OREGON STATE HOUSING COUNCIL
Minutes of Meeting

Meeting Location:
New Columbia Community Education Center
4625 N. Trenton Street
Portland, OR 97203

9:00 a.m.
June 17, 2011

MEMBERS PRESENT
Maggie LaMont, Chair
John Epstein
Mike Fieldman
Nancy McLaughlin (via phone)
Jeana Woolley

MEMBERS ABSENT
Tammy Baney
Francisco López

GUESTS
Steve Rudman, Home Forward
Dee Walsh, REACH
Kenny LaPoint, Housing Works
Martha McLennon, Northwest Housing Alternatives
Charles Fuuches, PCRI
Tom Cusak

STAFF PRESENT
Rick Crager, Acting Director
Nancy Cain, Chief Financial Officer
Vince Chiotti, Regional Advisor to the Department
Lisa Joyce, Policy and Communication Unit Manager
Betty Markey, Senior Policy Advisor
Roz Barnes, Loan Officer
Aria Seligmann, Senior Communication Advisor
Sue Harris, Communications Specialist
Jo Rawlins, Recorder

I. **CALL TO ORDER**: **Chair LaMont** calls the June 17, 2011 meeting to order at 9:10 a.m.

II. **ROLL CALL**: **Chair LaMont** asks for roll call. **Present: John Epstein, Mike Fieldman, Nancy McLaughlin (via phone), Jeana Woolley and Chair LaMont. Absent: Tammy Baney and Francisco López**

III. **PUBLIC COMMENT**: **Steve Rudman, Executive Director of Home Forward,** welcomes Council to New Columbia and thanks them for their service. He says the state played a huge role in funding the New Columbia, which has been open for five years and is a little city and a work in progress. He also thanks Council for their support of Hillsdale Terrace and Humboldt Gardens, and says Hillsdale's access to opportunity is unlike any public housing property they own. This is the last year of HOPE VI and he thanks Council for their support of the projects. He explains that they have just rebranded and that the board has wrestled with what a housing authority is in 2011. They try to provide stability through housing and then support for tenants to reach their potential. Their rebranding is an attempt to be aspirational, since they need to make sure taxpayers see that they are stewards of funds, as well as the 15,000 households they serve. **Fieldman** asks how many units they have. **Rudman** states that they own 6,500 units, and through the voucher program another 8,000, and then through various rent assistance programs about 2,500, for a total of about 17,000 households. **Woolley** asks what he thinks needs to be done related to the issue that was in the paper recently about people not being able to get housing with their vouchers. **Rudman** says it is controversial and a challenge everywhere. It is about whether sources of income should be a protected class. The Section 8 program is a private sector program, providing rent assistance to private landlords, who often times are social landlords. It is a relationship where they are not funding the tenancy, but rent assistance, so they want private sector landlords to volunteer to participate in the program. It is a market program. Because it is basically a lottery, people have 60-90-120 days to find a landlord who will rent to them. If they are unable to find a landlord, then they are required to give their voucher back and then someone else tries. They have a mitigation fund that has not yet been used, that is for helping landlords if there is damage, because they do not want them to lose out for doing the right thing. Some of the smaller housing authorities have a harder time setting up such a fund, and he believes it might be good to create a statewide fund. He says the article was timely in that it is a landlord market. **Woolley** says if the objection is that Section 8 tenants will damage the property, is there more that can be done to mitigate that? **Rudman** answers yes. Education for tenants and a landlord fund for unusual or exceptional damage. **Dee Walsh** of REACH Community Development, says she would like to add that Home Forward put together a task force of landlords a few years ago to talk about how they could make it more acceptable to rent to Section 8 tenants. She says it is not just the perception of the tenants, there is also red tape involved and some landlords do not want to hassle with that. **Fieldman** says his organization has offered education to landlords and it has been successful, once they understand they are getting the same applicant pool, but with a secured rent payment.

IV. APPROVAL OF MINUTES

A. **Chair LaMont** asks if there are any corrections to the May 13, 2011 Minutes. **Epstein** asks if there is a procedure for people to abstain from voting on meeting minutes if they did not attend the meeting. **Woolley** says she usually abstains. **LaMont** says she has not seen where there are any objections to it. **Fieldman** states that it is a personal choice. There being no corrections, the Motion was read:

MOTION: Fieldman moves that the Housing Council approve the Minutes of the May 13, 2011 Council meeting.

