

OREGON STATE HOUSING COUNCIL
Minutes of Meeting

Meeting Location:
Kroc Community Center
1865 Bill Frey Drive NE
Salem, OR 97301

9:00 a.m.
February 18, 2011

MEMBERS PRESENT

Maggie LaMont, Chair
John Epstein
Mike Fieldman
Jeana Woolley

MEMBERS ABSENT

Tammy Baney
Francisco López
Nancy McLaughlin

GUESTS

Cathey Briggs, Oregon ON
Leon Laptook, CASA
Kate Rambo, Anchor Mobile Home Park
Rose Ojada, CASA
Bruce Newman, RCAC
Chelsea Catto, CASA
Tamie Kaufman
Keith Wooden, Housing Works

STAFF PRESENT

Victor Merced, Director
Rick Crager, Deputy Director
Nancy Cain, Chief Financial Officer
Debie Zitzelberger, Loan Officer
Mary Carroll, Program Analyst
Betty Markey, Senior Policy Advisor
Lisa Joyce, Policy and Communication Unit Manager
Mike Kaplan, OHSI Administrator
Karen Clearwater, Regional Advisor to the
Department
Debbie Price, Regional Advisor to the Department
Dave Summers, MultiFamily Housing Section
Manager
Aria Seligmann, Senior Communication Advisor
Janna Graham, Loan Specialist
Jo Rawlins, Recorder

I. CALL TO ORDER: Chair LaMont calls the February 18, 2011 meeting to order at 9:15 a.m.

II. ROLL CALL: Chair LaMont asks for roll call. **Present: John Epstein, Mike Fieldman, Jeana Woolley and Chair LaMont. Absent: Tammy Baney, Francisco López and Nancy McLaughlin.**

III. PUBLIC COMMENT: Cathey Briggs and Leon Laptook from Oregon ON. **Laptook** thanks Council for its work on the long-term affordability policy. He says he thinks this is a major step forward in the development of housing policy in the state of Oregon. It demonstrates the state's commitment to effective use of public funds over the longest term possible. He says they support the policy as drafted by staff and, in addition to the policy, the process whereby the policy was developed was fabulous and may serve as the model for Housing Council in the future. It really did involve the staff being very proactive in gathering a group of stakeholders together. It reached out to private and public sector, as well as non-profits on the issue.

Briggs says they want to publicly convey to Council and to Victor their appreciation for the leadership and creating the opportunities for partnership and good work. Oregon ON shares the department's goals and they will miss Victor. **Epstein** thanks them and says they more often hear about complaints versus compliments. It does set the tone of a model for Council going forward. He says that Council's current leadership encouraged them to be more open on their decision-making process. **LaMont** says it has been a good process and the Council is far more educated and involved in the issues.

IV. APPROVAL OF MINUTES

A. Chair LaMont asks if there are any corrections to the January 21, 2011 Minutes. There being no corrections, the Motion was read:

MOTION: Epstein moves that the Housing Council approve the Minutes of the January 21, 2011 Council meeting.

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

V. RESIDENTIAL CONSENT CALENDAR: None.

VI. NEW BUSINESS:

A. Anchor Mobile Home Park (Gold Beach, OR), Manufactured Dwelling Park Preservation Program Grant Request. **Debie Zitzelberger**, Loan Officer, introduces **Chelsea Catto**, CASA of Oregon, **Bruce Newman**, Rural Community Assistance Corporation (RCAC), and **Karen Clearwater**, Regional Advisor to the Department. **Zitzelberger** states that she is presenting a funding request from Saunders Creek Homeowners Cooperative for a \$600,000 grant of Manufactured Dwelling Park Preservation resources. The funds will be used in conjunction with the primary loan from CASA of Oregon and a subordinate loan from RCAC to purchase and renovate the manufactured dwelling park known as Anchor Mobile Home Park in Gold Beach, Oregon. She gives an overview of the write-up contained in Council's packet. **Fieldman** asks her to detail the \$76,650 for expenses that is listed under the project cash-flow, debt-service. **Catto** explains that it is for operating expenses -- electricity, garbage, and the property management company. **Fieldman** asks if there are also reserves. **Catto** states that they have operating reserves, maintenance reserves, and project cash flow. **Fieldman** asks what levels those reserves are at. **Catto** says there is \$10,000 in operating reserves, and \$100,000 in maintenance reserves. Their debt-coverage ratio is 1:1, and there is a positive cash flow as well. **Fieldman** compliments the owners for going this route. He says he was involved in an attempt to do this in Roseburg, so he knows the work that goes into it and what a challenge it is. **Epstein** asks about the 27% of the cooperative that are not part of the decision-making process, but still make the required lease payments to the cooperative. **Catto** states that those 27% just do not have a say in helping create the community rules. **Epstein** asks if that 27% would be required to participate financially if the park needed to raise money to accomplish a certain goal. **Catto** explains that they would sign the same lease, and they would have to follow the community rules. There is an incentive for them to participate, and non-members could be charged higher space rent. **Epstein** asks if CASA's primary loan is from CFI Funding. **Crager** comments that if there were some major issue that occurred in the park, it ultimately would fall on the responsibility of the ownership and they would have to figure out ways to manage that. **Catto** says yes. **Crager** asks if they could make

