

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.
April 2, 2010

MEMBERS PRESENT

Maggie LaMont, Chair
Scott Cooper, via phone
John Epstein
Stuart Liebowitz
Francisco López
Nancy McLaughlin
Jeana Woolley

MEMBERS ABSENT

GUESTS

Michelle Deister, Legislative Fiscal
Tom Cusack
Rita Grady, Polk CDC
Tamara Holden, Geller Silvas & Assoc.
Ryan Fisher, OHA/CAPO
Keith Wooden, Housing Works

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
Bill Carpenter, Chief Information Officer
Lisa Joyce, Policy & Communication Manager
Dave Summers, Multifamily Section Manager
Vince Chiotti, Regional Advisor to the Department
Karen Chase, Regional Advisor to the Department
Betty Markey, Housing Division Policy Advisor
Shelly Cullin, Senior Loan Officer
Roz Barnes, Loan Officer
Mariana Negoita, TCAP Program Manager
Tim Zimmer, Weatherization Program Manager
Rich Malloy, NSP & Policy Coordinator
Roberto Franco, Single Family Section Interim Manager
John Fletcher, Financial Management Division Policy
Advisor
Mary Carroll, Manager HPRP
Jo Rawlins, Recorder

I. CALL TO ORDER: Chair LaMont calls the April 2, 2010 meeting to order at 9:06 a.m.

II. ROLL CALL: Chair LaMont asks for roll call. **Present: Scott Cooper (via phone), **John Epstein, Stuart Liebowitz, Francisco López, Nancy McLaughlin, Jeana Woolley, and Chair LaMont.****

III. PUBLIC COMMENT: None

IV. APPROVAL OF MINUTES

A. Chair LaMont asks if there are any corrections to the February 26, 2010 Minutes. There being no corrections, the Motion was read:

MOTION: Epstein moves that the Housing Council approve the Minutes of the February 26, 2010 Council meeting.

VOTE: In a roll call vote the motion passes. Members Present: Scott Cooper, John Epstein, Stuart Liebowitz, Francisco López, Nancy McLaughlin and Chair LaMont. Abstained: Jeana Woolley.

V. RESIDENTIAL CONSENT CALENDAR: None.

VI. SPECIAL REPORTS:

A. *Primer on Plan to End Homelessness*, Roberto Franco, Single Family Section Interim Manager, and **Mary Carroll**, State Coordinator of Homeless Prevention and Rapid Re-housing Program. **Franco** distributes a copy of a PowerPoint presentation and explains that the Ending Homelessness Advisory Council's (EHAC) strategic plan includes finding opportunities for Council members to be part of the initiatives and be part of the efforts to end, prevent or stop homelessness in their communities and regions. **Carroll** explains that she is staffing EHAC now and that one of the goals is to help provide resources and assistance to local jurisdictions who either do not have their plan, or are in the process, or those that have completed one, but it is not being implemented. EHAC has a subcommittee to look at the status of the state and where there are plans and where they need to provide some assistance. The U.S. Interagency Council on Homelessness (USICH) is doing a survey now in all the counties, which will provide the latest up-to-date information. **Crager** adds that the issue of "ending" homelessness has always been something that people do not take seriously. Over the years homelessness was treated as a temporary situation, but people end up back on the streets if they are not provided with the necessary support services they need and not provided some form of permanent solution. Data has proven that if you get people into permanent housing and stabilize them using supportive services, they can be successful. In terms of 10-Year Plans, the plans across the states that have been successful have had political champions behind them.

