OREGON STATE HOUSING COUNCIL
Minutes of Meeting

TELEPHONE CONFERENCE
Meeting Location:
Oregon Housing and Community Services
725 Summer Street NE, Room 322
Salem, OR 97301

10:00 a.m.
September 1, 2011

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

STAFF PRESENT
Rick Crager, Acting Director
Bob Gillespie, Housing Division Administrator
Roz Barnes, Loan Officer
David Summers, MultiFamily Section Manager
Karen Chase, Regional Advisor to the Department
Jo Rawlins, Recorder

MEMBERS ABSENT

GUESTS
Roberto Jimenez
Emily Breidenbach

I. CALL TO ORDER: Chair LaMont calls the September 1, 2011 meeting to order at 10:04 a.m.

II. ROLL CALL: Chair LaMont asks for roll call. **Present: Tammy Baney, John Epstein, Mike Fieldman, Jeana Woolley and Chair LaMont.**

III. PUBLIC COMMENT: None.

IV. NEW BUSINESS:

A. *Summerset Village* (Sublimity, OR), additional HOME and Housing Development Grants Request. **Roz Barnes,** Loan Officer, introduces **Roberto Jimenez** and **Emily Breidenbach,** Farmworker Housing Development Corporation. **Gillespie** explains that a hard look is always given at people coming back in for a request for additional funds, but when preserving RD properties, there is a certain degree of unpredictability. The reason is that the department cannot predict when RD properties expire, like it can the HUD properties where there is a date certain. With RD, the owner can opt out of a property any time between year 20 and 40. So at that point, the preservation process begins, but it still has to have RD review, which often cannot be done in a timely manner. It is RD's loan and they have the ability to go back and impact the cost of the projects. With this project, RD has added items to the scope of work.

Barnes reports that in the 2010 CFC, Farmworker Housing Development Corporation (FHDC) applied for and received $500,000 in a Housing Development Grant (HDGP); $880,300 in HOME, and $100,000 in Housing Preservation Funds (HPF), for Summerset Village in Sublimity, Oregon, a proposed acquisition and rehabilitation by FHDC. It is a 24-unit independent elderly project built in 1985, and financed through Rural Development's 515 Loan Program. The senior housing complex is situated on 1.52 acres with a unit mix of 22 one-bedrooms and 2 two-bedroom units in six single-story buildings, plus a small community building. The current owner is eligible for prepayment. **Barnes** gives an overview of the write-up contained in Council's packet.

Woolley points out in the sources of funding, that they were originally asked to take less Trust Fund, but then the Trust Fund was increased. She asks if there was a reason the department wanted them to take less Trust Fund. **Barnes** explains that the main reason is that there was a tax credit project that could use more Trust Fund and less Preservation, and she was asked to have FHDC look at their budget to see if they could take less of one and more of the other and still have all of their items be eligible for payment. When they did that, they realized that there was still an unknown factor -- what the total reserves would be from RD. What they had originally proposed may be the reserves they felt were short from their conversations with RD on what the final reserves would be. The increase of Trust Fund from the $118,985 to $247,750 is still less Trust Fund than their original request of $500,000. **Woolley** asks if this affects the other project. **Barnes** replies no, they were left whole. **Crager** states that, with the document recording fee and revenues that have come in higher than anticipated, the department has the available resources to be able to put the $247,750 into the project.

