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.

September 26, 2008

MEMBERS PRESENT
Larry Medinger, Chair (Via Phone)
Scott Cooper
Maggie LaMont, Co-Chair
Stuart Liebowitz
Francisco López
Jeana Woolley

MEMBERS ABSENT
John Epstein

GUESTS
Robert Liberty, METRO
Dennis Yee, METRO
Cyndy Cook, Executive Director, Housing Works
Sarah Miller, OECDD
Lynn Schoessler, OECDD
Anna Geller, Geller Silvis & Associates
Aubré Dickson, Homestead Capital

STAFF PRESENT
Victor Merced, Director
Rick Crager, Deputy Director
Nancy Cain, Chief Financial Officer
Bob Gillespie, Housing Division Administrator
Marlys Laver, Asset and Property Management Division Administrator
Bill Carpenter, Information Services Division Administrator
Floyd Smith, Agency Affairs Director
Margaret McDowell, Chief Audit Executive
Karen Clearwater, Regional Advisor to the Department
Vince Chiotti, Regional Advisor to the Department
Jack Duncan, Regional Advisor to the Department
Bruce Buchanan, Regional Advisor to the Department (via phone)
Deb Price, Regional Advisor to the Department (via phone)
Dona Lanterman, Single Family Program Manager
Craig Tillotson, Single Family Loan Specialist
Betty Markey, Housing Resources Manager
Shelly Cullin, Loan Officer
Roberto Franco, Director's Office Liaison
Mariana Negoita, LIHTC Program Representative
John Fletcher, Senior Policy Analyst
Roz Barnes, Housing Program Rep.
Vicki Massey, CFC Application Process Manager
Lisa Joyce, Research Analysis Manager
Jo Rawlins, Recorder

I. **CALL TO ORDER**: **Co-Chair Maggie LaMont** calls the September 26, 2008 meeting to order at 9:01 a.m. and asks for roll call. **Present: Scott Cooper, Maggie LaMont, Stuart Liebowitz, Francisco López, Jeana Woolley and Chair Larry Medinger** (via phone). **Absent: John Epstein.**

II. <u>PUBLIC COMMENT</u>: Anna Geller of Geller, Silvis & Associates reads prepared written testimony to point out challenges she believes OHCS may face in complying with Executive Order 08-16, *Promoting Diversity and Equal Opportunity for Minority and Women Owned Businesses,* and ways in which she believes OHCS may innovate to demonstrate a vigorous compliance with the intent and goals of the Executive Order. Discussion follows.

Merced states that he understands that the department needs to be more sensitive with its language. He says he thinks they are also talking about an issue much deeper than what is being presented. There is a movement in the nonprofit industry that the department should move in a direction that gives preferences to nonprofits (Washington State and other states do that). He says he does not think that is the right direction. Some of the private developers are some of the department's best partners. He says he prefers that the department remain even handed in terms of how it deals with those two entities. He has asked the department's internal auditor to look at the affirmative action and diversity goals in all department business practices. Her report is due in December and he would like to bring that back to Housing Council. The report will also allow the department to take credit for some of the good things that it does, such as speaking to minority groups on a regular basis; and funding minority fairs, such as the African American Housing Alliance, the Hacienda CDC, and the Native American Youth Association. The department has a broad reach into these communities in letting them know that we are accepting of the work that they do for the department, and the department does not get credit for that. He says he has spoken with the Governor and he would like the department to get broad credit for the kinds of work that it does.

III. <u>APPROVAL OF MINUTES</u>: Co-Chair LaMont asks if there are any corrections to the August 22, 2008 Minutes. There being no corrections, the Motion was read:

> **MOTION: Cooper moves that the Housing Council approve the minutes of the August 22, 2008 Council meeting.**
>
> **VOTE: In a roll call vote the motion passed. Members Present: Scott Cooper, Maggie LaMont, Stuart Liebowitz, Jeana Woolley and Chair Larry Medinger** (via phone). **Francisco López abstained as he did not attend the August 22, 2008 meeting. Absent: John Epstein.**

IV. <u>CONSENT CALENDAR</u>: Dona Lanterman, Single Family Program Manager, gives a brief overview of the consent calendar.

