

Streamlining Financial Monitoring

Rhode Island Housing

Rental Housing: Multifamily Management

HFA Staff Contact

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Introduction

Quality data and accurate calculations are critical to a successful Asset Management program. Over the last five years, RIHousing has made significant investments in technology to improve agency performance overall. As a part of that effort, we have prioritized updating processes and operations in our Asset Management and Compliance Division, which is responsible for oversight of our multifamily affordable housing portfolio of over 24,000 units across the state.

RIHousing committed to using the Prolink system to monitor all multifamily developments. The software offered a single platform for organizing, tracking, and managing assets and compliance documents. It included features such as automated workflows as well as increased reporting and document storage capabilities.

Additionally, the software streamlined data collection and performance tracking capabilities across LIHTC compliance, ancillary funding compliance, and financial reporting. While the Prolink software provided significant upgrades to RIHousing's existing processes through a single system using proforma templates and tools to reduce possible human errors, the decision to contract with Prolink to customize the product was the game changer.

Innovation through Customization

Prolink offered RIHousing the chance to:

Create Customized Data Collection Tools

RIHousing's Financial Asset Management team customized Prolink's out-of-the-box standard financial template, an excel document used to calculate complex financial performance and other measures. This is significant. Laborious manual calculations of data submitted by owners, managers, or auditors were no longer required. These customized data fields and tabs expand the ability of the software to facilitate our team's financial review process.

Build Custom Data Fields

We also created fields to enter specific data and notes related to our review of the financial submission. The custom fields house financial performance risk metrics, annual calculations of surplus cash and records of approved distribution allocations. Upon completion of a financial review, all of the added data is transmitted to Prolink to be recorded into custom fields that our team created within the software.

Immediate Impact

This customization has led to two immediate major improvements: a more efficient financial review process and less human error. The new template replaces other tools that tracked financial metrics and allows the data to all be stored in one place, accessible by multiple staff, and eliminates the use of individual staff spreadsheets. Now everyone uses the same data and methods to perform their work, ensuring consistency and accuracy. The process allows a single sheet to be submitted to one centralized workspace, which is far more efficient. Because the financial template must be re-submitted periodically, this data is automatically used to calculate operating performance ratios with each submission.

The new template has been implemented for our partners to use for Annual Budgets, Annual Audited Financial Statement submissions and Quarterly Interim Operating Statements. There are 4 tabs which are visible to the partners for their entries:

- Submission Sheet Tab - required for all submissions (provides development name, submission type, date range of submission, contact information)

- Profit and Loss Tab (year to date numbers are required for all submissions)
- Balance Sheet Tab (required only for the annual audited financials submission)
- HF-150 Tab (required quarterly summary of operating data)

Benefits

As with all software solutions, there has been considerable time invested into both learning the system and customizing it to meet the unique operational needs of our Asset Management and Compliance staff. RIHousing has offered recorded virtual training sessions and resources to support partners as they learned to submit required Asset Management and Compliance reports through new portals and work centers within Prolink.

However, the benefits cannot be understated. By minimizing errors and saving time, staff have greater freedom to focus more on engaging with partners and resolving issues and are able to more accurately monitor performance in real-time. These are a few of the benefits:

- **Easily calculate data for Annual Audited Financial Statement Reviews:** Data from audited financial statements, such as balance sheets and profit and loss statements calculate key ratios within documents submitted for financial review:
 - Economic Vacancy Rate
 - Current Ratio
 - Cash Reconciliation
 - Management Fee Rate
 - Cost Per Unit Excluding Taxes and Utility Costs (Annualized)
 - Real Estate Taxes as a percentage of Effective Gross Income
- **Meet Strict Reporting Standards:** This automation simplifies the complex financial reporting required by HUD and leads to fewer errors. After an audited financial review is complete, all information within the template can be printed as a PDF and the financial statements are saved in Prolink's workcenter. This helps shorten the time it takes to complete required reporting like annual surplus cash for form HUD-93486, as line items in this form can be auto-populated using specific formulas.
- **Endless customization:** There is no limit to the number of custom fields or tabs within the software or tracking sheet. This means we can further customize within Prolink and the features as needed. New tabs have been created to capture elements that vary annually, such as distribution waterfall terms.
- **Reduce wasteful processes:** With distribution allocation now within the template, a separate tracking sheet for surplus cash distributions to partners and amounts payable to RIHousing junior deferred debt has been eliminated. Information such as a partner's share of earned distribution, amounts payable to various funds, and remaining operational balances are tracked within custom fields. Check amounts and dates received are entered within to ensure all required payments are received.

Achieving replicable results

RIHousing's use of Prolink can provide a blueprint for how to successfully integrate new technology into the workflow:

- **Customize software for efficiency:** Consider new ways that your team can use existing or new software to improve efficiency in financial monitoring and reporting.
- **Reduce user-error:** Utilizing customized data calculation tools within the software allows for streamlined data input and reduces the risk of human error.
- **Removing wasteful processes:** Create a centralized workspace to better communicate between staff and with external partners. Improving processes through automation can help reduce time on low-priority tasks and reduce error.
- **Automation:** Automation features such as auto-populating forms and generating reports save time and reduce the likelihood of errors, allowing staff to focus on higher-value tasks.
- **Support and training:** When implementing a new process, consider providing support and training for staff and partners. This will prevent future headaches during transition.

Outcomes:

Both the Financial Asset Management team and its external partners have already seen positive outcomes. Several partners have successfully integrated the template in conjunction with their accounting software to reduce data entry required of their accounting staff. When comparing these results to test validations done by Asset Management staff, the financial templates submitted by partners have been accurate.

