



Portland Housing Bureau

Mayor Ted Wheeler • Interim Director Shannon Callahan

From: Portland Housing Bureau, Risk Analysis and Compliance Team
Date: May 14, 2018
Re: Annual Compliance Testing (ACT) Workbook Response Requirements Update and Response Deadline Changes

Annual Compliance Testing (ACT) Workbook Response Requirements Update

During annual compliance testing for PHB regulated projects, the PHB Risk Analysis and Compliance Team reviews a project's annual reporting submission, and sends out the ACT Workbook for response to the contacts of record for each project. The "rating" tab of the workbook is broken into three sections **1) Tenant Compliance 2) Property Compliance 3) Financial Compliance**. If PHB is missing documents needed to complete scoring, has questions or needs clarification on submitted tenant data, needs more information or clarity on items provided on your operating statement, or any other issues, the team includes these items in the appropriate section(s) on the "rating" tab and sends the document to the *contacts of record for response.

It is expected that all open items are fully addressed by the respondent in the "borrower response" field beneath each open item, within each section of the ACT before it is returned to PHB. The **completed** ACT response should then be attached to an email along with any other requested documentation. If different sections of the ACT are completed by different staff members, please coordinate with each other so as to submit a full and complete response in a single email.

Effective immediately, the RAC team will no longer accept partial responses to the ACT workbook. If all open items are not addressed in the ACT response when received by PHB, the ACT workbook **will be returned** with a reminder of the response deadline. If the full response is not received by the deadline, the project contacts will be sent a 90-day Notice of Non-Compliance and will have 90-days to cure their non-compliance status by submitting a completed ACT response.

**To add or change designated contacts of record for your project, send an email to assetmanagement@portlandoregon.gov with the contact's name, organization, email address, and phone number.*

A project that is found to be non-compliant, may be subject to more frequent monitoring, the sponsor's eligibility for future NOFA awards may be impacted, and non-compliance status may stall projects in the process of being funded.

Response Deadline Changes

Response deadlines are changing as follows:

- 30-days to respond to PHB's initial request for ACT completion
- 14-days to respond to any requests for clarification or additional information in a completed ACT response received by PHB

The changes described herein are being made in an effort to address the backlog of outstanding ACTs.

On the next page is an example of an incomplete ACT that will no longer be accepted by the RAC team.

These process changes will be added to the next revision of PHB's Asset Management Guidelines. For more information on curing a non-compliance status, see page 9 and 10 of the Asset Management Guidelines on the [Annual Reporting Tools](#) page of our website.

We appreciate your cooperation in this matter.

Sincerely,

PHB Risk Analysis and Compliance Team

TENANT COMPLIANCE

MEETS

FAILED: Rule 100.00% Units @ Income: 60 AMI Rent: 60 AMI - : Required Units: 89, Passed Units: 88

1 Please explain why unit 201 has been vacant for 4 months.



Rating	Threshold
Exceeds Standards	100% of units in compliance
Meets Standards	80% or more of units in compliance
Does Not Meet Standards	Fewer than 80% of units in compliance

PROPERTY COMPLIANCE

DOES NOT MEET

Date of Most Recent Inspection Report REAC 99b 06/04/15 (every 3 years)
 Inspection Score **DOES NOT MEET** Outstanding Issues? **No**
 Date of Most Recent AFHMP Update 2/11/2014 (every 5 years)
 Expiration of Proof of Insurance 2/15/2016 (must be current)

Was all required annual reporting documentation received by deadline? No

Comments and Action Items

1 Please provide evidence that the outstanding inspection items have been repaired/resolved.

Everything was repaired.

2 Please submit a copy of unexpired property insurance documents with PHB as additional insured.

Please see attached insurance documents through 2018

FINANCIAL COMPLIANCE

EXCEEDS

Score Card

Cash Flow:	>\$1000 Cash Flow	4	4	Cash Flow:	\$355,326
	Breakeven (+/- \$1000)	0			
	<-\$1000 Cash Flow	-4			
Expense Ratio:	<65%	3	3	Expense Ratio:	40%
	65%-75%	0			
	>75%	-3			
DCR:	average above 1.25	2		DCR:	-
	average 1.0 to 1.25	0			
	average below 1.0	-2	-2		
Alignment to	< 5% (exceeds proforma)	1	1	NOI:	\$756,016
Proforma NOI:	variance +/-5%: meets	0		Proforma NOI:	\$624,177
	> -5% (under proforma)	-1		Variance:	21%
Overall Score:	7-10: Exceeds		6	Excess Cash Flow:	\$177,841
	0-6: Meets			Share due PHB:	\$88,920
	BELOW 0: Does Not Meet				

Verified Against: Audit or Unaudited Financials

Comments and Action Items

1 Please explain why Effective Gross Income in Operating Statement: \$1,262,365 is significantly higher than the Net Rental Revenue in the audit of \$1,249,698.

The difference includes Interest income of \$232, Laundry and Vending totaling \$5,646, Tenant Charges of \$1,647 and Other Revenue of \$5,142. See Operating Statement tab, referencing accounts in "Profit & Loss Data" section of Audit.

2 Onsite management as shown in the Operating Statement seems to have been comprised of Management fee, payroll, and payroll taxes. In the future, please include Management fee under the Offsite Management category.

Corrected.

3 Offsite-management as shown in the Operating Statement seems to have been comprised of tenant credit checks, office expenses and misc admin expenses. In the future, please include the tenant credit checks, office expenses and misc admin expenses under Office Administration.

Corrected. Offsite Mgmt shows only Mgmt fee, now. The other expenses have been moved to office administration.

5 Please explain why total debt payment in the Operating Statement is in the amount of \$469,673 which is higher than the amount stated in the audit- a monthly payment of \$33,391, which brings the annual payment to \$400,692.



6 Please confirm cash flow due PHB by 4/23/18. Thank you.

Confirmed.

To be considered "complete" all action items in all sections of the ACT must have a response and requested documentation must

Date: 3/8/2018

be attached.

Date Due: 4/23/2018

30 days to update score
90 days to cure non-compliance items

Recently, changes have been made to PHB's accounting and billing processes which eliminated the flexibility the Asset Management Department may have had to retroactively adjust the results of default and penalty provisions potentially contained in your property documents.

In order to avoid financial penalties or late fees, please ensure your payments are received by PHB by the invoice due date.