OREGON STATE HOUSING COUNCIL
Minutes of Meeting

Meeting Location:
Oregon Housing and Community Services
725 Summer Street NE, Room 124 A/B
Salem, OR 97301

9:00 a.m.
December 3, 2010

MEMBERS PRESENT
Maggie LaMont, Chair
John Epstein
Mike Fieldman
Francisco López
Nancy McLaughlin
Jeana Woolley

MEMBERS ABSENT
Tammy Baney

GUESTS
Tom Cusack
Ryan Fisher
Cathey Briggs, Oregon ON
Chuck Fisher, SKCDC
Kenny LaPoint, Housing Works/Oregon ON

STAFF PRESENT
Victor Merced, Director
Rick Crager, Deputy Director
Nancy Cain, Chief Financial Officer
Bob Gillespie, Housing Division Administrator
Bill Carpenter, Chief Information Officer
Shelly Cullin, Senior Loan Officer
Lisa Joyce, Policy and Communication Unit Manager
David Summers, MultiFamily Section Manager
Betty Markey, Senior Policy Advisor
Roberto Franco, Single Family Section Manager
John Fletcher, Financial Management Division Policy Advisor
Karen Chase, Regional Advisor to the Department
Vince Chiotti, Regional Advisor to the Department
Karen Clearwater, Regional Advisor to the Department
Jo Rawlins, Recorder

I. CALL TO ORDER: Chair LaMont calls the December 3, 2010 meeting to order at 9:05 a.m.

II. ROLL CALL: Chair LaMont asks for roll call. **Present: John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin and Chair LaMont. Absent: Tammy Baney and Jeana Woolley (arrived at 9:10 a.m.).**

III. PUBLIC COMMENT: Cathey Briggs, Executive Director of Oregon Opportunity Network (Oregon ON), says she wanted to introduce herself and the organization. Oregon ON has 38 members that have developed 50,000 units of housing. She says they appreciate the part of Council's strategic plan that involves a strategy of getting partner and stakeholder input in important policy decisions.

IV. APPROVAL OF MINUTES

A. Chair LaMont asks if there are any corrections to the November 5, 2010 Minutes. There being no corrections, the Motion was read:

MOTION: López moves that the Housing Council approve the Minutes of the November 5, 2010 Council meeting.

VOTE: In a roll call vote the motion passes. Members Present: John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin and Chair LaMont. Absent: Tammy Baney and Jeana Woolley.

Following the Motion, **Epstein** asks for an amendment to paragraph C, Chaucer Court, on page 4 of Council's packet, to include the name of the sponsor, Union Labor Retirement Assn.

AMENDED MOTION: Epstein moves that the Housing Council approve the Minutes of the November 5, 2010 Council meeting, as amended.

VOTE: In a roll call vote the motion passes. Members Present: John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont. Absent: Tammy Baney.

V. **RESIDENTIAL CONSENT CALENDAR**: None.

VI. **NEW BUSINESS:**

A. *Housing PLUS Subsidies and Services Funding Award Increase Request.* **Mike Fieldman** declares a conflict. **Roberto Franco,** Single Family Section Manager, states that he is requesting an increase in funding awards for rental subsidies and supportive services from Housing PLUS funds for Housing PLUS units and projects. In 2007, the Legislature approved nearly $16M in lottery-backed bonds to create permanent supportive housing. There were two series of bonds: one was for development and the other for rental subsidies and services. In order to reach the expectations of the Legislature, other funding programs within the department were used to target 150 units. At that time, the department decided it would provide $90,000 per unit for construction or development. Supportive service funding came out to be $6,500 per unit, per year. It was believed that would only carry for four years. In 2008, several sponsors applied for development funding, and had other means of providing services and other assistance, particularly in the Portland Metro area, which meant that there is now additional money to distribute. Of those that requested funds, the department currently has ten signed contracts for services, using the $6,500 per unit, per year for up to four years. Twenty-two projects were funded for development. With the money that is still available, the four years can be increased for many of the projects, and there are 16 projects described in Council's packet.

