OREGON STATE HOUSING COUNCIL
Minutes of Meeting

Meeting Location:
Oregon Housing and Community Services
725 Summer Street NE, Room 124 A/B
Salem, OR 97301

9:00 a.m.
July 15, 2011

MEMBERS PRESENT
Maggie LaMont, Chair
Tammy Baney
John Epstein
Mike Fieldman
Jeana Woolley

MEMBERS ABSENT
Nancy McLaughlin

GUESTS
Duke Shepard, Human Services/Labor Policy Advisor, Governor's Office
Tom Cusack
John Miller, Exec. Director, Oregon ON
Phil Donovan
Keith Wooden, Housing Works
Cheri Davis, Horizon Project, Inc.
Jim Tierney, Community Action Team
Shelly Haack, Community Action Team
Rita Grady, Polk CDC
Terry McDonald, Executive Director, St Vincent de Paul Society of Lane County
Nora Cornin, St Vincent de Paul Society of Lane County

STAFF PRESENT
Rick Crager, Acting Director
Bob Gillespie, Housing Division Administrator
Diana Koppes, Asset and Property Management Division Administrator
Bruce Buchanan, Regional Advisor to the Dept.
Deb Price, Regional Advisor to the Dept. (via phone)
Karen Chase, Regional Advisor to the Dept.
Karen Clearwater, Regional Advisor to the Dept.
Vince Chiotti, Regional Advisor to the Dept.
Lisa Joyce, Policy & Communication Unit Manager
David Summers, MultiFamily Housing Section Manager
Roberto Franco, Single Family Programs Unit Manager
Mike Auman, Fiscal Manager, OHSI
Frank Silkey, Architect
Jodi Enos, Tax Credit Program Coordinator
Shelly Cullin, Loan Officer
Roz Barnes, Loan Officer
Carol Kowash, Loan Officer
Joyce Robertson, Loan Officer
Janna Graham, Loan Specialist
Kari Cleveland, Loan Specialist
Matthew Perry, Quality Assurance Advisor
Jo Rawlins, Recorder

I. <u>CALL TO ORDER</u>: Chair LaMont calls the July 15, 2011 meeting to order at 9:00 a.m.

II. <u>ROLL CALL</u>: Chair LaMont asks for roll call. **Present: Tammy Baney, Mike Fieldman, Jeana Woolley** (via phone) **and Chair LaMont. Absent: John Epstein (arrived at 9:02 a.m.) and Nancy McLaughlin.**

III. <u>PUBLIC COMMENT</u>: None.

IV. APPROVAL OF MINUTES

A. Chair LaMont asks if there are any corrections to the June 17, 2011 Minutes. There being no corrections, the Motion was read:

MOTION: Fieldman moves that the Housing Council approve the Minutes of the June 17, 2011 Council meeting.

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

V. RESIDENTIAL CONSENT CALENDAR / SINGLE FAMILY REPORT:

A. *2800 Block SE 68th Avenue, Portland, OR.* **Kari Cleveland**, Loan Specialist, reports that this is the only loan request this month and asks if Council has any questions. There being no questions or discussion, the Motion was read:

MOTION: Baney moves that the Housing Council approve the Residential Consent Calendar.

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

Roberto Franco, Single Family Programs Unit Manager, explains that in 2009 and 2010, the residential loan programs were suspended. In 2010, 37 loans were made. Last November and April, two series of bonds were issued. In order to compete in the market, the department had to adjust its rates several times. Currently, the Rate Advantage program is being offered at 3.875%, which is the lowest rate that can be offered. The Cash Assistance program was over subscribed and most of the reservations were for that program. It was cancelled because we were concerned about not being able to sustain that program for the long-term. The department has purchased FHA insured loans, as well as conventional uninsured loans. The loans have been placed as long-term investments with companies that will help manage that portfolio. The department is still required to focus on targeted areas in order to meet the needs of lower-income populations. As of June 30, close to 400 loans were made. Most of the buyers are in the Portland metro area. The average income of borrowers is $50,000. The average home price is about $160,000. Most of the properties are single family units, but there are a few condominium type loans as well. Because this is a loan program and the department is not able to do modifications of loans, the rate of foreclosures has risen. The New Issue Bond program with the US Treasury, that has a competitive rate and was part of the state's program, is ending in December. When that goes away, the department still has the private activity bonds and other types of bonds, but those are more costly. There is still some capacity to offer cash assistance. The department is slated in August to issue $45M worth of bonds and is planning to bring back the Cash Assistance program, with a focus on target areas in the state. In the long run, the department needs to consider the ability to preserve the program even if at a lower level of investment than in previous years, and to market a program that shows stability. The department's investments are tied to some of the federal agencies, such as FHA, and our financial advisors and loan underwriters are concerned with the national debt ceiling discussion. If the federal government is downgraded by Moody's rating, it would cause a ripple effect down to the loan programs like ours.

