

Rental Housing: Multifamily Management
Oregon Housing and Community Services
Analysis of Income and Expense Report to Partners

“More than any other agency to whom I report, I think OHCS is asking for the right information from me and is doing a remarkable job of sharing the results in a useful, timely format with all of its development partners.” - Ed McNamara, Turtle Island Development LLC

PURPOSE:

Oregon Housing and Community Services (OHCS) developed the Analysis of Income and Expense System for three purposes:

- 1) Provide accurate data for underwriting by region;
- 2) Use as an Asset Management tool proactively tracking project financial performance;
- 3) Assist project owners and sponsors with actual financial data for accurately evaluating projects.

By creating a tool to gather financial information and establish a database for tracking that information, OHCS has helped to improve the performance of multi-family dwellings and maximize the availability of low-income housing throughout the State.

SCOPE:

Oregon Housing and Community Services provides a standardized format to collect data, including financial, physical and functional information, for the projects funded with loans/grants issued by the Department for multifamily low-income housing for individuals and families in Oregon.

The electronic forms are completed by asset and property managers, accountants, and auditors representing the individual developments. By using the same format, we ensure consistency in reporting. This allows us to compare financial data between projects and to create project baselines.

Once we receive the data, we reconcile the information with audited statements. The data we receive in electronic format includes:

- General Project Data: Project physical data, ownership, funding sources, comparative locations and population served.
- Financial Operating Data: Typical income and expense data leading to net operating income. Evaluation of debt coverage ratios and cash flows for further risk analysis.
- Specific Investment Data: Information on interest expensed, amortization, depreciation and net cash flow to the property, all critical in attracting investors.

Why it meets the judging criteria:

The AIES has allowed us to better meet the needs of Oregonians. Specifically, it offers the following:

Innovation

Our unique data tracking mechanism helps us with:

- A. Risk Management – The Income and Expense System has given OHCS the ability to identify projects at risk. When identified, we begin our Risk Analysis and Assessment Process that includes:

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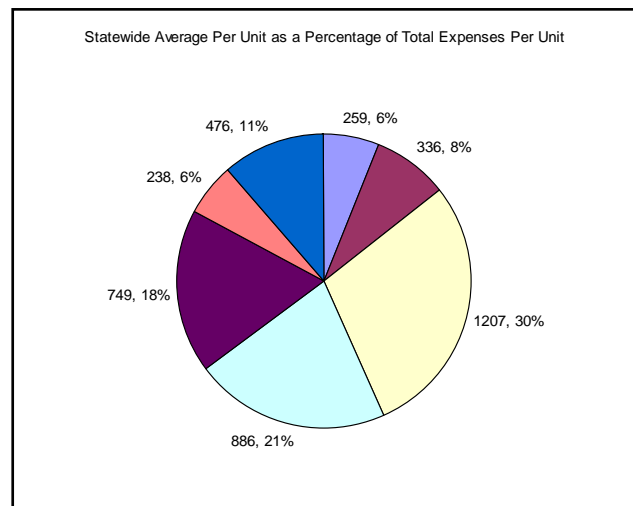
1. Identifying Key Performance Standards and Risk Measurement
 2. Meeting with the owner and agent to discuss resource allocation, performance issues and completion of a Risk Management Plan.
 3. Mitigating the risk by reducing the negative affect of risk.
- B. Accurate Underwriting Data – This is used by owners and the Department to underwrite new and rehabilitated projects.
- C. The Spirit of Partnership – We work proactively with our sponsors to reach a successful outcome.

Replication

The Department has been able to prepare specific reports for partners such as The McArthur Foundation and Meyer Memorial Trust.

Asset management companies have requested specific data applicable to resident services, expenses per unit and debt coverage.

OHCS now has three years of accurate data for the loan portfolio. In 2010, we have expanded the scope of reporting to include the Low Income Housing Tax Credit Programs.



The Analysis of Income and Expense System has proved to provide accurate data on the Department's projects and other states' housing agencies have expressed interest in simulating the program.

Measurable Customer Benefits

Ed McNamara, of Turtle Island Development LLC summarizes some of the benefits to our partners by saying the following:

“It's useful to me for a number of reasons. Here are just a few of them:

1. Benchmarking - By controlling expenses in affordable housing, I can keep rents lower. I work hard at controlling expenses and OHCS's report lets me know how I'm doing.
2. Key Indicators – The OHCS report shows the important indices of financial health – debt coverage ratios, cash flow, budget-to-actual – that give a snapshot of overall property performance.
3. Details – No two projects are the same so some databases I see aren't very useful. OHCS's report provides two important breakdowns:
 - a. Detailed expense categories allow me to make useful comparisons even when projects have different property taxes or reserve requirements than my properties have.
 - b. Analyses of income and expenses are sorted by the size of the project, the type of owner, the geographic location, and other categories that make it easier to get a useful comparison.

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4. Budgeting – All of this information is helpful to me when I’m preparing my annual budgets or when I’m considering developing a different property type or developing in a different location.
5. Timeliness – OHCS produces this report very quickly so I’m getting timely information.”

Provide benefits that outweigh costs:

The AIES provides sponsors with the ability to evaluate their capacity to manage their portfolio in an efficient manner. The Department is able to work with sponsors to understand how to achieve their mission in a businesslike manner.

Demonstrate effective use of resources:

An example of the usefulness of comparing data was the ability to demonstrate that Repair and Expenses were higher when resident services were not adequate.

Effectively employ partnerships:

The Department has employed a team concept called “Project Connect” when working with projects identified as “troubled.” The purpose of Project Connect is to partner with individuals who play an integral part in the project. The team consists of the Lender, Funder, Owner, Agent, Compliance Officer, the Regional Advisor to the Department and the Risk Management Analyst. Community partners are included as necessary.

Achieve strategic objectives:

Our primary objective is providing affordable housing to as many low-income Oregonians as possible. By ensuring our partners manage their projects in a financially efficient manner, we are able to increase affordable housing for many more Oregonians.

It is critical to the success of our partners as well as our Department that we work as efficiently as possible using accurate financial data for the project and the region surrounding it. The Analysis of Income and Expense System is paramount in our process.

