OREGON STATE HOUSING COUNCIL
Minutes of Meeting

Oregon Housing & Community Services
Large Conference Room, 124 A/B, First Floor
725 Summer Street N.E., Suite B, Salem, OR 97301

9:00 a.m.
July 25, 2008

MEMBERS PRESENT
Larry Medinger, Chair
John Epstein
Stuart Liebowitz
Francisco López

MEMBERS ABSENT
Scott Cooper
Maggie LaMont
Jeana Woolley

GUESTS
Ruby Mason, Executive Director, Columbia Cascade Housing Corporation and Mid-Columbia Housing Authority
Lyndon Troseth, Legislative Fiscal Analyst
Kim Mani-Oskoii, HousingWorks
Jaime Arredondo, Communications Coordinator, FHDC
Joanna Perez
Julia Huddleston, Project Manager, On the Move Project
Sarah Miller, OECDD Realignment Project Manager
Lynn Schoessler, Deputy Director, OECDD

STAFF PRESENT
Victor Merced, Director
Rick Crager, Deputy Director
Nancy Cain, Chief Financial Officer
Bob Gillespie, Housing Division Administrator
Pegge McGuire, Community Resources Division Administrator
Floyd Smith, Agency Affairs Director
Karen Clearwater, Regional Advisor to the Department
Deb Price, Regional Advisor to the Department
Vince Chiotti, Regional Advisor to the Department
Jack Duncan, Regional Advisor to the Department
Shelly Cullin, Loan Officer
Becky Baxter, Loan Closer
Larry Dillenbeck, Communications Manager
Roz Barnes, Housing Program Rep.
Vicki Massey, CFC Application Process Manager
Roberto Franco, Director's Office Liaison
Mariana Negoita, LIHTC Representative
Ernie Kirchner, Housing Development Rep.
Sue Harris, Communication Specialist
Dona Lanterman, Single Family Program Manager
Craig Tillotson, Single Family Program Loan Specialist
Margaret McDowell, Chief Audit Executive
Matthew Perry, Quality Assurance Advisor
Tonya Evans, Lead Tax Credit Compliance Officer
Carole Kowash, Housing Development Rep.
Jo Rawlins, Recorder

I. CALL TO ORDER: **Co-Chair John Epstein** called the July 25, 2008 meeting to order at 9:05 a.m. and asked for roll call. **Present: John Epstein, Stuart Liebowitz and Francisco López. Absent: Scott Cooper, Maggie LaMont, Jeana Woolley and Chair Larry Medinger (Medinger arrived at 9:33 a.m.).**

II. PUBLIC COMMENT: None.

III. APPROVAL OF MINUTES: Chair Medinger asks if there were any corrections to the June 6, 2008 Minutes. There being no corrections, the Motion was read. A question arose about Epstein's reason for abstaining from the Clifford Apartments vote (page 12). This was due to his being out of the room at the time of the discussion on a conference call. He did not verbalize why he was abstaining.

> **MOTION: Liebowitz moves that the Housing Council approve the minutes of the June 6, 2008 Council meeting, with the understanding that language will be added to clarify why Epstein abstained.**

> **VOTE: In a roll call vote the motion passed. Members Present: John Epstein, Stuart Liebowitz, Francisco López, and Chair Larry Medinger. Members Absent: Scott Cooper, Maggie LaMont, and Jeana Woolley.**

IV. CONSENT CALENDAR: Dona Lanterman, Homeownership Single Family Program Manager, and **Craig Tillotson**, Loan Specialist. **Lanterman** points out that the loan amount range is from $232,700 in the Eugene area to $317,675 in the Portland area, and that loan number five includes a 720 square foot basement. **Chair Medinger** asks how the program is going generally based on the current housing problems. **Lanterman** explains that the department still seems to be doing fine. Its rates are close to what the market has been, and in the past week they have noticed an increase in reservations.