Crager adds that there are two sides to this -- making the money and selling the bonds. Bob Larson will be at the next meeting to discuss the bond side. He says that one of the challenges we also face is that in the past when we issued debt we were able to take advantage of the variable rate market and be able to use interest rate swaps to hedge the risk. That was an effective tool to get our rate down. The problem we see now is the shear cost of issuing. When you issue variable rate debt you also have to have liquidity providers to ensure that your debt is always being placed. The price of liquidity today has, in some cases, tripled. It hurts us in going forward and we have to renegotiate existing variable rate debt that is outstanding. We have continued to seek ways in which we can take advantage of the Hardest Hit Fund program. We want to get to the point where we can access some of that funding to help our existing foreclosures. We are somewhat limited in what we can do to help homeowners that are struggling in our own portfolio, but he thinks there are methods to use some of the preservation program dollars to help OHCS's customers. **Baney** asks how restrictive the funds are and if this is the best use. **Crager** says that is part of what they are trying to determine. Those dollars are tax exempt debt, and the department is blessed in getting a lot of that allocation on an annual basis, because there are not a lot of other users. The IRS code limits the use of that type of debt. It can be used for single family and multi-family purposes. Most recently, the department has been using it for multi-family. There is a certain period of time to use the allocation on an annual basis, and we have had to let some go. There is very little flexibility in that money being able to be used for other programs in the department.

Baney asks how long it takes in the single family process; how allocation of funds are determined in geographic areas; and how success is gauged. **Franco** explains that the target areas are determined by HUD's income guidelines, and as part of the bond program, they have to make an effort to target those areas. The program is on a reservation basis. A borrower goes to a lender; they can see their options; and then ask to apply to the state loan program. If they qualify, that lender makes a reservation in our system. A lender has up to 120 days to make the loan, but they are seeing these take place within 60 - 90 days. **Gillespie** adds that this is lender driven. The department has a webpage called the Oregon Bond Program that lists the active lenders in a given area, and a consumer can access that information. The activity is not targeted to a metro area, but rather driven by those lenders in specific areas. **Franco** states that a lot of the target areas are regions of the state that historically have an economic stagnation. The department has reached out to regional housing centers in those regions of the state to help increase lending and homeownership. **Crager** states that former Councilmember Cooper was interested in this when the program was much more stable. At next month's Council meeting there will be a report that shows where the money is going by county. The department increased its efforts to get as much outreach as possible to regional housing centers and lenders. While he agrees it is lender driven, he says the department is trying to encourage its lender partners to look at ways to promote the program and to do as much outreach as possible. **Baney** points out that in areas of high unemployment, you have to have willing partners. If you do not have a job it is going to be difficult to get loans. There are other factors why it would not make sense. **Epstein** says that, historically, this program has been a revenue generator, and he assumes the department is projecting its gains. **Crager** answers that the department is looking at that more than ever, and they have been focusing over the last few weeks to get a better idea of where the program is. It has changed dramatically. If we are able to continue the program and get it back to a higher level it will still generate dollars. **Epstein** asks if, in its current format and volume, it is a revenue generator for the department. **Crager** says it is not the revenue generator it was two years ago. **Epstein** asks if, in taking the rates down, the department is taking added risk and trying to beat the market. **Crager** assures him the department is not setting itself up for risk. The good news is that when they did the bond issuances in the past, they were able to create zero percent money. There are enough proceeds to lend and be able to blend down new proceeds. They never go to a rate where there is a loss for the department. **Epstein** cautions that the department needs to monitor that, because we need for the rates to come back and, at this point, the department is eating through the surplus to get to the current rate. **Crager** states that they have used just about all of the zero percent dollars that they have been able to generate. If the market does not come to a point where bonds are issued at a profitable rate, the department won't be able to get to the current rate of 3.875 percent. **Epstein** says he would not expect the agency to take a risk like that without the Council knowing about it. **Crager** agrees and says the rating agencies would have an issue with that as well. **Franco** adds that the reason they have been able to do this is because of the guaranteed low rate from US Treasury. **Epstein** says that is almost over now. **LaMont** asks what the percentage is of the department's foreclosures **Franco** responds that it is 3.44 percent as of June. **Crager** adds that we are about in the middle of most housing finance agencies, and that delinquencies are around 6.6 percent. **Franco** says that things are coming down, and that in December, it was around 7 percent. **LaMont** asks if the Hardest Hit programs are helping some of the department's delinquencies. **Crager** says he's not sure. Some of them are benefitting from the Mortgage Payment Assistance program, but it is a small number. Where you see the benefit of the Hardest Hit Fund programs is when we can start talking about preserving loans and paying down a portion of the loan to make it affordable for the long-term. **Franco** comments that they continue to reach out and have told borrowers about the opportunity to apply for assistance from the Hardest Hit Fund. **Crager** says he will find out the answer to LaMont's question and report back to Council.

VI. <u>NEW BUSINESS</u>:

Introduction of RFA projects. Dave Summers, MultiFamily Section Manager, introduces the first allocation of the At-Risk Program, explaining that this program was funded via the General Housing Account Program, which is the document recording fee funding source. The program has been designed to provide rehabilitation funds for projects that were originally funded with Oregon housing resources. At-Risk means projects exhibiting life, health and safety issues for the tenants. In this case, specifically connected with deterioration of the real estate or other real estate related risks. At-Risk projects have to demonstrate that there was an urgent need for funds in order to remain operational for their current population and income levels into the future. The program is focused on providing the biggest result for limited funding investment. Sponsors provided capital needs assessments for home inspections, depending on the scope of the project, which provided a baseline for rehabilitation needs for the projects. Then the sponsors were asked to provide a scope of work that provided ten or more years of useful life for the improvement. Sponsors were also asked to assure the department, contingent on this award, that if funded, the project could last and be functional for an additional minimum of ten years without additional funding from OHCS. The program was funded at a level of $2M and allowed for individual grants of up to $400,000. Five applications will be presented today, plus two smaller projects that were approved in the Finance Committee, totaling $1,976,507. It is hoped that these capital investments will help provide more jobs and services in Oregon communities, and also assure that affordable housing in those communities will be maintained for a long time. OHCS received 19 applications from all regions of the state. The awarded projects came in from six nonprofit sponsors and one housing authority. Six of the seven projects proposed include either a disabled or elderly population and the seventh was for a family farmworker project. **LaMont** says it is a wonderful program and a way to be proactive. **Epstein** asks if the document recording fee had a part carved out for this purpose. **Crager** answers that this was the part of the 76 percent that was carved out for multifamily use; they went around the state to help prioritize the use of that 76 percent; and this was one of those areas.

