

# HOUSING STABILITY COUNCIL



Oregon Housing and Community Services

Portfolio Management Presentation:

Multi-family Housing

Asset Inventory and Risk Rating System

March 4, 2016

# Overview of the Presentation



- **Inventory:**
  - Fiscal Year Ending June 30, 2015 Portfolio Summary
  - Portfolio Distribution: Pie Chart
  - The same portfolio from the Risk Rating viewpoint: Pie Chart
- **Portfolio Review Process:**
  - How we obtained an inventory of such a diverse and sizable portfolio
  - How we derived the rating system: Started with Department of Treasury and assigned rating categories relevant to Housing Finance Agencies.
  - Established a different review process for Individual vs. Bulk reviews.
  - Established the 5 most important risk analysis areas
- **Why we do this – Portfolio Rating and Management Distinguished From Asset Management & Compliance.**
  - What we can Expect from the system – A risk based portfolio review and rating.
  - What we cannot expect from the system. – No recommendations for those that originate, work out or manage compliance.
  - Overview summary and Questions

# OHCS, Multifamily Housing Portfolio Inventory as of FYE June 30, 2015



I. Loan Portfolio Balance	\$ 328,451,547
II. Award Portfolio (Grants, Tax Credits, Conduit Bond, Guarantees)	\$1,319,430,524
III. Total OHCS Portfolio	<u>\$1,647,882,070</u>
IV. Portfolio Valuation ( <u>51,775 Units</u> x 585 avg sf x \$200 all in psf)	<u>\$ 6,061,608,000</u>

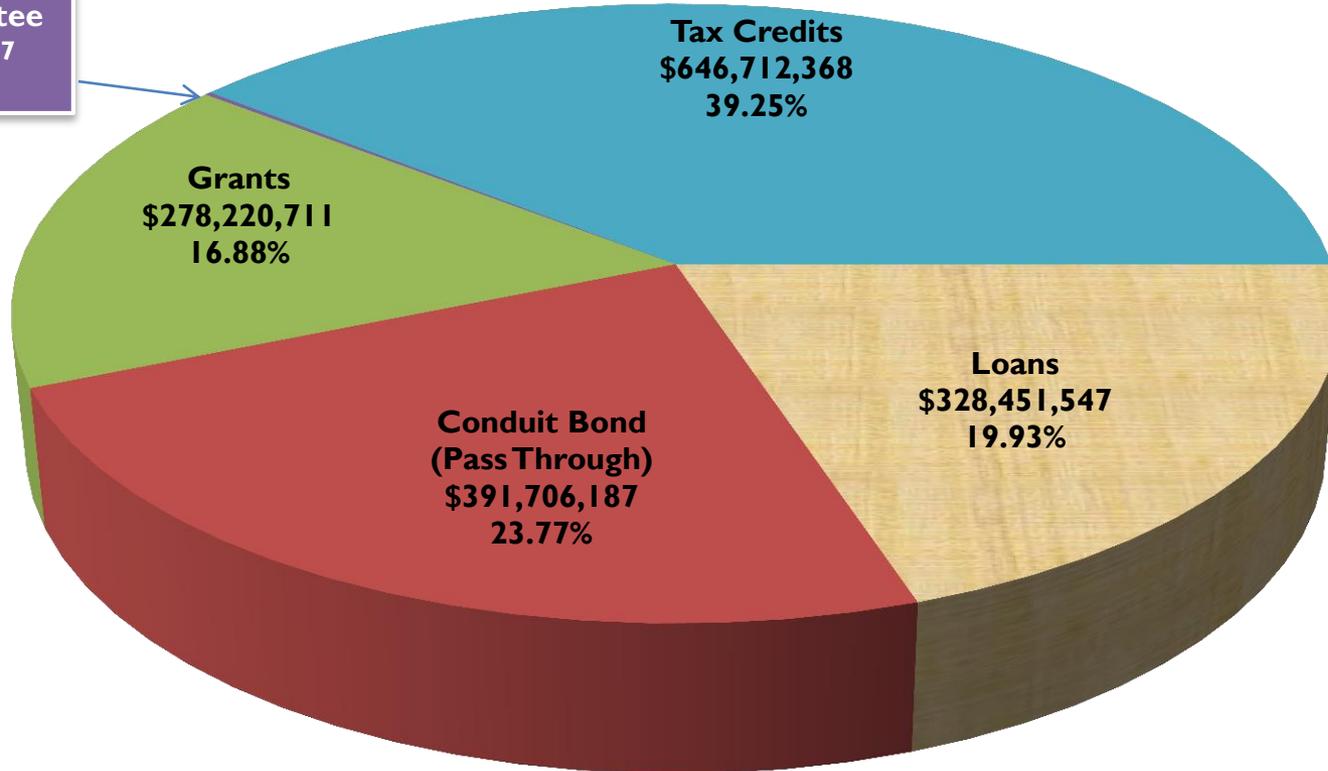
It is noteworthy that 51,775 units over 1,343 projects, in the OHCS statewide multifamily portfolio, *would not have been built or rehabilitated were it not for the efforts of the OHCS.* In response to an increasingly data driven, proactive risk rating environment, the Agency has taken the steps necessary to manage multiple source, portfolio project risk by adding the Inventory and Risk Rating Review System to its Asset Management and Compliance Monitoring efforts.