> **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, Maggie LaMont, Stuart Liebowitz, Francisco López, Jeana Woolley and Chair Larry Medinger** (via phone). **Absent: John Epstein.**

V. <u>SINGLE FAMILY REPORT</u>: Dona Lanterman, Single Family Program Manager, gives a brief overview of the single family report for August, pointing out that last year the department did 1,381 loans, and as of September 26, it has closed 1,389 loans, which will be reflected in next month's report. There has been an increase in the FHA market, with 50% of the loans reserved last week being FHA. There are currently 8,755 loans in the department's portfolio. To date there have been 23 foreclosed loans, which is considered a small amount. Of those, there are more FHA than any other foreclosures. **Cooper** states that in looking at the accounting data, the department is doing extremely well, and he thanks her for their efforts in getting coverage around the state. He points out that in most counties the department is on track to do as well or better than last year, with the exception of Multnomah and Marion and asks why that is. **Merced** states that those are three high rental markets, and asks if that would be a factor for people staying put and not buying. **Lanterman** says yes.

VI. SPECIAL REPORTS:

A. Housing Needs Study for Portland/Metropolitan Area. Robert Liberty, Metro Councilor, introduces **Dennis Yee,** Chief Economist with Metro, and presents a PowerPoint report on housing needs that was a project developed from Portland State University and Metro. He explains that they chose at the beginning to use for this analysis the Metro scope model, which was developed for land use and transportation planning and adapt it for housing analysis. **Yee** emphasizes that the value of the model is looking at the dynamic nature of the economy. Previous models are very static. This model takes into account how housing production occurs in the real market place. They tried to build this model to recognize market forces and then look at what the underlying affordable housing issues are in that light. Secondly, the integration of housing costs with transportation costs is probably the most interesting fact that they can map readily. If they can combine those two into a relevant policy discussion, greater progress can be made.

Lopez asks in their study what percentage of people are leaving the metro area to work. **Yee** states that their model does consider that, and they also looked at households that have to commute from outside the metro area into the Portland job market, as well as households that commute out of the area. The further people outside the metro core area have to commute, the higher their transportation costs. The geographic center of the model includes north Clark County, west to Columbia County, and southwest into Yamhill County, as far south as just below Woodburn and east of Estacada.

Chair Medinger states that, in view of the Governor's recent proclamations about carbon footprints, one thing that would be interesting to add is how, given the transportation issues, this comes out with carbon footprints. **Liberty** says they have maps showing different futures and carbon emissions by area, so that can be integrated. **Yee** adds that they have made some inroads to estimating the carbon footprint as they stack up housing choices. Each of the choices yields a different kind of carbon footprint. Multifamily development tends to have a smaller footprint, if you have the same household configuration into another location in a more urban setting. Not all households are alike so they need to be very careful about generalizations. **Woolley** asks if the cost to develop housing to meet the need is accounted for in the model. **Yee** says yes, and that is one of the strengths of this model. The cost of housing production is carefully calibrated within the model. Their model takes into account the cost of construction, land costs, and system development charges. If there are urban subsidies or reinvestment options, that is also part of the model. **Yee** states that the biggest carbon footprint is actually the travel, not the housing, and the biggest savings is reducing travel distances.

Merced adds that the fact that by 2035 they show a 63% increase in the population; they have 50% of cost-burdened households; the issue of the urban growth boundary will not be resolved any time soon; he sees there is a policy direction that they are heading towards, and asks if it is too early to draw a conclusion that way. **Liberty** says no, and explains that there are different ways of approaching the issue of housing and how to address it. One is increasing supply, but not necessarily land supply. **Woolley** says that by Council educating itself on the results of the model and what affect the model says the housing need is going to play in different communities, they could advocate for local policies that they think are appropriate to assist people in need and that the department is trying to serve. **Liberty** says yes. It makes the State Housing Council a bigger player in talking about the whole plan for the development of communities. There are other things that can be done in helping to shape how communities grow, such as lower cost-market-provided housing that faces steep regulatory barriers. **Liebowitz** states that he finds this very interesting, in that there is a framework that Council can use instead of always look at housing, so when they evaluate housing applications they look at attending social services. Council recognizes that we are not just about housing, and that in order to stabilize a person's situation they have to have a whole variety of services.