A. *Pioneer Commons* (Milton-Freewater, OR), GHAP Funding Request. **Carol Kowash**, Loan Officer, introduces **Cheri Davis**, Director of Horizon Project, Inc., and **Bruce Buchanan**, Regional Advisor to the Department. **Kowash** reports that this is an acquisition/rehab, combined with new construction, located in Milton-Freewater, completed in late 1999 by Horizon Project, Inc., who has been helping residents with disabilities since 1976. The project serves disabled persons, targeted to those developmentally delayed and families, in an integrated setting. The project has 18 units, plus a manager unit. There are four units in a group home and 14 units in the duplexes. Rents range from $280 to $575 a month. She gives an overview of the write-up contained in Council's packet. **Epstein** asks if there are any issues in the community about this being a historic farmhouse. **Davis** explains that they did get a letter of support from the city, identifying that there was not a significant historical value. **Epstein** points out that this project is 11 years old, and the hope is that this will add another ten plus years. He encourages her, since they are paying off debt and increasing cash flow, to maintain the property over the years. **Davis** says yes, that they will not take any property dollars from this project. **LaMont** says she assumes that with the restructuring they have increased their payments into replacement reserves. **Davis** answers yes. **Kowash** adds that it was a condition required by the lender. **Baney** asks if the state added funding in 2005. **Kowash** states that in 2005, Oregon Affordable Housing Tax Credits were added to the loan to lower the interest rate on the permanent loan. **Crager** states that with the pay down of the loan, some of the OAHTC comes back to be revolved back to other properties. **Epstein** asks if Horizon is on good standing now and has recovered from some of the issues surrounding the executive director. **Davis** says yes, they have recovered. Their last two audits have shown a significant increase in cash flow and restructuring.

MOTION: Baney moves that the Housing Council approve the General Housing Assistance Program (GHAP) award to Horizon Project in the amount of $400,000 to complete the rehabilitation of Pioneer Commons in Milton-Freewater, Oregon. Award is contingent upon meeting all GHAP program requirements and conditions of award.

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

B. *Blue Heron Hollow* (Vernonia, OR), GHAP Funding Request. **Carol Kowash,** Loan Officer, introduces **Jim Tierney** and **Shelly Haack**, Community Action Team, along with **Karen Chase**, Regional Advisor to the Department. She reports that this project was completed in 1997. The general partner and future owner at the year 15 transfer will be Community Action Team. The existing project was flooded in December 2007, causing significant damage with 14 inches of water inside the project. The project has 26 units, 4 studios, 11 two-bedrooms and 11 three-bedrooms. The sponsor will not be able to receive funds from the National Flood Insurance Program if they cannot get a city ordinance in place that would require properties to be at, or above, the flood plain, or have those that cannot be removed. Without the city ordinance they would not be able to be insured by FEMA. If the ordinance is not approved, this project will be required to be uninhabitable in December of 2011, and subsequently demolished. This is the only affordable housing in Vernonia. She gives an overview of the write-up contained in Council's packet. **Summers** adds that at the time this project was originally built, it was not in the flood plain. They checked the flood maps and found that those have changed since 2007. **Gillespie** comments that the department also put HOME funds into the project and also checked and found that this was not built in the flood plain. **Tierney** states that at the time of the original conception, they were not in the flood plain. They learned after the 2007 flood that the Corps of Engineers came in and by the end of December a new map had been drawn. Currently there is a nice courtyard adaptable for handicapped individuals. It will not be adaptable if the building is raised five feet, so they will fill the courtyard. The contractor will lift the building starting on a Friday. Those tenants will get a voucher to get an apartment or hotel and move out for the weekend. A Meyer Memorial grant is one of their funding sources. **Baney** points out that water damage usually has the silent issue of mold, and her concern is that a Band Aid is being put on a problem that later on will have issues. She asks what assurances there are that raising it makes sense versus rebuilding. **Tierney** explains that after the flood they had three months without occupancy. They stripped the walls up to four feet, removed all the insulation, replaced the sheetrock, flooring, water heater (replaced with tankless), all upper and lower kitchen and bath cabinets. Part of the rehab is to complete that. Upstairs they replaced the cabinets and roof. **Baney** asks if there is a certification that the building has no mold issues. She says that in 7 or 8 years she does not want someone to come back and say that there is now an issue. **Tierney** answers that while they had the sheetrock off, they brought heaters and fans in and completely dried the building, and they did not reclose it until there was a 6 percent moisture content. There will not be a mold issue. He says he is not aware of such a certification, but this was all done under the guidance of building inspectors. **Woolley** asks if this is going to be raised to a level of FEMA regulations. **Tierney** says yes, it will be raised two feet above the minimum requirement. **Woolley** asks if it is typical for them to use the insurance money to rebuild when they do not know whether they will be able to salvage the building. **Tierney** answers yes. This is 3½ years after the flood. The financing that was used to repair the building and improve it was 75% from FEMA and the matching came from their insurance. Community Action Team and Columbia County Housing Authority are co-general partners on this project. Both of them are eligible public entities from FEMA's definition and they were able to do this using what FEMA calls PA, or public assistance. Because this property has a tax credit provision against the deed, it lowers the value substantially. The bottom line is that this is affordable housing in a little town that will never see another affordable housing project, so Community Action Team felt it was smarter to preserve it. **Epstein** says that if the relocation costs end up being $30,000 instead of $40,000, he would like to have the excess money go towards the reserves in the agency, and asks where the extra money goes if they are under budget. **Haack** replies that the relocation has been estimated based upon the current federal per diem rates and the number of tenants that are currently occupying the property. Based upon the assumption that they have two nights and three days that they will need to relocate, the math that went into that is a good number. If they have differences at the point of relocation, there would be some level of adjustment in that number. **Crager** says that if this isn't on a reimbursement basis, just like most projects, if they do not incur the $40,000 in expenses, they do not just get that, they get whatever the actual cost is. **Tierney** says the other side of this, that is more scary, is what happens to their construction costs. **Epstein** asks if they will still have permanent debt. **Tierney** says that, coincidentally, this is also a year-15 transfer. What they have done in the package is manage to take it down as a nonprofit limited partnership, and they will also manage the Meyer grant. They are managing to reduce their debt from $500,000 down to $300,000.