# Total Portfolio Inventory Distribution

FYE 2014- 2015

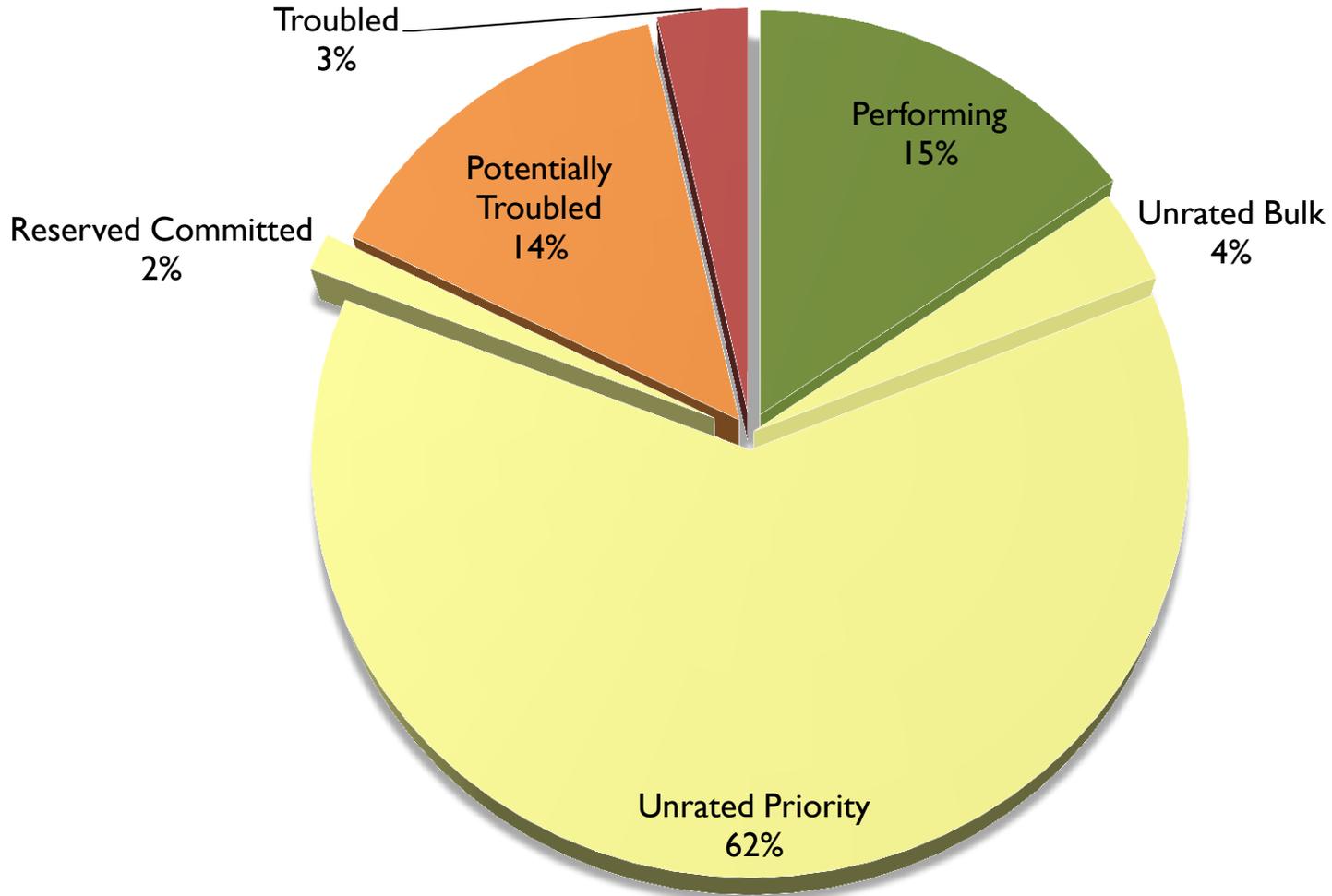


Loan  
Guarantee  
\$2,791,257  
.17%



LOANS	CONDUIT BOND	GRANTS	LOAN GUAR.	TAX CREDITS	TOTAL
\$328,451,547	\$391,706,187	\$278,220,711	\$2,791,257	\$646,712,368	\$1,647,882,070

## Same Portfolio - Risk Rated



<u>Performing</u>	<u>Unrated Bulk</u>	<u>Unrated Priority</u>	<u>Reserved Committed</u>	<u>Potentially Troubled</u>	<u>Troubled</u>	<u>Portfolio Total</u>
\$251,979,910	\$59,395,326	\$1,020,981,122	\$24,114,942	\$233,982,780	\$56,502,990	\$1,647,882,070
131	411	653	28	88	32	1343 projects

