



Oregon

Governor Kate Brown

Oregon State Housing Council

Oregon Housing and Community Services
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November 6, 2015

Public Meeting Minutes

Meeting was called to order at 9:02am

Roll was called and is reflected in the table below:

Council member	Present	Not Present
Mayra Arreola	Present	
Tammy Baney		Not present, arriving late
Mike Fieldman	Present	
Zee Koza	Present	
Marissa Madrigal		Not present, Excused
Adolph "Val" Valfre	Present	
Chair, Aubre Dickson	Present	

Public Comment:

The Chair invited public comment from those on the telephone.

Mary McCullough provided comments in opposition to a project in Eugene (The Oaks). She expressed her concern with the type of people who will be occupying the project when it is completed. She noted that they did not want "these people" in our neighborhood.

Josephine Ko in Eugene at Acorn Park also provided comments about the comments Mary McCullough gave at a previous meeting; she wanted more details of the previous testimony. She also expressed her concern about the type of people who will be occupying the project. She wanted to have written letters, blog materials included in the Council record and minutes. She asked if Council members would put this type of project in their neighborhood.

Draft meeting minutes for approval:

Chair Dickson asked to hold off on voting on the meeting minutes until they could be edited and updated.

Residential Loan Program Consent Calendar – Kim Freeman

Motion was made to approve; and Chair Dickson called for a vote and the roll call was taken.

Council member	Motion	Yes	Nay	Abstain	Absent
Mayra Arreola		X			
Tammy Baney					X
Mike Fieldman	X	X			



Zee Koza		X			
Marissa Madrigal					X
Adolph “Val” Valfre	2 nd	X			
Chair, Aubre Dickson		X			

Vote: 5-0-2

HUD Consolidated Plan 2016-2020 – Shoshanah Oppenheim

Ms. Oppenheim provided an update to the Council. She gave an overview of the vision, mission and value of the plan. A review of the guiding principles which relate directly to the work of the Council was provided. Ms. Oppenheim also provided an overview of the Equity Framework found within the HUD Consolidated Plan, which will help guide the work on the plan. She reviewed the action items which support the consolidated plan.

She provided an overview of the next steps:

1. Completion of the Consolidated Plan in November-December 2015
2. Public Review and Comment – January 2016
3. Submit the plan for approval – March 2016
4. The State Housing Plan will be ready for Legislative review – 2017 Legislative Session

Please reference the slide presentation as posted on the State Housing Council web page for additional details or click [here](#).

The Council asked several questions, including how the plan will address race and ethnicity and whether it would be clearly addressed or implied. It was also asked whether OHCS would be going through an equity or managerial assessment to determine where they are with regards to equity internally. Ms. Oppenheim replied that as an agency, OHCS is in the very early stages of addressing equity. OHCS is working on organizational culture as a starting point in our work on equity through the newly formed Equity Council at the agency.

Director Van Vliet added that she hoped the new Housing Stability Council would include work on Equity at the agency, and consider questions such as how we better infuse equity into all of our work and our culture. Director Van Vliet noted that OHCS does not yet have specific and actionable strategies, but is taking steps in the QAP.

The Council commented that Shoshanah and her team have done good work to ensure all voices were heard when working on the Consolidated Plan, and the Chair and the Director thanked them for their work.

Veteran’s Housing NOFA Award Recommendations – Julie Cody

Julie presented the two recommendations for funding. There were three applications; the top two were presented to Housing Council for their review and approval. Julie noted that the third application will resubmit at a later date when other funding is available.

Victory Commons

The sponsors of the project came forward to provide remarks; Lisa Drayton & Diana Otero came forward to answer questions. There were no questions.

The council expressed their pleasure about the Victory Commons project and the Victory Place project and how they are addressing a previously underserved segment of the community.

Chair Dickson called for a motion (page 32): To approve a GHAP grant reservation in an amount up to \$2,058,318 to Klamath Housing Authority for the new construction of the Victory Commons, located in the City of Klamath Falls, Klamath County, Oregon. Reservation is contingent on meeting all program requirements and conditions of the Reservation.