Epstein asks if this is excess money. **Franco** says yes. **Epstein** asks if the department went back with an RFP process. **Franco** says a request for information was sent to owners/operators about their need, along with a budget. **Epstein** asks if there are restrictions with this program since the years can be increased. **Franco** responds that the department is giving them more funds in order to provide housing for homeless people for longer than four years. **Epstein** asks if Central City Concern and Human Solutions are the two organizations that have used these funds for the first time. **Franco** says that is correct. **Crager** states that the affordability requirements for these projects are at forty years. **LaMont** asks if the target was an additional four years. **Franco** states that for those that had received funds before, they can get two to four additional years; those that had not applied before would get between four and eight years, and those have additional funds that can supplement their programs.

MOTION: Epstein moves that the Housing Council approve an increase of Housing PLUS funds for rental assistance and supportive services to: Esperanza Circle ($52,000), Tern House ($64,800), VetLift III ($73,500), Willard Street Duplex ($52,000), Tilikum ($78,000), Manzanita Place ($68,000), Celilo Garden Apts. ($49,000), Rogue Retreat ($88,000), 310 Columbia Blvd. ($52,000), Grape Street ($64,000), The Lamb Building ($64,024), Madrona Studios ($184,500), Barbara's Place ($119,000), Trail's View Apts. ($105,600), The Rockwood Building ($167,843), and Partners Place ($182,000). This approval for funding is contingent upon all and each sponsor meeting conditions of a new or amended contract award.

VOTE: In a roll call vote the motion passes. Members Present: John Epstein, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont. Abstain: Mike Fieldman. Absent: Tammy Baney.

B. *OHCS Charges.* **John Fletcher**, Financial Management Division Policy Advisor and OHCS Budget Manager, distributes a copy of proposed OHCS Multi-Family Housing Charges, and explains that the department needs to make sure revenues cover the cost of programs. Beginning last February, the department began educating partners about the department and its budget and revenues. He said the department intends to have ongoing discussions with its partners about charges and he will report back to Council with the benefit of that partner input. Following an overview of the proposed charges, Council posed the following questions/comments:

Grants, Tax Credits and Loan Programs:

- *Consolidated Funding Cycle (CFC) Application Charge.* **Fieldman** asks for clarification on the application fees. **Fletcher** explains that the charge would be an allowable expense and our funding would cover the costs in most cases. Some charges would not be paid by the department, such as late fees and things that are outside the normal project approval. **Shelly Cullin** adds that currently on the CFC application there are application charges that cannot be reimbursed with some federal resources. **Fletcher** says that in the partner letter he will try to clarify the situations where charges are allowable. **LaMont** states that on some of the smaller projects some of the charges are substantial and she suggests having charges and fees be a part of the operating budget and allowable expenses.
- *Farmworker Housing Application Charge:* **McLaughlin** asks if there is a current charge. **Fletcher** says there is no current charge.
- *Charges for Construction Inspector:* **Epstein** asks if this is a flat fee, so that if someone is building a four-plex and someone is building 100 units, they are charged the same fee. **Fletcher** says yes, that although there are differences in the work, there is a lot of the same time and review involved. **Epstein** suggests having a sliding scale.

Asset Management and Compliance:

- *Risk Sharing 4% Monitoring Charge:* **Fletcher** explains that in 2006 there was a four percent monitoring charge approved by Council, but the increase was not implemented due to market conditions. Circumstances have changed for many of these projects and there are ongoing and increasing expenditures for monitoring that need to be covered. Implementing the previously approved $10 increase is being proposed. **Epstein** asks if the increase is for all existing projects or any new projects that are funded going forward. **Fletcher** states that it is for all current projects beginning with the November 2011 billing cycle for the 2012 monitoring year. **Epstein** comments that there will be some discussion on that.