# How did we get the data that drives the Portfolio Management System?

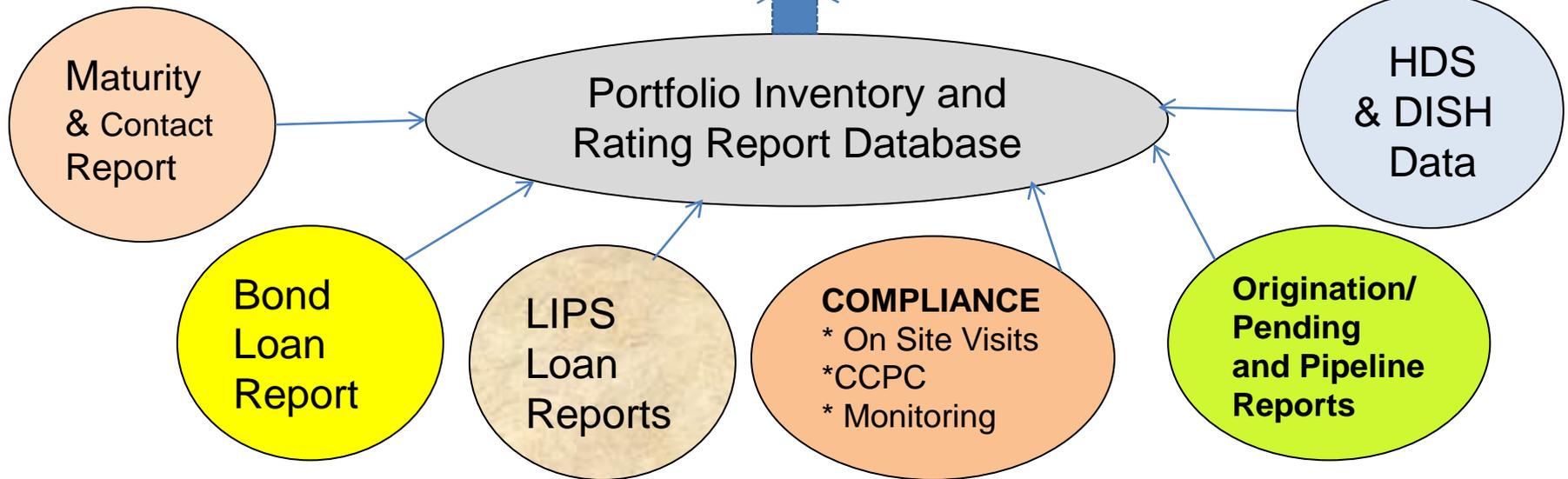


## Results:

1. A Multifamily Inventory Report
2. A Risk Based, Project Rating Report for all portfolio assets.
3. The efficient leveraging of existing quality work and reporting sources.

Enables  
Asset  
Review

Scrub of  
combined  
data



# A Risk Based, Asset Review & Rating System



## I. What we can expect from the system:

- A. **An accurate, risk rated, Inventory report**, available in different formats, to assist all management levels.
- B. **An independent review** of existing *portfolio* and newly funded *pipeline projects*.
- C. **A periodic review cycle** of review of all assets - frequency based on the rating .
- D. **A consistent reporting mechanism**. Monthly schedule of project assessments, ratings and classification changes. This will be reviewed by the Asset Management Manager and will be submitted to the Financial Committee (FC), quarterly, for Director approval.

## 2. What we cannot expect from the system:

**Action plans for the improvement of projects.** The reviewer does not work assets. Rather, financial, compliance, and other data (from reliable, internal, sources) is gathered and analyzed, to construct a bottom line, project assessment and rating. The reviewer goal is to: a) determine the status of the project, b) assess the impact and progress of the efforts taken to mitigate loss, c) assign a rating and d) generate a report that communicates the results to management and stakeholders.

# Individual vs. Bulk Reviews



All Housing Finance Division projects are reviewed. In order to best use limited analyst review time, the scope and elements of the Individual vs. the Bulk review will differ. Let's see how:

## THE INDIVIDUAL ASSET REVIEW (IAR):

1. Individual project review and rating are performed for:
  - a) high risk projects – those that have HOME, LIHTC, RS Bond, ED Bond and similar risk funding sources.
  - b) projects \$500,000 or greater in OHCS, total funding sources.
2. Elements of the Individual Asset Review
  - a) Data Accuracy is verified and a 5 step analysis done to support a resulting rating.
  - b) The areas of review are Project and Physical condition Data, Compliance, Debt and Equity, Valuation and Pay History and Financial Analysis (including DCR and adequacy of replacement and capital reserves.
  - c) All if the 5 sections must be completed before a rating is determined.

# Individual vs. Bulk Reviews



## BULK ASSET REVIEW (BAR):

- Bulk portfolio reviews of projects are grouped into two categories: 1) those that were originated, and continue to be monitored by OHCS and 2) those originated by OHCS but are being monitored by another agency. Most of these, are grants, managed by the Department of Health Services (DHS). Since OHCS is responsible only for oversight of those grants, a bulk review is appropriate.
  1. Those that are monitored by OHCS (usually smaller dollar amounts): This will be done in a narrative format. The reviewer will make a narrative report. If more than 20% in either number of projects, or portfolio balances have negative findings, individual reviews may be instituted.
  2. Projects that are monitored by others (an example are the Loans DHS is managing): OHCS initially funded the loans, but continuing covenant restrictions and requirements management is done by DHS. In that scenario, OHCS retains a Fiduciary Oversight duty that is satisfied by the bulk review process.
  3. The bulk review process also provides the model for any other asset, portfolio or program performance reports.