VII. <u>NEW BUSINESS:</u> None

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

IX. <u>REPORTS:</u>

A. ***OECDD Update.*** **Sarah Miller**, OECDD Program Manager, gives Council an update on the OECDD Realignment and thanks Jeana Woolley, Scott Cooper, Mike Anderson, Janet Byrd and Jim Tierney for providing comment during the September 10th OECD Commission meeting with regard to the recommendation in support of moving the Community Development Block Grant Program (CDBG) to this agency. She distributes copies of the formal report that the OECD Commission submitted to the Governor's office, which summarizes the recommendations they have made in all program areas. Mr. Merced shared concerns on behalf of OHCS and Council about the appropriateness of a third party commission having oversight of a program that is administered by another agency. His concerns were well represented at the meeting and she believes will be entertained by the Governor. They expect an answer back from the Governor the first week of October. **Woolley** asks about what happened on the issue of setting up a separate fund. **Miller** explains that the commission made a recommendation that the water-based programs be transitioned to an infrastructure finance authority, and the commission chose not to make recommendation about which specific ways it would be modeled. One option was to create a semi-independent state agency; another option under consideration is to create a finance authority within a state agency. **Cooper** asks what she realistically thinks the chances are that the legislature will address this set of recommendations. **Miller** says that, based on the conversation they had with the Governor, he very much intends to make it a part of his case for the need for focused economic development work to get funds so the 11-13 biennia does not look like the 09-11 biennia. At some level it depends on whether members of the elected body believe his argument. We are getting indications that some of the recommendations will get traction. The finance authority might be used as an example of downsizing government and making government more responsive. Most of the organizational changes are revenue-neutral. She says the recapitalization requests have her cautiously optimistic, and they will need to engage in a pretty aggressive implementation plan to transition in some of those changes before the session happens, so they can report results of that to the legislature. She says she will continue to keep Council informed, and she will come back to Council with a report on the direction they have received from the Governor, and with specific requests to Council to stand in support of some of those recommendations.

B. ***Metro/Northwest Region RAD Report.*** **Vince Chiotti,** Regional Advisor to the Department for the Metro/Northwest Region, reports on his areas of the state, which are the metro area of Multnomah and Washington Counties, which makes up 42% of the state's population, and Columbia, Clatsop and Tillamook Counties, which makes up 2.8% of the state's population. He says the metro area is continuing to expand its population, while the north coast counties are stagnant. The coast, besides not expanding greatly in population, is also not expanding in jobs, which makes the need for workforce housing greater, but it makes it more difficult because it is hard to get financing. There were six tax credit applications in the last CFC, but Tillamook and Columbia Counties did not have participants. Half of the applicants were for profit, the other half were nonprofit, which is not always the case. All six are worthy projects, but unfortunately they will not all be funded. Preservation is a number one need for the department. Within the next two years he anticipates seven projects that will compete for 9% tax credits. Five of those are in Multnomah County, one in Clackamas County, and one in Clatsop County. He is working on five other deals that will pencil as bond 4% projects. Of the 12 preservation projects, about half will be able to do bond and 4%'s and the other half will be 9%'s. He has spent a lot of time talking to developers in Washington County because they cannot develop because land is too expensive. He is working on four deals in Portland where land is between $5M and $7M an acre. He says the taxpayer may actually be served better by building on land that is $5M an acre, opposed to $500,000 an acre, because the infrastructure is in place. He says the department's new office in Portland is in the Sitka Building, which has 214 units and 100 parking spaces, 30 of which are leased to those that do not live in the building. Only 60 tenants have cars. He points out that when people don't have transportation costs they can spend a lot more on their rent or mortgage. He says that when looking at the area median income as a factor, one should also be looking at the entire living package, not just housing costs. He says he has been approached a few times by developers to talk about the department's cap in tax credits, which is currently 10% of the annual allocation.