adjustments in their budget by raising rents. **Catto** says that is why they do a lot of due diligence ahead of time. **Epstein** asks if this is the second one the department is doing through this program. **Crager** states yes. In April, there will be a more comprehensive report given to the Council of all the activity the park preservation money has been used for. **Epstein** asks how long their arrangement for technical assistance is for. **Catto** replies that it is for the life of the loan. **Epstein** asks what the technical assistance includes. **Catto** explains that it is for capacity building, financial training of the board, answering day-to-day calls, assisting the property management company, and assisting the CPA. **Epstein** comments that 60% of the spaces must be rented to those 80% or less of AMI, and asks how they monitor eligibility if someone wants to sell. **Catto** explains that they start out with an income survey on the cost certification. They need to certify on an annual basis to make sure that they are still within that percentage. They do not want to limit their ability to fill the park, but at the same they want to make sure they are targeting the lower-income people. **Woolley** asks if there is any programmatic element from CASA that tries to target the vacant spaces to families, and if that is part of the technical assistance. **Catto** states that they work with them on a marketing plan, so they can target it that way. They also have the ability to make low-interest loans, and are also able to source donated mobile homes that are of better quality and of lower cost. They also do energy efficient upgrades and make those available at an affordable price for residents. **Epstein** asks what happens if they are at 100% AMI and someone wants to leave. **Catto** says there would be enough room to sell that one to someone who is 100% AMI, because the rest of the park would still be meeting the qualifications. **Crager** adds that at some point they could bump up against that, and then they would be in a situation where the buyer would have to be limited to the income. **Woolley** asks if the long-term affordability policy would be applied to this as well. **Crager** says yes it would going forward. The Council will have some discretion. **Woolley** asks if they would sign a covenant that it would need to be affordable for 60 years. **Catto** states that under this limited equity, cooperatives cannot be sold to a developer. It has to stay as a park. It could be sold to another non-profit. **LaMont** comments that she supports this and is impressed that they kept the rents reasonable and were able to meet the needs of upgrading the park for 30 years. **Merced** asks how many parks have been done since the department started this. **Zitzelberger** says that two have been funded with other funds, this is the second one funded with this program, and there is one more in the pipeline. **Crager** adds that this will be the last with the current preservation money.

MOTION: Epstein moves that the Housing Council approve a grant award of up to \$600,000 from Manufactured Dwelling Park Preservation resources to Saunders Creek Homeowners Cooperative to acquire and renovate Anchor Mobile Home Park in Gold Beach, Oregon.

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

VII. SPECIAL REPORTS:

A. *Ending Homelessness Advisory Council (EHAC) Report.* **Mary Carroll**, Homeless Prevention and Rapid Re-housing Program Analyst, distributes a copy of a PowerPoint presentation and reports that EHAC was created by an Executive Order and is charged with developing strategies and making policy recommendations to end homelessness in Oregon. EHAC developed the state's 10 Year Plan to End Homelessness and they follow SB200, which is the state policy that

focuses on permanent versus temporary housing solutions. EHAC members meet quarterly and provide support for local efforts to end homelessness. EHAC is working on its second annual report on the status of the 10-year plan for the Legislature. She gives an overview of the work they will be doing with the 18 counties that have not developed or may just be starting to develop their local 10-year plans. EHAC has funded a contract with the Corporation for Supportive Housing, and Heather Lyons will be working with all of those counties over the next few months. She says that in these times of budget cuts and increased demands, it is more critical than ever to have a plan to know what is working, and to know what the outcomes are when making the tough decisions. **Fieldman** states that part of the reason community action agencies can be so active in the process is because they receive Community Service Block Grant (CSBG) dollars, which is what really funds their ability to go out and do this kind of development work and community advocacy. CSBG was singled out in the President's State of the Union address as one of the programs that could be cut. The President's budget gives it a 50% cut. The House may zero funding out for the rest of this year. If CSBG funding ends, we will have a very difficult time going forward. It is a critical issue for community action agencies. **Carroll** adds that these agencies are key players in their communities. EHAC is able to provide the technical assistance to improve outcomes. **Fieldman** says that CSBG supports case management, which would also be impacted. **Carroll** talks about how the Homeless Management Information System (HMIS) for gathering data works, and the HEARTH Act, which is the newest amendment on McKinney-Vento performance driven data. She says that EHAC is discussing the need for a statewide homeless conference. In 2013, EHAC will co-sponsor a regional conference in Portland with the state of Washington, and they expect 800 people. As to affordable housing development, she reports that 330 units were project based; 26 units of the 913 total CFC funded units were permanent supportive housing; and 29 units of permanent supportive housing will be funded through the NSP program. **Crager** adds that a key part of the Governor's 10 Year plan is: How do you start implementing permanent solutions to homelessness? The department has been a leader in putting this forward and he is hopeful that it will continue to work towards that. The VA has a lot of interest and they are now talking about permanent supportive housing, as opposed to shelters. **Carroll** says she also administers the Homeless Prevention, Rapid Re-housing program (HPRP), which is a one time only ARRA-funded program. They are taking the lessons learned from that program and applying them now to new programs, one of which is aimed at homeless Veterans. The Supportive Services for Homeless Veterans grant is a brand new VA program (\$50M for one year; year two will be \$100M). Because it is similar to HPRP, she attended a grant writing workshop and learned a lot about the program. She has done two webinars to showcase this as a transition, as HPRP is ending. **Fieldman** said his organization sent staff down to one of the trainings and it seems like a good program that can work. **Carroll** added that it is a VA funded and monitored program. Grant writing webinars are being provided to the people who are interested in applying for the grant.