> **MOTION: Epstein moves that the Oregon State Housing Council approve the Consent Calendar.**

> **VOTE: In a roll call vote the motion passed. Members Present: John Epstein, Stuart Liebowitz, Francisco López, and Chair Larry Medinger. Members Absent: Scott Cooper, Maggie LaMont, and Jeana Woolley.**

V. SINGLE FAMILY REPORT: Dona Lanterman, Homeownership Single Family Program Manager, gives an overview of the May and June report, pointing out that more loans were purchased in May than in June, in part because of the CashAdvantage Program that ended in March, and these are the final closings on that program. The program is still in good shape as far as foreclosures. **Crager** adds that the department is still on a record pace for the year, with 1,003 loans at this point, with the most ever done at about 1,700. **Lanterman** says that through this week it is at 1,148. **Epstein** says he knows the department is doing well relative to foreclosures and/or defaults relative to the whole portfolio, and he wants to make sure that if we see a trend we catch it on the front end and not the back end. **Lanterman** states that they are looking at the portfolio closely.

VI. NEW BUSINESS:

A. ***Cascade Meadows,* Predevelopment Loan Request. Becky Baxter,** Loan Officer, introduces Ruby Mason, Executive Director, Columbia Cascade Housing Corporation (CCHC) and Mid-Columbia Housing Authority, and Deb Price, Regional Advisor to the Department. **Baxter** states that Columbia Cascade Housing Corporation is requesting a predevelopment loan in the amount of $350,000. The funds will be used to pay off a maturing loan to National Equity Fund (NEF). Columbia Cascade is proposing to build a 19-unit two and three bedroom affordable housing project in Cascade Locks. Currently, the proposed project is intended to house families and elderly earning 60% or less of area median income. However, CCHC may reassess and change the target population. The security for the loan will be the land. The land has been rezoned and is currently approved for 19 units of multi-family housing. As part of the rezoning process CCHC will be required to divide the lot into five separate lots. Each lot, with one exception, will hold up to four units, and one lot will be zoned to hold five units. The city has approved the concept and

Columbia Cascade will be going to the planning commission in late August with a mid-September approval anticipated. A current broker's opinion of value reflects that each lot will be valued at $75,000. The total value of all five parcels would be $375,000, bringing the loan-to-value to 93%. The borrower has further offered three individual parcels located in Roosevelt, Washington, as additional collateral, which they own free and clear. These parcels will be included as additional collateral by reference in the loan commitment letter and as part of the recorded Trust Deed. Two of the parcels are valued at $14,000 each and one is valued at $14,500, for a total of $42,500 additional collateral, bringing the loan-to-value to approximately 83%. The borrower will be working with an OAHTC lender, coupled with USDA Rural Development Section 538 loans, which is RD's loan guarantee program. The borrower would also be applying for HOME, Trust Fund and Weatherization funds through future CFC cycles. Columbia Cascade has contributed over $146,000 of its own funds in predevelopment costs to this project. Columbia Cascade has been asked to take on the responsibility of Housing for People, Inc. (HOPE) in addition to their current responsibilities. This is another affordable housing group in the mid-Columbia region. CCHC's willingness to accept this challenge further reflects their investment in providing affordable housing in this region. With the loss of HOPE in the area, CCHC will be one of the only affordable housing organizations in the entire region. The OHCS Finance Committee approved the loan contingent upon Cascade Locks receiving planning commission approval.

Merced states that the motion has a contingency that the planning committee replat the property and asks what that is looking like. **Mason** says she talked to the city planner this past week about the schedule and the process and was told that this is a pretty standard procedure and there are no problems anticipated. The city manager was willing to come today to say that they have the city's support, and the city wants to partner with them in developing the park which is next door. **Epstein** asks why they are subdividing. **Mason** explains that Cascade Locks has an unusual plan that requires that they can only put a medium density quad on one lot, and in order to get the 19 units, they have to divide it into five pieces. **Chair Medinger** says that is easier than getting a Comprehensive Plan change.

