

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.

August 22, 2008

MEMBERS PRESENT

Larry Medinger, Chair
Scott Cooper
John Epstein
Maggie LaMont
Stuart Liebowitz
Jeana Woolley

MEMBERS ABSENT

Francisco López

GUESTS

Cyndy Cook, Housing Works
Tom Cusack
Tim McCabe, Director, OECDD
Sarah Miller, Project Manager, OECDD
Bridget Kelleher, Intern, Governor's Office
Jean Hodges, Audit Division
Shaun Jillions, OAR

STAFF PRESENT

Victor Merced, Director
Rick Crager, Deputy Director
Nancy Cain, Chief Financial Officer
Bob Gillespie, Housing Division Administrator
Bill Carpenter, Information Services Division
Administrator
Pegge McGuire, Community Resources Division
Administrator
Debbie Price, Regional Advisor to the Department (via
phone)
Karen Clearwater, Regional Advisor to the Department
Bruce Buchanan, Regional Advisor to the Department
(via phone)
Jack Duncan, Regional Advisor to the Department
Liem Ngo, Computer Scientist
Dona Lanterman, Single Family Program Manager
Craig Tillotson, Residential Loan Specialist
Mariana Negoita, LIHTC Program Representative
Betty Markey, Housing Resources Manager
John Fletcher, Senior Policy Analyst
Margaret McDowell, Chief Audit Executive
Jo Rawlins, Recorder

I. CALL TO ORDER: Chair Larry Medinger calls the August 22, 2008 meeting to order at 9:00 a.m. and asks for roll call. Present: John Epstein, Maggie LaMont, Stuart Liebowitz, Jeana Woolley and Chair Larry Medinger. Scott Cooper arrives at 9:05 a.m. Absent: Francisco López.

II. PUBLIC COMMENT: Tom Cusack, former Oregon HUD Director, Chief Underwriter for single family, FHA, and multi-family lending in Oregon, hands out a report showing FHA refinancing activity in Oregon over the last twelve months, and presents public comment, stating that time is of the essence on subprime ARM loans in Oregon, pointing out that 45% will reset in the next

twelve months. He explains that one of the key components of the housing legislation and refunding refinancing provision is that subprime is defined specifically in the legislation as any ARM loan that was originated during calendar years 2002-2007. There is a significant amount of FHA refinancing occurring in Oregon, and he believes a significant share of that market could qualify for the Oregon Bond Program, if OHCS had a refinancing program. He encourages the department to look at this as an opportunity to make a difference for individual families and communities, as well as increasing the profile for OHCS in an area of the business that it has not been involved in. **Crager** asks if the loans have to be FHA insured. **Cusack** says they do not. **Epstein** states that if an interest rate could be maintained close to what they were paying before their ARM adjustment, they should be pretty good mortgages, and they could be serviced at the old rate, which would be pretty good debt- to-finance.

III. APPROVAL OF MINUTES: **Chair Medinger** asks if there are any corrections to the July 25, 2008 Minutes. There being no corrections, the Motion was read:

MOTION: Liebowitz moves that the Housing Council approve the minutes of the July 25, 2008 Council meeting.

VOTE: In a roll call vote the motion passed. Members Present: John Epstein, Maggie LaMont, Stuart Liebowitz and Chair Larry Medinger. Jeana Woolley abstained because she was not at the July 25 meeting. Absent: Francisco López.

IV. CONSENT CALENDAR: **Dona Lanterman**, Single Family Program Manager, points out that property number two includes an 888 square foot basement that is completely finished; property number five is a condo in Portland at \$567 per square foot, which is the highest one the department has had.

MOTION: Woolley moves that the Oregon State Housing Council approve the Consent Calendar.

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

V. SINGLE FAMILY REPORT: **Dona Lanterman**, Single Family Program Manager, points out: 1) July's report shows Grant County as vacant, but the department did recently purchase a loan in Grant County; 2) the average loan balance is lower; 3) the department processed 163 loans in July for \$27,802,000; 4) through July the department has processed 1,166 loans; 5) reservations seem to be steady; and 6) they are tracking foreclosures. **Chair Medinger** asks how the average compares with two years ago. **Lanterman** states that for the programs the department is up from two years ago. **LaMont** asks if the department anticipates seeing the average loan amounts or housing prices going down. **Lanterman** says there are areas of Oregon showing a slight decline, but so far it is not affecting the department's program. **Cooper** asks what the dynamic is in Wallowa County, as there is never any activity there. **LaMont** explains that she doesn't think anyone can afford a house in Wallowa County. Incomes are low and housing prices are very high.