# Classification Legend



<u>Classification</u>	<u>Code</u>	<u>Description</u>	<u>Review Cycle</u>
<b><u>Performing</u></b>	10	No Financial, Compliance or physical conditions issues	12 months
10 Series	11	Performing. Minor Financial, Compliance, Physical, Legal or Data Integrity concerns.	6 months
<b><u>Not Rated</u></b>	20	New portfolio waiting for 1st review	6 months
20 Series	21	Not Rated - Priority	3 months
	22	Not Rated - Reserved/Committed	6 months
	23	Not Rated - Expiration of Restrictions, Payoffs in 12 months or less	None
<b><u>Potentially Troubled</u></b>	30	Performing but has an unresolved issue	6 months
30 Series	31	Continuing Performance issue(s), improvement plan may be in place	3 months
	32	Performing but has a significant maintenance issue(s)	3 months
<b><u>Troubled</u></b>	40	Non performing or Serious Financial, Compliance, Physical, Legal, or Data Integrity	3 months
40 Series	41	Improvement Plan in place but improvement is doubtful	1 month
	42	Improvement plan has not worked. Consider repositioning or debt restructuring	1 month
	43	Project viability, units taken off line and financial losses expected	1 month

**Note: Asset "Review Cycles" shown above, are separate and distinct from Compliance and all other monitoring schedules.**