Woolley asks if they have any data from the successful programs about people who do not have mental illness, families that are jobless, or runaways, how long it takes for people to begin to change their lives, and what a meaningful timeframe is to commit to. **Carroll** says it depends upon the demographic. There is a very good program that serves Washington, Multnomah, Clackamas and Clark Counties called Bridges to Housing. That program serves families who are homeless and have some kind of addiction or mental illness, and even child welfare services. The program was developed to give them permanent housing and then intensive support for two years in linking people with mainstream services. The goal was to house 300 families over ten years. They will meet the numerical goal. They have found that families need the services longer than two years. The families who did stay in the program did very well and stabilized. Their key was housing. **Woolley** asks if there is a minimum that we are asking them to build into the program based on what we know about what is working and what is not. **Franco** explains that the one funding initiative at OHCS is Housing PLUS, where there is both the funding for development and the funding for supportive services. The program is for four years with rental subsidies or supportive services. That was based on two factors: One was checking with what other organizations were doing and for how long. The second is the funding available and the number of units OHCS expected to produce. Developers were also asked to bring other supportive services to the table. Some have Section 8 vouchers, so they use the Housing PLUS dollars to pay for the supportive services, and some other groups are using other federal or state money that they have to supplement the \$6,500 and stretch it to ten years. The Housing PLUS units in the Portland Metro area have more resources, so they did not need or request the resources that we have. A lot of the Housing PLUS resources have been

allocated in the rural communities, and those communities offer the biggest challenge due to lack of employment and transportation. **Crager** states that one of the things the department was asked to do from the Housing PLUS initiative was to come back to the legislature and provide information. **López** asks if it is fair to say that Multnomah County has received a lot of resources because of political advocacy. He says the department needs to be able to show the results of a successful program and asks if there is data to back this model. **Carroll** says yes, and that she will send it to Council members. **Crager** states that there is also an EHAC task force specific to this issue of how we replicate the plans throughout the state.

Liebowitz comments that he would not be harsh with the public about their views on transitional housing. The department's policy for a long time was to promote transitional housing as a gateway to permanent housing. Now we are trying to un-persuade the public that it is a good idea to use the Housing First model. The most difficult aspect he has seen for a long time is funding for services that exist, whether dealing with homelessness or low-income, and that is the gaping hole. Housing PLUS is a great idea with great shortcomings. If you are really going to commit with permanent housing and social services, that commitment must have attached to it a service commitment. **López** says it is about the holistic approach to homelessness, not just a roof. Transitional housing is needed for certain populations and it is still valid. **Crager** adds that in no way did he mean to imply that transitional or emergency shelters are not needed. His point is that there has been a philosophy that if you do that type of housing, then everything is fine. **Merced** says that Stuart's point is well taken. At the national level, those with the loudest voices tend to be from the states that have real issues with urban homelessness. In many ways we are unique because we do have a large urban population that is homeless, but have an even larger population of rural homelessness. That case has not been effectively made at the national level. **Woolley** comments that the more information EHAC has about the faces of homelessness, the more effective the argument will be at the political level. It is not a one-size-fits-all solution. We need more and better data about what homelessness looks like. **Franco** says that as the Council moves forward with its strategic plan and initiative, they would be glad to provide any kind of information they may need. **LaMont** asks if there is a sample plan that can be made available to communities that have not started. She says that most of their commissioners associate homelessness with a homeless person sitting on the streets in Portland.

VII. NEW BUSINESS:

A. Jen's Place (Dallas, OR), HOME and Trust Fund Increase Request. **Roz Barnes**, Loan Officer, introduces **Rita Grady**, Polk CDC, **Tamara Holden**, Geller Silvas & Associates, and **Karen Chase**, Regional Advisor to the Department. **Barnes** states that this project is proposing to provide five units of supportive drug and alcohol free housing for single parents and their children, and that residing in a safe and stable home will enable residents to move toward self-sufficiency and pursue educational goals and employment opportunities. She gives an overview of the write-up contained in Council's packet. **Grady** says this is a very valuable beginning in Polk County to address the needs of single parents with children who have completed their treatment plan and are moving into recovery. There are a lot of services offered and they will work with them to improve their education, and they will work with the court system so they can reclaim their children. They will participate in outpatient drug and alcohol treatment to improve their employment opportunities. With Council's help they can start construction the first of May. **Liebowitz** says the question is not about whether it is a good project; the real question to be considered is whether our resources ought to be dedicated to this or wait for ADF to come up with the \$200,000. If they make an announcement in July, they could start construction knowing that at some point the funding would

