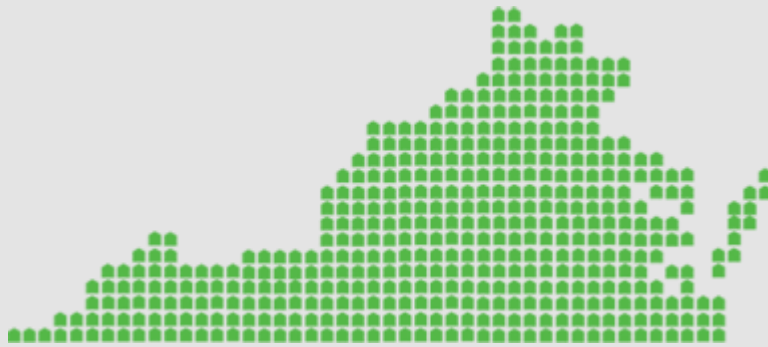




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**Virginia**  
**Housing Alliance**  
Expanding Housing Opportunity and Ending Homelessness

**Skinny Your Pro forma!**  
**Operating Expenses**

**Presented By:**  
**Carl Hardee - The Lawson Companies**



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**How do we run this**



**For this?**



# Development Pro forma Budgeting

## Control of Operating Expenses

Administrative Expenses

Utility Expenses

Maintenance Expenses

Taxes & Insurance

Salaries & Benefits

## What does pro forma savings really mean?

### VHDA 30-year Taxable Loan

Rate - 5.151% (as of September 19, 2017)

Every dollar of NOI growth (due to OPEX savings) = approx.  
\$15.25

Additional debt = quicker payback of deferred developer fee  
& realization of cash flow split



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**You already know the answers!**

## Zero Based Budgeting

Pitfalls:

Using comparative data with an escalation factor

Take the time to do the research – it pays off!

Obtain and listen to your property manager's input



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## Savings Ideas

### Administrative Expenses

- How strongly positioned is the property in the marketplace?
- Can you cut marketing expenses and maintain occupancy?

### Utility Expenses

- Submetering
- Energy auditing

### Maintenance Expenses

- Volume discounts
- Inhouse vs. contract services
- Competitive bids for contractors
- Preventive Maintenance

### Taxes & Insurance

- Discussions with real estate assessors offices – make your case
- Obtaining the correct insurances

### Salaries & Benefits

- Are you underpaying or overpaying?
- Do you have the right benefits to attract and maintain the right team members?



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## Conflicting Objectives

### Developers & Owners

- (Hopefully) Provide quality affordable housing
- Find deals that are financially feasible
- Maximize sources of funds – debt & equity proceeds
- Pay off any deferred developer fee as quickly as possible
- Maximize cash flow
- Obtain highest sale price as possible

### Property Management Firms

- Meet owner objectives
- Take care of the customers & the asset





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## **Is it ever too skinny?**

### Customer Service

“If we don’t take care of our customers, someone else will.”  
Edgar Mitchell

Can the property management team really run it?

Vacancy loss can be more damaging than \$1 of OPEX savings



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