> **MOTION: Fieldman moves that the Housing Council approve the General Housing Assistance Program (GHAP) award to Community Action Team in the amount of $400,000 to complete the rehabilitation of Blue Heron Hollow in Vernonia, Oregon. Award is contingent upon meeting all GHAP program requirements and conditions of award.**
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> **VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Jeana Woolley and Chair LaMont. Absent: Nancy McLaughlin.**

Gillespie acknowledges what Jim Tierney has done for the community. This is the second 500 year flood in 11 years. What he has done for the community and the knowledge that he has about how to deal in an emergency situation is invaluable. He is also sitting on a committee with the Emergency Management to come up with an emergency housing plan and he has been invaluable in writing that plan.

Woolley asks about Pioneer Commons, and whether or not the department is keeping track of the contractors who did shoddy work on projects that we put money into to make sure they are not working on other projects. **Summers** says they are trying to keep track of that, but have not precluded anyone from doing business in this arena at this time. **Woolley** says this is an issue that needs to be dealt with, because there are so many projects that are failing due to poor construction. It may only be a sub, but the contractor is responsible for managing their subs. The department should be asking those questions before it funds projects. **Gillespie** says he has had this conversation with the AG's office about having an exclusion list, and we may invite the AG's office in to have a discussion about that. The dilemma we face is how to set that up without having a liability issue. **Woolley** states that when we are using public dollars, we need to manage those that work on projects and if they do poor work, we should not have them on our projects. If there is any way for us to have better accountability, she would support something more proactive. **Summers** says this was one of the reasons that the department started requiring the high quality construction inspections by qualified individuals be completed on all future projects. They want to know if there is something being done that does not meet current building industry standards. **Woolley** says she thinks it is still an issue and that somehow they need to be more proactive. **Summers** says that for Pioneer Commons, the contractor was Superior Quality Construction, and they are now out of business. **Woolley** says there should be a list, out of business or not. **Gillespie** suggests making that an agenda topic for another Council meeting and invite the AGs office for advice. **Woolley** says she would like to have that discussion some point in the future.

C. *Park West Apartments* (Independence, OR), HDGP Funding Request. **Roz Barnes,** Loan Officer, introduces **Rita Grady**, Polk CDC, and **Karen Chase**, Regional Advisor to the Department. **Barnes** reports that this project was built in 1995 as new construction at a cost of $1M. Polk CDC applied for and received OHCS HOME funds, Federal Home Loan Bank funds, CDBG, and a 30-year permanent loan from OHCS through the Oregon Bond program. By 1998, the LP siding had failed and a futile attempt from Polk CDC to contact Louisiana Pacific for replacement was unsuccessful because the period for placing claims with Louisiana Pacific had expired. The reason it failed is because the claim time period had expired. In 2009, Polk CDC took an active role and replaced two-thirds of the failed siding with Hardi-Plank, and they addressed dry rot of some windows and under the decks. They installed new flashings, deck covers and painted for a cost of $252,000. That cost was paid out of Polk CDC's own pocket. This request for $209,960 of GHAP will address replacing the balance of the siding, dry rot, leaking windows, patio doors, and improvements to the storm drain infrastructure. They will also install an attic separation in two of the buildings between the units, which will be done to meet the current code standards. The GHAP dollars, if approved, will address safety and health issues, involving broken storm drain pipes, deteriorating supports and some interior work will be addressed this year with their current maintenance reserves. This project provides 19 two and three bedroom units for an underserved population of farmworker families in Polk County. If this request is not approved the majority of work will have to be delayed until the permanent debt is paid off in 2025. The extensive need for rehab cannot wait for another 13 years. **Grady** remarks that they have been working on this project for a long time. They have started some of their own work, and are concerned about the drainage and other interior work. They are needing to replace the siding that is deteriorating around the windows, which may be part of the window issues. A lot of the products that were used are no longer being used. **LaMont** says that, having gone through a project with that type of siding, she has great sympathy for them. She is glad attitudes have changed on the materials used on low-income housing.