> **MOTION: Epstein moves that the Oregon State Housing Council approve a Predevelopment Loan in the amount not to exceed $350,000, at a current interest rate of 5.15% per annum for a maximum of two years to Columbia Cascade Housing Corporation to pay off a higher interest rate maturing loan for the development of affordable housing in Cascade Locks, Oregon, subject to Cascade Locks Planning Commission's approval to re-plat the property into five lots.**
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> **VOTE: In a roll call vote the motion passed. Members Present: John Epstein, Stuart Liebowitz, Francisco López, and Chair Medinger. Members Absent: Scott Cooper, Maggie LaMont, and Jeana Woolley.**

Epstein asks if HOPE is the organization out of Hood River and if they are merging with Columbia. **Mason** explains that they are in the process of transferring all of the assets from HOPE to Columbia Cascade Housing. It is not really a merger. The two boards have been working together for the past year and both are in agreement to make a more effective efficient organization. CCHC will be doubling their portfolio.

B. 2009 Qualified Allocation Plan (QAP) Changes. Karen Clearwater, Regional Advisor to the Department (former LIHTC Representative), and **Tonya Evans,** Lead Tax Credit Compliance Officer. **Clearwater** explains that the QAP is a document that is required by the IRS and federal statutes that tells the public how the department is going to allocate and monitor the Low Income Housing Tax Credit Program. Oregon modifies once every two years; some states put out new ones every year. She says that due to the federal tax stimulus bill that is expected to be approved by the Senate, there will be big changes to the program, so it may come back to Council as early as December for nearly a complete re-write. On the allocation side, beginning with this Fall's CFC application, the evaluation criteria has been changed.

Therefore the QAP needed to reflect the scoring and the categories being scored. She refers Council to page 32 of their Council packet and gives an overview of the proposed changes as they relate to the CFC.

Epstein asks that she clarify the change regarding the developer fee increase. **Clearwater** explains that last year the department had a couple of requests to increase the developer fee to pay an incentive fee to the contractor. Since the department is not a party to the contractor's contract, it turned the requests down, but they wanted to add that to the QAP. **Epstein** asks how material a threshold deduction is. **Clearwater** says that thresholds are site control, zoning letters, required architectural items (site plan, elevation, and typical unit configuration), and the signed environmental report. **Epstein** asks what kind of lead time was given. **Clearwater** states that the department conducted six trainings around the state before the application ever came out. **Vicki Massey** adds that there were six trainings, with the first one being the end of May, and the last one the middle of June, and held in five different locations in the state. The goal was to have the application be less difficult to complete, and be more transparent to the applicant so they had a better idea before they submitted their application what their chances were of being approved. They focused in on readiness to proceed. She says they were well received. The application is much more fill-in-the-blank rather than narrative. **Merced** explains that this was also part of the streamlining activities that the agency has undergone, and that this fits in very well with the department's goals. **Liebowitz** comments that it is not a criticism, merely an observation, that the lead time seems a little tight with such dramatic changes.

Evans gives an overview of the changes that apply to monitoring, as listed on page 32 of Council's packet. She explains that there were not a lot of changes made, and that most of the changes involved grammatical corrections or rewording of paragraphs to make them flow smoother. She says they did adopt a couple of guidelines that the IRS had put out last year with respect to monitoring. **Clearwater** explains that as part of the process the QAP is now out for a 30-day comment period. They will respond to the comments at the end of the 30-day period. The QAP will then come back to Council with a request that Council recommend that it be forwarded to the Governor for signature. A public hearing will be held on August 4, 2008.

VII. SPECIAL REPORTS:

A. ***Farmworker Housing.*** **Jaime Arredondo,** Communications Coordinator, Farmworker Housing Development Corporation (FHDC), introduces his guest, **Joanna Perez,** distributes the FHDC 2007 Annual Report, and gives an overview of FHDC's resident services model. He says it is not just about building affordable housing, but it is also about building communities, leadership, and dreams. FHDC has grown a lot in the past several years. Three and a half years ago they were only in Woodburn, serving 500 people. They are now in three cities, serving 1,000 people. To make the resident services model work there are two key components: The first is the space to meet; and the other component is the right personnel involved in serving the families. More than 80% of their staff either are former farmworkers or come from a farmworker family, so they understand the struggles. Most have also been raised in the communities they serve. **Lòpez** states that he thinks FHDC is a model that shows it takes more than just a roof to make housing affordable, and that is a message we need to take to the Legislature. **Merced** refers to a question Jaime raised about resident services and the continual need for new programs in order to get the funding. He says he just read that the Meyer Memorial Trust is putting out an RFP for resident services, and he believes that would be a great opportunity.