EHAC is now working on leadership messaging training to improve communication around the issue of homelessness in the state. Neighborhood Partnerships has stepped up and has taken a leadership role. They work with a group called Demos, which is a nonpartisan, public-policy research and advocacy organization. They have done a series of workshops to talk about the role of government. They are just beginning discussions with EHAC members if the advisory council model is the right one for them, knowing all the work that needs to be done. They are exploring joining with other organizations that do work around homelessness, or perhaps a coalition model. **Crager** states that the Washington coalition has been very effective and they are a stand-alone, not connected to state government nonprofit. They want to be forward thinking as they begin their conversations with Governor Kitzhaber on exactly what the model looks like going forward, and the

most effective way to do that. Their biggest struggle is funding, and they are fortunate to get state agency support for EHAC; however, he does not expect that funding to continue. Having a group outside state government with the ability to leverage other private resources and possibly more potential resources, will be helpful. **Fieldman** asks how the Washington coalition is funded. **Carroll** explains that they are partially funded with their document recording fee, and that members from every county pay dues. The yearly conference also makes money for them. **Woolley** asks how they protect the integrity of the data from those out in the field that are inputting data and if there are any safeguards that would prevent abuse. **Carroll** says she does not know how you would guard against that 100%. The kinds of data that they would track is not just numbers of people served; they will also be documenting systems outcomes as well. It is almost a higher level documentation of an entire system versus one program. **Epstein** points out that the department did fund the tax credit VA model in Roseburg, so that could provide some modeling. **Carroll** says that having the partnership with the VA will be a required part of the application.

Merced asks about the point-in-time count, and whether they are seeing any trends, and noticing any changes from the last count. **Carroll** answers that at this point, the priority is to get all data entered. They will then look at anomalies. So no trends have been established at this point, but in a few weeks they will start looking for those. **LaMont** points out that there are a lot of different homeless areas, like domestic violence and unaccompanied homeless teenagers, and asks if they work with those groups in providing information. **Carroll** says the local 10-year plans and the state 10-year plans are really around a Housing First model and ending all homelessness. In the beginning of the plan process the exclusive focus was on chronic homelessness. Communities quickly realized that they did not want a plan that did not include families or youth, so plans began to address those as well, but not enough. In the last national homeless count, chronic homelessness declined, but homeless family populations exploded. Nationally, the focus is changing to families, unaccompanied youth and the efforts around Veterans and their families. The Housing First model works for everyone. **Crager** says that one of the things EHAC is tasked with is how to work more collaboratively together. Local plans have really demonstrated that collaboration, but there is room for improvement on the state level. He and Mary have worked with the VA and are excited that the federal VA is engaged. They also work closely with the Department of Human Services. He says he is hopeful that the new split on that department might provide them with some opportunities to re-engage with DHS. **LaMont** says that with all the different programs it would be great to be able to be talking and working together. **Fieldman** says that kind of coordination does happen, at least at the local level in rural areas. **Crager** says that is where you see the value of the local plans. These plans are active and, in the communities where it does facilitate the collaboration, that is necessary. **LaMont** says the technical assistance to the rural communities that the state is providing is crucial.