VOTE: In a roll call vote the motion passes. Members Present: Mike Fieldman, Nancy McLaughlin, Jeana Woolley and Chair LaMont. Abstains: John Epstein. Absent: Tammy Baney and Francisco López.

V. RESIDENTIAL CONSENT CALENDAR: **Crager** says a Single Family Report will be given at next month's Council meeting.

VI. NEW BUSINESS: None.

VII. SPECIAL REPORTS:

A. *RAD Report (Metro/North Coast Region).* **Vince Chiotti**, Regional Advisor to the Department, reports the following for his region.

- Steve Rudman spoke earlier about their success at HOPE VI. Clackamas County also had a HOPE VI application for a property in Oregon City that was built at the same time and for the same purpose as Columbia Villa. It was Navy housing which is still standing and probably shouldn't be. They are trying to figure out how to take care of the 227 units. The land that the project sits on is a nice piece of land, much larger than the 227 units, and it could have much more density.
- Portland has been using a lot of tax credit financing the last few years to build a lot of needed projects. Block 49 and the Resource Access Center (Bud Clark Commons) have all had upwards of $29M each of TIF (Tax Increment Financing) money in them. Because of weaker than expected growth and property taxes, those TIFs are close to empty. In 2010-11, Portland Housing Bureau had $54M in TIF money for affordable housing projects; in 2013-14 that will be $11M. They will have an expected drop in both CDBG and HOME, and they will have a jump in the Housing Investment Fund money from $14M in 2010-11, to $4M in 2013-14. Overall they are looking at $50M less per annum to spend on affordable housing in four years. That will change the dynamic of our projects and our participation in the Portland area.
- In the Metro area the department is looking into changing the way it funds the tax credits (LIHTCs) in the 9% competitive round. There is a cap on tax credit projects of 10% of the annual amount. While that has been successful, it does not allow the department to build the larger projects that it should be participating in at transit-oriented developments (TOD). The Metro has just completed spending over $1.6B on a light rail system, and will spend the same amount on another one. We do not have the tools to help leverage those federal dollars by building larger needed projects at TOD stations. With the cap and the cost of development, a 40-50 unit tax credit project could be built. We have some very good TOD sites that should easily build 80-120 units, but we cannot do that in the CFC with our current funding.
- One of the things he is proposing is to change the way projects are funded. Historically, Multnomah County has had its own set aside and then Clackamas and Washington Counties compete with the other urban areas of Salem-Keizer, Eugene-Springfield and Corvallis for funding. Because of the match that Portland has had, no one else can come in with $20M for a project, so it has made the playing field more fair if we just separate Portland out. If we combine these three counties into one competitive funding cycle, we are proposing to raise the cap if you have a TOD development. Those developments would include transit, commercial shopping, and the like. So, for example, Gateway in east Portland, Hillsdale Station in Hillsboro, and others that are designed to have more dense housing. These three counties have 45% of the state's population and they get 40-45% of the Low Income Housing Tax Credits. What he proposes is a way of combining the three counties into one competitive cycle. For a TOD project the cap will be raised to a yet undetermined level. We would be better leveraging the kinds of development in urban areas. The downside is, we will do less projects. This will only fly if the metropolitan people agree to it and the rest of the state knows there is no net loss to them in LIHTCs. He hopes to have that implemented by next year's CFC. I have had some meetings with some government agencies and have some feedback and they are looking forward to discussing this further. He has had some discussions with many of the nonprofits, but he has not met with all of them. He will meet

with Oregon ON next week. He thinks this will help build the kind of units that should be built at those stations. The market is getting tighter for apartments. We are not seeing the 7-10% vacancies any more; we are seeing 2-3% vacancy. We are seeing market apartments pushing 60% and above, especially in the suburban counties. Washington County grows by 10,000 people every year and in the last four years not one new apartment building has been built. There will soon be a pent up demand for apartments and he thinks the bond and 4% product will come back. It may not be the way it was but, hopefully, a whole lot better than it has been these last four years.