- *Charge for late submission of Asset and Property Management Monitoring Charges:* **Fletcher** says that currently there is no fee or penalty for late submission; however, there are costs involved. The proposed charge would be $5 per unit for monitoring fees. The department is also looking at possible ways to incentivize people to pay early. **Crager** adds that in discussions with select partners, if there is a consistent late charge there is an opportunity to examine the causes. **Woolley** suggests that it might be helpful to create a list of all the due dates for all the fees, or to send out a calendar each year with the due dates. **Epstein** suggests charging a minimum of $50 per unit, and charging double if past 90 days.
- *Charge for Customized Reports:* **Fletcher** states that there are some reports the department provides without charge as part of the compliance monitoring and review and work the department does with its partners. This charge is for specialized reports that take a lot of research and preparation time. **Betty Markey** adds that an example would be if someone requested a special report from the Annual Income and Expenses System (AIES) software that the department doesn't currently track. Perhaps a specific housing expense that a certain type of sponsor is doing. Anything that is not currently in the standard annual AIES report. **Woolley** advises that the department will need to have specific examples of the types of reports that will be chargeable.
- *Charge for Late Submittal of Certification of Continuing Compliance.* **Fletcher** says that this is another late charge and the department could include the ideas that were discussed about incentives for paying early. **Epstein** comments that businesses give discounts to those that pay early because they have to borrow money if people do not pay. As an agency, we do not borrow money and have to pay a cost, so we do not gain anything.
- *Charges for Restructuring of Debt / Changes to Agreements.* **Fletcher** explains that charges may not apply for minor changes, but a charge of $40 per hour, plus Department of Justice attorney charges may apply when charges are incurred of a more substantial nature. **McLaughlin** suggests that this may be the most difficult to implement, track and bill for, and there will be more controversy over this proposed charge. **Epstein** says he thinks it is fair and prevents people from continuously negotiating with you. **Woolley** comments that they may want to look at a flat fee for certain types of restructuring.

Crager says the department is going to create an annual process of fee and charge review, targeting August, September and October, so there is a standing process for public input prior to the CFC application going out the first of the year. This would give the department a chance to reevaluate its charges to see if they are adequate or need to be reduced. The streamlining expenditures are something we take very seriously and that is something the department has discussed with its partners in the budget committee. When you look at the overall impact of this it is only a small portion of what we need to do. We have some LEAN processing exercises planned to make sure we are doing this as efficiently as we can.

VII. SPECIAL REPORTS:

A. *Sustainability Initiative Update.* **Karen Chase,** Regional Advisor to the Department, provides Council with an update on the Sustainability Initiative, which included the following highlights:

- At the federal level, global policies are still moving forward. We are in a bit of an ongoing perfect storm with climate change affecting parts of the world in ways different than what we currently experience in the U.S. Peak oil gets very little press, but is considered to be a more significant issue facing us on the global scale because it is an obvious economic issue. Peak oil means that we are at, or soon will be at, the point that we will not produce any more oil than has been produced in the past. The evidence is pretty clear that annual productions will decline.
- HUD, DOT and the EPA have developed a partnership called Sustainable Communities Partnership. This group put out $150M worth of grants for sustainable communities. There were three different modes; one of which was planning for sustainability, and another was a combination of grants that linked with transportation. A number of Oregon communities applied for these grants and one was a recipient. Eugene and Springfield were granted $1.45M around zoning and transportation. The reason there is such a strong push around sustainable communities is that at the federal level they are starting to see overall livability in our communities as a priority.
- Traditionally, sustainability is thought of in three parts -- the environment, the economy and social equity. Over the last ten years the focus has been on the environment and economics of sustainability. This last year the focus on social equity has been extraordinary, which is great for housing and for OHCS. One of the pieces of equity has been a new way of looking at what it costs in the affordable housing community to actually live sustainably. There is a transportation overlay that we have not seen as much in the past. The idea is that if you are living in affordable housing, but cannot get to work because you do not have transportation and cannot get to services, how affordable is it? When you add the transportation piece, the benchmark changes. Where we have used 30 percent of income to be affordable, we are now looking at 45 percent. If you are spending more than 45 percent of your income on housing and transportation, you are spending too much.
- OHCS has a robust weatherization program, and it is also introducing the tenant and occupant education piece. We have also adopted a green building process, which will now be mandatory, and we continue to look at innovative and cost-effective options.

McLaughlin asks if best practices are being sought in other areas of Oregon. **Chase** says she wants to say yes. They know a lot about what our partners are doing and the innovative approaches that they have.