VI. NEW BUSINESS: None

VII. SPECIAL REPORTS:

A. Housing Stimulus Bill Update. John Fletcher, Senior Policy Advisor, gives an overview of the Housing Stimulus Bill that was passed in July. Merced states that all the policy decisions that have to be made to receive this money will be made as quickly as possible once the department receives enough information. Woolley asks that Council be given an update at each meeting with regard to the items pending.

B. Ex-Offender Re-Entry Council Report. Pegge McGuire, Community Resources Division Administrator, explains that the Department of Corrections convened at the Governor's pleasure a Re-Entry Council, which Mr. Merced serves on; she participates on behalf of OHCS in the working groups; and she has convened the Housing Committee which is a subgroup of the working group. There are approximately 7,000 offenders who are being released from both community and statewide corrections every year. Oregon has a recidivism rate of approximately 33%, which is a huge drain on the budget for the Department of Corrections. Additionally, it is of concern because these are people who are failing in general because they lack community support systems. The Re-Entry Council has discussed all of the different types of community support systems that are lacking, the needs of the offenders who are re-entering the community, and a host of different issues. The Council decided to focus on several different areas and give DOC recommendations they would like to see more time spent on. Those areas would be: 1) a one-stop concept where individuals who are released from incarceration would have a real, or virtual one-stop location to go to receive a multitude of pieces of information about employment, parole and probation oversight, how to get their driver's license back, anything and everything that may impact them; 2) a continuity of care group focusing on mental health issues, and substance abuse issues. While incarcerated many receive medication for some of these issues, and are given a 30-day supply upon release, and many are not able to connect with private providers once they are released. They rapidly run out of medication and then begin to experience symptoms and dynamics of their disabilities that perhaps led them into criminal activity in the first place; 3) a housing workgroup to identify and analyze existing housing for ex-offenders and identify successful practices, barriers, and system improvements that could be achievable by January 2009. Of those existing housing practices that were identified, level one is "staffed and service enriched housing that is available for immediate occupancy." Level two is "unstaffed, transitional in nature, but probably for only a year or two."

Cooper asks if the workgroups have considered land use because neighborhood opposition in land use forums is common. McGuire says there was some discussion about that and some felt it was too big a problem, and some said there were boundary swaps that could be done and a number of other things that should be explored in the future. A county representative felt that counties should be able to add taxes to things like alcohol, gas, cigarettes, and the like to be able to obtain new sources of funding. The counties all receive community corrections money, to essentially use in a very flexible way. Some of the individuals wanted to restrict those work plans for the community corrections money and say that housing has to be more of an emphasis, or establish a process where it was encouraged that they identify quotas. Merced added that about a month ago the department was asked by representatives of the City of Salem why we had ranked ex-offender housing as a high priority for the city. They were furious. He said the idea of having the land piece involved in some

of the idea making is worthwhile. **McGuire** states that the whole issue of messaging goes beyond ex-offenders, it is a family issue.

Chair Medinger asks if anyone has done a cost benefit study on recidivism and what it costs the state versus the money it would take to get them prepared to enter the communities. **McGuire** says the cost is \$92,300 per inmate for an average custody of 39 months. She says it does make more sense to put money into these other areas to combat recidivism, and she believes that will be the premise that DOC will follow when it goes forward with any legislative recommendations that come from this group. **Woolley** asks if there has been any discussion that would provide incentives to employers who create workforce re-entry with ex-offenders. **McGuire** says yes, the employment workgroup has that as one of their recommendations.

C. Annual Performance Measures Report and Single Family Dashboard Report. **Bill Carpenter**, Information Services Division Administrator, and **Liem Ngo**, Computer Scientist, demonstrate the department's dashboard, which was developed in cooperation with the single family program, and created by Natasha Detweiler, the department's research analyst, and Liem Ngo. **Carpenter** explains that it is web-based, so it will be available within the department and to the public. It contains county data for the percentage of loans, dollar amounts of loans, and the number of loans for a specific time period. The next step will be to add the homeless programs, and eventually it will include all department programs and be available to the public. **Cooper** suggests that they include the source of the loans and who they are purchased from, and to group the counties by RAD region. **Carpenter** indicates that they will do that.