be released. **Barnes** says yes, but they are putting out \$1M in ADF funds, which will be disbursed in \$200,000 increments, which will fund about five projects. If they use the \$200,000 for Jen's Place, which is already in the process, that will reduce one project that may become affordable housing. By waiting for that we would cut down the amount of affordable projects through ADF. **Holden** comments that right now construction costs are low. If they wait until Fall the prices and costs will go up and this is a good opportunity to take advantage of those lower costs. **Woolley** asks how long their construction contract is good for. **Grady** says it has not been signed yet. They started their bidding process and funding projections before they submitted to the CFC, and the contractor has pretty much held to that, but he cannot guarantee anything beyond May. If they wait until Fall they will have different numbers to work with. **Gillespie** adds that we need to consider the relationship of the department with DHS and the ADF funds. We have had this partnership for a good number of years. ADF funding never solely funds a project. When we get those resources to the department we then fund future projects out of it. It is a trade-off for present day projects versus future projects. **Liebowitz** comments that the original application assumed that it would be getting the \$200,000. In terms of construction costs rising, no one really knows, but it is hard to imagine in this current economy that we will see booming construction costs over the next three months. It comes down to whose pot gets dedicated. **Gillespie** says he sees it as a certainty that we have the funding in place, that we can get something going and get a project started. If we come up with the ADF funding later we will use it on another project. **Crager** states it is unfortunate that the ADF funds are not there and that we are in this position in terms of putting some other dollars forward. This is a project that is just waiting on this particular source. **LaMont** asks if the funds that are dedicated to this will come out of the CFC cycle, or if they are funds that are available. **Gillespie** explains that the department has a lot of funds that it works with and they anticipate future funding, so it will come out of resources that might be available for future CFCs. **Crager** adds that, in terms of the current CFC allocation that they are planning, allocating these funds will have no impact on the CFC for this year. **Merced** asks if they were to go ahead and put in an application to DHS for the funding, can they say with any specificity that there is no guarantee that this resource will be made available for this project. **Grady** says they would be competing with everyone else at this point. **Epstein** says he thinks Council needs to amend the motion to add that they must break ground by May 15, 2010.

MOTION: Woolley moves that the Housing Council approve an additional \$87,666 in HOME and an additional \$94,445 in Trust Fund to Polk CDC for the construction of Jen's Place, on the condition that they break ground by May 15, 2010.

VOTE: In a roll call vote the motion passes. Members Present: Scott Cooper, John Epstein, Stuart Liebowitz, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont.

VIII. OLD BUSINESS: None

IX. REPORTS:

A. *Neighborhood Stabilization Plan Update.* Rich Malloy, NSP Program Coordinator, distributes a Summary Report and gives an overview. He says the key points to keep in mind is that the funds are 33% obligated as to what we know. There is a small amount that the subrecipients have not submitted to the department. The way that some of the