B. *RAD Report (Metro Area).* **Vince Chiotti**, Regional Advisor to the Department for Multnomah, Clackamas and Washington Counties, says his region makes up about 43 percent of the population of the state. What has changed within the Metro area is that Washington County has been growing by 10,000 people a year for the last 20 years. Even though Washington County has been growing, up to about four years ago the department was doing between 400 and 500 units a year on rehab projects in the county. It has not done any new construction outside the Portland area in the past four years because of the bond market. What that means is that there is a huge pent up demand, so he is hopeful that the department can begin doing bond deals again. Portland has been doing a fair amount of bond deals due to having a lot of money to put into the deals. The Portland area gets more than 50 percent of the tax credit resources. The projects that come to the department from there have so much other subsidy that populations can be served that cannot be served in other parts of the state. In the last five years, Portland has put over $150M of TIF and General Fund into affordable housing. Wages in the metro area are higher than the balance of the state. Ten years ago metro had 8 percent higher wages; now it's about 15 percent higher, making it difficult for others to sustain themselves. The politics of the region has changed dramatically. Clackamas County is not what it was five years ago. It has become a progressive county with a change in their commissioners. The three counties competed for one of the HUD planning grants that Karen Chase spoke about and, although they did not get the grant, it created momentum between the counties and cities in working together. We are hoping to suggest a change in the way we fund projects in the area. For the last five CFCs, Clackamas and Washington County have competed for department funds with the other urban jurisdictions -- Eugene/Springfield, Salem/Keizer and Corvallis. Multnomah County has had its own allotment. It is going to be suggested that Washington, Clackamas and Multnomah Counties compete for the same dollars. One of the limitations of our tax credit policy is the cap on the amount of tax credits that can be issued on any one project, so the idea is to take the amount of funds that those counties usually get and combine them into one competitive pool. If the application fits a situation that has been defined, they can compete for a much larger amount of tax credits so they can build an 80 – 150 unit project. The upside is that we can get the transportation and housing balance that we are looking for. The downside is that it will decrease the number of projects in the area in a year. The department hopes to be able to implement this for the 2012 cycle. We will not allocate more tax credits to the metro area than we have historically done. **Woolley** asks if he has seen sustainability incorporated in the projects in the poorer areas, such as out towards Gresham. **Chiotti** says no, because the money that is in Multnomah County is in the city of Portland, not the county, and the subsidy dollars do not go out there. **Woolley** asks if Gresham is in the process of trying to form an urban renewal. **Chiotti** says he believes so. He knows that Beaverton and Hillsboro are. **Woolley** asks if there is reason for the department to encourage those cities to try to create more resources, so we can do the projects that serve the population most in need. **Chiotti** suggests meeting with Commissioner Fish because he has been open about the need to get housing built for the entire community.

VIII. <u>OLD BUSINESS</u>: None.

IX. <u>REPORTS:</u>

A. *Single Family Loan Program Update.* **Roberto Franco,** Single Family Section Manager, announces that the Residential Loan Program is ready to start back up again. He says it will be similar to what was done in the past, with two specific rate programs: the Cash Advantage Program, which is at 4.25 percent and provides 3 percent cash assistance; and the Rate Advantage Program, which is at 3-7/8 percent for a 15 or 30-year term. Last week the staff began taking reservations from the lenders that are still participating. The press release mentioned a $55M bond issuance but, after some further calculations, the amount is being downsized to $30M. The sale on the bonds will be next week and it is anticipated that the actual cash and revenues will be available by the end of the month to begin purchasing loans. The department is outreaching to its partners and groups that are in the homeownership arena. **Cain** adds that the rationale behind lowering the bond amount from $55M to $30M, is because if we don't purchase loans fast enough we incur debt cost and interest on the bond. It is not the best time to start the program up again as it is historically a slow time of the year. The reservations were coming in slower than had been hoped, so we downsized to $30M with the idea that we may have to go out earlier and could go out with another bond sale in the spring. **Crager** asks if it hurt the program to downsize the bond issuance on the down payment premium they were able to generate. **Cain** says they generated the premium on the down payment assistance in an earlier refunding, so they were able to bank that.