Carpenter distributes copies of the 2008 Annual Report, explaining that it is organized around the department's strategic plan. Because of questions received from the Housing Council emphasizing a more data driven approach, this is the most data rich annual report the department has ever done.

Carpenter also distributes copies of the final draft of the 2007-09 Key Performance Measures Report. He explains that the report will show the legislature the department's progress on its most important programs. The department had nine performance measures for the 07-09 Session, and the legislature asked the department, as part of its budget package, to create a performance measure on construction costs, which has been added, comparing actual costs to a target range. The target range is based on a national standard called RS Means. This is a proposed measure and the next legislative session will review this and decide whether or not to accept it.

D. OECD Update. **Tim McCabe**, Director, Oregon Economic Community Development Department (OECD), and **Sarah Miller**, Project Manager, OECD, give an update on the proposed restructuring of OECD and summarize the August 21 OECD Executive Session. **McCabe** states that the OECD commission will meet on September 10 for their final decision on what recommendations will be forwarded to the Governor. **Miller** explains that the idea of an infrastructure financing authority was introduced, which was not previously on the table, and that they will be looking at that model in more depth in preparing for the September 10 meeting. **McCabe** encourages the Council to attend the September 10 meeting at the Airport Sheraton in Portland. **Miller** says they have talked about engaging some of the housing stakeholder advocates as the recommendations are forwarded on to the Governor's Office. If the Governor accepts the recommendations and the decision is made to move some programs to OHCS, it would be nice to

have Council and the department's constituents speak to that decision. **McCabe** states that one of the recommendations is to move the CDBG program to OHCS, and that Senator Johnson has suggested that once the external stakeholders are aware of that, they will begin lobbying that this is not a good idea. What she encouraged Housing to do is to engage stakeholders to tell legislators that it is a good idea if the department believes it is.

Cooper commented that there is no one committee that has oversight over what Council does and asked if that was part of the discussion. **Miller** said no because that conversation would be premature if all of the community programs do not come to OHCS. The oversight connection would be relevant to those programs, if any, that come to OHCS. **Merced** added that the department asks its constituency on a regular basis how the department is performing and we hear regularly that we are performing pretty well. The idea of an oversight board was broached with the Governor when he first started with the department and the Governor is not interested in having that oversight board for housing. He feels there is more flexibility in how it is currently structured.

VIII. OLD BUSINESS:

A. Qualified Allocation Plan (QAP) Comments. **Karen Clearwater**, Regional Advisor to the Department, former LIHTC Program Representative, and **Mariana Negoita**, LIHTC Program Representative, state that they are requesting Housing Council to forward the QAP to the Governor for signature, and they give an overview of the changes to the QAP, which include changes in evaluation criteria that have been updated as to the market assessment, resident services and sponsor's capacity. **Woolley** asks what, in terms of the changes being made, are the most controversial. **Clearwater** says they received just one comment and that was mostly on the need. What the department did in its application is based on what the sponsors have asked for, which is a matrix that shows where housing was needed, where people are most rent burdened, and where special needs housing is developed, etc., and then they prioritized them. That information was published with the application and that has been the most controversial. She says they have the right to appeal their ranking. **Discussion** follows regarding rural communities and the survey process. **LaMont** says she does not have a problem with the allocation plan, but wants to make everyone aware that it really does cost more to provide the data and do the study, and she would like to see this extended to the smaller communities as well. **Carpenter** says that is certainly their intention as they get data for all of Oregon. **LaMont** says that next year she hopes to have more information beforehand.

