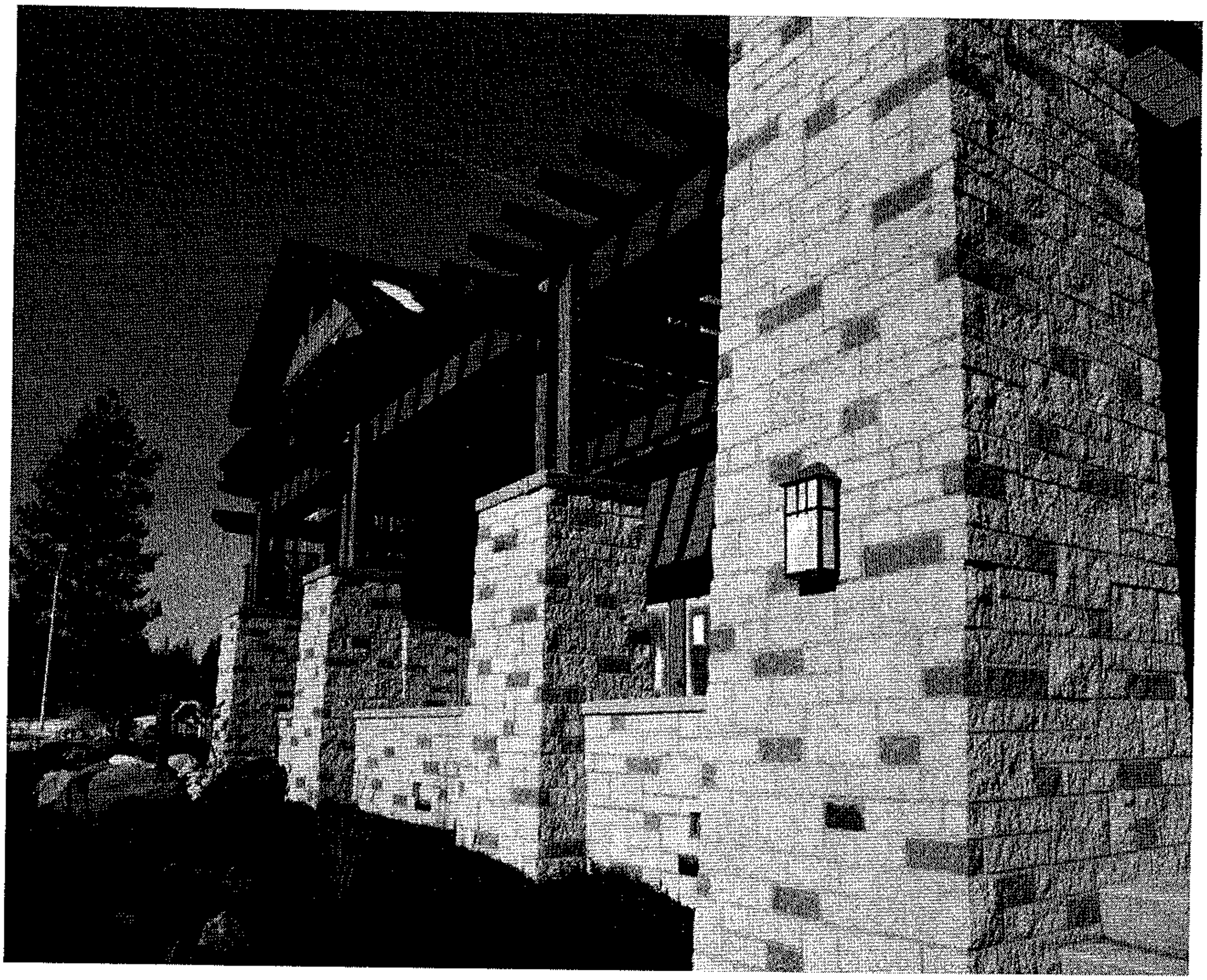
OREGON STATE HOUSING COUNCIL

January 22, 2010



Discovery Lodge Park, Bend, OR (53 Units; New Construction; Senior 55+)

Oregon Housing and Community Services
725 Summer Street N.E., Room 124 A/B
Salem, OR 97301
(503) 986-2005

OREGON STATE HOUSING COUNCIL

January 22, 2010

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Oregon State Housing Council

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STATE HOUSING COUNCIL MEETING

January 22, 2010

9:00 a.m.

