



California Housing Finance Agency

**Organizational and Program Assessment of the  
California Housing Finance Agency**

**Overview of Project Scope and Approach**

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**BENJAMIN  
FRANK** LLC  
MANAGEMENT  
CONSULTANTS

# Overview of Project Scope and Approach

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More than seven (7) years ago the volume of CalHFA's financing activities peaked when nearly \$2 billion in single family and multifamily housing assistance financings was completed per year. However, as a result of structural changes that occurred in the financial and housing markets following the 2008/09 financial crisis, CalHFA now completes an average of only about \$100 million in financings per year. During this period the size of CalHFA's mortgage portfolio decreased by more than 50 percent, but CalHFA's overall organizational structure changed very little and aggregate staffing levels remained nearly the same as existed before these changes occurred. In some areas available staff were redirected to service and resolve problems with previously completed financings and existing loans and to support alternative financial assistance programs such as the California Homebuyer's Down Payment Assistance Program (CHDAP) and the Mental Health Services Act (MHSA) Program. However, as the size of CalHFA's mortgage portfolio diminished, concerns surfaced about the sufficiency of CalHFA's unencumbered Housing Assistance Trust (HAT) revenues and reserves to fund the Agency's \$40 million annual operating expense budget.

The decision to undertake this assessment was initiated by CalHFA's Executive Director. This decision was prompted, in part, by the above described circumstances. Additionally, there were concerns about CalHFA's capability to continue to fund its ongoing operations pending development and implementation of new single family and multifamily housing financing programs or growth of existing programs to levels capable of generating sufficient revenues to fully fund the Agency's operating costs on a sustained, long-term basis. A contract with Benjamin Frank LLC to perform the assessment was awarded during November 2014.

## Project Scope and Technical Approach

The scope of the assessment encompasses all of CalHFA's major business units. The overall purposes of the assessment are to identify and assess:

- ❖ CalHFA's current and emerging programmatic and support service workloads, workforce capabilities and costs
- ❖ CalHFA's capability to fund ongoing operations and associated operating costs along with needed investments in new program development initiatives.

Results of the assessment are expected to provide a foundation for determining needs to restructure and reengineer CalHFA's single family and multifamily programs, supporting organization structure and workforce capabilities, business processes and technology support systems to enable longer-term sustainability of the Agency.

Our overall approach to performing this assessment is organized into four (4) major phases of work, as follows:

### Phase I – Project Start-up and Initial Planning

The primary objectives of Phase I were to meet with CalHFA's Executive Director and other key CalHFA executives and managers to more fully and clearly define the scope and objectives of the Phase II diagnostic review and preliminary assessment, the services to be provided, and the schedule and budget for providing these services. Phase I was completed during October and early-November 2014.

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## **Phase II – Diagnostic Review and Preliminary Assessment**

The primary objectives of Phase II included (1) determining how CalHFA's programs currently operate and how CalHFA staff are organized and allocated to support these programs, (2) identifying all significant services currently provided by CalHFA staff and developing a general understanding of the processes used to provide these services, and (3) defining historical and current workloads and performance levels and prospective future workloads and service demands.

Our efforts initially focused on collecting, reviewing and summarizing available general background materials regarding CalHFA's programs, organization, workloads and performance, including historical workload, financial and staffing data available covering the period from 2001/02 to the current fiscal year (2014/15). We also collected and reviewed a broad range of other general background documents. Additionally, we conducted individual interviews with all CalHFA executives, managers, and supervisors and, in selected areas, with specialist staff, either individually or in small groups. In total, more than 60 individual and small group interviews were completed.

Subsequently, we scheduled and conducted follow-up interviews with selected staff as needed to develop a more complete overall understanding of CalHFA's programs, workflows and workloads, workforce capabilities, technology support systems, performance deficiencies, problems experienced, and suggestions for improvement. We also developed a set of preliminary CalHFA program and business unit profiles that we used as a foundation for identifying needs for supplemental and in-depth assessment and improvement planning efforts. Additionally, with the assistance of CalHFA staff we collected information regarding the organizational structure and housing assistance programs of a targeted sample of housing finance agencies in other states. Phase II was completed over a five (5) month period extending from November 2014 through March 2015.

## **Phases III – Supplemental and In-Depth Assessments and Improvement Planning**

The purposes of Phase III were to complete supplemental and in-depth reviews and analyses as determined necessary during and following completion of Phase II and to develop an overall *Improvement Strategy* and an integrated *Improvement Plan* delineating the specific improvement initiatives recommended for implementation. A *Summary Interim Report* is currently being prepared documenting results of all Phase II and Phase III preliminary and supplemental assessment efforts. Concurrently, we are assisting CalHFA with development of an overall strategy and plan for implementing recommended improvements. CalHFA management has already begun implementing selected improvement initiatives in several areas.

## **Phases IV – Implementation Assistance**

Phase IV encompasses providing assistance to CalHFA with implementing recommended initiatives identified during earlier phases. Phase IV services initially commenced during Phase II following identification of some immediate action recommendations for improvement.