Council member	Motion	Yes	Nay	Abstain	Absent
Mayra Arreola		X			
Tammy Baney					X
Mike Fieldman	x	X			
Zee Koza		X			
Marissa Madrigal					X
Adolph "Val" Valfre	2 nd	X			
Chair, Aubre Dickson		X			

Vote: 5-0-2

Victory Place

Julie Cody provided a synopsis of the project details.

The sponsors came forward to answer questions about the project. Merry Hart (ACCESS) & Fred Hermann. The sponsors are excited about the project, as they have a tremendous need in the area for veteran's housing. This project is the perfect fit for this property as it is next to the American Legion; there will be access to downtown Medford from this location and access to good food at the Legion Hall.

The Council commented that this is a great project! They appreciate ACCESS and their leadership in addressing Veterans issues. The Council hopes to see more projects like this in the future.

Council member Tammy Baney joined the meeting at 9:35 a.m.

Chair Dickson requested a motion. The motion was made as found in the meeting packet on page 34: To approve a GHAP grant reservation in an amount up to \$1,713,153 to Commercial Council, Inc. for the new construction of the Victory Place, located in the City of Medford, Jackson County, Oregon. Reservation is contingent on meeting all program requirements and conditions of the Reservation.

Council member	Motion	Yes	Nay	Abstain	Absent
Mayra Arreola		X			
Tammy Baney		X			

Mike Fieldman	X	X			
Zee Koza		X			
Marissa Madrigal					X
Adolph "Val" Valfre	2 nd	X			
Chair, Aubre Dickson		X			

Vote: 6-0-1

Chair Dickson called a 5 minute recess. The meeting reconvened at 9:46 a.m.

QAP process update and final policy recommendations for Council approval – Julie Cody

Julie Cody presented the red-lined draft QAP to the Council. Please reference the [PowerPoint presentation](#) and the document with the collected written comments on the proposed QAP updates and edits.

Julie provided an overview of the timeline for the work on the QAP, including stakeholder engagement, edits to the document, and next steps which include a formal, 30-day public comment period. Julie also noted that a consultant, Novogradac, was also hired to compare Oregon to ten other states. Additional information was presented on key topics (i.e. comparisons between 4% and 9%, methodologies consulted for the QAP, social equity, etc.) as requested by the Council at the October 2, 2015 meeting.

Allocations and Regions (page 5)

Council comments: It is nice to see the population threshold at 25,000 so we can encourage projects in smaller communities.

Recapitalization Lockout (page 6)

Some change from the original presentation of the QAP. The hope is to encourage more sustainable, well-cared-for properties which remain affordable without a recapitalization for a longer period of time. OHCS should incentivize less frequent recapitalizations by ensuring projects have adequate reserves.

Council Comments: The Council asked whether the reason for this change was to push for long-term sustainability of projects and release more funds to create more affordable housing.

The Council asked how often people come back for more funds or tax credits, and it was answered that the strategy of some sponsors is to come back and recapitalize with tax credits at the 15 year mark.

Market Study (page 7)

This is a change from previous versions of the QAP. Not tied to the appraisal and there is a cost associated with this component. It was asked how this would work for applicants, and answered that the market study would be required after application but before the release of the conditional reservation at 90 days. The applicant typically absorbs the cost of the market study. The Council agreed that the market study should not be required until after the application has been accepted and approved.

State Basis Boost (page 8)

OHCS is not permitted to provide a state basis boost to non-competitive 4% Low Income Housing Tax Credit (LIHTC) projects.

Debt Coverage Ratio (page 9)

Clearer language has been included here to make this section easier to understand. Each project will be reviewed on an individual basis.

Construction Inflation/Escalation Factors (page 10)

This topic is not addressed in the QAP. These costs must be included in the application to ensure the proper resources are in place.