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

AGENDA

I.	**CALL TO ORDER**	**S. Cooper**
II.	**ROLL CALL**	**S. Cooper**
III.	**PUBLIC COMMENTS**	**S. Cooper**
IV.	**APPROVAL OF MINUTES** **A.** Minutes of December 4, 2009 Meeting **B.** Minutes of December 18, 2009 Meeting	**S. Cooper**
V.	**RESIDENTIAL CONSENT CALENDAR** None	
VI.	**SINGLE FAMILY REPORT**	**D. Lanterman**
VII.	**SPECIAL REPORTS** **A.** *Communicating More Broadly w/ Rural Oregon,* **Leon Laptook** and **Shawn Michael**	
VIII.	**NEW BUSINESS** **A.** *Clifford Apartments (Portland, OR),* Housing PLUS Allocation Increase Request and Trust Fund Increase Request	**M. McHam**
	B. *Putnam Pointe (Bend, OR),* Housing Development Account Loan Request	**D. Summers**

IX.	**OLD BUSINESS**		
	A.	Period of Affordability Policy Discussion	**B. Gillespie & B. Markey**
	B.	Loan Grant Approval Limits Policy Recommendation	**B. Gillespie & B. Markey**
	C.	Developer Fee Policy Recommendation	**B. Gillespie & B. Markey**
X.	**REPORTS**		
	A.	Neighborhood Stabilization Plan Update	**R. Malloy**
	B.	Housing Opportunity Bill Rulemaking Update	**L. Joyce**
	C.	Special Session Legislative Update	**L. Joyce**
	D.	Federal Stimulus Plan Update	**J. Fletcher**
	E.	Report of the Chief Financial Officer	**N. Cain**
	F.	Report of the Deputy Director	**R. Crager**
	G.	Report of the Director	**V. Merced**
	H.	Report of the Interim Chair	**S. Cooper**
XI.	**FUTURE AGENDA ITEMS**		**V. Merced**

OREGON STATE HOUSING COUNCIL
Minutes of Meeting

Oregon Housing & Community Services
Large Conference Room, 124 A/B, First Floor
725 Summer Street N.E., Suite B, Salem, OR 97301
9:00 a.m.
December 4, 2009

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

MEMBERS ABSENT
Jeana Woolley

GUESTS
Tom Cusak
Michael Anderson, Oregon ON
Robin Boyce, Oregon ON
Martha McLennan, Northwest Housing Alternative
Cobi Jackson, One Economy
Dave McConnell, One Economy
Betty McRoberts, Jackson County
Lennie Bjornsen, OCCF
Joni Hartmann, NOAH
Jodi Erickson, WNHS
Jim Moorefield, WNHS
Julie Garver, Innovative Housing

STAFF PRESENT
Victor Merced, Director
Rick Crager, Deputy Director
Nancy Cain, Chief Financial Officer
Bob Gillespie, Housing Division Administrator
Marlys Laver, Asset and Property Management Division Administrator
Lisa Joyce, Policy & Communication Manager
Dave Summers, MultiFamily Section Manager
Jack Duncan, GHAP Program Coordinator
Roberto Franco, Director's Office Liaison
Dona Lanterman, Single Family Section Manager
Rich Malloy, NSP Program Manager
Craig Tillotson, Loan Officer
Carol Kowash, Loan Officer
John Fletcher, Policy Advisor
Mariana Negoita, Tax Credits Program Coordinator
Cheryl Resendez, Loan Closer
Dolores Vance, Loan Officer
Shelly Cullin, Senior Loan Officer
Tony Penrose, Resource Coordinator and CFC Manager
Ernie Kirchner, Program Analyst
Betty Markey, Policy Advisor
Theresa Easbey, Loan Officer
Karen Chase, Regional Advisor to the Department
Karen Clearwater, Regional Advisor to the Department
Deborah Price, Regional Advisor to the Department (via phone)
Bruce Buchanan, Regional Advisor to the Department (via phone)
Vince Chiotti, Regional Advisor to the Department
Jo Rawlins, Recorder

I. CALL TO ORDER: Chair Maggie LaMont calls the December 4, 2009 meeting to order at 9:05 a.m.

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

III. PUBLIC COMMENT: Victor Merced introduces Karen Chase, the new Regional Advisor to the Department for the Mid-Willamette Valley Region.