MOTION: Baney moves that the Housing Council approve a HDGP Grant in the amount of $209,960 to Polk Community Development Corporation to complete the rehabilitation of Park West Apartments in Independence, Oregon. Award is contingent upon meeting all HDGP program requirements and conditions of award.

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

D. *El Glen Apartments* (Monmouth, OR), GHAP Funding Request. **Roz Barnes,** Loan Officer, introduces **Rita Grady**, Polk CDC, and **Karen Chase**, Regional Advisor to the Department. **Barnes** reports that this project was built in 1975, and is in need of immediate attention. It is the home to 12 developmentally disabled, physically challenged, and senior individuals. Polk CDC acquired the 12 units in 2001, with a housing development grant of $100,000 and a loan through West Coast Bank of $393,000. They also put in $58,000 of their own funds for rehabilitation. At that point, they replaced some dry rotted T111 panels, sealed, caulked and painted the siding with water resistant paint. Over the last ten years, they have replaced flooring, countertops, windows, heading sliders and entry doors. The covered stairwells to the second story are deteriorating and pose a large safety hazard. The 1975 gutters, downspouts, site and storm drainage and irrigation system all need replacement. The main issue has been water intrusion directly related to the outdated and inefficient T111 siding and the outdated aluminum windows that incur moisture. If this request is approved the siding will be replaced with Hardi-Plank, repairs will be made to any dry rot, all windows will be replaced with Millguard Windows, and stairways and stairwells will be replaced to a safe condition. Some work will include the removal of a significant number of trees encroaching on the building with large roots that are lifting the sidewalks and creating trip hazards for the residents. If this funding is not approved, Polk CDC will need to wait another nine years to make the proper repairs when the permanent loan is paid off. The current maintenance reserves cannot support these repairs.

MOTION: Epstein moves that the Housing Council approve the General Housing Assistance Program (GHAP) award in the amount of $399,946 to Polk Community Development Corporation to complete the rehabilitation of El Glen Apartments in Monmouth, Oregon. Award is contingent upon meeting all GHAP program requirements and conditions of award.

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

E. *Omer Apartments* (Cottage Grove, OR), Trust Fund Grant Request. **Joyce Robertson,** Loan Officer, introduces **Terry McDonald**, Executive Director, St Vincent de Paul Society of Lane County, **Nora Cornin**, St Vincent de Paul Society of Lane County, and **Karen Clearwater**, Regional Advisor to the Department. **Robertson** reports that this request is for $348,028 in Trust Fund for repairs of a historic building built in 1923, purchased and rehabilitated by St Vincent de Paul Society of Lane County in 1994, using HOME funds, loan proceeds and owner cash. The requested Trust Funds will be used to repair cracks and leaks in the brick exterior of the building, cracks in the foundation, replace the roof, repair gutters, trim and eaves, replace water and sewer pipes, add insulation, repair the fire escape, remove an unused chimney and replace flooring and countertops. The project serves extremely low-income residents with incomes at or below 30 percent area median income. It is not possible to make these repairs without raising rents. St Vincent de Paul is a very experienced and successful developer and owner of affordable housing projects, and has extensive experience with the department's financing programs. **McDonald** adds that with any building of this age, the opportunity to rehabilitate is something they wanted to take advantage of. The population they serve are those with mental illness or a developmental disability. It has been an asset to the community. As with projects like this, it is difficult to do all the repairs that you would like to do, and this is a chance for them to bring this project back to the highest level they possibly can. If they take care of the envelope on a brick building, the need to come back later is very low. Their intent is to make sure this is a long-term asset. **Baney** asks where the residents will go when the work is being done. **McDonald** says they can move them internally within the building, without having to displace any of the residents. **Epstein** asks if the permanent debt is now gone. **McDonald** answers yes.

MOTION: Epstein moves that the Housing Council approve a Trust Fund Grant (HDGP) in the amount of $348,028 to St. Vincent de Paul Society of Lane County to complete the rehabilitation of Omer Apartments in Cottage Grove, Oregon. Award is contingent upon meeting all HDGP program requirements and conditions of award.

