



# Organizational and Program Assessment of the California Housing Finance Agency

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July 14, 2015

# Introduction and Project Scope

- General Background
- CalHFA's Fiscal Circumstances
- Executive Team Organization
- Single Family Homeownership Program
- Multifamily Project Financing Programs
- Multifamily Asset Management Program
- Support Service Units
- Improvement Implementation Plans

# General Background

- Appreciating Real Estate Property Values and Availability of Low Cost Capital Enabled CalHFA to Grow Its Programs and Organization
- Programs and Operations Significantly Disrupted by the 2008/2009 Financial Crisis
- Concerns Surfaced Regarding Short-Term and Long-Term Sustainability

# CalHFA's Fiscal Circumstances

- In Recent Years CalHFA's Circumstances Have Improved Markedly
  - Improved Macroeconomic Environment and Real Estate Markets
  - Higher Bond Ratings
  - Reduced Need to Support Indentures
  - Decreased Collateral Posting Requirements
- Housing Assistance Trust (HAT) Cash Liquidity Problems Appear Unlikely to Surface Within the Next 8 to 10 Years, or Possibly Longer

# CalHFA's Fiscal Circumstances

- CalHFA is in the Midst of an Extended Period of Transition
- The Agency Cannot Continue to Fund \$40 Million Annual Operating Budgets Into Perpetuity with Limited Revenues from New Lending Activities
- Changes Must be Initiated and Completed as Exeditiously as is Practicable

# Executive Team Organization

## Historical

- Chief Deputy Director
  - 10 Direct Reports
  - Responsible for Overseeing all Major Business Units
- A Number of Division Director Level Positions, Plus Additional Subordinate Assistant Directors
- Many Senior Level Positions Left Vacant

## Preferred Alternative

- Groups Most of the Agency's Business Units into 3 Major Divisions:
  - Single Family Lending
  - Multifamily Lending and Asset Management
  - Enterprise-Wide Support
- Remaining Staff Allocated to Several Smaller Existing Functionally Specialized Offices:
  - Legislative Services
  - Legal Services
  - Financing Services
- Executive Director has 6 Reports