LaMont asks if the project had any reserves that were going to be transferred at closing. **Jimenez** says the owner, under RD regulations, was allowed to retain the reserves, but they could not be forced to leave them in the project, so they had to be bought out. **Epstein** says the reserves will be funded with this increase, and asks if the RD loan is a 30 year loan. **Gillespie** responds that it will be a new 40 year loan. **Epstein** asks if in 30 years there will be any reserves left with this project. **Breidenbach** answers that she does not have an answer for that. The only scenario under which she could see they would potentially have access to that money would be if they sold the property and the current owner stayed in the RD program. **Jimenez** points out that this is a for-profit owner and there are some different regulations around that. **Breidenbach** adds that they are 15 years in and are saving money, but they have not hit the point to where they need to start spending it. So by the time they get to 30 years they will have spent down the bulk of what they have been saving. **Epstein** says he is trying to be prudent with taxpayer money, and the funds being spent are for the viability and preservation of the 24 units in this project. **LaMont** says she would like to be more strict. If in 40 years the property is sold, then up to the $180,000 of reserves, if there is any remaining, would stay with the property to the new owners. If at the end of the 40 years and the property is to change hands, then up to $180,000 of reserves should stay with the property. **Woolley** asks if Council can make that kind of a covenant. **Epstein** responds that if they preserve it for 40 years, he is not concerned about monitoring the $180,000. **Summers** comments that if the department tries to have a claim that is superior to RD, getting them to subordinate any of their interest would be a long and grueling effort. **Jimenez** states that the reality is, if Council attempted to do that, they would not make their closing date. **Fieldman** says he would assume that when a property is sold, the reserves are calculated into the sale price. **Woolley** answers that they are calculated into the value, which means the person who is selling, may get them. **Epstein** asks if the department has put an affordability covenant on this project. **Gillespie** answers yes. If there is non-performance we have recourse to collect our funds. **Epstein** says he is comfortable with this, the way it reads. **Woolley** says she is too. **LaMon**t states that in principal she thinks all the reserves should go the project, but she does not want to hold up a project and argue with RD about it. **Woolley** asks if the $180,000 is both operating and replacement and how that is divided. **Breidenbach** responds that it just replacement reserves. **Woolley** says that is high for a replacement reserve. **Barnes** responds that it was required by RD. and that they want the cushion because this will be a fairly low-income project. RD has capped the rents and the department wants to make sure it flows through the years. **Gillespie** explains that RD tends to capitalize replacement reserves more up front over a ten-year period, and that helps them with the cost of their rental assistance. **Woolley** asks if they have a contribution they have to make every month, regardless. **Breidenbach** answers yes. It is $979 per month.

Jimenez says the question has been asked if they can do more in the current scope, but trying to expand at this point would mean there is still life left in flooring or cabinets. It does not make sense to put more into the scope now. **LaMont** cautions that if a project has the ability to come back and increase the scope of work to meet new standards from when it was funded, there may be a lot more projects doing that. **Gillespie** says that having a standard now where we want people to rehab to the point that they do not have to recapitalize for 30 years, is what our external inspectors are doing, so he doesn't think that will be much of a problem. In the last CFC round, if there were a few projects that the team felt was not adequate to meet the 30-year standard, they asked for additional items to be added back in. **LaMont** says she was referring to those funded in 2010 and before and asks if that opens the door for other projects to come back. **Gillespie** states that he would have to go back and look at the number of projects that were funded and see how many have closed, in order to make an assessment. **Summers** states that they are still in a low-interest rate environment, so people are saving money over what they project on interest carry and permanent funding amounts. So the total leverage may increase. Since those 2010 projects came in with their equity yields, there has been an increase that should save the department from having to see any cost increases.

> **MOTION: Epstein moves that the Housing Council approve an additional $91,246 in HOME for a total grant amount of $971,546 and an additional $247,760 in a Housing Development Grant for a total grant of $366,745 to Farmworker Housing Development Corporation for the acquisition and rehabilitation of Summerset Village in Sublimity, Oregon.**
>
> **VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Jeana Woolley and Chair LaMont.**

Chair LaMont adjourns the meeting at 10:30 a.m.

/s/ Maggie LaMont	**9/19/11**	**/s/ Rick Crager**	**9/19/11**
Maggie LaMont, Chair	**DATE**	**Rick Crager, Acting Director**	**DATE**
Oregon State Housing Council		**Oregon Housing & Community Services**	