subrecipients administer the program is that they held back funds that will go out in big chunks over the next three months. The department is on task to commit the entire \$19M by September 15. Oregon is behind compared to other states, but he is optimistic that things will move along considerably in the next 60 to 90 days. At the last Council meeting he talked about reallocating some funds, and he is working with grantees to find out from them if they can get this done. Regarding NSP II, they are waiting for the agreements to come back, so there is no real news on that. **Merced** asks where we are at in terms of obligations. **Malloy** states that by September 15 all of the money must be obligated. There are no benchmarks that HUD has given us compared to anyone else. Closer to 60% would be a much better place to be. The challenges have been on the financing mechanisms on the down payment assistance side. He says that HUD wants units tracked. **Woolley** asks if he thinks we are going to be able to get to the goal line. **Malloy** says the only way they will get there is when they make this reallocation and get it to those three or four subreceptians that have the capacity to get it done. **Woolley** asks if that is why they are making that consideration at this point. **Malloy** says that if it were left where it is now, we would not make the goal. **Merced** says it is a mid-course correction. **Malloy** states that they anticipated that when they did the action plan for the program. **Epstein** asks if the \$30,000 chunks are for existing homeowners. **Malloy** says it is for down payment assistance, and it is just an average number. They can buy the home and use some of the money for other rehab. **Woolley** asks if it could be anyone putting the housing back into the marketplace. **Malloy** says correct. In addition to that, with the nonprofits, if they buy a house for \$200,000 they will sell that house and get first mortgage proceeds of \$150,000 so they can buy another one. Over time, the nonprofit can initially do six units, but they could theoretically do 12, 15 or 18 over a period of time. The end of the grant period is 2013. **Epstein** asks if, for example, PDC is taking this money and enhancing their down payment assistance programs. **Malloy** says he is not sure. They could use that in the \$175,000 to \$250,000 range to close the affordability gap. **Epstein** asks about how the program is marketed. **Malloy** explains that the demand and the interest of the lenders is there, but what has been the challenge going back to the beginning of the program is using this type of subsidy and the regulations that come with it to work with first mortgage lending requirements and their ability to sell those loans on the secondary market. **Woolley** asks who is administering the program in Portland. **Malloy** says it is the Portland Housing Bureau and PDC. **Woolley** says perhaps we could find out how they are administering, or if they are working with certain banks. **Malloy** says they took a lot of loan applications and have a waiting list. **Merced** adds that they are working with a network of other nonprofit homeownership programs. **Epstein** asks where to direct calls about the program. **Malloy** says to direct them to him. **LaMont** asks if it is hard to get the money obligated in rural areas. **Malloy** says that in some parts of the state it has not been as much of a problem, as in other parts. If it needs to be redistributed they would look at where the capacity lies. He says it is more difficult in the suburbs. **Crager** comments that on NSP II, OHCS is taking the \$1,285,000 and leveraging that with a portion of the document recording fee, and DHS has preliminarily committed some resources to be able to drive that toward permanent supportive housing.

B. Federal Stimulus Plan Update. **John Fletcher**, Financial Management Division Policy Advisor, and **Tim Zimmer**, Weatherization Program Manager. **Fletcher** distributes copies of the OHCS ARRA Awards and Status and Cumulative Financial Status to Date. He says that in the next ten days they will be gathering information about outcomes and sending that information to the federal government. He expects the next monthly report to Council to focus more on outcomes. He says the department's ARRA programs are on track and on schedule. Even though there was some slow start up in weatherization in terms of time, they are now

working at a pretty good level. The timeline goals overall for the program are being met. **Woolley** asks if the targets and completions are units. **Zimmer** says yes, it would be a single dwelling. **Epstein** asks if this is for families up to 120% of median income. **Zimmer** says it is actually 200% of the federal poverty level, which is approximately 72% of state median income. **Epstein** asks if a nonprofit that owns housing that services people at that income level would be eligible. **Zimmer** says yes. **Woolley** asks if a private individual would be eligible and how it is being disbursed. **Zimmer** explains that it is being disbursed by the department contracting with about 20 different agencies across the state. Three are county organizations, three are tribes, and the rest are community action programs. If an individual is interested in weatherization they would directly contact the community action program. **Epstein** asks if this would be a chance for nonprofits to get their housing stock weatherized. **Zimmer** says yes. The program has more money now than ever before. **Epstein** says he just wants to make sure it is getting marketed. **Pegge McGuire**, Community Resources Administrator, says that the department is doing a lot of work with all the CAP agencies who are doing a lot of outreach. Everyone has their own plan about how they are going to do the work. They have submitted work plans to Tim. Some of those agencies prefer to work through their waiting lists first. Others take this as an opportunity to do some things they want to do in the community. We are doing some extra work on our end in talking with our partners. In Multnomah County it is the Office of Schools and Community Partners. **Crager** asks her to talk about the preservation piece. **McGuire** says that when they heard that this money was coming, one of the first things they did was to work with the CAP agencies and asked them to set aside some of the money and to encourage them to work in their communities on preservation properties. Most agreed to set aside 10% of their funds to specifically target preservation properties. They also work with the tribes. **Fletcher** adds that one other question Council had asked about was how long a typical weatherization job lasts. The answer is about two years until the funding runs out. There is more market consciousness about energy efficiency than their used to be; therefore, there are more opportunities. So some of the jobs may continue even if the funding runs out.