Operating Expenses (page 11)

There are big changes from previous versions of the QAP. Individual expense line items will not be addressed in the QAP. OHCS is moving away from being prescriptive and specific within the QAP.

It was asked whether resident services would be funded ‘above the line’, i.e., funded as part of the operating expenses. Julie answered that OHCS is looking to more clearly define this in the NOFA itself. Not all resident services are created equal; some projects are referral based; some have included supportive services; different populations of residents need different levels of services. We are looking to have a separate call out for resident services for each project in a more detailed manner to make sure it makes sense for the project. We are looking at the partnerships to provide resident services for projects. If the success of the project is contingent upon the delivery of resident services then it will be above the line. The QAP will not prescribe resident services or how they are funded.

Council Comments: The Council felt this approach allowed for each project to address resident services and asset management on a project by project basis, and by leaving this open it allows the developer to be creative when addressing these issues.

Asset Management: As some asset management is done on a portfolio versus project basis, it is important for OHCS to provide good definitions to provide clarity to the applicants through the application process, but some information and requirements are better addressed through the NOFA rather than the QAP.

Council Comments: This is a good approach. Council members identified that the challenge and next step will be to quantify the new approach to Asset Management to help make the specifics transparent and predictable enough to ensure developers are comfortable investing in projects.

We may need to consider a different approach to the way this section will be scored in the future. At the end of the day we recognize the importance of Resident Services, and we need to look at how those services are paid for (in a sustainable manner), whether the time frame is 15-years or 60-years.

As we start aiming projects to special needs communities, resident services becomes more important. We need to figure out how to better target resident services to support the goal of sustaining projects and maintaining services to better support residents for the life of the

property. We also need to consider how to better utilize and leverage existing service providers in communities.

Loans vs Grants (page 12)

This will not be included in the QAP, as it does not apply to tax credits.

Q: What is the HUD final rule?

A: The HUD final rule applies to HOME funds and rules that OHCS would need to repay the entirety of the HUD funding in a project if affordability requirements are not met, and that the funds needs to be put into the project and not granted into the project through the ownership entity. All of which has associated risk and tax implications; as such, to limit risk OHCS is offering HOME as loans.

Q: What about the smaller projects?

A: There will be not debt services associated here, so would not be a deterrent to small projects with small operating budgets. The concept would be to offer the loans at 0% interest with deferred payments until maturity or refinance.

OHCS Comments: HOME funds are getting harder and harder to use. OHCS wants to make sure if we put in money as a grant into a project, OHCS will be able to provide input into the process when the project is recapitalized or sold as to whether it remains affordable. OHCS is concerned about the projects future sustainability, and wants to address the issue of whether the developer can remove equity from the project in order to invest in other projects.

Developer Fee (page 13-15)

Julie provided two tables with examples to illustrate the proposed methodology for developer fees. OHCS has considered what is reasonable compensation, and has proposed a methodology found on page 14. It is a simple and clear equation, and is easy for OHCS to administer.

It was asked how Oregon compares to other states, and answered that some states have different methodologies which limit the fee. There is no guidance from the IRS, so the fee varies greatly across the country.

The QAP recommendation can be found on page 15 of the presentation.

Social Equity (page 16)

The new QAP includes a significant focus on social equity, including for the potential residents as well as contractors who participate in the construction of the building. For the economic factors such as people employed by the project, it will be up to each sponsor to come up with a plan to engage Minority and Women owned small businesses, with a report out at final application. The point system will take into consideration the use of MWESB for each project, and OHCS is setting a baseline for use across the state. If there are specific areas where more is required by the local jurisdiction, the greater requirement will be honored. The Council requested that staff make sure to look at the urban/rural divide and be sensitive to the differences.