VIII. OLD BUSINESS:

A. *Period of Housing Affordability.* **Betty Markey**, Senior Policy Advisor, reports that last month she gave an overview of the policy which proposed a 60-year period of affordability. Council discussed the ability to buy out at year 40 or 50 years. A way to incentivize sponsors to maintain affordability would be interest rates that would reduce over time. Policy would apply to all grants receiving grant loan subsidies, primarily projects through the CFC or bond projects that received other gap financing through the department. It does not include those projects receiving bonds and four-percent credits. The proposal was put out for public comment to all partners, and the public comment period closed on January 31. She refers to the summary in Council's packet of the ten comments received, pointing out that there were several recurring themes. Overwhelmingly, everyone liked the 60-year affordability period. There were a few comments about giving a

preference for projects that will commit to an even longer term. A lot wanted to see it applied to the bonds and four percent projects. Others want to eliminate the automatic 40 and 50-year buy-outs. She gives an overview of the information contained in Council's packet on the background, summary of comments, evaluation of comments and recommended revisions, and implementation of affordability policy. She says OHCS took all of the comments into consideration and revised the policy. What they have come up with is that the department will require the 60-year term. Since the year 2000 the department is already getting an average commitment of 50 years, so they chose to eliminate the automatic 40 or 50-year buy-out. If the physical condition of a property, or the market conditions, prohibit it from maintaining affordability, the director will have discretion to modify the terms. **Crager** says the contract language going forward would be broad enough to where the director would have the discretion to include, but not be limited to, getting some form of recapture. So while they are getting rid of the 40 or 50-year opt-outs, it does not eliminate the ability of the director to recapture funds at some point in the future. That is similar to some of the agreements currently in place that were done in the early 80s with the prepayment policy. **Markey** says OHCS likes the idea of requiring the owners to apply for the project-based assistance when their contract expires. They also feel there is a need to modify the tax credit projects on subordinate debt. They did not incorporate applying this policy to the projects that solely receive bonds and four percents. These are normally higher income projects. Many of those projects that are serving a lower-income population are receiving some other gap subsidy from the department. This will not apply to existing applications that are currently under review and underwriting. For CFC projects, it would start in the 2012 round. It will not apply to certain types of projects that have more short-range goals, such as predevelopment loans. There is currently an RFA out for projects that are currently in our portfolio that have some type of life/health/safety issues, and policy won't apply to those projects. The department will provide Housing Council, on an annual basis, a list of projects to which there was a modification.

Woolley asks why the projects, when there is an exception, wouldn't come back to the Council for approval, instead of the director having the discretion. She says she thinks it needs to be more than one person approving exceptions, and that it should come back to Council. **Crager** says they were just trying to keep the administrative component away from the Council. **Woolley** says if the notion is that these are the exceptions, the director should have the discretion to bring it to the Council. **Merced** suggests that they could add that the director bring his recommendations for final approval to the Council. **Woolley** says there needs to be some counter-balance, so final approval should lie with the Council. The department needs to raise Council's profile and take actions that would suggest that the Council is more than an advisory body. **Crager** states that, in looking at past contracts, it will be nice to have the Council weigh in. **Markey** suggests that it may also reduce the number of requests if they know they will have to come before the Council to defend their request. **LaMont** says she does not like letting anyone out of their agreement unless the proposal is a better deal, and she still does have a concern over being recapitalized on a 60-year old project. She asks if they want to say the "useful life of the project." **Crager** comments that if you sign for 60-year affordability, but then you get to a point where you do not want to reinvest, because whatever you did would not be able to last a long enough period, that is where the exception would come in. **Epstein** points out that there is also another option on this policy, so that if someone had an argument on a specific project, you could just make an exception to the policy. **Woolley** says she likes the idea of them making the argument up front, but it is all the more reason to amend the policy so that this comes to the Council. It takes pressure off the director by not allowing anyone to lobby for the exception. **Epstein** says it would create a check and balance

system. He states that staff did a great job reaching out to the community, and that the majority involved are pretty happy the way it concluded.

MOTION: Woolley moves that the Housing Council adopt the following long term affordability policy:

Owners of rental housing developments receiving OHCS grant or loan resources (excluding projects funded solely with bond/4% tax credits), will be required to maintain the property as affordable for a minimum of 60 years. Affordability terms will be secured by a deed restriction.

Owners of developments where rental assistance contracts are due to expire must apply for and if approved, accept rental assistance contract renewals.

On LIHTC projects with subordinate loans, OHCS will not unreasonably withhold adjustments to the affordability requirements as it relates to the term or rent levels in order to maintain status of such debt as a loan and avoid triggering such debt as a grant. Modifications will be allowed to the extent necessary such that all subordinate loans can demonstrate ability to be repaid or refinanced at maturity.

Other exceptions or modifications will be subject to review by the director, with approval by the Housing Council, and may include recapture of invested funding and appreciation.

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

LaMont: “I just want to tell Victor publicly that we are so sorry to see you go and you have done a great job with the agency and we do appreciate everything that you have done and how hard you have worked. It is a much different, more engaging Council than when I first started eight years ago. We are going to miss you and I thank you for all you have done.” **Fieldman:** “I would like to echo that, but on a broader context because we have seen that through OHCS on the community service side too. You have brought a sense of collegiality and partnership and realizing we are all in this together.” **Merced:** “I got a heartfelt and heartwarming e-mail from Scott Cooper. This is a great business and a great place to be, I will miss it. I will return in another venue, though I am not sure what that is. It has been a great four years. I have no regrets. I will leave with my head held high. I am proud of the accomplishments and there are still some things I need to do in the agency. They have preliminarily approved that I will stay until the end of April as an advisor to the department. I will leave on the 28th as director and Rick will be acting director on March 1. I will stay on to make some transitional adjustments both personally and with the agency. Thank you for all that you have done.” **Woolley:** “I am really disappointed in this decision, because I do not see the rationale for it at this point. I feel that if you are going to make these kinds of decisions with an agency that has as much span as we do and touches as many communities around the state every

day, that you ought to be present in front of the Council to talk about what your vision is going forward. This agency has done great work and that always has something to do with the leadership. I will miss you Victor. I think you have done a fabulous job. Sometimes politics gets in the way of good sense and this is one of those times.”