C. CFC / Needs Analysis. **Bill Carpenter**, Chief Information Officer, distributes a copy of the 2009 CFC Needs Analysis Assessment, explaining that for many years Bob Gillespie, Housing Division Administrator, has wanted to move the CFC away from funding the highest scoring applications and to find a way to encourage more applications for populations that had the largest unmet need for housing. With that goal in mind, in 2007 a Needs Analysis was devised that looked at special populations and workforce housing and tried to find a data based methodology for assigning priorities to those populations. That was rolled out for the first time in the Fall 2008 CFC. It worked pretty well, but there were some tweaks that were needed, and so some changes were made. There were two cycles, Spring and Fall, in 2009. The department received 55 applications, and got appeals from 12 projects that wanted to get different priorities than what we had. In the CFC cycle there is a 30% set aside for department priorities. The goal is 55% of the remaining awards for the projects in urban entitlement areas and 45% for projects in rural areas. In 2008, the department met the set aside, but the majority of that funding went to urban entitlement areas and we were low on the rural side. It is hard to hit the targets exactly when you have a relatively small number of projects. In 2009, the department exceeded its goal for the set asides. Most of the remaining funding went to rural areas last year. There were a number of conversations about using US Census data and American Community Survey data. The American Community Survey data is getting better and covering smaller jurisdictions. They were able to get updated 2007 and 2008 data for all of the counties except for the smaller ones, like Sherman and Grant. In 2011, they will be receiving yearly updates from

the American Community Survey data for all jurisdictions in the state. 9 of the 12 appeals were successful. The department did a survey of people who participated in the CFC cycle and asked them a number of questions about the cycle. The responses were generally positive; the appeals process was viewed as fair and reasonable. He said he received a letter from Stuart Liebowitz asking some questions about the appeals process and that initiated some discussions. As a result of those discussions it became quite clear that there were two kinds of appeals; some are data, and some are policy questions. He says they have separated those and in the 2010 cycle, appeals for the data come to him for a decision; appeals that are policy based go to the Housing Division Administrator. In looking at the 2009 process, the special needs analysis seems to be working to encourage housing to meet high priority populations in the areas they serve. With the current market conditions, it is unlikely that the market will be able to meet the highest priority needs in all of the counties. **McLaughlin** asks him to explain the charts that follow the graph in the handout. **Carpenter** says that if there is an elderly priority two in Baker, that means they were a priority two in 2008-09, and they will remain that for the current cycle. For each county there are charts that show the number of units of housing available by special population and the population number for that county of that special population. We then simply divide those and determine the percentage of housing that is available for that special population.

Woolley asks if the priorities get set relative to the needs within each county. **Carpenter** says yes. **Cooper** asks how they can do prioritization for counties that do not have data from the American Communities Survey. **Carpenter** says not very well. For a handful of the smallest counties, they are still having to rely on the 2000 Census data. **Gillespie** adds that they do not use the Census data on the special needs populations or on workforce housing. **Carpenter** says that on special needs they have more up-to-date data. **Cooper** says he thinks this is a premature and deficient system which penalizes the small rural counties and he has an issue with the way the department is doing this. **LaMont** says it will be so noted.

D. Housing Council Strategic Plan Updates. **Crager** distributes a draft copy of a brochure of the Council's strategic plan and asks for Council's comments within the next two weeks. **Epstein** reports that he and Nancy Cain were not able to connect this last month, so they will present their action plan on the Fiscal Forward Thinking goal next month. **LaMont** distributes a copy of ideas that came from her meeting with Victor on the goal to more effectively define the role of the State Housing Council and create a structure which best facilitates performing its role. She gives an overview of the meeting notes and asks for Council's input. **Woolley** asks for clarification of the goal. **Crager** says that when Council had the discussion in November it consisted of two parts. There was some discussion as it relates to more effectively organizing the meeting and how to structure the meeting. There is also a portion on what needs to be done from a statutory standpoint and defining the Council's role. There was also a discussion with Dee Carlson from the AG's office about how there was some confusion within the statutes and how to more effectively define the role of the Council. He says that what Chair LaMont has presented are some general ideas. At the last meeting, on the other five initiatives, there were actions plans that showed the steps and the timeframes. He suggests that it might be good to put this into the same type of action plan. He says a legislative concept placeholder has been submitted as it relates to potentially revising some of the statutes. **LaMont** says she may not have expressed it well, and that the whole idea in doing this is to open up time for the Council to have those discussions. **Merced** says that is correct, and that at the retreat one of the barriers that was identified was the way Council was set up and he has always found that the times spent after most of the agenda items are covered are the more in-depth conversations. **Woolley** says she is fine with that and would appreciate receiving a copy of all the action plans.

