Organizational and Program Assessment of the California Housing Finance Agency

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 Expeditiously 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