# Portfolio Review Schedule (as of 2/23/16)



Property Name	Underlying Entity or Owner	Most Restrictive OHCS Funding Source	Analyst	Project Total OHCS Funding Sources	Purpose of the Review	CLASS		Review Dates	
						Current	Proposed	Current Review	Next Due
<b>February 2016</b>									
Hazelwood Retirement	Hazelwood Group LLC	ED Bond Loan	Kimber Sexton	6,042,153	Assistance Request	43	43	1/28/2016	2/28/2016
Fox Pointe Apartments	Fox Pointe LP	Risk Share Bond Loan	Sherene Dennis	3,541,584	Scheduled	40	40	1/23/2015	2/23/2016
<b>March, 2016</b>									
Lake Crest Apartments	Lake Crest LIH LP	Risk Share Bond Loan	Sherene Dennis	7,795,407	Scheduled	30	43	2/3/2016	3/3/2016
Linnhaven & Stonebrook	WNHS Linnhaven Stonebrook LLC	LIHTC	Sherene Dennis	3,835,746	Scheduled	31	30	9/27/2015	3/27/2016
<b>April, 2016</b>									
Willamette Gardens	Willamette Garden Apts, LLC	Risk Share Bond Loan	Sherene Dennis	14,809,144	Scheduled	30	31	1/12/2016	4/12/2016
Arbor Glen	Whispering Winds	LIHTC	Sherene Dennis	5,811,808	Scheduled	30	30	10/14/2015	4/14/2016
Fifth Avenue Court	221 NW Fifth Ave, LLC	Risk Share Bond Loan	Sherene Dennis	5,170,912	Scheduled	10	11	10/13/2015	4/13/2016
Autumn Park Apts	Autumn Park Renewal LP	LIHTC	Sherene Dennis	4,821,780	Scheduled	10	11	10/15/2015	4/30/2016
Village Garden Apts	Village Garden, LLC	Risk Share Bond Loan	Sherene Dennis	1,507,681	Scheduled	40	40	1/6/2016	4/6/2016
<b>May, 2016</b>									
Willamina Villa - Beaver State	Beaver State Apts, LLC	LIHTC	Sherene Dennis	3,370,245	Scheduled	30	31	2/5/2016	5/5/2016
Ridgecrest Timbers	Ridgecrest Timbers Apts, LLC	Risk Share Bond Loan	Sherene Dennis	2,968,537	Scheduled	40	40	2/9/2016	5/9/2016
Valley Pines Apartments	Valley Pines LIH LP	Risk Share Bond Loan	Sherene Dennis	2,896,522	Scheduled	30	31	2/5/2016	5/5/2016
Forest Park Apts	Tanglewood LP	Risk Share Bond Loan	Sherene Dennis	2,504,234	Scheduled	10	11	11/23/2015	5/23/2016
Bluffs Apartments, The	Bluffs LIH Limited Partnership	Risk Share Bond Loan	Sherene Dennis	2,100,854	Scheduled	30	31	2/5/2016	5/5/2016
<b>June, 2016</b>									
Gateway Park Apts	Gateway Park Apartments LP	Risk Share Bond Loan	Sherene Dennis	6,222,281	Scheduled	10	30	12/4/2015	6/4/2016
Ariel South Apts	Ariel South Lim Partnership	Risk Share Bond Loan	Sherene Dennis	4,621,554	Scheduled	10	30	12/17/2015	6/17/2016
North Main Apts	North Main Apts LLC	Risk Share Bond Loan	Sherene Dennis	4,099,360	Scheduled	10	11	12/8/2015	6/8/2016
Greenburg Oaks	Villa La Paz Lim Partnership	Risk Share Bond Loan	Sherene Dennis	3,168,461	Scheduled	10	11	12/4/2015	6/4/2016