Cooper states that he wants to table the motion for one month to give Council more opportunity to study the QAP, considering they just got it today. **Clearwater** explains that if this is tabled, then they cannot make the Fall allocations. They are awarding 2009 credits with this application round, and they cannot use the old system because of the way the projects are being scored. **Cooper** says he then recommends that Council recommend the QAP without the self-scoring mechanism included. **Woolley** asks if all the applications hadn't been scored that way. **Clearwater** says yes, and they have to publish to the public how they are scoring the application. **Woolley** recommends that Council get updates after this round on how this is working and that they have an opportunity to weigh in before it comes to Council for a decision so that they don't have this kind of conflict in the future. **Merced** states that they have been discussing this for the past six months and there have been briefings before Housing Council on more than one occasion, but that not all Council members were in attendance to receive the reports. He says they have vetted this scoring system not only with

the Council, but in the community, and that if Council wants to look at it one more time they can do that, but the process has been going on for half a year. **LaMont** says she is aware that Judge Cooper has each time expressed his concerns about the scorings so it is not a new concern. **Woolley** says she would like to review this after the fact to see how it has worked and where it can be fine tuned. **Crager** explains that if, after the review period, they find that something is not working, the process can be changed at any point. Mr. Merced has said clearly that if we find a problem with this, we can change the process. That does not require a QAP change. It can be done at any point. **Clearwater** says the QAP is very general and talks about scoring the need. How it is actually done is referred to through the CFC. **Discussion** follows regarding review of the process and scoring.

MOTION: LaMont moves that the Housing Council forward the final 2009 Qualified Allocation Plan with the changes listed to the Governor for signature. **Caveat:** Woolley added that Housing Council be updated with the process and get the numbers on how many appeals were submitted and other information from this CFC round to determine how relevant the data is for the next CFC round.

VOTE: In a roll call vote the motion passed. Members present and voting in favor: John Epstein, Maggie LaMont, Jeana Woolley and Chair Larry Medinger. Opposed: Scott Cooper. Abstained: Stuart Liebowitz. Absent: Francisco López.

Carpenter says he will plan on bringing back to Council in the Fall a report on the first round of the CFC applications that looks at the rural/urban split by type of project, the ACS data, and the results of the appeal process. They will look at the priority of the applications and their relation as to whether they are successful or unsuccessful, and they will work with the RADs to see what anecdotes they can find out about how it affected the application. **Chair Medinger** points out that the last item is the most important and is what Judge Cooper is most concerned about.

IX. REPORTS:

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

- The Single Family Mortgage Revenue Bond issue is scheduled to close on Tuesday for just under \$93M.
- The department's audit is underway and is going well.
- The budget was presented to DAS in early August. She clarifies that under the new legislation for the new refinance options it is not required that those be insured by FHA. What bond counsel has specifically said is these bonds would most likely be insured by FHA. She says that private mortgage insurance companies are under a great deal of financial stress now. **Discussion** follows regarding the \$1.8M of capital infusion from the General Fund the department is asking for to be able to allow it to process more loans. **Epstein** says that the department needs to go to the state legislature and ask for more money to raise its capital position to keep its bond rating so it can float more bonds to assist people. **Cain** agrees and says they want to be able to do what the market will bear. **Epstein** points out that one of the main revenue streams for this agency is the bonds, and that floating more bonds gives the department more revenue to do other work. **Chair Medinger** asks what the multiplier is on that. **Cain** says the department's profit is 25 to 30 basis points on its mortgage loan balances, and that she will report back to Council at the next meeting.

B. Report of the Deputy Director.

- **Rick Crager** distributes a summary of the proforma that will be provided in the CFC going forward, and explains that Council will be seeing this type of format in future projects beginning in November.

- With regard to the Housing Stimulus Bill, he says there are a lot of things that will need to be implemented, with tax credits being the most immediate. The department will be working to ensure that the immediate benefits can be implemented for the people that need it. The department is waiting on rules and regulations in terms of implementation around the \$3.92B in CDBG type money that will be coming to the state. **Merced** adds that ex-offenders is one of the ideas the department is going to look at to see if there is an opportunity to provide transitional housing through the purchase of foreclosed properties. **Crager** says perhaps the most relevant piece is with the increase in tax exempt authority and being able to use that for refi's. There are still many questions to answer and updates will be provided to Council as things move forward.

- On the preservation front, the Housing Acquisition Fund is continuing to move forward and he is working on implementing and getting money out to them to start to do some of the ten projects that are on the waiting list. He says this will help build a case for the department to get more gap financing in the next budget cycle to preserve projects on the long term. The department hopes to close the first project around September.