Public Comment on the draft QAP:

Shelly Cullin (Chrisman Development) Shelly noted her comments are based on the 10/29 draft of the QAP. She is requesting that the Council keep the preservation definition at the statutory requirement of 25% of units with a federal rent subsidy to qualify as “preservation”, and also that OHCS keep preservation as a specific set aside. Shelly also commented on the developer fee, noting that organizations aren’t just buying a piece of property, there could be a whole range of issues that need to be dealt with on sale, including neighborhood covenants, fence-line issues, easements, property line encroachments. She also commented that in regards to the social equity requirements that OHCS please be aware of the differences between rural and urban areas when using MWESB requirements.

Sue Bailey (Cascadia Behavioral Health Care) – Sue expressed concerns about resident services being cut from the current funding structure and the utilization of resident service providers who are not geared toward serving the population at any given resident project.

Gary Cobb (Central City Concern) – Gary spoke about resident services and how important they are. Gary shared his own personal journey as an example of how resident services works to keep people stable and in housing, and asked that the Council not underestimate the value of resident services.

Melissa Rineheimer (Enterprise Community) – Melissa spoke about asset management fees and noted how asset management is vital to projects for the investors and the tenants.

Sean Hubert (Oregon Opportunity Network) – Mr. Hubert passed out a document titled: “OHCS 2016 Qualified Allocation Plan – public comment”. Mr. Hubert thanked the OHCS staff for their hard work producing the QAP. He highlighted several key policy items which he believes need resolution before the final QAP is published and released. Those items are: lack of an overarching preservation strategy; developer fee changes; 20-year recapitalization moratorium; interest restrictions; and OHCS loans. He noted that big problems require big solutions (affordability, demand, and preservation). He recognized our shared goals of getting more dollars at work in the state; supporting organizations which invest their dollars in the development, and the preservation and stewardship of properties.

Martha McLennan (Oregon Opportunity Network) – Ms. McLennan passed out a document titled: “Oregon ON Discussion on 2016 QAP Developer Fee Structure”.

Ms. McLennan stated that Oregon ON does support an overall reduction in developer fees. The fee structure as written now does not reduce the fees in the most balanced way. Oregon ON believes fees should be capped or graduated based on the size of the project, they should apply across project types, and fee structures should not harm preservation projects. Ms. McLennan also noted the current 4% tax credit underutilization. Ms. McLennan provided examples from other states of different fee structures, and noted that the majority of projects in Oregon are small projects. Oregon ON is concerned about the perceived sway toward larger projects getting an advantage with the way the QAP is currently written. Oregon ON is requesting a pause and look at the fee structures and the way they have been structured. They need more detail to crunch numbers and propose new fee structures to OHCS.

Julie Garver (Innovative Housing) – Ms. Garver highlighted the following areas of concern: First, the proposed per unit cost cap: she suggested the topic be brought up at Housing Council and that OHCS would ask for public input on any future cost caps. Second, readiness to proceed. She feels that the 12 month cycle is a bit short and is requesting more flexibility on the timeline. Third, inflationary contingency, she feels what is allowed in the QAP may be too low; the contractors she has interfaced with say the percentage should be higher at 5-8% rather than the 2-3% in an earlier version of the QAP; and last, allowing developer fees on acquisition costs for transactions; she gave an example of the preservation of a project with construction defects for a partner in the project, and stated that allowing the utilization the 4% credit is good for everyone.

Richard Hermann (Cornerstone Community Housing) – Support the Oregon ON presentations. Risk and return on investments is a concern for him, especially if/when a contractor drops out of the project. He noted he believes developer fees are critical for all partners. He also noted that he does not want to see resident services funded “below the line.”

Robin Boyce (Housing Development Center) – Ms. Boyce conveyed her thanks to Julie Cody and her staff for all of their hard work. She asked the Council how we are planning for the aging properties across Oregon and stated she believes we do not have adequate reserves to cover the aging properties. She believes Oregon needs a plan to support good quality housing which will include: identifying reasonable operating expenses; funding adequate and professional asset management; working on a development fee structure which does not dis-incent any one group; and working together on building this plan.

