

Urban Aboriginal Economic Development National Network



Background Brief: Eagle Spirit Property Management

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Title: Aboriginal Business and Community Development Centre - Eagle Spirit Property Management

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About the Urban Aboriginal Economic Development Network: The Urban Aboriginal Economic Development National Network is an open and inclusive multi-stakeholder network of researchers and practitioners working in urban Aboriginal and Métis communities. This includes organizations, universities, federal/provincial/municipal and Aboriginal governments, private industry, community groups, and NGO's. The network's focus is on mobilizing economic development knowledge and strengthening organizational capacity.

This paper can be found on the network website: <http://abdc.bc.ca/uaed>

The Aboriginal Business Development Centre (ABDC) in Prince George, BC is a “results oriented team of professionals, working together in unity to provide a full spectrum of culturally, client sensitive, business and economic development services to assist Aboriginal individuals, organizations and communities to achieve ‘their’ full potential” (ABDC website). Their objectives are to provide resources and leverage funding for economic and business development, to secure sources for equity and loan capital, form strategic partnerships, and guarantee accountability.

ABDC is planning the establishment of a property management company. *Eagle Spirit Property Management* (Eagle Spirit) will be a private, for-profit company managing high quality residential and business properties and tenants. The expected properties of interest include low-density, privately owned residential units, high-density apartment complexes, and strata complexes, the latter of which would benefit from expert management due to complex, frequently changing legislation.

Eagle Spirit will ensure that buildings are managed and maintained to provide a clean, desirable, safe, and superior living environment. Its property management services are interesting for property owners and landlords as high quality facility maintenance and the according reputation will ensure an increased return on their investment. Part of Eagle Spirit’s tasks will be to check tenant references to ensure prompt rent payments and long-term commitments. Careful choice and supervision of tenants will create a positive neighbourhood with less complaints and lower turnover. In order to build and support such a positive reputation, Eagle Spirit would not represent any low-end properties whose owners are not interested in building maintenance investments.

Eagle Spirit will also target First Nations property after its initial phase of establishing high-service property management within the City of Prince George. The targeted First Nations properties include on-reserve band-owned and band-managed units as well as provincially- and federally-owned on-reserve public housing. In addition, the property management company aims at providing First Nations capacity building services. Once business is secured and business operations are established, the company will be mentoring and training First Nations workers to increase their employability. Government, band agency, and social funding will be secured to support the training and capacity building efforts and allow a special focus on First Nations individuals who are facing barriers to entering the work force.

The Planning Process

ABDC has conducted a feasibility study to examine the British Columbia market and competition, to learn from local property management expertise, and to determine financial sustainability. They have held interviews with real estate experts and were able to learn concrete lessons from a similar, existing property management company, Atira Property Management. Furthermore, ABDC has carried out market comparisons to assess available options and competition in Prince George and other comparable communities in British Columbia.

Interviews confirmed that the high-end market to be targeted by Eagle Spirit provides the best opportunities in the Prince George, and at later stages possibly British Columbia, real estate management market. ABDC examined possible competitors and determined that, among the few existing property management firms in Prince George, the only comparable competitor provides lower-end discount services. The majority of property management services are focused on real estate sales agencies, which also offer related services such as management services, mortgage brokers, property appraisal, assessments, and financial lending.

Barriers to Overcome

There are a number of obstacles to be overcome before Eagle Spirit can become operational. The *Real Estate Services Act* determines that certain licenses are needed in the real estate market. Eagle Spirit will have to employ one or more individuals with a managing broker's license, property management license, and strata management license. A primary issue for property management firms about to enter the market is limited availability of licensed professionals who are focused on property management and bring the right additional skills and attributes for the task, such as people-oriented, process-oriented, and building-oriented interests and experiences.

Eagle Spirit is looking at two options to solve the staffing issues. They could train an individual for seven to eight months in preparation to work as an assistant under a licensed professional. Once operations are initiated after the training phase, the assistant will be able to provide qualified support to the operations and the work load can be shared. The other option is to hire a professional who will train assistants while operating the property management. This option would allow revenue generation from day one of the business establishment. However, the initial work load for the professional would be considerably greater until the assistant would be trained at a level where they could provide valuable support.

Another obstacle or risk can be market fluctuations and cycles. During up-cycles, dedicated property managers can expand their operations and build a portfolio. During down-cycles, some building owners might cut costs by eliminating property management and instead managing their own properties. However, with a good reputation for superior services and a functioning business model, property management firms, such as Eagle Spirit, could attract property owners even in down-cycles with the promise of stable management and excellent maintenance services. Moreover, less dedicated property management competitors tend to back away from this business branch in down-cycles, leaving room for expansion for dedicated businesses such as Eagle Spirit.

Revenue Model

Eagle Spirit has developed a business model to estimate revenues and sustainability. In apartment buildings, the commission rate would be 5% of the income generated through rent, parking and other facility fees, and rent arrear penalties. In single-family to eight-plex houses, the commission rate would be 10% of the gross revenue. For strata unit management, fees would be established per strata and per service. Financial projections are made based on average rental

rates in Prince George at the time of the feasibility study. Vacancies and tenant turnover as well as initial lower level services and profits with expectations to increase over time are accounted for. A breakeven analysis of expected revenue as well as staffing and operational costs projects that Eagle Spirit will break even in its fourth year of operations and will then be able to reduce accumulated debt from the first three years over several years with annually increasing revenue.

Eagle Spirit Property Management and UAED

As an example of an urban Aboriginal business, Eagle Spirit demonstrates some steps to be taken in the process of initiating a business. It is important to ensure adequate background research, seek advice, look at and learn from comparable businesses, determine how aggressive competition is in the targeted market, examine the market itself, create a business model with projected revenue and a cost-revenue analysis, and account for worst case scenarios. In order to be successful and contribute to the urban Aboriginal community, the business should be sustainable in the long-term.

Eagle Spirit also shows how an urban Aboriginal business can incorporate elements of social enterprise and, while being a viable business, give back to the community. In this case, many tenants will benefit from being managed by Eagle Spirit as the company intends to work with tenants to meet high standards of buildings and landlords and to be able to maintain desirable housing conditions. Eagle Spirit also aims at capacity building through training efforts for grounds-keeping and housing maintenance personnel and paying special attention to urban Aboriginal community members who are facing employability challenges. Not only are jobs created through the urban Aboriginal business establishment, it also prepares community members to enter the general labour force.

Finally, the example of Eagle Spirit points out that it is important for new urban Aboriginal businesses to research what funding is available to them for their specific operations and purposes and how to access government and other funds successfully. In the case of Eagle Spirit, financial support can be accessed for the on-the-job training efforts, enabling the business to develop the social enterprise component to its full potential.

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List of Related Links

Atira Property Management. Accessed May 12, 2010. <http://www.atira.ca>

Gateway Property Management Corp. Accessed May 12, 2010. www.gatewaypm.com

Pace Property Management. Accessed May 12, 2010. <http://www.pacerealty.ca>

Real Estate Council of British Columbia. Accessed May 12, 2010. <http://www.recbc.ca>

Strategic Property Management Ltd. Accessed May 12, 2010.
<http://www.royallepageprincegeorge.com>