Woolley asks what the process is for merging the three counties for tax credits. **Chiotti** says that so far he has had a meeting with all the funding agencies from the three counties. He got some feedback, from Clackamas County especially, that the concept is fine but that we are going too big at 160 units. The input from the government has been positive with some tweaks. He says he has discussed it with quite a few of the nonprofits and have had no push back. There will be winners and losers in this. **Woolley** says this is clearly going to put some people out of business. **Chiotti** adds that potentially it could put some of the smaller organizations out of business. **Woolley** says she wants to make sure we are going through a process and asks where the approval points are. **Chiotti** replies that he thought it was in the QAP, but it is not, so he doesn't know the answer to that yet. **Crager** says his intention would be that, although it is not in the QAP, the same process would be followed. It will need to have a public process and have Housing Council's final approval. **Chiotti** states that the department will follow the identical path as if it were in the QAP. **Woolley** says she wants to hear back from him as to what is coming out of the contacts, and that it would be helpful farther down the road, if he could talk about what this means in terms of numbers. **Chiotti** states that if this happens, there will be two or three less projects in the metro area. Not less units, but less deals. **Epstein** says he assumes he means transit based when he says reaching out to government, and it might be that if we get some more of METRO's money we can pull some of our money to do another 40-unit project in the metro area. Perhaps there is even a federal transportation source that could be tapped. He says the department should also consider leverage points. **Chiotti** says this came up last year when the metro area was applying for a $5M planning grant from HUD, and he saw the counties working together. He has had many talks with TOD people at METRO and Tri-Met. The TOD money that does come into this area, has gone somewhat to affordable housing, but not as much as it should.

Crager asks about the ready-to-rent guarantee dollars; if there is a way to incentivize private landlords, and the status of the Tenant Readiness program. Discussion follows. He says perhaps it warrants a conversation with housing authorities, and if there is trouble in terms of getting private landlords to rent to certain Oregonians, perhaps there is a way to use the Tenant Readiness program. He explains that the program goes back to 2000, and it is $1M worth of resources set aside that is available as a guarantee. If a private landlord is willing, a tenant can go through an education program to be a better renter and then the department will put on a $1,000 guarantee that if the person does not pay the rent or there is damage to the unit, the state will cover some of those costs. There was success with that early on and there were very few claims. **Fieldman** asks if it helped fund the education programs. **Crager** says no. It was done in conjunction with some of the department's training programs that were already in place. **Cain** says that at that time HUD had funded a training program initially, and that was where the payment for the training came in. It was partnered with community action resources. **Fieldman** says UCAN has the Last Chance Renters program, and that sounds like the same thing. They have struggled with trying to maintain the program. **Crager** suggests that is something the department can look into. **Chiotti** comments that it seems to be a much bigger problem with smaller housing authorities. **LaMont** states that housing authorities checked in on that program and there was a determination that they were not eligible. She says some more outreach and research would be good. **Crager** says he recalls that the $1M was reduced down to $500,000 because it was not being used. **Cain** says it was reduced and it was offered to the community action network. **LaMont** comments that housing authority staff does not seem to be aware that the program is available. **Crager** says he will do some follow up on and try to put this on the Association of Housing Authority meeting agendas. **Epstein** adds that in urban areas they are doing outreach and training to private developers to get that accepted. It would seem that if a trade organization would fund the education and training, then we would offer the guarantee program.