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

VII. SPECIAL REPORTS:

A. *Governor's Office Update.* **Duke Shepard**, Human Services/Labor Policy Advisor, Governor's Office, explains that he handles primarily items that have to do with poverty. He says he worked with Rick and his staff during the Legislative Session, and that the department should be credited with having a pretty good session. With all the agencies and issues he has to deal with, ours was very low maintenance, but that does not mean it was easy. The agency is doing what it can with the resources that are available. In the end, it was disappointing when things got held up with the lottery backed bonds. The Hardest Hit program, being a basic pilot program, and being a leader on that, has been a challenge. So far, the department has met that challenge. The fact that Oregon is out front with this program will be an asset. Overall, the state is in the midst of collective bargaining and is working to maintain a 6 percent total comp increase. If you add everything together, with health benefits and the state contribution to PERS, they are trying to hold onto 6 percent, which is what was budgeted. There are negotiation sessions on Monday and they are cautiously optimistic about making progress. **Crager** states that Duke has been great during this transition. He has had a huge workload not only with the labor issues, but he also had the Department of Human Services. He says he appreciates what he did for the department during the session. One of the Governor's initiatives is the ten year plan. Michael Jordan has engaged the Enterprise Leadership Team, which he is a part of, and he thinks they are making some good progress as it relates to setting the foundation for the next ten years. **Shepard** says that overall government has to change to be outcome driven, and we should have a plan like other organizations on how to get there. If you look at the Governor's policy agenda, the three big items are job creation, healthcare and education. The economy will not go back to normal. Government will look different, but still get results. The Governor signed a national sign-on letter in support of the Low Income Home Energy Assistance Program to the President.

Baney points out the Governor's initiatives toward healthcare reform, early childhood, affordable housing, housing first models, ten year plans to end homelessness, and job creation, and asks how we make sure that as communities we have services available to meet those outcomes? How do we link in with other initiatives that we are trying to create? She says she would love to have a better linkage between this body, the Oregon Health Authority, and the Early Childhood Investment Board. She says they are all working on outcomes and somewhere there needs to be a thread to underscore the efforts. **Shepard** answers that a lot of the linkages are made at a community level, but there is no system at the statewide level. **Baney** says that if there is a way Council could be partners in that, they would be ready to help. They just need some guidance on what that might look like. **Crager** comments that having common goals between state agencies and partners is where they are trying to get to as an enterprise. Michael Jordan is working on how to make those common connections to the work we do and the work DHS is doing and how we can contribute to that. Government will change and we may need to look at things differently. **Epstein** asks, from the other agencies that are under his purview, if he sees other agencies bringing council members to meetings with him and if he sees that as being a help in communication and if that is important to him. He also asks if other people are doing things better than the Housing Council in communicating with him, and if he can give the Council any suggestions. **Shepard** says not yet. Agencies communicate differently. Councils can have a different scope of authority. He says Council members can come see him, or call him whenever they need to. The work the Housing Council does versus others is a piece that is hard to figure out. There are over 200 boards and commissions, and there is cross-agency communication on a staff level. **Fieldman** states that a critical piece in that process is making sure there is input from the service providers at the local level. In a lot of communities there is integration of services that happens at the local level. They have to do that to make it work on the ground dealing with housing, food, childhood education issues, and the whole broad spectrum of need that is there. Sometimes those at the state level are an asset to that and other times they are a barrier. **Baney** thanks Duke and says she has found him very approachable and a great connection to the Governor's Office.

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

IX. <u>REPORTS:</u>

A. *PBCA Contract Update.* **Diana Koppes,** Asset and Property Management Division Administrator, reports on the loss of the bid for the PBCA Contract. The department has submitted protests to the Government Accountability Office, who is the oversight for the federal procurement processes, as well as HUD. That was done on the basis that HUD's process is flawed in a variety of different ways; primarily, the fact that they scored the applications and made their decision based on price as the determining factor. Up until that day, it had not been a determining factor in the process. Since that time, the department has been debriefing with nine other states. HUD has admitted that they did not declare that as a determining factor until they sent out the non-award letters. The department has asked for support from the Congressional Delegation in its efforts to protest this process. What this means to the agency is the layoff of the 14 staff directly performing the contract work. It will also mean a loss of considerable additional revenue, impacting some of the department's indirect operations. **Crager** comments that Diana has been tremendous. The applications were top notch. We know from the criteria that we were told we were going to be graded on, we did very well. We dispute that the process was flawed. There was never a mention of the price being factored into the decision. They took the raw score based on the criteria and divided it by the price. You could have received a perfect score on the criteria and still lost. That is a problem and we deserve the right to be able to go into a process knowing what the factors are we were going to be graded on and bid accordingly. Our bid would have been different. I am not saying that we would win, the issue is that we needed all the factors. The DOJ has been working with us on this protest. We are also in the process of retaining outside counsel that can help in perfecting our protest. This is new territory for us and the DOJ. We are retaining the same counsel as Massachusetts. There are nine other states that have joined us in this protest. The Congressional Delegation has been briefed on all of this and we will ask for their support regarding the flawed process. We are asking for the opportunity for fairness and to bid on a level playing field. Our approach on bidding outside of Oregon was that HUD was indicating they would like to see agency's demonstrate a regional approach. When we put the bids in for Washington and Alaska, we did that knowing that no other housing finance agency was bidding on them. **Crager** says he believes housing finance agencies are in the best position to do this business because of all the other work they do around preservation and housing finance. We would not have put in the bid, if we knew that another state FHA was bidding. The approach is about lowering the price and getting this cheaper. From an organizational standpoint, it doesn't make a lot of sense to have a Wisconsin company moving to Washington; a Washington organization moving to Oregon; and Idaho moving to Hawaii, Utah and Arizona. It becomes clear that a lower price was what HUD wanted. We are now starting the layoff process of 14 positions that we know are impacted. $4.5M comes to the department to help with operations, in addition to the 14 direct positions. We are trying to work through the associated issues as quickly as we can to determine what this agency will look like if we are not successful in our protest. Things will change and there will be more layoffs. **Fieldman** asks if he has a sense of what the timeframe is for the protest. **Crager** says he wishes he could; however, he can say that we have responses back from GAO and HUD and both have assigned attorneys to the claims. He thinks HUD will want to do this as soon as possible because they are going to want to put contracts in place. HUD is claiming that they have not yet officially signed any contracts with any of the new organizations. They are claiming that the process was not regulated by Federal Acquisition Rules. **Epstein** states that if HUD pays a maximum price for this service and the bid is below that maximum, people can start undercutting that maximum. **Crager** says the maximum bid on this was 2.5%, which is 50 basis points below what they were paying. So they had already proposed a cut in what they were going to pay agencies to do this work. We bid 2.45%. The agency who got this was 1.88%. One other HFA bid .97%. **Koppes** comments that the state wanted to keep their own state's contract so they severely underbid in order to be competitive and possibly operate at a negative. **Crager** adds that the department's preservation efforts are hurt by this decision, because of the complexity of the deals and agreements between the partners and funding streams. Now there is another layer involving an out-of-state entity. **LaMont** says that even if the department does not win, she believes the process issues need to be brought up.