Woolley says there are a couple of suggestions she doesn't know that she would agree with. When projects come back to Council for additional money, there tends to be an in-depth discussion about those because Council wants to have a better understanding. It seems there are more issues around those and they shouldn't be placed on a consent agenda. Things that could go on the consent agenda would be minutes, the single family housing report, and other routine items. **LaMont** says that is what they discussed. Anything they thought was controversial would not go on the consent calendar. She was thinking about the projects asking for TCAP money. Council knew those projects were coming back because there was a gap. She was trying to get away from having the same presentation four times for the same project. **Woolley** says she agrees and thinks they can have short presentations on the items they have materials for, and that it would be helpful to Council to have the write-ups presented in a similar format. **Merced** points out that it is a twofold advantage for the Council. It enables staff to think more strategically about their presentations to the Council so they can focus on the key points; and he reemphasizes that the open forum idea is for Council to present issues they feel ought to be addressed. **LaMont** says she would like to set time on the agenda for suggested forum topics for the next's month's meeting, and suggests the first topic be to define the role of the State Housing Council. **Crager** proposes having a portion of the agenda for policy reports. **Woolley** says that at the retreat Council members signed up for committees; the detail work would go on in the committees, and recommendations would be brought back to the Council. **McLaughlin** states that is what the partner input group is working on. They are creating two distinct committees to provide advice and counsel to Housing Council and there will be Council members on those committees.

Woolley asks who the intended audience is for the brochure. **Crager** says it is intended to be informational to the general public and is an attempt to try to define some of the key policy work that Council will be taking on in this biennium, so as time goes along and the strategic initiative changes, Council will be able to provide information to the general public on what the Council is working on. **Woolley** says that if it is to be used for the public, it would be good to include the names of the Council members for each initiative so they know who they should talk to. It would also be good to have the more specific priorities per biennium under each of the areas. **Crager** says a final draft will be presented at the May meeting for Council's review and approval.

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

- Lately she has been working on the budget, Legislative Concepts that are due April 9, and trying to get the single family program started. Monday morning an e-mail was received from the US Treasury saying they would like to give the department \$88M, which has reset department priorities. She has asked the department's mortgage servicer to research what will be necessary for the department to prevent the borrowers, especially in the Bend area, from going into foreclosure. **LaMont** asks if, with the NSP money, those loans would be eligible to be resold. **Cain** says that in certain areas, yes. **Merced** comments that he heard there were two positive reports on foreclosures. One is that CFED issued a report that those who had gone through the Individual Development Account program are less likely to be delinquent. Secondly, those who have gone through homebuyer education training prior to being a first time homebuyer were more likely to be in a stable housing situation now. **Cain** says that a few months ago she saw a report about an analysis that was done that showed it was three times the default rate if a borrower was able to get into a home with no equity.

- Her division has been working on what the revenue gap could be between funding operations and expenditures and she thinks they have that gap covered this biennium.
- ARRA reporting is coming up. It is the third report and the third way of doing it, but there is a new system that hopefully will work well.
- Regarding the new issuance bond program that was discussed at the last Council meeting – she is hopeful the market conditions will be such that the department can start looking at whether spring is the right time to get back into the market. As of March 31, Treasury has stopped buying mortgage-backed securities, and they have been phasing out their program where they buy mortgage-backed securities. Supposedly, March 31 ended that arrangement. There are differing views now on whether or not that is going to significantly impact mortgage rates. As a lending organization, we need those rates to go up to be competitive.
- As of March 31, the department’s delinquencies are down from 6.16% to 5.79%; foreclosures have gone up with 52 properties currently in foreclosure. **Merced** asks how big the single family portfolio is. **Cain** says it is somewhere around 8,000 loans, and although 52 is a lot, it is not out of 8,000 loans. **Crager** adds that the department has a very strong portfolio and he is proud of the fact that the department has operated a program that has been conservative and the performance shows that. **LaMont** asks what the process is for the department disposing of those properties. **Cain** explains that they have realtors remarket them. Most of the properties have some sort of mortgage insurance. The only way that they are not insured is if they had a loan-to-value of less than 80% at the time of purchase.