- Because of the Governor's Regional Solutions Teams, there will be changes in the geography of the RAD regions, and it looks like he will get the northern coast region back.
- At next month's Council meeting, there will be several projects presented that were in an RFA for existing projects that needed money to sustain themselves. These are projects that are 15-30 years old. Some of those projects are from the north coast. One from Vernonia, the Blue Heron, is a 15-year old apartment building that had huge flooding issues in '96 and again in '07. They needed some money to finish lifting the project another foot and a half. Another project that is happening quickly in Astoria is The Astor Hotel. This is a beautiful 1920 building that has housed 66 very low-income families for the last 25 years under the HUD Mod Rehab Program, which no longer provides new resources. It has been owned for the last 20 years by an out-of-state syndicate. It was then purchased a few years ago by some locals who are spending a lot of money in Astoria fixing up and renovating buildings. They are thinking of getting out of the program, and if they do, we will lose 60 vouchers for very low-income people. The department is working with them to see what kind of services it can recommend so they can manage these clients for a year or so to figure out how to finance and sell it to a nonprofit. They will make their determination at the end of this month, so this has been a quick process. It will be a difficult sale for many reasons. **Crager** states that Vince and his response to all of this has been great. There are elderly and mentally ill individuals in this project that will be displaced if we lose it. Vince is getting the correct partners around the table to start discussions. He says they met with Oregon Health Authority yesterday, who indicated a willingness to help. **Fieldman** asks if there is a chance HUD would go for more than a one-year renewal. **Chiotti** responds that he has talked to them, and they will not because this program ended 15 years ago. **LaMont** asks if HUD would give the residents their vouchers. **Chiotti** says yes, but there is no place for them to go and half would not be able to stay in the community. **LaMont** asks if the building is in good shape. **Chiotti** responds that it had some major work done about 20 years ago, but he believes it still needs more rehab. **LaMont** asks if he has talked to the local housing authority to see if they would then project-base the vouchers back. **Chiotti** says to get the financing done, he believes it needs to be 100% project-based. The housing authority is willing to put 6 project-based units in there to help the project be financeable, but they do not have enough vouchers. **LaMont** says if they are receiving vouchers for the ones already in there, they could turn around and project-base them back in. **Chiotti** says he does not know the answer to that. **LaMont** adds that she was throwing that out in case HUD does not want to continue. **Chiotti** says that is a good point, and he will follow up on that.

- Workforce housing is still an issue on the north coast. In some places, the wages are so low that someone who makes minimum wage is above 60% of AMI. So if they make $9.65 an hour, they do not qualify for affordable housing. There is a disconnect in tourist communities. In Tillamook County someone making 60% AMI, is equivalent to 40% AMI in Portland. Oregon Solutions has been working on the same issue in Pendleton, which is worse than on the coast. **Crager** says that, in terms of workforce housing, it is not just one area's issue. The department is trying to determine the best approach, such as what are some of the recommendations we would make in terms of statutory changes and administrative rule change. There will be some things we will take to our federal delegation, and there are financing tools we may need to consider. Bob Gillespie has been leading up the development of a rural housing task force, and the department has commitments on the legislative side from Senator Nelson and Representative Huffman. **Fieldman** says he will be chairing that committee. **Woolley** asks what the time frame is for the task force to deliver recommendations. **Crager** answers that if policy bills need to be put forward in January, then they will be looking at August through October for the window of meetings. **Woolley** says this has been talked about for a long time and she is excited to see the department moving forward.

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

IX. <u>REPORTS:</u>

A. *Legislative Update.* **Lisa Joyce**, Policy and Communication Manager, reports the following:

- The department is close to being done. HB 2152, which removes the 5 percent limit on admin expenses from certain accounts, has passed.
- HB 2154, which changes the farmworker housing tax credit program by updating the definition of farmworker, has passed. This went through a policy committee and then a joint committee on tax credits. The definition was expanded to include processing and aquaculture, and also that the farmworker could be retired or with a disability and live in the housing financed by this credit. It allows the use of the farmworker housing tax credit for a manufactured dwelling park cooperative to purchase parks.
- SB 151 passed, which allows the department to do low-interest loans.
- Our budget has passed. We got what we expected, with $350,000 added back for the General Fund Food program. **Crager** adds that one note the Council should be aware of, and the department is trying to figure out how it will work, is that a reserve of General Fund dollars was set aside for a supplemental statewide ending balance. In the event revenue falls, our General Fund programs will be reduced 7 percent in 2012-13, which are the homeless and food assistance programs.
- HB 5005, the bonding authority bill that allows us to issue our bonds for multifamily and the residential loan program, is in Ways and Means. **Crager** says that Jack Kenny asked for our recommendations, and it does appear we will be cutting our limits down substantially. Traditionally it is like a giant cap as to how much authority we have. The important thing in the bond bill is how much private activity allocation the department gets, which is the amount that is allotted to us on an annual basis. That dollar amount has remained the same, and that is the key piece to the bond bill.
- HB 5036, the lottery backed bonds for preservation, is the one that has the department most anxious. There is no problem with this piece of legislation on the Senate side, but

