

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.
May 4, 2012

MEMBERS PRESENT

John Epstein, Chair
Tammy Baney
Mike Fieldman
Adolph “Val” Valfre, Jr.
Jeana Woolley

MEMBERS ABSENT

GUESTS

Rob Prasch, Network for Affordable Housing
Ryan Fisher, NW Public Affairs, LLC
MaryBeth Beale, Habitat for Humanity
Tom Cusack, Oregon Housing Blog
Keith Wooden, Housing Works
Jeff Puterbaugh, AMH, OHA
Anna Geller, Geller Silvis & Associates, Inc.
Martha McLennan, Northwest Housing Alternatives
Sharon Nielson, The Nielson Group
Greg Blackmore, City of Bend (via phone)

STAFF PRESENT

Margaret S. Van Vliet, Director
Karen Tolvstad, Policy, Strategy & Community Engagement Division Administrator
Julie Cody, Program Delivery Division Administrator
Bruce Buchanan, Regional Advisor to the Department (via phone)
Debbie Price, Regional Advisor to the Department (via phone)
Karen Chase, Regional Advisor to the Department
Karen Clearwater, Regional Advisor to the Department
Vince Chiotti, Regional Advisor to the Department
Shelly Cullin, Senior Loan Officer
Roberto Franco, Single Family Program Manager
Ben Pray, Policy Advisor and Communications Manager
Betty Markey, Senior Policy Advisor
Bill Carpenter, Information Technology Manager
Heather Pate, Multifamily Finance and Resource Manager
Jo Rawlins, Recorder

- I. **CALL TO ORDER:** Chair Epstein calls the May 4, 2012 meeting to order at 9:05 a.m.
- II. **ROLL CALL:** Chair Epstein asks for roll call. **Present: Mike Fieldman, Adolph “Val” Valfre, Jr., Jeana Woolley and Chair Epstein. Absent: Tammy Baney** (arrived at 9:15).

III. **APPROVAL OF MINUTES**

A. Chair Epstein asks if there are any corrections to the April 6, 2012 Minutes. There being no corrections, the Motion was read:

MOTION: Valfre moves that the Housing Council approve the Minutes of the April 6, 2012 Council meeting.

VOTE: In a roll call vote the motion passes. Members Present: Mike Fieldman, Adolph “Val” Valfre, Jr., Jeana Woolley and Chair Epstein. Absent: Tammy Baney.

IV. DIRECTOR'S REPORT: Margaret Van Vliet, Director, reports the following:

- *OHSI.* More than \$52M has been spent on direct assistance. The MPA-U program is gaining steam and there is a lot of interest as slots are opened in the Metro area. There has been extra outreach in rural areas that are not using their designated slots. Some of the first payments on this program will go out this month. We are starting to see final payments from the first batch of the MPA program, because those individuals have been on the program and have received 12 months of assistance. Preparation is under way to launch the next Preservation phase. This is the part of the program that helps pay for those who have arrearages, but are otherwise ready to assume their full mortgage payments. Work on the pilot projects in Jackson and Deschutes Counties is continuing. Eight deals under that program have closed, with homeowners realizing about \$100,000 in principal reduction. More reporting is being done online, so there is a lot of data available on the OHSI website.
- *Multifamily.* Heather Pate and her team are spending many hours doing the first review of the 50 applications that were submitted during the Consolidated Funding Cycle.
- *Single Family.* All the funding from previous bond sales has been committed, so the department is preparing for another bond sale, which should close by the end of May. The department has access to about \$39M in the new issue bond program, which is the Treasury subsidized program at the federal level, and it is being structured to provide down payment assistance. A fuller report will be presented to Council at the June meeting.
- *NSP3* is just about at the nine-month benchmark, and some good strides have been made in investing in foreclosed properties. Some of the program parameters need to be adjusted, and proposed changes were put out for public comment, with a lot of public comment received. Based on those comments, the department is going back to rethink how to redistribute those funds and perhaps modify the rules. By March of 2013, we need to have expended 50% of the \$5M, and we are now at about 36%.
- *National Foreclosure Mitigation Counseling Program.* The department received the sixth round of funding of \$430,000 that is funded by HUD. That money will be distributed through 13 counseling agencies.
- *PBCA Contract.* The department is actively working on the NOFA that is due to HUD by June 11. The contract start date will be December 1. We are optimistic, based on the modifications HUD has made to the NOFA, that we will be the successful bidder.
- *Community Services.* Staff in the community services division is taking a deep and broad look at the various programs delivered by the department, trying to think about them in the context of the Governor's 10-Year Plan, and goals around aligning the programs to achieve the Healthy People policy visions. A good example is the weatherization programs operated by the agency, which are funded by stimulus (ARRA) dollars that will soon be coming to an end, requiring the need to realign staff duties due to the loss of some limited duration positions and staff.
- *State Housing Council Recruitments.* The Governor's Office is beginning the vetting process for those who applied. There is a particular emphasis on geographic, racial, and ethnic diversity. The confirmation process for new appointees will be later this month.