Sarah Stevenson (Innovative Housing) – Resident services are important to our residents and to the health of the housing project. She suggested the inclusion of resident services and asset management fees as above the line should be determined through policy set by the Housing Council.

Marques Lang (Innovative Housing) – Mr. Lang raised the following with the Council: The role of the asset manager and the management of a crisis at any given property. He requested that we provide delineation in the QAP between developer fees, asset management fees, and general off-site management fees.

Molly Rogers (Home Forward) – Ms. Rogers recommended that asset management fees be addressed in a policy decision and that the standard operating practice would be to put the fees above the line. She believes protecting investments is crucial and planning for the long-term capital needs for their projects is important.

Jessica Woodruff (REACH CDC) – Thank you for all of the work which has been done to date. The developer fee is a big issue for REACH CDC. Producing and preserving affordable housing is also important. She noted that REACH uses the developer fee as a tool to ensure the functioning of their portfolio, and produce more units.

Rosanne Marmor (Resident Services provider) – Resident services fees are critical for maintaining the health of the resident community in any given project. Please maintain above-the-line funding for Resident Services. She believes in caring for residents through resident services, rather than warehousing them or setting them up for failure.

Fran Weick (Human Solutions) – Resident services is vital to the 2500 people Human Solutions provides support to. We provide a good deal for the amount of money spent. Resident services providers do so much more than prevent evictions; we offer training, resources and crisis referrals, etc. Without the Resident services fees we could not provide the services we do now; please keep it above-the-line.

Mike Andrews (Home Forward) – He offered his appreciation to Julie Cody and team for all of the hard work done on the QAP. The QAP and supporting documents are important; they provide clarity for developers and staff. He had several requests: Please avoid creating rules (not created by HUD or IRS) which limit options for housing in Oregon; Regarding the 20-year lockout –he noted the 9% tax credit has a structure in place; creating limits on the 4% credits would adversely impact developers; and Preservation is important.

He indicated he felt that the above concerns warrant a new look at the developer fee to avoid putting adverse conditions on developers. Creating strong organizations in turn creates strong housing communities. Chair Dickson offered his thanks to those who came to testify before the Council. He also provided a summary of what he heard during the testimony of the recurring themes:

- 1) The difference between new construction projects and preservation projects; making sure there are no disadvantages to either type of project and that there are no unintended consequences.
- 2) Developer fees: he noted the loss of opportunity as it relates to the 4% deals. Do not leave money on the table.
- 3) Resident services/asset management – maintaining, preserving, sustaining and supporting residents. Do not undermine the importance here. The council may need to create policy for this topic.

Additional Council comments:

- 4) How will we deal with preservation: the little “p”? Having a strategy in place.
- 5) Under-utilization of the 4% tax credits. What does this mean and how can we better utilize the 4%? We may need to have some additional education on how the 4% tax credits actually work. Before we make policy decisions we should fully understand the 4%.
- 6) Look at the lock-out as they relate to and impact the 4% tax credits.

The Council recognizes the current housing crisis in Oregon, and understands the impact the QAP will have on affordable housing production. The Council recognizes the tension of fully supporting projects and organizations, and the potential tradeoffs in terms of developing more units. The Council also recognizes the importance of providing support to residents and how resident services can mean a more sustainable project over time.

The OHCS Director asked the Council if they would like additional work done on the QAP before it is released. The Council affirmed they wanted OHCS to do additional work on the QAP.

Director’s report:

LIFT Subcommittee update – both subcommittees have now met twice and will meet again on December 7 for a joint meeting. Margaret noted she will be testifying before the House Human

Services & Housing Committee on November 17 during Legislative days. We will send out notice to the Council members about the specifics of the legislative committee. The Director pointed out the copy of the update to the agency strategic plan at the table for the Council members.

Chair Dickson adjourned the meeting at 12:45pm.



12/11/2015

Aubre Dickson, Chair
Oregon State Housing Council



12/11/2015

Margaret S. Van Vliet, Director
Oregon Housing and Community Services