the House side is different. It is in a bill that also has the bonding authority to do construction in the university system, and we are concerned that might reduce the amount of authority we may have. **Crager** adds that the department's budget is passed and it did include $10.5M of limitation to spend on lottery backed bonds for preservation, but in the case of Lottery there is always the appropriation of those dollars. In this case, there have been discussions by Speaker Hanna of cutting that in half. Our position as a state agency is that $10.5M is in the Governor's Recommended Budget, it was already cut in half, so that is what we want. If it is less, we will oppose that. The Governor has backed us up on that. He says he had a conversation with Co-Speaker Hanna yesterday, and he appreciates Mike Fieldman's willingness to give Co-Speaker Hanna a call. Although Crager and the Co-Speaker discussed this, he was unable to get to what his concerns are. He really focused on cost-per-square-foot and how much more expensive it was to do affordable housing. Our advocates did a great job in providing further clarification.

- The big victory is HB 2527, which extends the sunset on the OAHTCs (Oregon Affordable Housing Tax Credits) to 2020.
- SB 863 passed, which is a bill that would add $10M, under certain conditions, to the Low Income Energy Assistance program.

Epstein asks if the bonding authority is using authority or if it is financial risk. **Cain** explains that the bond bill has a number of limits, and the private activity authority is the most important. If they had restricted us there, that would have limited our ability to issue bonds. The other limit that they are worried about is our overall limit. Because we do not always know whether we are going to issue multifamily bonds, elderly and disabled bonds, single family bonds, or conduit, we over estimate our needed authority. **Epstein** asks if the issue is about using up dollars. He says it is not a financial risk, and asks if it is just where they are allocating their authority and not giving too much to one agency. **Cain** says that is correct.

- HB 2020 addresses the management-to-staff ratio, trying to move to an 11:1 ratio. That works well in areas where there are a lot of people doing the same thing, but not so well in a smaller agency that is doing a number of smaller, complex tasks. Michael Jordan, the state's CEO, has been helping to soften the language and move it to more of a collaborative approach. **Crager** points out that Michael Jordan has been very clear that state government will change structurally. There will be changes that we will have to implement. **Woolley** asks what the department's ratio is. **Crager** says it is 7/8:1, which are supervisory managers. **Joyce** states that the department has a number who are management service without supervisory duties, and that we need to be able to hire that level of skilled employees. **Woolley** asks if that input has been given back to Mr. Jordan. **Crager** says yes, and that he has been able to get that kind of flexibility in the bill. He recognizes that you have to have management positions that are not supervisory, such as our RADs. **Joyce** comments that there was no flexibility in the beginning, and that is very important to the SEIU.

  Crager states that the other big piece is the negotiation between labor and management with state employees' benefits and furloughs. **Joyce** adds that labor had a sit-in at the Capitol yesterday and they are proposing a number of other actions.

B. *Oregon Homeownership Stabilization Initiative (OHSI) Update.* **Nancy Cain,** Interim OHSI Administrator, reports the following:

- A report was submitted to Treasury on June 6.
- Loan documents have been sent out to over 2,300 homeowners. Once the documents are returned, they will begin making payments to the banks.
- There has been a delay in processing some of the loans because they have had to request updated information from a couple of the banks who have had difficulty getting them the requested information on when the next contracted payment was due.
- The majority of the loans are through Bank of America, Wells Fargo, CitiBank, Chase and GMAC. Those banks have systems in place that allow quick interaction, and that is why they started with them (representing 75% of the applicants).
- They are now moving to having the data exchange with the small and medium servicers, which is a big success for them because the ability to be able to talk with and exchange data with the smaller servicers opens up the process to the rest of the applicant borrowers.
- Even though they have had some issues around being able to pay, they have now hit the $1M mark.
- They have a streamlined application process which has allowed them to move loans through quicker.
- They will be doing more compliance work on the end result.
- While not all servicers have enrolled, they are hovering around the 90% mark. They are down to four servicers, representing 76 borrowers, that have not agreed to enroll yet. They feel it is important to not exclude applicants because a servicer won't participate, and they are looking at procedures that will still allow them to meet the criteria of the program. The borrower would have to provide more information that they would normally get from the servicer. Those applicants would not get some of the protections that are offered to the banks, such as the agreement not to foreclose on the borrower and suspend-collection activities for the duration of the assistance. We will be working with the Department of Justice to encourage servicers to participate.
- They are still working on sending out denial letters. They notify the intake agencies when the denials go out, so they can anticipate being contacted by the borrower. **Crager** asks how many denials there are of the 6,000 applicants. **Cain** says there are well over 300. If additional information is needed, they are not denied, but rather they send it back to the intake agency for them to contact the applicant to get the additional information. There is about a two week turnaround time on that process.