Shelly Cullin, Senior Loan Officer, announces that she will be retiring from state service the end of May, and wanted to say thank you and goodbye. She has been with the department for 21 years and a loan officer for the past 15 years. During those 15 years she has processed 131 loans, and produced over 7,900 units for \$456M worth of loans. In the last five years, her passion has been preservation.

She will start her new employment on June 1 with a developer that focuses on preservation. Council thanks her for her many years of service, especially for her work on preservation and credits her with that program's success.

V. REPORT OF THE CHAIR: **Chair Epstein** reports that following last month's Council meeting, there was a joint meeting with CAPO. One of the things talked about in that meeting was development of a joint letter from the two councils to the legislature regarding the proceeds from the banks relating to the foreclosure crisis. Ryan Fisher, who works with CAPO, volunteered to draft a letter and send it out for review. **Van Vliet** explains that there were two parallel, but distinct forces moving in the February legislative session. One was the passage of SB 1552, which requires that banks enter into mediation before proceeding with foreclosure. It also requires that homeowners, before asking to get into mediation, get some counseling services from a HUD certified counselor. The bill did not attach any money to those activities. Banks, servicers and homeowners will pay a small fee to access the mediation, which will offset some of the costs of the statewide mediation program. Separate from that was the multi-bank settlement. The amount of money that will come to Oregon that is unrestricted is \$29M. The legislature asked OHCS and DOJ to come back and tell them how they would spend some of the settlement money. A letter has been sent to the Legislative Fiscal Office and the Governor's Office setting out that OHCS and the Department of Justice would propose to allocate a piece of the \$29M settlement funds for a series of activities related to mediation, and outreach to homeowners who are struggling, so they can access the settlement and understand how to access the provisions of SB 1552, and any other assistance. The pre-mediation counseling would be provided by the expansion of the network of existing housing counselors. Legal assistance will also be necessary for some of the low-income homebuyers. A package has been put together asking the legislature to appropriate funds for those activities through the rest of the biennium. The dollars requested total \$9M. That leaves other resources out of that settlement and beyond this biennium as a question. It is in that context that CAPO and the Housing Council members wanted to make sure the rest of the funds stay for housing related, if not foreclosure related, purposes. Discussion followed and the following suggestions were given for inclusion in the joint letter:

- A broader tone to expand to affordable housing in general and to advocate for the funds not being pulled to some other activity.
- Acknowledge what is already being done and how there are still gaps that cannot be met.
- A broader spectrum focused on the broad range of needs.
- Frame the problem as it exists, despite everything that has been invested already.
- Focus on maintaining the \$29M in housing related issues.
- Talk about stability of housing and the ability to stay in a home, which lends itself to economic development, keeping jobs, and staying off other services.

It was agreed that the letter would be submitted to the subcommittees that will address how the money will be spent during Legislative Days scheduled for May 21-23. OHCS and DOJ will present a report on the proposal. **Ryan Fisher** says the \$9M request that Margaret spoke about is for one year, but he thinks what people have been looking at is the number of foreclosures and the length of time it will take to work people through the system, and they feel a three-year plan is best. The requests to the legislature on how to stretch the \$29M over a three-year plan will need to be done in stages. He says he has a concern about broadening the use of the funds beyond foreclosure-related issues. He believes it is a good idea to better frame the existing systems that are in place. This money is more flexible than the dollars in the OHSI program and can be used to plug the gaps.