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

- He says the big question is what are we going to do with the \$88M? -- and distributes a draft copy of Hardest Hit Fund Project Management Overview. This is not money that was applied for, and is part of the Troubled Asset Relief Program (TARP). TARP funds are being allocated by the US Treasury to states that are hardest hit by unemployment, foreclosures, and housing values that have gone under. There were five states that were allocated this money back in February, and is part of the Obama Administration’s response to the housing crisis. On Monday it was announced that five more states were going to be allocated funds and Oregon was one of those. There were 14 counties in the state of Oregon that were identified with excessive unemployment. The reason Oregon was included is because of unemployment in those 14 counties; not necessarily statewide unemployment. The other piece that was important to the US Treasury was that state housing finance agencies be involved in the administration of these funds because they have a record for working with these types of programs. Not all HFAs are the same across the nation. Some are privatized, have hefty balance sheets, and some do more than what we do. We were recognized nationally as a good organization that could administer an innovative program that would respond to the issue. The timeframe that we have at this point is that the department will get final rules and regulations within the next two weeks. Once the rules come out we will have six weeks to provide a proposal to the US Treasury on how this \$88M would be used and where it would be used. They have told us that the money will be available to the state; however, there needs to be an emphasis on those 14 counties that have high unemployment. Part of the rules around this is that this \$88M cannot be directly given to state government. Many HFAs that are not privatized, have situations similar to OHCS, and there will have to be another type of entity that receives the funds that meets the definition. Once that is established, it has to be regulated and fully controlled by the HFA. The solution is that most HFAs are creating their own nonprofit, LLC, or corporation, and providing the administrative oversight to that entity. According to the US Treasury they are willing to look at any type of proposal that we put forth. Whether OHCS has the authority to do that is something that is being

examined. There will need to be a contract in place between the US Treasury and the newly formed entity by October of 2010. The money would then flow to that entity. Then there would be an agreement in place between that entity and OHCS to provide the administrative oversight. In terms of a target population, we need to focus on the high unemployment areas, targeting low- and moderately-low income individuals that are currently unemployed, or have been or are delinquent in their current mortgage. The department will be working with DCBS in putting a comprehensive project management team in place. There are three tracks to this; 1) administrative; 2) project design and communication; and 3) data. All this work needs to be done in the next eight weeks and there needs to be a point person who can work on this full time. He is assuming the temporary project manager role. The \$88M does include some administration.

Woolley: I am trying to understand what the opportunities are. It seems like one of the problems with most of the TARP programs directed at homeowners is that you have to be drowning or nearly drowned before anyone pulls you out of the water. With the way these programs work they are being funneled through the banks, and the banks are not willing to close the gap and take the hit on the books. They are not really working these programs. Most of the people who are drowning are not low income, they are working folks who have lost their jobs or middle-income people who have lost their jobs. You will have to focus it at a higher level if you really want to slow the problem down. We typically direct it at folks who do not have resources. I am curious about the internal discussions that you have had. Where are you in terms of thinking about how this money ought to be directed in order to shore up the housing market in Oregon? **Crager** says she is right in terms of who we have traditionally served in our programs, but we are going to go beyond that. That becomes an administrative question. The nice thing about having an entity outside of us is that it enables more latitude in terms of who we serve. We do have some flexibility within our existing statute to go higher than we had traditionally served. There will be a new population that these programs serve that go beyond what we typically do. The bank piece has been one of the challenges at the federal level. The complaints that have come from our federal delegation is the difficulty in utilizing the existing programs. One of the HFA programs he heard about is one that has been designed to get people money to help with their mortgage while they are in training to build new job skills. **Woolley** says that it needs to be directed differently than anything else that is out there or the \$88M will be spent without making too much difference. There needs to be alternatives to the relief programs that are out there that are not reaching the people hardest hit. **Crager** explains that when he says low income, he is thinking from a single family standpoint, meaning that people are 70% to 100% AMI. By statute we could go up to 120%. **López** says he agrees and that it is the working class and middle class families that will be affected the most by the recession, and that Central Oregon should be the focus. **Merced** adds that the department has been getting calls from homeowners, local partners, and highly leveraged corporations. This money is not for foreclosure counseling. The other issue is that there were five states who received funding before we did. There are some interesting proposals. One in Connecticut targets unemployed individuals. Servicers have been willing to forebear payment of their mortgage for six months or so if the person is enrolled in a job training program. That would mean making a connection with the community colleges and to make an arrangement so they get priority in the training programs. The major phase is getting public input. **Woolley** says she does not think all the money should be spent on services. **Crager** says that Treasury has been very clear about who this money will go to. **Woolley** comments that second mortgages are also dragging people down. **Crager** states that second mortgages were mentioned as well, and that one of the most common constituent calls has been

