Affordable Multifamily Housing Loan Portfolio:
Clearer Goals and Stronger Oversight Would Improve Monitoring

A Report from the City Auditor
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Community and Economic Development Committee (CED)
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Agenda Item (d)-1 Housing Department Loan Portfolio Audit Report

Background

- Loans support the construction and preservation of affordable housing
- Housing monitors loan repayment, physical maintenance, and compliance with affordability restrictions.

$745 million	Multifamily portfolio loan balance as of January 2026
$18.1 million	Payments for principal, interest, and monitoring fees in FY 2024-25
25,000 units *across roughly* **220 properties**	Active loans, affordability restrictions, or in the pipeline

Asset Management Team

Financial reviews	Financial reviews are conducted to determine whether borrowers are repaying loans correctly and expenditures are appropriate.
Affordability restriction monitoring	Affordability restriction monitoring involves checking whether properties are complying with rent restrictions for affordable units.
Property inspections	Property inspections to review the physical condition of properties.

Finding I: Housing Should Assess the Asset Management Team’s Goals and Resources

- Housing did not complete all the annual property reviews or inspections in recent years.
- Per Housing, staff have historically not been able to complete all reviews annually of the more than 200 properties.
- Vacancies and unclear expectations have hindered the team from completing their work.

Finding I: Housing Should Assess the Asset Management Team's Goals and Resources (Continued)

- Per Housing, current software is not sufficient to meet the program goals.
- Replacing or re-tooling software would help the team complete their work.
- Housing is working on documenting standard procedures.

Recommendation: Housing should:

→ Develop a program-level strategic plan to identify program goals and resource needs.

→ Reconfigure the current software or acquire an asset management software platform.

→ Update and standardize operating procedures and training.

Finding 2: Housing Should Strengthen Oversight of Affordability Restrictions and Higher-Risk Properties

- 13% of sampled tenant incomes were above the allowed cap for their unit type (110 units).
  - 5% of sample made 140% or more of the allowed income (48 units).
- No documented escalation process to address compliance or property violations.
- Financial and affordability monitoring is not based on the risk of the property.

Recommendation: Housing should:

→ Develop policies to address over-income tenants and resolve significant or repeated property concerns.

→ Establish a risk rating system to prioritize compliance monitoring.

Conclusion

The report has nine recommendations to improve the management of the affordable housing loan portfolio.

We would like to thank the Housing Department for their time and insight during the audit process.

The audit report is available at www.sanjoseca.gov/auditor

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