VI. GUEST PRESENTATION:

A. *Oregon's Preservation Initiative.* **Rob Prasch**, Preservation Director, Network for Oregon Affordable Housing, distributed a packet of information and comments that preservation has been a priority for the agency for many years, with five areas of focus: making information available; streamlining the processes; providing acquisition capital; providing technical assistance; and promoting green building practices. **Prasch** states that preservation is good policy because the units provide safe, decent homes for extremely low-income households. They provide security because residents pay 30% of their income. Preservation contains safeguards. Federal grants assist with payments for a 20-year period. Preservation costs average 53% of new construction costs. It is green and saves energy with upgrades and improvements. Buildings are already cited and close to neighborhoods, and there are no permitting, planning or zoning issues. Preservation is good at attracting private investors and lenders. **Woolley** says the real power of preservation is that today we cannot serve that population with new construction. These units are critical to a portfolio that is able to serve a full gamut of affordable housing needs. It is the easiest way for us to serve the very low-income. **Prasch** adds that often these are the only affordable housing offerings in an area. The residents are initially covered with vouchers, but one of the benefits to the residents of a voucher is the mobility of it. Project-based subsidy can also be leveraged versus tenant-based subsidies that cannot. **Epstein** asks if he would be making any further requests to the legislature this biennium. **Prasch** explains that the Housing Alliance will be putting together the agenda for next session. The last time the ask was for \$10M and the approval was for \$5M, with an invitation to come back in February, but that did not happen. Having an acquisition fund available could help fund projects until there are more resources available. **Van Vliet** says the department is not putting in any request as part of its budget or legislative concepts. The advocates have done that, but the department has been asked not to put in a capital request for lottery-backed bonds.

VII. NON-CFC PUBLIC COMMENTS: **Anna Geller**, Geller Silvis and Associates, says she tries to take the point of view of a resident versus the point of view of the industry. It was illuminating to her when she helped residents pack to move to a new location during a rehab in Southern Oregon. They explained to her that preserving the building was essentially denying them a portable voucher. They could have moved to Portland to get away from an abusive husband, the drug culture, etc. It would have been those women's opportunity for housing with choice. **Geller** states that she thinks the Portland portfolio and other big portfolios are tremendously aggressive, but some of the other towns have different needs. If we are really trying to help low-income people and not the industry, that has to be examined. We have to consider how important housing choice is in changing someone's life. We need a good preservation program, but it needs to be done in a thoughtful manner.

VIII. COMMUNITY ENGAGEMENT UPDATE:

A. *Influence on 2013 CFC Planning.* **Karen Tolvstad**, Policy, Strategy & Community Engagement Administrator, gives an update on the recent community engagement outreach the department has done with for profit and nonprofit developers, municipalities, cities and counties. They are hearing a lot of consistency from different individuals. The ultimate consistent piece of advice is to create a less burdensome and less costly process for making awards with greater transparency and clarity on the decision-making process. Specifically, there needs to be greater focus on needs of local communities, in contrast to what we know by creating a data measurement of need. Also, to provide more focus on what the community sees as their needs. A sharper focus on our priorities so that people can have greater certainty. The struggle the agency faces is in taking very well organized and funded priorities and weighing and measuring them against all needs throughout the state. They received comments from other developers about the 50% set aside for preservation. Most people

realize that preservation is important in the metro area. Points have been raised about the real risk of turning a project in a rural area. For 2013, taking all the feedback that has been received, they believe the best way to go forward is with an RFP-type process. The plan is to have a tax credit RFP about the same time of year as the current CFC. RFP criteria could be based on policy priorities or geography, or a combination. Once they have an opportunity to review all of the input received, a recommendation will be presented to Housing Council for next year's process.

Woolley asks for an explanation about the difference with an RFP process and what would be changing from the current CFC process. **Tolvstad** explains that the CFC process is done once a year and projects all over the state, regardless of geography or type of project, submit an application. The application process itself, because it includes every funding stream, is a combination of all of those requirements. Even for a person who is going after a particular funding stream, they must go through the entire process to apply. However, program requirements are very different if you are applying for tax credits versus if you are applying for HOME funds. Currently, there could be a high-rise on the MAX line in Portland, competing with a group home in Hermiston. For the decision-making process, we recommend grouping projects. It would be a more streamlined application and a decision-making process. Then the question is with different RFPs, whether you do them at the same time of year, or spread them out. She said there are many questions to consider and she will come back to Housing Council with the pros and cons. She thinks it will need to be rolled out in phases. At the next Council meeting she will talk about an RFP or NOFA for tax credit projects in the spring, which is the first priority. Council offered the following for consideration:

- **Fieldman:** There is an advantage to allocating resources all at once because it is all in front of you at one time. Tax credit projects could easily use up all the available resources and there would be nothing left, without a good, thoughtful way to allocate.
- **Woolley:** You might have different processes and criteria for different sized projects that are going after different funding streams.
- **Epstein:** You are also looking at internal resources. Spreading our resources to pay for those doing a one-time analysis versus spread out over the year. There is the issue of allocating it on projects and then six months later a worthwhile project comes along and you cannot fund it.
- **Baney:** Consider prioritization of projects from communities. Often there are different projects in the same geographic area essentially competing against one another.
- **Valfre:** His concerns are the capacity of the organization and whether or not the department can meet expectations of the customers. **Tolvstad** says they anticipate it may be easier to spread it out throughout the year. The drawback is reserving funds. What she has done to date is the research to identify what the community sees as the needs, problems, and issues, and to identify some potential solutions. Now the hard work of evaluating benefits and trade-offs of different options begins. **Van Vliet** comments that as they go through what Karen has for the current year process, they can also step back and it may inform them about next year.