B. ***Money Follows the Person.*** **Julia Huddleston,** Project Director, On The Move In Oregon project, Department of Human Services. **Huddleston** distributes a copy of a PowerPoint presentation about the program, explaining that this project is the state's Money Follows the Person grant, and gives an overview of the program. The Money Follows the Person grants were authorized by the Federal Deficit Reduction Act of 2005, and are intended to provide support to states in moving long-term institutionalized groups of people back into their own homes and back into their communities. In Oregon they anticipate being able to move about a thousand people using grant funding. Their projected grant budget is about $80M of new federal money coming into the state between April 2008 and the end of the calendar year 2011. **Lòpez** asks what the average amount of money is that the state will spend on each individual, what percentage is General Fund dollars, and if they have to match that. **Huddleston** says she has budgeted an average in terms of an on-going service package of $4,500 a month. One time money is $25,000 per person, $80M is all new money, so their match would be about $25M. Nursing home caseload in Medicaid is a mandatory entitlement caseload, so the General Fund dollars already exist for the state to participate in Medicaid. She says there is a wonderful requirement in the federal law that says that any savings that accrue to the state as a result of this program, because nursing facility Medicaid rates increase geometrically every other year, has to go back to the state system of home and community based services for the elderly and disabled.

C. OHCS Budget and Legislative Priorities. Rick Crager, Deputy Director, distributes a PowerPoint presentation entitled *Leg Concepts and POPs,* along with the attached summaries of the 2008 Legislative Concepts and Policy Option Packages, and gives a brief overview of each. **Liebowitz** asks if there are more weatherization dollars needed and if that falls within the purview of the legislative packages. **Crager** says there has been a lot of discussion within the Energy Efficiency Workgroup and they are proposing that there will be a Legislative Concept introduced on the part of that particular group. One of those discussions is how to get more money for weatherization. The Energy Trust is part of that discussion in terms of dollars that come that way, and it will be more effective if it gets the support of the Governor's Office.

Crager explains that the process is that the agency request budget will be submitted to DAS on August 1; they will review it; we will then have conversations with the Governor's office and, hopefully, in October we will start to get an idea of what the Governor's Recommended Budget is going to be.

D. Disaster Relief Report. Bob Gillespie, Housing Division Administrator, introduces Mariana Negoita, the department's new LIHTC Representative, and gives an overview of the actions taken with regard to the winter storm of December 4, 2008. He says that Vernonia's clean-up and recovery will take at least two years. The FEMA maps that have been redrawn show that about one-third of the town is now in the flood plain. Houses either have to be raised or demolished. In some cases houses will need to be rebuilt. They have to consider where to locate schools, and the location of the school will dictate the center of the community. **Gillespie** says he thinks the department performed incredibly well. **Merced** states that Mr. Gillespie is absolutely right, and Council would have been proud of how quickly the department responded. He says we are not a mega-agency, but we were able to mobilize our limited resources to help a lot of people, and that we are still working on it. The department acted quickly, appropriately, and got the necessary resources into the community. Disaster relief is on-going, because now it is the fire season so the Governor has re-mobilized the recovery team and there are on-going discussions about what to do in case of another emergency, this time with the threat of fire.