B. *Legislative Update / Analysis of Council Bill (LC633).* **Lisa Joyce**, Policy and Communication Manager, reports that the department is pulling Legislative Concept 633 due to some discussions held yesterday at the Council retreat. She gives an overview on what she thinks will happen this session, based on a meeting she attended earlier in the week. The gap for the next biennium has increased to $3.5B. The governor released his reset report on Wednesday, providing some framework for ideas on how to close the gap. A couple of items included are what to do with wages and PERS. The governor-elect will be releasing a budget on February 1. There is a lot of interest in the human services community and others about cigarette taxes, beer taxes, and those types of things. Most of the work will be on the side of reducing expenditures and then identifying pots of money that can be swept. The House side has not yet figured out what their leadership model will be. At this point it appears they will go to a co-leadership model, which means every committee will have a Republican chair and a Democratic chair. There are nine new members, which means there will be a fair amount of education to be done. More should be known in the coming weeks about how the House will be organized. The Legislature convenes on January 10, and then adjourns until February 1. The Legislature will be looking for creative solutions and a willingness to compromise. The Oregon Affordable Housing Tax Credit and the Farmworker Housing Tax Credit will be subject to extra scrutiny in the 2011 session. The Legislature will be looking at everything possible on the tax expenditure side that can increase the revenues that are available for the General Fund programs.

C. *Report of the Chief Financial Officer.* **Nancy Cain** reports the following:

- The revenue forecast was announced on November 19, and for the first time in a long time, the revenue for this biennium was up slightly.
- The state is raising its withholding beginning January 1, 2011, which will produce more revenue in the early part of 2011; however, because more will be withheld, the pay-outs through April of 2012 will be higher. The hope is that it will eliminate the allotment reductions.
- The department's financial statements are complete and they look good as far as equity growth.

D. *Report of the Deputy Director.* **Rick Crager** reports the following:

- The department had introduced a legislative concept to monetize the Oregon Affordable Housing Tax Credit (OAHTC) issue, which is still under review by the governor and will be reviewed by the governor-elect. The department will not know specifics about the budget or the concept between now and February 1. There is resistance to the OAHTCs because we are hoping to broaden the investor base, and essentially create a potential increase in state liability. It may be up to advocates to decide if they would like to move forward with that concept.
- The Hardest Hit Fund staff have been frantically busy in the last month preparing for the mortgage assistance program, which will be unveiled mid-month. There is a press conference on Monday that will announce the website and opening of the application process. Our partner organizations have made great progress. The department has been working with Treasury on the Refinancing Program. There still is some resistance from Treasury; they question how it would be administered by a for-profit through a third-party entity.
- Interviews are being conducted for the APM Administrator position, being vacated by Marlys McNeill. Interviews are also being conducted for the Residential Loan Program Manager that Roberto Franco has been filling in the interim.

E. *Report of the Director.* **Victor Merced** reports the following:

- The press conference on Monday will include Senator Johnson and Senator Winters, who will talk about the needs in their communities, and the department will announce the Oregon Homeowner Stabilization Initiative on-line application system. Everyone who applies will have access to a one-on-one conversation with someone in their area.

- Next week governor-elect Kitzhaber is having a press conference that will give everyone a better perspective on the direction he wants to go with state government.

F. *Report of the Chair.* **Maggie LaMont** says she would find if of interest to have a presentation on the sustainability grant that Eugene/Springfield received. **Clearwater** says she will invite someone to give a report on their goal of how to better use the waterfront area in the Springfield area.

X. FUTURE AGENDA ITEMS.

- Enterprise presentation.
- Housing Alliance to talk about the affordability housing issues.
- Hunger Relief Task Force to give a six-month update.
- Bill Carpenter to give an update on CFC Priority Areas.
- Mike Kaplan to update Council on his division's progress.
- Bill Hall, Lincoln County Commissioner, to give an update on what his county has done, showing results and strategies used on their 10-Year Plan.

Chair LaMont adjourns the meeting at 11:35 a.m.

/s/	**1/21/11**	/s/	**1/21/11**
Maggie LaMont, Chair	**DATE**	**Victor Merced, Director**	**DATE**
Oregon State Housing Council		**Oregon Housing & Community Services**	