B. *Legislative Wrap-up.* **Lisa Joyce**, Policy and Communication Manager, distributes copies of the 2011 Legislative Agenda Status, along with a report of the Human Services Coalition of Oregon, and reports that the department was successful in terms of its legislative agenda. We were successful in achieving passage of HB 2152, which eliminated caps on how much we can use to administer specific programs. The definition of farm work for purposes of the farmworker housing tax credit was changed, and the use of that tax credit was expanded. There was a technical fix to the trust fund, which had limited the department's ability to provide low cost loans. The department's budget went through as the Governor recommended, with a small add back for the General Fund Food program. Things got hung up around the issue of bonding authority towards the end of session. HB 5005 was the bonding authority for our multifamily housing, as well as the single family program, and the bonding authority on that piece of legislation was reduced by half of what we had proposed. We do think we can come back in the next session and ask for more authority. The lottery-backed bonds was particularly distressing for us because it is so key to our preservation efforts. We had originally requested $20M in bonding authority from the previous Governor, and he had reduced that to $10M. That went forward to the current Governor and it ended up as $5M. They did tell us we could come back in 2012. **Fieldman** asks if there was concern about the level of debt affecting the state's bond rating level. **Joyce** says no, that was not how she understood it. It was more worry about impact on the General Fund. **Crager** adds that, when you look at the bond limitation bill, there is some general obligation. There was a lot of conversation about revenue bonds and it came down to the notion of not liking more debt. **Fieldman** asks if he can identify some key legislators to educate. **Crager** says he will, but he would like to talk to the Council more about that in the coming months. He needs to see where the agency can go as it relates to bills and where the department needs to position itself. **Fieldman** says to let him know if he can be of assistance.

Joyce continues that for the 2012 session, the Executive Branch will get five bills, and the department will have to have a legislator introduce something on its behalf. In the interim, we did get some fixes around foreclosures. On SB 964, which is around strengthening, preserving and unifying families, the department is brought into that legislation, but we are not sure how that is going to look in supporting those efforts to keep families together to prevent children from going into foster care. Another big piece of legislation affecting the department is HB 2710 and HB 5056. Those bills change the way in which we get our funding for the low-income rental housing fund. In the past, under the civil court fees on filed evictions, we received a portion for our rental assistance program. It was a dedicated source of revenue and is a very complicated way of running a program. We were one of hundreds of programs that received resources out of that process. They have gone to what they consider a best practice for states, which is that all the revenues that are collected go to the General Fund and then direct appropriations are made to the agencies. As it turns out, it will be larger than what we have had in the past; however, now that it is General Fund, we know that those dollars are more at risk. One of the programs that the Governor proposed for reduction was the Elderly Rental Assistance program. It is about $1M and is run out of the Department of Revenue. Those involved in the program have the opportunity to file for assistance by July 1, and they get a check in November of the following year. The program has high administrative costs. They have problems with fraud. The statute was written in the 70s and there is a lot of data matching that needs to be done. We will be proposing a different way of running that program.

C. *Oregon Homeownership Stabilization Initiative (OHSI) Update.* **Mike Auman,** Fiscal Manager OHSI, hands out a copy of the Treasury blog, and reports the following:

- June has been a record month with Mortgage Payment Assistance direct dollars out to people at over $6M. There are loan documents out to over 3,000 applicants. There are over 2,100 applicants in the program receiving assistance.
- On July 1 they launched the Homeowner Education program, as well as the eligibility verification, which is a compliance component to make sure that those receiving assistance are still eligible for the program.
- Servicer enrollment is covering 95% of eligible applicants.
- On June 23, the US Treasury conducted a site visit, which was successful and gave them a chance to explain the Oregon programs. In the afternoon they arranged a visit with one of their partners, NEDCO in Springfield. Some of the homeowners receiving assistance were there to meet with them. Treasury was impressed and have asked to highlight the partnership in a blog site.