the homeowner trying to work through the current programs to get their loan modified, and all the barriers they are running into. We need to create a flexible, user-friendly program so that we can help. **Woolley** asks if Council will get to see what the department is doing before it is submitted. **Crager** says absolutely, and to the extent that Council would like to be engaged in some of the project management teams, he would love for them to be involved. **McLaughlin** suggests that if there is something Council can push off that is in the works, they should do that because this has to be the top priority for the department. **Merced** says that Council will be valuable as they go out and do the forums.

- The department is in the process of putting together the 2011-13 budget in preparation for the 2011 legislative session. There was a kick-off for all the state agencies to get instructions on the processes they will have to go through. The news they received was dire. They are looking at a \$2.5B deficit going into 2011-13. Some of the initial policy option package concepts will identify to the governor and to the legislature what the needs around the state are. Looking at the current deficit, he guesses that there will not be a lot of money for anything new if we continue the way it is described. The prediction is a very, very slow recovery. All agencies will be asked to look at 25% general fund and lottery fund reductions. The department does not have a lot of general fund, but what we do have are the most basic need programs -- the homeless programs and the food programs. The department will continue to look at creative ways to use its already existing resources to meet those needs.

- Strategies regarding the document recording fee are in the process of being kicked off. We are also working on the homeownership initiative, and down payment assistance has moved up as a top priority.

G. Report of the Director. **Victor Merced** reports the following:

- We were both ecstatic and cautiously optimistic and nervous about the \$88M. He spoke with Senator Merkley, who said he did not know until a day before the announcement. He hopes that people got a sense of confidence from his television interview.

- The department is being asked to participate in discussions and METRO and Portland about what kind of proposal they might put together for the \$100M nationwide sustainability initiative; \$5M for metropolitan communities that Portland is eligible for; and \$2M for smaller rural communities (he believes Roseburg is considering applying for those funds). That initiative is to showcase how housing, transportation and environmental policies can work in communities. We do not know if it is going to require a contribution from the department, but we will do whatever we can to make those opportunities successful. LCDC is meeting with him on Monday to talk about an opportunity that they see of working together and applying for some of the money for planning efforts. He would like to maximize some opportunities with the congressional delegation to make these move forward. Both Wyden and Merkley are very supportive of the HFA initiative. **Woolley** asks who they are working with at METRO. **Merced** says it is Greg Wolf, of former Governor Kitzhaber's Community Solutions group, and Bob Liberty. **Woolley** asks, based on what he knows about it, if it would be directed towards low-income housing or housing in general. **Merced** says it will be housing in general. The department is there to offer the low-income housing perspective, and that a lot of the initial dollars are going to be for planning.

- The department has been working on a streamlining initiative with the asset and property management division to streamline its inspections and compliance efforts because Section 8 tenants go through five or six different inspections every year. Kim Herman was invited to be the keynote speaker at the kickoff of this effort, which was well received.

- Today is the State of the State speech by the Governor.