# Executive Team Organization

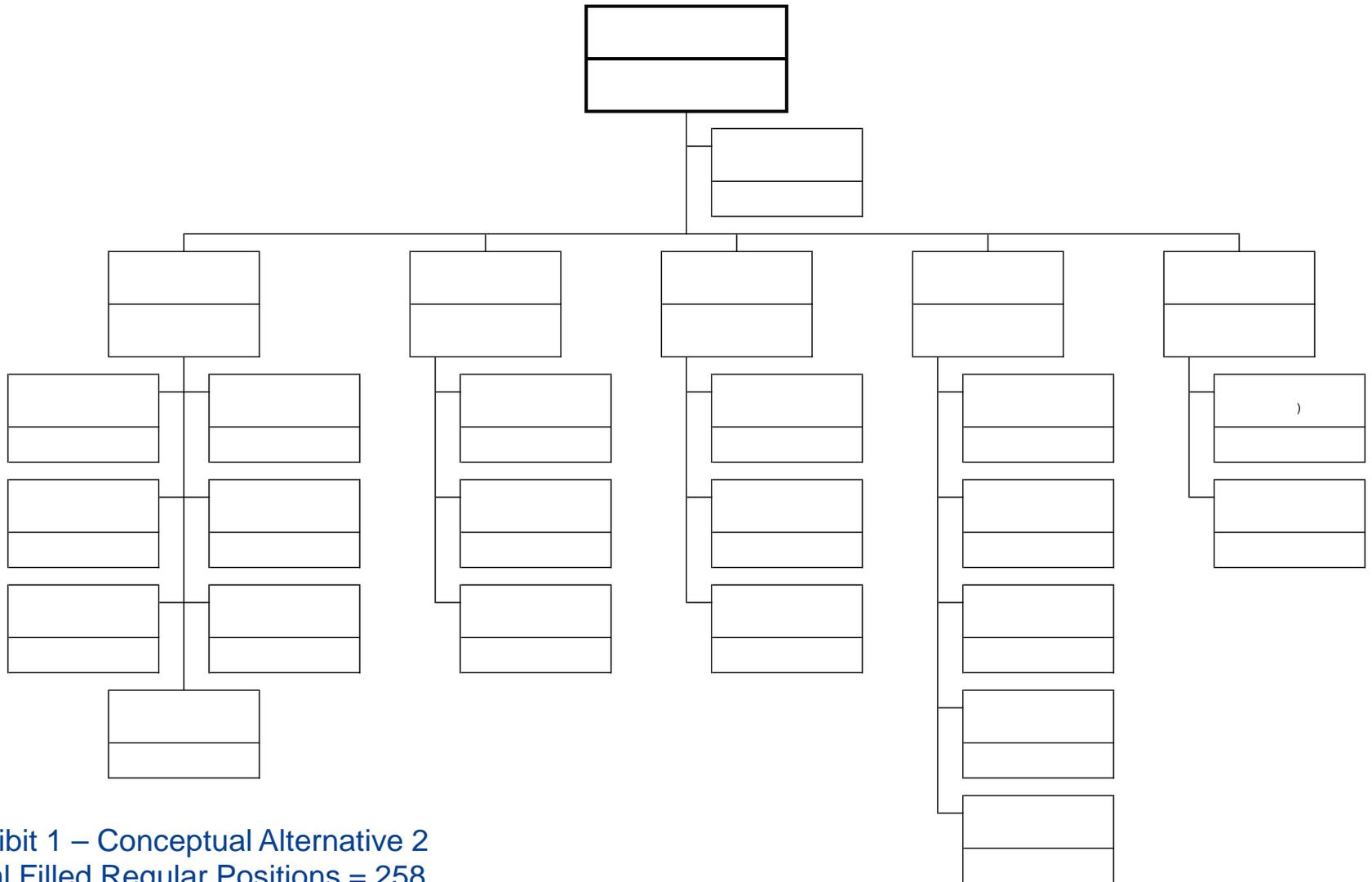


Exhibit 1 – Conceptual Alternative 2  
Total Filled Regular Positions = 258

# Single Family Homeownership Program

- Legacy Whole Loan Servicing and Portfolio Management Programs Are Winding Down
- Successor Mortgage Backed Securities (MBS) Program Is Ramping Up
  - MBS Structure Requires Fewer Staff than Whole Loan Structure for Lending, Servicing, and Portfolio Management Functions and for Financing, Legal, and Accounting Support Services
- MBS Program Growth Must Be Supported with:
  - Additional Staffing
  - Investments in Technology Support Systems
  - Capital Investments in Down Payment and Closing Cost Assistance Programs

# Multifamily Project Financing Programs

- The MHSA Program Is Winding Down, but will Continue for the Next Several Years, or Longer if Extended
- Organizational Restructuring of the MF Financing Program is Needed, Along with an Increase in Staff
- A Resumption of Significant MF Project Financing Activity will Likely Require 18 to 24 Months to Accomplish

# Multifamily Asset Management Program

- The Number of Portfolio Projects Overseen has Decreased During the Past Decade to 439 Properties, but Oversight Process Complexity has Increased
- The MHSA Program has Already Generated Significant Additional Asset Management Workload (120 Projects Plus Several Dozen More in the Financing Pipeline)
- Other Emerging Asset Management Workloads Include the:
  - HUD 811 Demonstration Program (Up to about 50 Projects)
  - Tenant Based Rental Assistance Program (21 Projects)
- Some Additional Staffing Resources are Needed

# Support Service Units

- Support Service Units Account for One-Half of the Agency's Entire Workforce
- The Number of Support Staff is the Same as Just Prior to the 2008/09 Financial Crisis
- The Support Service Units are Not Immune to the Changes Occurring in the Single Family and Multifamily Program Areas
- Organizational, Staffing and Business Process Improvements Could Enable Improved Performance

# Improvement Implementation Plans

- More than 50 Specific Recommendations for Improvements
  - Organizational
  - Programmatic
  - Business Processes
  - Staffing and Workforce Allocations
  - Technology Support Systems
- Some of The Recommendations Have Already Been Fully Implemented
- Implementation of Most of the Remaining Recommendations is Already Underway

Questions?

Thank You