Crager adds that this is a challenging program in a variety of ways. In retrospect, the complexities relating to working with servicers, the systems issues, and the staffing that it takes to move this all forward, is so much more than just making someone's payment. They will face more criticisms on the front end because of the slowness of the program. People have waited a long time to get their assistance started. There will be some denials. Because of the underwriting that needs to be done, they have found that some of the criteria was not met. The demonstration of loss of income has been the biggest factor. Oregon is further ahead than other states. Bank of America was complementing the other day that they received their largest payment from Oregon than from any other state in terms of payments of mortgages. We have the best aftercare program. Our partners help us in designing and financing the education program. The smaller servicers on now on board, and are now getting the systems set up for the payments to begin. It is more complicated for them and is taking more time. There are still some servicers that are not going to participate. We are trying to do a work around and may be writing manual checks. It is nearly 200 people. Yesterday there was a participant that had a foreclosure date of July 14th. She was very close to getting her assistance, and she had a small servicer. The staff was able to stop her foreclosure and saved her home. **LaMont** asks about those that are having a hard time verifying loss of income -- because the applications were submitted in January, and if they got a job in the meantime, does that effect their eligibility? **Crager** says the common situation is that the loss of income needs to have been within a certain time frame. What they are seeing is that the documents supporting that are not showing income loss at the 25 percent or more rate, which is part of the program criteria. If someone gains unemployment after their application is approved, a review is done and it can be determined that they no longer qualify for the assistance. The denials mentioned earlier were from people not being able to demonstrate the 25 percent loss during the specified time period. There will be another similar program that will go back out and pick up the slots that were not filled in each county. They may be able to reevaluate the criteria at that time.

D. *Report of the Chief Financial Officer*. No report given.

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

- *Consolidated Funding Cycle.* August 19 will be the CFC Council meeting. He would like to have a phone conference with some of the Council members that have not been through a CFC cycle, to make sure they are clear on the process. The RADs will make announcements to partners on July 22. He says staff have done a good job, and there are a lot of good projects in this cycle. The applications that came in were good. The partners are good at what they do, and that makes the selection process tough. **Gillespie** adds that when revealing the scores to the applicants, they will be grouped by regions and activities. The activities being preservation or nonpreservation projects, and there are six categories. It moves the department to a level of transparency. **Crager** says they have had a good discussion with Oregon ON about the scoring process.
- *Update on the Council*. Currently there are four active members, and Maggie's term has expired; however, she will remain on Council until we get Senate confirmation for a new member. Nancy McLaughlin has submitted her resignation and her term will end July 31st. We will need to replace her and he is in the process of reviewing that now. Francisco Lopez's membership expired June 30th. His spot is now open. We try to be as geographically diverse as we can. We are actively looking at some individuals on the eastern side of the state. The chair position will be open once Maggie leaves. In the past, the Council has made a recommendation to the Governor about a new chair. That is something we should try and take care of at the August meeting. John's term will be up next year, and then Jeana's will be the following year. So the Council will begin to look different in the next few years. He says he wants to continue to work on the continuing education and the strategic initiatives of the Council.
- *NCSHA Award*. The department has prepared a video about Bridge Meadows that will be submitted to NCSHA for a special award.
- *PBCA Contract.* He will communicate as much as he can about the PBCA contract. His message is that it is moving to a legal forum at this time. If the Council would like to take a position as it relates to our position on the process, he would be happy to draft something for them to review. **LaMont** says if there are no objections, she would be more than happy to do that. **Crager** says he will work on getting a draft out for Council to review.
- Hopefully at the next Council meeting he will know more about the permanent director. He says Council has been very helpful during this transition time.

F. *Report of the Chair.* **Maggie LaMont** reports that she was sad to see Nancy McLaughlin resign from Council because she was very good. **Crager** says that Nancy will want to send Council a note to give more of a background in terms of her situation. **LaMont** says the retreat process and looking at what the Council wants to do is something she would encourage to continue. She thinks it has brought Council together and in focus. **Crager** thanks her for her leadership in getting that moving again. He says the department is better positioned when Council and agency strategic initiatives are aligned. **LaMont** says she is sad about the HUD contract and that it will be such a loss to the department. She says she thinks HUD needs to be taken to task for how they handled this. It saddens her that the department will lose staff, and it is scary for partners that someone is coming in that they do not know that will be managing their accounts. **Crager** says there are 22 protests that have been filed so far. Ten of those are HFAs. **LaMont** says she is pleased to be able to stay for another CFC cycle, because that is always her favorite, and each of today's projects that were funded really deserve it.

X. FUTURE AGENDA ITEMS.

- **Crager** says August will primarily be CFC, and Single family will be discussed to give Council more of an idea of what is happening in the portfolio. We will continue to report on OHSI. He would like to be able to have a chance to talk more about PBCA impacts once that is more refined. The new director will have ideas that they will want to share with Council.
- **Gillespie** says that, per the conversation he had with Jeana, a future agenda item will be to invite the AGs office to discuss tracking contractors that have done deficient work in the past, with something like an exclusion list. **LaMont** says she would hate to see contractors or architects picked up by anyone else if they have not performed up to standard. The list should not just be one group. She says HUD has a nonqualified list.
- **Crager** indicates that a strategic retreat needs to be scheduled, and suggests November, December, or January, to give the new members time to get on board.
- The Bridge Meadows video will be shown at one of the future meetings.

Chair LaMont adjourns the meeting at 12:02 p.m.

/s/ Maggie LaMont	**8/19/11**	**/s/ Rick Crager**	**8/19/11**
Maggie LaMont, Chair	**DATE**	**Rick Crager, Acting Director**	**DATE**
Oregon State Housing Council		**Oregon Housing & Community Services**	