Our team's focus is now on utilizing the software as a tool for more robust risk assessment and benchmarking. This will allow the team to manage an ever growing portfolio, while also using increased financial operating data and ratios with current partners. Additionally, the provision of average operating cost per unit data to our partners has proven to be highly valuable for budgeting and planning purposes.

We are excited to leverage the software to provide our partners with insight, and implementing the software has had an organization-wide impact. Technology investments, such as Prolink, shine a light on the impact these tools will have on data-driven decision making. Our goal is to find new opportunities to implement this technology in other processes and workflows within our organization. By improving our operations, we hope to create a more positive impact statewide.



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Attachments

RIHousing Financial Data Submission Form

Please note that a fresh unused workbook must be used for each submission. Please save your workbook with the site name before entering data. Once completed, please save it to Procorm Workcenter folder related to the submission date range.

Please enter responses to the items below:

6	Audit, Budget or Quarterly Submission	(choose from dropdown list)
7	Enter Development Name	
8	Loan Number (first mortgage with RIHousing)	
9	Development's Fiscal Year End	(choose from dropdown list)
10	Fiscal year end related to this submission	(choose from dropdown list)
11	Quarter of submission if submitting quarterly IOS data	(choose from dropdown list)
12	If other than 12/31 FYE, please note whether quarterly IOS submission is based on calendar based quarter or fiscal quarter.	(choose from dropdown list)
14	Contact Person Name	
15	Contact Person Telephone	
16	Contact Person Email	

Instructions:

Submission Type	Required tab(s) to complete:	Notes:
Budget submission	P&L	Numbers entered in the Profit and Loss tab should match the development's accountant prepared budget
Quarterly IOS	P&L and HF150	Numbers entered in the Profit and Loss statement should match the development's accountant prepared profit and loss statement as of the quarter end.
Annual Audited Financials	Balance Sheet and P&L	Numbers in the balance sheet and profit and loss statement should match auditor's P&L and balance sheet.

Password protection has been applied to avoid overwriting of formulas, but if additional lines are needed, the password is "am"
To add lines, change "Agency Config" column filter to include both Yes and No, which will open up more entry options.

If you have questions, please call Susan Halloran at 401-450-1339 or email shalloran@rihousing.com

Thank you.

Submission Sheet | Balance Sheet | P&L | HF150 | For RIH use Annual Ratios

**Interim Operating Statement for Multi-Family Housing Projects
Form HF-150**

Please fill in the grey cells

INSTRUCTIONS:

Prepare on Accrual Basis
All figures should be for the last day of the quarter unless otherwise noted

Enter Fiscal Quarter End MM/DD/YY:

10	Occupancy	# Units Occupied :			
11		# of Rent Free Units			
12		# of Vacant Units pre-leased			
13		# of Vacant Units not leased			
14		# of Vacant Units- other			
15		Total units	0	Occupancy %	#DIV/0!
16		# of Move Outs during the Quarter		Vacancy %	#DIV/0!
17	Tenant Accounts Receivable Aging:	Within 30 days	\$ -		
18		31-60 days	\$ -		
19		61-90 days	\$ -		
20		Over 90 days	\$ -		
21	(Exclude Prepaid Rents and late fees from Total Tenant Rents Receivable field. It may be included in Other Accounts Receivable)	Total Tenant Rents Receivable	\$ -		
22		Other Accounts Receivable		% Current	#DIV/0!
23		Total Accounts Receivable	\$ -	% Delinquent	#DIV/0!
24	Rent Delinquency and Repayment Plans	# of units w/ delinquent rent			

of units under rent repayment agreements

Submission Sheet | Balance Sheet | P&L | HF150 | For RIH use Annual Ratios



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Surplus Cash Distribution Application for Fiscal Year of Statements		Current Ratio	
1	RI Housing Staff to Complete Grey Cells		
2			
3	Total Surplus Cash (mapped from the s/c tab)	\$	0
4	Available Cash Flow (if applicable)	\$	0
5	Lower of ACF or Surplus Cash	\$	
6	Annual Distributions Earned (includes full distribution amount- all parts incl RIH/owner)		
7	Partner's Share of Earned Distribution		
8	Amount Payable to RIH Targeted Note		
9	Amount Payable to AHT Fund		
10	Amount Payable to AHT Loan		
11	Amount Payable to Residual Receipts		
12	Amount Payable to Operating Reserve Deficit		
13	Amount Payable to Other		
14	To Remain in Operations		
15			
16			
17	DCR Calculation		
18	Net Profit or Loss Before Depreciation (HUD #5060T)	\$	-
19	+Financial Expenses	\$	-
20	+Replacement Reserve Releases expensed during FY of statements (S1000-030)	\$	-
21	-Required Replacement Reserve Deposits (#S1000-020)	\$	-
22	=Equals Net Operating Income (NOI net of reserve releases)	\$	-
23	Divided By		
24	1st Mortgage Annual P&I (use Black Knight or Note)		
25	2nd Mortgage Annual P&I (use Black Knight or Note)		
26	3rd Mortgage Annual P&I (use Black Knight or Note)		
27	Total Debt Service	\$	-
28			
29	DSCR		#DIV/0!
30	Prolink DCR excluding the Reserve Releases		#DIV/0!
31			

U.S. Department of Housing and Urban Development		RIH Notes re: Surplus Cash Calculation	
1	Receipts		
2	Project Name:	Fiscal Period Ended:	Project Number:
3	0	1/0/0	0
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