IX. REPORTS:

A. *Legislative Update.* **Lisa Joyce**, Policy and Communication Manager, passes around the latest version of the Poverty Report, which will be a living document on-line, whereby information will be added from the local community action agencies to provide local perspective. She also passes around the Community Services Block Grant (CSBG) annual report, which highlights what the CSBG has done during 2009. The report is important because the President’s budget proposes a significant reduction in this program. She distributes a copy of the department’s legislative agenda, and gives an overview. She explains that a bill that is not on the agenda is a bill that proposes to extend the sunset on Oregon Affordable Housing Tax Credits. That bill had a hearing on Tuesday morning, which went well. The legislature is going through a new process in that they want to have more rigor around tax credits and they want to treat tax credits the way one might treat a budget expenditure. It is similar to the Ways & Means process. The committee that heard this was not familiar with OAHTCs and so there were many questions, and interest in the details was surprising. She believes the bill will move. As a state agency we have to be neutral on the extension of the sunsets. Some of the tax credits have an impact on the budget. SB 606 replaces the department’s SB 152, which relates to the fact that under state law we are required to pay the administrative expenses of the Oregon Hunger Task Force. The department had originally proposed a policy option package that would fund that activity, as well as some other related work. The Governor’s recommended budget backs out the other fund revenue to support this, but does not put anything in to support it. **Crager** explains that in 1999, Bob Repine was able to work a deal where dollars would be transferred from other state agencies to pay for the operating costs for the task force. With the current budget, state agencies no longer have the dollars to continue doing that. The department did put in the agency request budget to try and get it funded with General Funds, but the package was not approved. Therefore, it was backed out to make sure that it would be based on availability of funds. The department is working with Patti Whitney-Wise to see if there are opportunities in which to potentially get this restored in the budget. Lisa Joyce and Mike Kaplan have been doing a lot of outreach with legislators on the Hardest Hit Fund, and Crager says he appreciates their hard work.

Woolley asks if the agency is responding and making an argument to our legislators regarding the CSBG. **Joyce** says the department has been working with the Governor’s office and they are still trying to get their arms around the President’s budget. The department is awaiting some further guidance from them, as to what it can do. **Crager** adds that he thinks the Council can write a letter to the Governor to weigh in, and can also weigh in to the federal delegation. **Fieldman** comments that CAPO (Community Action Partnership of Oregon) is working to get the word out from the local agencies, as well as the state association, to the federal delegation. They are working on a request to the Governor for a letter to the delegation and the White House. They do not know where that is going to go at this point, and he thinks it would be helpful if the Council would be willing to weigh in on it. He said CAPO would be willing to send letters. **Crager** suggests working with Fieldman, since he is a part of CAPO, and to draft a letter and have Fieldman as the lead to review it. **Woolley** recommends highlighting the initiatives in this state that will be impacted by the loss of CSBG. **Crager** says that, as a state agency, we have to follow the Governor’s lead, and Council members are appointed by the Governor. **LaMont** cautions that Council does not want to

come out against something that the Governor says he does not support. **Crager** says there is no problem with drafting a letter for Council to give to the Governor. **LaMont** points out that time is of the essence, as it affects the current year. **Joyce** asks if they want it broader than CSBG and energy assistance, but also what they are doing with HUD. **Epstein** indicates that the letter can emphasize that, and asks if there are other programs that should be included as well, that are more, or less, important than CSBG. **Crager** says Council could provide a letter to the Governor about the President's budget. **Woolley** agrees. **Crager** states that there are parts of the President's budget, as it relates to some of the HUD spending, that Council may want to say they favor. A broader letter could be drafted as it relates to the entire President's budget, but highlight the CSBG, as that is the most dramatic impact.