Cooper asks how long the cap on tax rates has been in place and where it came from. **Chiotti** explains that there has been a cap on the 9% tax credits since the beginning of the program. There used to be a set number and it was changed in the last QAP to 10% of the annual allocation. He says this is very consistent with a lot of other states, and explains that if the cap were increased for a project the department may be able to build a better project, but it would receive complaints that by increasing the cap for one project, there was not enough to fund a project elsewhere. **Gillespie** adds that the department changed the cap to $700,000 about six years ago. Prior to that the cap was $500,000, and it has always been roughly about 10% of the department's annual allocation. The QAP now states that as the annual allocation goes up we will make the maximum amount of the award to be 10%.

C. ***Housing Stimulus Bill Status Report.*** **John Fletcher,** Senior Policy Adviser, gives an overview of the Housing Stimulus Bill. He says that at Mr. Merced's request, some good information has been placed on the department's website in order to try and keep the department's partners up-to-date on the different programs that come through the bill. The website will be updated as more decisions are made. The bill provides that Oregon's share of the housing tax credits will be an additional $750,000 for 2008, and another $750,000 for 2009. The bill specified that the 9% credits would receive full value. The IRS has asked for guidance from the Treasury whether that 9% full value is going to apply to already allocated projects. Some states have decided to apply it to their already allocated projects, others are waiting for the ruling. The 2008 credits can be used for gap financing of some of the department's 2008 projects. Depending on how much may be left, the department may be able to possibly fund projects on the waiting list if those projects do not require additional funding from other sources. The 2009 credits are going to be folded into the CFC cycle when those decisions are made. There is another aspect of the credits that includes a possible 30% basis boost that could be applied to projects, if those projects need the boost to be economically feasible. The department will need to make decisions on how to apply the basis boost to projects, and those decisions will be based on both the Treasury decision and dependently on the projects themselves and their financial need. He says the department plans to have discussions with its partners around the 30% basis boost, once it completes its analysis.

The bill also provided for $117.3M in new bond authority. The department may also get $19M, up to $40M, for acquiring and rehabilitating foreclosed properties and vacant land. HUD is going to be releasing their regulations on how all this will work in the next few days. Early reports say that the rules will not allow the funds to be used for preventing foreclosures, but only for acquiring and rehabilitating foreclosed properties, and for acquiring vacated property. **Crager** states that this money has been titled "CDBG-like" dollars, but it is not CDBG money. The CDBG coordinator has drafted a letter for the Governor's signature that dedicates OHCS as the recipient of these dollars, and HUD also agrees that this agency is the appropriate recipient for the money. Once we get the application material, we will have 45 days. Staff is being sent to training sessions in Washington DC to get the training so we can expedite this process.

F. ***Report of the Chief Financial Officer.*** **Nancy Cain,** Chief Financial Officer, reports on the current market conditions and the problems with the pass-through revenue bond program in not being able to sell bonds because of market conditions. She asks Shelly Cullen, Loan Officer, to talk about the four preservation projects that were originally scheduled to come before Council today, but were pulled. **Cullin** explains that the loans were pulled because US Bank notified her that they were not purchasing any more bonds due to the current market conditions. She explains that the department is proceeding with the final HUD approvals on those four projects, and the internal committee reviews and approvals have been completed. The last step was to come to Council for approval. Guardian will take the HUD approval and our approval up to this point to the sellers to hopefully keep them engaged and possibly extend their purchase and sale agreements to early next year. US Bank does anticipate and is hopeful that they will be back in the first quarter of 2009. They will take the fourth quarter of 2008 to realign and reassess. All of the department's conduits that US Bank has purchased this year and in the past are safe. They are all fixed interest rate direct placement bonds. She gives an overview of future projects that are in the pipeline.

Cain reports that as far as the single family loan program is concerned, the department had just sold bonds, so there are still funds available, which means we will not be suspending the single family loan program at this time. The department is still taking and receiving reservations for single-family loans. The big issue coming up is how the market reacts to what Congress is debating. Once the market has a chance to react, there is hope that the credit markets will reopen and investment banks will be back buying bonds. The interest rates in the last few weeks have not been favorable to the department. Another significant activity is that Merrill Lynch was purchased by Bank of America Securities. The actual effective date of the purchase will be in January, but at this point we do not know what that means for the department.

