



# Almost a Merger: The ACE-REACH Journey To Successful Collaboration

HOUSING WASHINGTON 2013 CONFERENCE  
Tuesday, October 8<sup>th</sup>  
2:15-3:30p.m.

# Who we are:

## **Moderator:**

M.A. Leonard, Vice President and Pacific NW Market Leader,  
Enterprise Community Partners

## **Panelists:**

Leah Greenwood, former Executive Director, Affordable  
Community Environments (ACE)

Brett Sheehan, Board Member for both REACH Community  
Development and ACE

Susan Duren, President, Washington Community  
Reinvestment Association

Ben Nichols, Vice President of Partner Sustainability,  
Enterprise Community Partners



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## **ALMOST A MERGER:**



### **The ACE-REACH Journey to Successful Collaboration**

#### **WHAT STARTED THE DISCUSSION:**

- In 2008, ACE faced financial crisis
- ACE addressed the immediate needs to get through a cash flow crunch:
  - Raised enough money in a very short time to bridge developer fees
  - Reduced staff and organizational expenses, including having staff go part-time
  - Made modest restructures to our portfolio to generate more cash flow for the organization
- ACE kept moving forward on projects
- Explored partnership with local nonprofits but didn't find a good fit and realized we weren't ready



Cascadia Village Apartments  
Vancouver, WA



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#### **Getting Ready to Start the Conversation**

- Focused on internally to finding solutions to avoid a reoccurrence of the circumstances leading up to the crisis. Assessed internal controls and governance which included:
  - More robust and transparent financing reporting
  - Multi-year financial projections showing a minimum 3-year outlook
  - Establishment of portfolio benchmarks to evaluate it's health and early warning signs
- Board Strategic Planning effort with long-term organizational goals and specifically what a partnership needed to achieve. For ACE this was:
  - Added capacity to the organization
  - Long-term financial sustainability, not solely dependent on developer fee
  - Maintain the commitment and focus on affordable housing in SW Washington



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#### THE PROCESS: The Dating Stage

- **June 2011** - Discussion between the two Executive Directors of ACE and REACH.
- **November 2011** – Joint Meeting between ACE & REACH Board Executive Committees
- **December 2011** – ACE & REACH Boards enter into a Memorandum of Understanding
- **January 2012** – Surveyed both organization's Board members and senior staff (all ACE staff)
- **January – August, 2012** - Restructuring Committee of the REACH & ACE Boards met (facilitated)
- **January – December 2012** – ACE and REACH focused on due diligence.



Rain barrels and gardens at  
Gateway Garden Apartments  
Washougal, WA



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#### **THE PROCESS: The Engagement Stage**

- **August – December, 2012** – Staff and Boards reviewed the Due Diligence & jointly develop a Term Sheet for the partnership.
- **December 2012** – The ACE and REACH Boards of Directors approves a resolution authorizing their Executive Director to proceed with implementation of the strategic restructure based on the terms set out in the term sheet.
- **January – April, 2013** – Implementation, lender consents, organizational documents, etc.



#### **THE PROCESS: The Marriage Stage**

- **May 1, 2013** - Restructure effective.
- **May – Now, 2013** – The transition continues.



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#### **Parent-Subsidiary Partnership**

- **ACE became a subsidiary of REACH**, and remains an existing Washington nonprofit corporation.
- **ACE maintained a five member, community-based Board** with reps from SW WA business, community, and residents.
- **The ACE Board continues to govern** and provide strategic direction for ACE activities in SW Washington.
- **No transfer of real estate.** ACE maintains ownership of its housing and all related obligations.
- **ACE Maintains CHDO status** in SW Washington
- **REACH is the sole member of ACE**
- **Minimum of two REACH board members represent SW WA** per new requirement in revised REACH Bylaws.
- **Decision making authority** of REACH as the sole member (AKA parent) are outlined in the ACE bylaws.