B. Proposed Criteria for 2012 Final Determinations. **Karen Tolvstad**, Policy, Strategy & Community Engagement Administrator, distributes a chart of the Proposed Scoring Process for 2012 CFC, and gives an overview of the three steps: Review by Housing Division Program Staff; Review by Management and Policy Team; and Final Determination and Recommendations to SHC by OHCS Executive Team and State Housing Council Members. **Woolley** asks how the depth of community support will be measured. **Tolvstad** says in two ways: One, by reviewing the application, including support letters and the narrative that the applicants are asked to complete. Second, by the RADs in the community that are giving input on the step-two review, and providing highlights of the projects. That information will be used in balance with the narratives and our own understanding of affordable housing regions in Oregon. **Woolley** asks if there will be any independent way to measure local

support on the ground. **Tolvstad** answers that as the department goes forward with redefining the role of the RADs, away from being involved with individual projects and helping applicants put their applications together, they will focus their efforts on deeply understanding the needs in the community and the communities' priorities. There is a published final tiebreaker policy. If they do end up with ties, that policy will be used to break those ties. **Woolley** points out that the need for the project will be very important. **Tolvstad** says this is all a learning process for helping them determine how to set up scoring criteria and decision-making for 2013. **Van Vliet** states that there will be an opportunity as they go forward to ask what the 10-Year Plan will call on us to do, and if we can get to a place where we are more prescriptive. **Fieldman** says there could be some unintended consequences of the process. If in fact the changing of the priorities and the scoring process leads to a result where everyone is tied, then it does change the emphasis and the focus of the funding to just those final points. The rating system that we had before did not lead to that many ties. **Tolvstad** says that is why project feasibility and merit are the number one priority in the final determination step. **Epstein** notes that currently, if someone is applying just for HOME funds, they have to go through the same cycle. Another advantage is having program allocations at different times of the year, for which different criteria would be created. **Fieldman** says that is the part he likes -- different processes for different types of projects.

IX. PUBLIC COMMENT: Martha McLennan, Executive Director of Northwest Housing Alternatives, says she has been following this process through the Oregon Opportunity Network, and they really appreciate being engaged in the process early on and are looking forward to being actively engaged in the process as the recommendations develop. There are a lot of challenges to scoring and having an allocation system. There are some things that they are excited to see shifting in emphasis. One is to be looking at the policy benefits of the project, the policy equation, and the public benefits it provides for the costs that it takes. The consistency that was talked about in terms of a public entity, warms her heart. The process of weighing and measuring is always going to be a challenge. She suggests they may want to think about, instead of having scores, to weigh things or have a yes/no answer. To look at things in a relative way. To stack the applications up one against the other and say in a particular realm which one did the best and then stack the rest underneath. Aggregate the scores from four or five different categories, which would provide greater variation and lessen the number of ties.

Sharon Nielson, from the Nielson Group, says she has been a consultant for over 25 years and has seen this process evolve over a very long time, and it is exciting to see the way this is being engaged now. She feels like this is not a rewrite of a process, but it is actually going to change the process. It absolutely has to. In reality, you will be requiring the sponsors and all of us to go back and structure and rethink what is really feasible. Not what the application wants, not what we think will score the best, but really what is actually needed, desired and wanted. She thinks we should take this opportunity and invite in other systemic partners and to pull funding streams from other places. If a project is supported by two CDCs that have a great track record, incentivize them to work together. Relationships need to be as sustainable as the facility itself. She commends the department for taking this on. It will be painful, but better for Oregon in the long run. **Woolley** asks her how it would be possible to incentivize cooperation among CDCs. **Nielson** suggests, for an RFP, to perhaps offer extra consideration to a group that came together. If a project could pull in funding from other areas, that could be an extra incentive. She believes the industry really needs to wean itself off the developer fee. CDCs have a mission to do housing. Perhaps they need to begin to look at their housing mission. Give incentives in terms of points for portfolio collaboration, cash flow in projects that are running well, repositioning CDCs in communities. Start looking at these projects as a social investment. There is money that is not being tapped into because of the way the deals have to be structured. **Fieldman** says