Woolley comments that, looking at the CSBG report and seeing how much leverage there is for every dollar spent, she thinks dollars that leverage other dollars is important in a time of scarce dollars. She asks if Council members are legally bound by the same rules and regulations as an appointed Council. **Crager** says that usually a council does have the flexibility to lobby to the federal delegation, to the extent that they are not going outside the boundaries. **LaMont** cautions that Council cannot publically criticize what the Governor is doing. **Woolley** clarifies that she is not trying to criticize, she is trying to advocate for something about which Council members have a direct perspective on the impact. Council needs to focus its leadership on the importance of these dollars. She says Council is advising the Governor and that is Council's role. **Crager** states that staff will draft a letter that is broader as it relates to the President's budget, and anything Council would like to advise the Governor on. **Fieldman** points out that the President's budget is recommending a \$2B cut in the energy assistance program next year. **LaMont** says she thinks the main focus does need to be on the programs that affect the agency. **Epstein** asks who administers the fuel energy subsidies. **Crager** responds that it is the LIHEAP program, which the department administers. **Merced** comments that there is a position paper from NCSHA on the President's budget, primarily focusing on the HUD side, and there are some tax credit items that they have some concerns about that Council may want to also address. **Cathey Briggs** says that President Obama is in Oregon today, and that the only non-Intel visit he is making is with the Washington County Community Action agency. **Joyce** adds that there was also a CAUSA legislative briefing where they talked about their agenda for immigrants and farmworkers, and says farmworker housing is very high on their list. It was a great event at the Capitol with a lot of legislative support.

B. Oregon Homeownership Stabilization Initiative (OHSI) Update. **Mike Kaplan**, OHSI Administrator, reports that they have concluded the intake period. They initially targeted the \$100M for the Mortgage Payment Assistance Program to 5,000 homeowners. There are nearly 6,000 homeowners that have been determined as eligible. Approximately 15,700 applicants completed the process; nearly 19,000 started the process. Based on the number of applicants and the average mortgage that applicant's have presented, and with the expected attrition for the year-long program, they will be able to fund every single eligible applicant in the state, which is very exciting news for them. **Merced** states that it means there will be no lottery process. **Kaplan** says those 6,000 applicants represent 12 counties that are currently over-subscribed, and 24 counties that are undersubscribed. He distributes a copy of the MPA Submissions by County and MPA Outreach Report, and gives an overview of each. He says the department's partners did an amazing job of getting the word out. In Klamath County, there was a letter sent to every single homeowner in the county about the program. In the undersubscribed counties they will be able to preserve the slots and the funding that was committed to each of those counties and re-launch the program sometime later in the spring or early summer. They will focus on the other programs and then work with the

partner agencies in the 24 counties to revisit what the outreach and strategies are. They went before Ways & Means and have done aggressive outreach to legislators. **Crager** comments that, unfortunately, Council member Baney was not able to be present today, and that in the past she had pointed out to him that she wanted the department to ensure that everything possible was done to preserve dollars for the county. Crook and Jefferson are under-subscribed and they will re-launch in those counties. At some point, they will need to evaluate to see if another program may be more effective for that particular community. **Kaplan** points out that Lake County has about 500 mortgages, and even if you assume 10% unemployment applies to those 500 homeowners, the 50 homeowners may not all be eligible for the program. **Woolley** asks if those slots are allocated by percentage of population. **Kaplan** explains that the slots are allocated based on five criteria: Unemployment; the change in unemployment rate over the course of the recession; current housing price; change in the current housing price decline over the course of the recession; and an index between severe delinquencies (90+ days) and foreclosure. According to those, they are ranked on financial distress. To ensure fairness and equitability, they did not use population to drive those numbers. **Crager** says there has been an area of scrutiny on those allocations. Many people thought the money should only have gone to certain parts of the state, and that has been addressed over time. At some point we may run into this again. He asks that as Council members have conversations, to please communicate what Mike has said today. **Woolley** comments that this is impressive. It would be hard for anyone to look at this and not say we have not made tremendous attempts to engage people in every single county. And this was announced in December. **Kaplan** says he is very proud of the team and proud of the agency. They are now entering the underwriting phase, and are doing a secondary review to make sure the determinations were correct, and the proper documentation is submitted. Once that is complete, the homeowner's lender and their financial institution servicer, also has a right to review and decide whether to accept the applicant. We have a high confidence level in the work that was done and are getting clear signals from the servicers that they will not reject a high number of people. There will be some fall out when dealing with 6,000 people. They anticipate starting to make payments in March, with the overwhelming majority of them made in April. One of the challenges that the team is dealing with is that among those 6,000, there are 190 different servicers. The majority are with the big lenders, but there are 185 others that they have to chase down one-by-one. The sophistication levels and their willingness to participate varies.