VIII. <u>OLD BUSINESS:</u>

A. OHCS / OECDD Realignment Update. Sarah Miller, OECDD Agency Realignment Project Manager, distributes copies of the presentation that was presented to the OECD Commission last week in Roseburg at its bi-monthly meeting. She explains that the report characterizes what they have done to date in Phase 1 of the realignment project, and sets forth the approach for the Phase 2 work. Part of Phase 1 involved asking stakeholders to participate in a process where they answered the question "What do you need from OECDD to be successful doing community development and economic development work?" Workgroups were brought together, their recommendations were summarized, and then OECDD did a nine-city twelve-day tour of the state to host listening sessions. They talked about the need for a statewide plan for economic development and that the purpose of that plan had to be a multi-biennia effort. Their constituents talked a lot about when the legislature takes action, its takes six months to translate that action into changes to programs, and takes another six months to roll out those changes. What they recommended and what the commission has directed OECDD to do is to develop a multi-biennia plan for economic development that has key accountability stakes in the plan that will allow them to demonstrate measureable progress, and allows them the ability to talk about return on investment over a multi-biennia period for the community development programs. They also talked about the need for strong and clear economic development policy from two perspectives. She says the OECDD oversight commission has become very programmatic in its decision-making, and so much of the work that the commission does and the items that they hear are directly related to individual project awards, as compared to considering policy and strategic direction around economic development. The constituents said there needs to be a clear policy which would make it easy to tell OECDD's story legislatively. She continues with her overview briefing.

Under Phase 2, seven program area specific groups will be formed to create program improvement plans. The two that are of most interest to OHCS are around the OECDD infrastructures. The first group is a group convened to talk about the water, wastewater, and safe drinking water program; the second group will address specifically the Special Public Works Fund, Community Development Block Grant, and Main Street programs. One of the things the Governor's Executive Order called for was a statewide asset management plan for public works and infrastructure programs. There are seven simultaneous workgroups who will work over the next three weeks to produce the standard set of deliverables. The OECDD oversight commission has called for an interim executive session scheduled for August 21, which they intend to invite the State Housing Council to. That will be the department's staff's opportunity to brief the oversight commission with the initial recommendations for the program improvements and the organizational alignment. The information from that meeting will be input into the decision-making meeting scheduled for the afternoon of September 10. **Merced** states that it is important to point out that Housing staff will be participating in workgroups 1 and 2. **Miller** says yes; the same four in the senior management team will be participating in the Phase 2 process. Bob Gillespie and Marlys Laver will be in workgroup 1; Pegge McGuire and Betty Markey will be participating in workgroup 2.

B. Developer Fees. Bob Gillespie, Housing Division Administrator, explains that two meetings ago he spoke about developer fees and looked at the percentage that the consultant's take versus what the actual project sponsor's take. This is a follow-up to that discussion and the question that was raised about what is the actual policy. He distributes a hand-out, explaining that the information is out of the Consolidated Funding Cycle (CFC), and is the department's policy on developer fees that applies not only to the CFC, but the whole Finance Division. He says the policy has been around for about 10-12 years. The policy talks about a maximum of 15%, which was developed through the best practices resulting from a collaboration with the National Council of State Housing Agencies and the IRS, and has been adopted nationwide. The tables on the handout ask that the developer fee amount be based on certain categories, and it is up to the developer to demonstrate the reasonableness of the fee that is being taken. He clarifies that he is referring to the cash developer fee, and not anything to do with the deferred developer fee. Staff begins by looking at the risk of the project and the complexity of the project in relationship to what they should be earning. The things that are talked about within the department are the number of funding sources. They also tend to think that the larger the project, the lower the developer fee. The complexity of the site is another factor. The last thing considered is if it's a repetitive project plan -- if it is something they have built before, which lowers the risk. The other extreme would be a high developer fee that would come from a small project, a lot of funding sources, and more risk associated with it. The mid-range is just between the two for risk, complexity etc. The department asks that people look at the standards and complete the application and assess the reasonableness of what they are doing. They look at the reasonableness not the minimization of fees. The department wants to encourage people to take what is reasonable, and this is another level of contingency if the project does not work. Points are not given for those taking less. Other exceptions would have to do with how much cash the person has invested, and what is the cash flow of the project. The next sub-heading is the acquisition rehab projects. The applications for these would use the same reasonableness standards. Most of the work would be in acquisition, but they would take an 8% – 10% developer fee, so the department developed a subsequent policy that dealt with these types of projects. On acquisition rehabs the reasonableness will be divided into two parts: how much is being spent on acquisition, and how much is being done on rehabilitation? Up to 5% can be taken on the acquisition portion and then the other is determined from the rehabilitation portion. There can be exceptions to this; for example, if you are doing a preservation project you spend a lot of time and effort getting through the whole process. If you are deferring developer fees there needs to be an expectation that they get paid back within 15 years, otherwise, the IRS says that is not a deferred fee, but a permanent contribution. He says that overall he thinks the people are reasonable in what they take.