She explains that at the last Housing Council meeting she was asked to report back on what the economic multiplier was for $1 invested in housing, and what the return is to the local or state economy. While the information is specifically to housing construction and not to a single family purchase program, the multiplier plus the leverage for three projects that were reviewed in 2005 ranged from 9.7% to 14.9%. The source is the Housing as an Economic Stimulus report published by the department. **Crager** notes that the department is in the process of updating that information.

E. ***Report of the Deputy Director.*** **Rick Crager,** Deputy Director, updates Council on the department's efforts around homelessness, and asks Lisa Joyce to report on the Yamhill County 10-Year Plan kick-off she attended. **Lisa Joyce**, Research Analysis Manager, distributes a map that shows the number of homeless people identified in each county, and the rate per thousand population. The question they tried to answer was: Does the rural part of Oregon have more of a problem than the urban part of Oregon? The answer is yes. On average there is one more homeless person per thousand in rural Oregon than in urban Oregon. The total count includes total individuals receiving rent and mortgage assistance. They are working on backing those out of the count because they are not technically homeless. That will drop the statewide count overall by about 2,000. What she suspects will happen is that the situation in rural Oregon will look comparatively worse than it does on the graph. They have been encouraging counties to do street counts, but some counties do not do them at all. **Cooper** states that it looks like Sherman, Gilliam, Wheeler and Grant counties do not have shelters at all. **Joyce** explains that what they are seeing is the number of people counted, which is different than the number of people who are homeless. **LaMont** points out that those in rural communities are camping out; they are not in a shelter and they are more invisible. **Joyce** adds that the numbers reflect people receiving emergency assistance, and that hotel, motel, and campsite vouchers would be included. **Crager** states that Lisa and her staff have done a phenomenal job and have been helping a lot with the 10-Year Plan.

Crager continues with his report:

- Money the department received for preservation last biennium was used in conjunction with bonds and 4%s. Now the department is turning its attention to the Housing Acquisition Fund to create a short term pool of resources that could finance projects at risk of expiring.
- The Governor's office continues to support the department's restoration package and the idea of the document recording fee.
- He distributes a chart outlining the OHCS Legislative Concepts for the 2009 Legislative Session. Legislative concept 782, the prevailing wage placeholder, has been pulled. The hope was that it would clarify the Attorney General Opinion that has yet to be released. The department's stakeholders agreed that we can get this clarified as we move forward into the next session, if necessary.
- There is a lot of money coming through Neighborhood Works on prevention around foreclosures in the Housing Stimulus package.

F. ***Report of the Director.*** **Victor Merced**, Director, reports:

- The projected revenue deficit for 09-11 is up to $1B, which is 10% of the General Fund budget. There are going to be some drastic actions coming forward. Director salaries are frozen for the biennium. He suspects there will be salary freezes and hiring freezes as well, which do not make as much of an impact as agency cutbacks. He wants the department to look internally at what can be done to cut expenses before the Governor tells us what we have to cut.

- Bob Gillespie and Nancy Cain will be attending an investors conference in San Francisco next week, which is something the department has never done before. The hope is to be able to sell ourselves and our products.
- The department's annual conference is October 6 through 8. There are a good number of speakers and we have surpassed our registration goal and fundraising goal from last year.

G. Future Agenda Items:

- **Crager**: Strategy ideas that Mr. Liberty presented today and what Council can take on from an advocacy standpoint, including issues in terms of poverty
- **Merced**: For November's meeting a DLCD Chair Report by John Van Landingham.
- **Merced:** For the December meeting we will have the Affirmative Action Audit Report available and CRD Overview.

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

11/7/08
Larry Medinger, Chair **DATE**
Oregon State Housing Council

11/7/08
~~**Victor Merced, Director**~~ **DATE**
Oregon Housing & Community Services
Rick Crager, Deputy Director