Kaplan announces that they have not closed, but Treasury approved the pilot project for Deschutes and Jackson Counties. He says to Treasury's credit, they have been willing to work with the department on this program the entire time. **Crager** says he spoke with Rep. Buckley yesterday and he was very happy. This is an innovative program, and we are the first to have something like this. He is confident that this will be an excellent model going forward. He compliments Mike for his hard work and patience on this. **Kaplan** offers the following explanation of the model: From the homeowners perspective, they bought a \$300,000 house in Deschutes County, which is now worth \$150,000. The Oregon Affordable Housing Assistance Corporation will approach that homeowner's lender and say that it will buy it for \$120,000. At that point, if they sell to us, we will immediately refinance with the current homeowner for \$150,000, the current appraised value, at a fixed interest rate loan. At that point we will rehabilitate the homeowner. In all likelihood, the loans that banks will be willing to sell us will be delinquent and not high performing with a risk of strategic default. We can get rid of all that at once, and then have a high performing, stable, consistent loan. Then we would like to sell the high performing asset, and recycle the funding. We recover the spread from what we purchased and what we sold it for, which can be reinvested in the program. The current pilot calls for a revolution of the funds four times. **Crager** says there is an

administrative component to doing all of that work. They are looking at going forward with some form of contract and hope to have that in place soon. **LaMont** states that at first look the funding available seemed high for the applications submitted for Baker, Grant, Union and Wallowa Counties, and she appreciates that they will go back and offer a second chance. They may get a few more applications, but she does not think it will be a whole lot different. **Kaplan** comments that he thinks there is a population of homeowners who were reluctant to come forward, and some were unwilling to say they needed help. As they are able to show success, he hopes they can get those homeowners to come forward.

Crager asks about the other programs that are coming up. **Kaplan** explains that there are three programs: the transition assistance, which is designed to help the homeowner leave their home short of foreclosure; loan preservation; and loan modification. The next program to be released will be transition assistance. The loan preservation program will, by and large, be a reinstatement of a principal reduction program that will require lender participation. They hope to have those launched within the next couple of months. The loan modification assistance will be the toughest sell, largely because it will be hard to get lenders and servicers to agree to participate due to the nature of the program, and the way the department envisions it.

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

- As of Monday, the department has taken 275 reservations in the residential loan program, for a total of \$49M, which is more than is available. They have begun a bond sale that appears will be \$60M. They have had to raise the rate once and may have to raise it again. The reason they are able to open up the program and offer loans at an attractive rate is because they built up zeros as a cushion. By blending zero rates with a higher cost rate, they are able to lower the rate. They are getting purchases through, which is good because fees come through with those as well. They were fortunate to have entered into liquidity agreements right before the market collapsed. Liquidity allows them to do variable rate debt.
- The Financial Services Division received the gold star for financial reporting. Roger Schmidt, the reporting accountant, was specifically identified. Roger is a great resource and asset to the agency.
- The department came out better than expected on its budget. There was a reduction to our General Fund, but it was the lower amount of what we had anticipated, so an \$800,000 cut as opposed to \$2.5M.
- The economic forecast came out this week. For the current biennium that ends June 30, it was virtually flat. The lottery funds were down by about \$11M, but they did have an ending balance, so we are still good on the lottery funds. That is important because we got a total of \$19.1M in lottery-backed bonds, of which the last amount, \$6.5M, will be issued in March.
- Going into our new budget, we were authorized \$10M of lottery-backed bonds in the 11-13 budget. There was an additional \$80M decrease in General Fund projections for 11-13. At this point, no decisions have been made about how that will impact the Governor's Balanced Budget. In that budget, the salary steps that staff have not received for several years, as well as furloughs, were renewed in the budget. So they increased the personal services expenditures, then took a 5.5% reduction to that. How that reduction will occur has not yet been determined. It will involve negotiations with the various unions. It could take the form of staff reductions, reduced benefits payments, and perhaps changes to PERS. We do show an increase in staff, largely because of the Hardest Hit Funds. **Woolley** asks if the department has any opponents. **Crager** states that, from a budgetary standpoint, the department is in a

good position. The budget will be heard by the same subcommittee that has heard it for several years. Legislative visits have been made to all of the members so far. He says he feels very good and optimistic. The department has an outstanding story to tell with preservation. They will have the point-in-time Count data available to demonstrate the high needs. The only General Fund cuts are to homeless programs and food assistance, which serve the most vulnerable populations. Advocacy-wise, the department is positioned extremely well. The Housing Alliance has been very active; Community Action has been active; Mike Kaplan and his colleagues have made visits to all the legislators, which was a success. Oregon ON has been very active. They have a hired lobbyist that we have been working with and that will be a great addition. Ryan Fisher with Northwest Public Affairs has been active. To the extent that Housing Council can begin weighing in on some things, that would be helpful. He says he has not heard of any negatives. The department's concern is fund sweeps. The department is in a better position to talk about what we trend towards from a revenue standpoint. **Cain** says it has been this Governor's position that he will not go to raids of other funds. He built his balanced budget with no other fund raids. **Crager** states that, as they go into the budget hearing, it is imperative that they talk at an outcome-based level. It appears that the legislative body is going to be disciplined on this and we will frame our presentation to focus on that. We will talk on a continuum level. **Woolley** asks what his early observations are. **Crager** says so far, so good. The Ways and Means hearing is scheduled for March 28 through 30.

- There are six audits going on at this time: the regular required Secretary of State audit; the OIG audit of NSP1; the OIG audit of NSP2; the Department of Energy audit; the US Treasury desk review of the Exchange program; the OIG audit of TCAP; and the homelessness prevention and rapid re-housing grant audit, which is a HUD audit.