IX. REPORTS:

A. ***Report of the Chief Financial Officer.*** **Nancy Cain** reports that:

- The department's budget document will be delivered to DAS next Friday.
- The department's financial statement audit has begun by the Secretary of State Audit Division.
- The process of the next Single Family Bond Issue has begun, and is somewhat less this time at $93M.

B. ***Report of the Deputy Director.*** **Rick Crager** reports that:

- With regard to the preservation initiative, the department was awarded $1M during the special session to create a short-term pool that would be administered through NOAH. He is hopeful the pool will be created by the end of August and open for business. The timing is perfect because the $8M the department received for gap money is gone. This will be a very important tool going forward to try and save some projects.
- The Homeless Summit was successful, with approximately 140 people attending from across the state. Philip Mangano from the United States Interagency Council on Homelessness spoke, and he did a terrific job. They have received a lot of very positive feedback. There was a lot of interest shown from local communities in developing their own 10-year plans. The Governor's 10-Year Plan to End Homelessness, called *A Home for Hope,* was released at the summit. The Plan was developed by the Ending Homelessness Advisory Council, which Crager has chaired for the past few years. He says that Roberto Franco put in a lot of staff time and did a great job, as did Lisa Joyce and the Council.
- The OECDD highlights of workgroups 1 and 2 are the areas of real focus for the department. He encourages Council to participate in the meetings with the OECD Commission. **Merced** says he spoke with Sarah Miller about the importance of Housing Council officially weighing in on the recommendation of the Commission, and said they are talking about the Council drafting a resolution in support of the eventual transfer.
- **Crager** says he has been doing a lot of work in participating in industry dialogue meetings with the homebuilders, bankers, and realtors over the last six months, educating them on affordable housing. He hopes the end result will be that when the Document Recording Fee is presented to the legislature, they will offer their support.

C. ***Report of the Director.*** **Victor Merced** reports that:

- The NCSHA is drafting speaking points for executive directors of housing financing agencies on the Housing Stimulus Bill. When he receives those he will modify them to reflect Oregon's impact in terms of what it is getting. He will then share that with Council so they can be informed in case they get calls from the media. There is also a piece in the Bill that is allocating $4B across the entire country for cities and counties to purchase foreclosed properties. There is discussion about what agencies will receive those dollars and how they will be distributed. There is also an interpretation by the IRS around farmworker housing tax credits, that the tax credits have to be made available to the general public, as well as to farmworkers. The Bill says that you can designate an occupation preference for occupancy.

- The MacArthur Foundation site visit will be August 5 and 6. The department submitted an application for $5M to help put more dollars in the preservation pool. The department is one of the 20 finalists from around the country.
- He wrote a letter to Senators Wyden and Smith requesting an increase in the energy assistance program, as well as Congressman Wu, who he recently met with and mentioned he was interested in doing what he could.

Floyd Smith, Agency Affairs Director, gives an update and overview of the Housing Conference scheduled for October 6-8, 2008. **Gillespie** points out that the Governor's Task Force, Energy Efficiency Workgroup, which is focused solely on the Western Climate Initiative, will be a discussion about green building and how the funding works through the department. This will be an opportunity through that group to craft some legislation for the Governor's Office to help shape affordable housing around the Western Climate Initiative. He points out that the whole point of the disaster topic that is being added to the agenda is to share and learn from previous experiences of going through two disasters.

Chair Medinger adjourns the meeting at 12:30 p.m.

Aug. 22, 2008 8/22/08

Larry Medinger, Chair **DATE**
Oregon State Housing Council

Victor Merced, Director **DATE**
Oregon Housing & Community Services