Epstein asks if they were prepared to have the Department of Justice send letters to servicers to encourage them to take the program. **Cain** says they cannot force the services to take the program. Some states have approached this differently, and to even apply for their programs the servicers have to have agreed. **Epstein** asks if the agency has the right to tell the servicer that in the future they would not be allowed to use its other products. **Crager** says we could do that. **Cain** points out that at this point they have had lots of time to come around. **Epstein** asks if how we are delivering this money now is meeting the needs of the servicers, and if what we will deliver in the next 30 days will meet their needs. **Cain** says yes, and the irony is that some of servicers who were complaining the most have not been able to give them the information they need to make the payments, and they are ready to deliver once the information is received.

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

- A bond sale was originally scheduled for the end of July, with closing the end of August; however, because the single family loan reservations have been consistent, but slow, the sale will probably be delayed a month.
- The interest rate was lowered a few weeks ago to 3.875%.
- New reservations are coming in at about the same rate that cancellations are coming in, so in the last six weeks there have been no new net reservations. The reason that is happening is that the department ran out of down payment assistance about two months ago.
- Auditors will be arriving to conduct various audits.

D. *Report of the Acting Director*. **Rick Crager** reports the following:

- He commends the work of Lisa Joyce and Betty Markey and all the budget staff who have worked so hard this legislative session. He says the budget hearing went well, and that everyone should feel fortunate as an agency. In a time when budgets are being reduced, we had an add back of General Fund. The agency still has the lottery battle ahead, but even if we get some of that, that is still a victory. He says it has been a team effort.
- He will be meeting with Michael Jordan today to get a sense of what the next couple of months look like and how much authority he has as he starts to plan out the agency's 2011-13 strategic plan.
- There will be six Regional Solutions Team Centers around the state, none of which are open yet. The first will be the Portland State University site, and Vince Chiotti will be the first RAD to be relocated. The Tillamook Center will now be more of a part time office, maybe a day or two a week. The University of Oregon is still targeted to be in the Valley. They are still looking for a site in the Bend area. La Grande was going to be the first Center to open, but the plan for facilities fell through and they have to find a new site. Southern Oregon State is the sixth site, and that looks like it will be ready in August. The new discussion is Western Oregon University, and they are considering backing off from Tillamook.
- The Enterprise Leadership Team, that Michael Jordan has asked he and 24 other state agency heads to participate in, has a vision that will begin a ten-year strategic budget on behalf of the Governor and then change the way we do our budgeting for the two-year process. It is a huge undertaking and the directors have given him good, frank feedback. He thinks they are starting to narrow the focus into some various pilot areas.
- He says he wants to compliment Nancy Cain, because she too has had the task of taking on two jobs and she has done a tremendous job.

Woolley reports that the recruitment process for the OHCS director has closed and there was a ranking of candidates to get down to a group to interview. The last meeting the committee had was towards the end of May, and they were supposed to be doing interviews by the middle of June. She submitted the list of questions for interviews that Council assisted her with. She called last week to find out the status of the process and was told they were on hold for a couple of weeks because of a number of people's calendars. She says she thinks it is due to the legislative session, and she assumes that by the end of the month this process will get reactivated.

E. *Report of the Chair*. **Maggie LaMont** reports that this was supposed to be her last meeting, but she has been asked to continue on through September until Senate confirmation of new Council members.

X. FUTURE AGENDA ITEMS. None.

Chair LaMont adjourns the meeting at 11:11 a.m.

/s/ Maggie LaMont	**7/15/11**	**/s/ Rick Crager**	**7/15/11**
Maggie LaMont, Chair	**DATE**	**Rick Crager, Acting Director**	**DATE**
Oregon State Housing Council		**Oregon Housing & Community Services**	