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

- He feels confident with the department's relationships as they move forward into this budget period. There will be a lot of negotiation and the co-chairs budget will be out soon, which will give them more direction on where the differences between the Governor and the co-chairs lie.
- He has gone to a variety of different hearings. He testified on the OAHTC bill. There were a lot of questions and they are trying to get a better handle on how they are supposed to deal with all the tax credit extensions because they play a role in the bigger picture of budget reconciliation. The department has been working with legislative members on the Mortgage Payment Assistance program. He feels they are at a good place in discussing some of the concerns that were brought up around the implementation. They presented to the subcommittee an update on the Hardest Hit Fund. He says he will send a copy of the presentation to Council members in case they are asked questions.
- The CFC continues to move forward. He met with the Association of Housing Authorities and several other partners about some concerns related to this CFC application and some of the timelines and review requirements. The changes made were done in a way to eliminate risk and to make sure that they are evaluating the projects carefully. He says they probably could have done a better job in terms of communicating and preparing partners for that. He says that for 2012, the department will be looking at the CFC process now. He wants to make sure the partners clearly understand the process. He says he will update Council at each meeting with how that is going.

- He says he hopes Council was able to see the look on the tenant’s face after the Anchor Mobile Home Park grant was approved and how much that meant to her. This is a model the department is very proud of and he hopes to be able to report results to Council at the next meeting.
- He asks Council to keep in mind that the work done on EHAC is unfunded and the work is done in our “spare time.”
- He points out the great work done by Betty and John Epstein on the policy piece; Lisa on the phenomenal job she does over at the capitol; Mike and his \$220M program, pointing out that Oregon is a leader in this nation as it relates to the implementation of the Hardest Hit Fund; Nancy and her staff for all the work that has been done on the budget; all that staff does behind the scenes that Council never hears about; they have all done a great job.

“All this demonstrates progress, great work and change, and all that starts at the top. As you hear things that are in the media related to the changes and progress in the department, Victor Merced has been behind all that. I appreciate all the hard work he has done. I assure all of you that as we move forward, you have my commitment going forward to continue that. We have been through this in the past and it is unfortunate that we have to go through it again. We are up for the challenge. We have a good staff here. When Victor and I first met, he talked about the book Good to Great. He made me read it. Victor, you can walk away knowing that you took this agency from good to great. You can be assured, Council members, that we are great now and we will continue to be great as we move forward.”

Woolley: “The only silver lining in the disappointing news about the Governor not reappointing Victor, is I was grateful that he put you in the interim position, Rick. If the Governor does not see fit to leave Victor in that position, I am extremely grateful that we have somebody of your caliber who is in the agency and who understands, knows the staff. I do not feel bad about you being there. I just feel bad that Victor is being taken out.”

Fieldman says he can echo appreciation that Rick will be there to provide the continuity and leadership.

E. Report of the Director. Victor Merced: “I wasn’t planning on saying anything more than that. Rick said it all, so I will try and lighten the mood a little bit. I did not know the meaning of the word stoic until law school when several of my classmates referred to me as that. Law school is very hard to get to the top of the class like I did. I never let any of the pressure get to me. So, thank you all. **Fieldman:** “We know you will resurface elsewhere in a really good place, I have no doubt.” **Merced:** “There is no crying in baseball. While it appears that I am the only director that was dismissed, there are others and they decided to not have it made public the way I did. I was given the choice and I chose to make it public based on my principles. I feel I still have some unfinished business and I would have liked to have stayed another few years under his leadership. As for my future, I have some things that, if they come through, will put me in a much better position than I am now. This was the greatest job I ever had. I love philanthropy and it is something that I have always wanted to do. I have done it and I enjoyed it. Don’t bid me farewell, just say bon voyage.”

F. Report of the Chair. Maggie LaMont: “Victor, we appreciate all you have done. You have taken this agency so far. We are way better than where we were eight years ago, when I first started. Much more mature and considering of what partners want and more open to operating the different areas. We will certainly miss you and I know you will do well. It was a great meeting

and I think our meetings get better and better. I loved seeing the new innovative things coming out. I am amazed at staff. Mike Kaplan is so young and going to go so far. It was a difficult meeting, too.” She reminds Council about a March 16th conference call at 2:00 with three projects they will be looking at; and another phone conference on March 31 at 10:00 on another project. **Fieldman** says he will not be able to be in on any of those calls, as he will be out of the country.

X. FUTURE AGENDA ITEMS. None mentioned.

Chair LaMont adjourns the meeting at 1:00 p.m.

/s/ Jeana Woolley, 4/15/11
Jeana Woolley, Acting Chair DATE
Oregon State Housing Council

/s/ Rick Crager 4/15/11
Rick Crager, Acting Director DATE
Oregon Housing & Community Services