Hewitt Place	Hewitt Place II GP LLC	LIHTC	Sherene Dennis	2,298,237	Scheduled	10	11	12/3/2015	6/3/2016
<b>July, 2016</b>									
Troutdale Terrace	Troutdale Terrace LP	Risk Share Bond Loan	Sherene Dennis	13,575,599	Scheduled	10	11	1/11/2016	7/11/2016
West Ridge Meadows Apts	West Ridge Limited Partnership	Risk Share Bond Loan	Sherene Dennis	13,456,668	Scheduled	10	11	1/11/2016	7/11/2016
Springtree Apartments	Springtree Limited Partnership	Risk Share Bond Loan	Sherene Dennis	2,680,504	Scheduled	30	30	1/8/2016	7/8/2016
<b>August, 2016</b>									
Wood Ridge Apartments	Wood Ridge Limited Partnership	Risk Share Bond Loan	Sherene Dennis	15,100,935	Scheduled	10	11	2/3/2016	8/3/2016
Montebello - Beaver State	Beaver State Apts, LLC	Risk Share Bond Loan	Sherene Dennis	8,429,750	Scheduled	30	31	2/4/2016	8/4/2016
Stratford Apts- Beaver State	Beaver State Apts, LLC	Risk Share Bond Loan	Sherene Dennis	5,952,083	Scheduled	10	11	2/4/2016	8/4/2016
<b>65 Projects Reviewed</b>	<b>*Illustration of Actual Form</b>		<b>Fundings:</b>	<b>\$184,640,872*</b>	<b>11.20%</b>		<b>New Rating</b>		<b>Periodic Review</b>

# Summary and Overview



The Multifamily Portfolio Inventory and Rating Report System is a tool for fulfilling the Department's fiduciary, portfolio management, asset management and compliance responsibility. The 5 critical risk areas of data analyzed, supported ratings recommendations and enable real time, decision making. The result is a data driven, but still transparent and understandable, rating of the portfolio.

## To summarize what we have discussed:

1. The impressive OHCS inventory of \$1.6 billion in funding sources for over 51,775 units in projects valued at over \$6 billion.
2. The compilation of various departmental asset schedules into one, multi-family, inventory. This allowed us to group the portfolio into Loans, Tax Credits Grants and Bonds.
3. The use of leveraging existing quality work to create a 5 section, Asset Review Database and Individual Project Reports.
4. The 5 critical analysis areas that are needed to recommend a project rating.
5. Portfolio Review and Rating System expectations:
  - \*We CAN expect an internal, risk based, rating of the entire multifamily portfolio. Each rating (Individual Project or Bulk) is supported by analysis of the 5 critical review areas.
  - \*We Cannot expect recommendations to those who originate, work out or manage compliance because those areas are included in the scope of the performance rating process.

# Thank You