- The budget document went through and the document recording fee is an element within that budget. The department is still having conversations with the Governor's office, which continues to be supportive; however, there is also the discussion about counties also looking at a document recording fee, as well as a real estate transfer tax. There will be further discussions at a meeting scheduled for next week with the Governor's office and some county staff. **Cooper** states that at his last AOC board meeting, it was reported that the Realtors Association agreed with the Affordable Housing Alliance to support the recording fee in exchange for not supporting the real estate transfer tax option. **Crager** says there have been industry dialogue sessions since last October in an effort to try to build the bridge and work more closely together going into the legislative session. The realtors oppose the real estate transfer fee, as well as the bankers and homebuilders, so there has been that discussion. **Merced** adds that there does not seem to be a lot of energy among the real estate industry and the advocates about pursuing a real estate transfer tax. So the question now is around the document recording fee. He says that when he met with the Governor there was a question over the \$15 increase and that anything beyond that is about as much as they could tolerate. **Crager** states that the current projection on the document recording fee is \$19.6M, which is not a lot of money when you talk about the bigger problems that the counties are facing. **Merced** says the argument that we are making is \$19.6M can be leveraged with our resources, as well as other local funding. **Crager** explains that the other component of the budget is the restoration of the staffing positions. The forecast shows a \$4.2M hole for the next biennium, and a large portion of that is the capital money needed for continuing the single family bond program at the same levels. We are not hearing great news in terms of the revenue forecast.

- He reported at the last meeting about the Homeless Summit being successful and progress being seen, in terms of county interest in the 10-Year Plans to End Homelessness. Mr. Merced and the Governor co-wrote an article in the *Statesman Journal* last Wednesday, and they are continuing to make strides in that area.

C. Report of the Director, Victor Merced.

- With regard to the Housing Stimulus Bill, the department will be posting on its website an FAQ on the bill and some fact sheets on how it affects tax credits, bonding issuance, etc. It will be written in plain English, because it is hard to digest if you are not in the industry.

- The MacArthur site visit occurred earlier this month, and OHCS is one of 20 finalists. It looks very promising and he has heard that we were one of the top candidates. The top third selected will come from groups that are further ahead, like us, in preservation efforts. The second group will be those that need additional resources to get their preservation efforts to the next level. The third group will be those that need technical assistance or a smaller investment in the preservation front to kick it off. We could all say confidently that we did an excellent job in terms of presenting our case. The decision will be made in November or December, and we should know before the end of the year.

- He was at the Oregon Mayor's Association meeting a few weeks ago in Pendleton to talk about the department and where it is heading. Several communities were interested in developing more workforce housing.

- The Urban League is putting together a book on the state of blacks in Oregon, and they have asked him to write an essay on housing issues for African Americans. A first draft was submitted about a week ago and one of the interesting things that he has learned is that African Americans, from any income group, are more than 2 to 3 times more likely to have acquired a subprime loan versus the white population that is low income. The publication date for the book is sometime in the Fall. **Woolley** asks that that he send her a draft copy when it is available.

- He points out that the Housing Conference will be in October, and that Senator Margaret Carter will be the opening speaker, and former Governor Barbara Roberts will be the keynote opening lunch speaker. Chair Medinger will be introducing Governor Roberts.

D. Report of the Chair. Chair **Larry Medinger** reports that he, along with John Fletcher and Bob Gillespie, attended another meeting of the Affordable Housing Workgroup, which is moving forward, and there are two more meetings, with the last one being in October. After that there will a recommendation formulated to the DLCD board and then on to the legislature. One of the big issues that remains is what can be done in rule writing where there is no supportive legislation, but can be done by writing new rules.

E. Future Agenda Items:

- Chair **Medinger** suggested having Tom Potiowsky, State Economist, come back with an update after the September forecast. **Crager** pointed out that Mr. Potiowsky will be speaking at the Housing Conference as well.

- **Merced** said that next month Bill Carpenter will return on some of the questions that were asked earlier by Council. There will be another update on the OECD merger; an update on the Housing Stimulus Bill of the issues that have been identified in terms of policy considerations; Councilor Robert Liberty from METRO will address the Council on the METRO housing model and will be asking for Council's feedback.

Chair Medinger adjourns the meeting at 12:50 p.m.

Maggie LaMont 9/26/08
~~Larry Medinger, Chair~~ DATE
Oregon State Housing Council
Maggie LaMont, Co-Chair

Victor Merced 9/29/08
Victor Merced, Director DATE
Oregon Housing & Community Services