IV. APPROVAL OF MINUTES

A. Chair LaMont asks if there are any corrections to the November 6, 2009 Minutes. There being no corrections, the Motion was read:

> **MOTION: McLaughlin moves that the Housing Council approve the Minutes of the November 6, 2009 Council meetings.**
>
> **VOTE: In a roll call vote the motion passes. Members Present: Scott Cooper, John Epstein, Stuart Liebowitz, Francisco López, Nancy McLaughlin and Chair Maggie LaMont. Absent: Jeana Woolley.**

V. SINGLE FAMILY REPORT: Donna Lanterman, Single Family Programs Manager, reports that the department is in the process of clearing out the last bond sale, and notes that there are currently 53 reservations, and a balance of $8M left in the pipeline for the current bond sale. The average interest rate in Oregon is 4.68 percent, and the department is at 4.5 percent. **Epstein** asks if the department's portfolio is tracking with the industry and if it is having to take out private mortgage insurance. **Crager** says no, nothing unexpected has occurred, and the department is still lower than the private sector. **Merced** asks what the percentages are in terms of default and what it is relative to other HFAs. **Lanterman** says the default rate is 2.35 percent, and the HFAs are at 2.78 percent. **Crager** adds that the last industry report indicated the department was still on the lower side.

VI. SPECIAL REPORTS:

A. One Economy. Dave McConnell, Senior Vice President of Access Services, and **Cobi Jackson,** Supervisor of Field Work in Oregon, give a PowerPoint presentation about how technology can improve the lives of low-income people. **McLaughlin** asks how the hardware is supplied. **McConnell** explains that there are a variety of ways, and if they can provide a way for the ongoing cost of service to be free or less than $10 a month, they will come up with the computers. Using refurbished computers in the area can provide the hardware as well, and there are programs like Youth Build that provide low cost computers. **Jackson** adds that in their digital connectors program, one of their core competencies is refurbishment, so if they get a bundle of computers, the program refurbishes those and gets them back out to the community. **Epstein** asks if they are using stimulus dollars for the program. **McConnell** says for the proposal only. **Epstein** asks if those are stimulus dollars allocated to this agency, or are they dollars that are independently accumulated. **McConnell** states that they are accumulated independently and are technology related. **McLaughlin** comments that she thinks it is a great idea, is curious how the department and One Economy would work together, assuming they are successful in the grant. **McConnell** explains that what they will ask the department to do is help point them in the right direction as to which rural portfolios and which partners to help with the program so they are in line with state priorities. **Epstein** asks if the $10 a month maintains the youth sponsors in the project. **McConnell** says it maintains a number of things. The actual cost for the ISP is about $5; there is a maintenance cost which is the dashboard and monitoring; and then there is the youth portion of that.

Merced asks if the term "digital divide" has moved from accessibility/availability for people over to qualitative of services that people are able to access. **McConnell** says he does see it slowly happening. They have tried to move the agenda from availability to adoption and a culture of use, but to get there you need to have the media and programs in place to help people feel comfortable using technology. Certainly the long term goal of One Economy is to become a media company. **McLaughlin** asks what they will do if they find the system isn't being used to the level they are hoping for. **McConnell** explains that the goal is not to connect every single unit or make sure that every single resident is using it, but they are looking for change and so in some cases they are happy with 50% use, depending on the size of the project. What they have found is that typically, simply installing a housing project will gain 20-40% usage over the first year. With the stimulus dollars they are hoping to move to a program that does not impose a burden on the housing organization at all, which would leave it all up to the tenants.

B. Oregon Commission on Children and Families. Lennie Bjornsen, Policy Director for the Oregon Commission on Children and Families, explains one of the commission members is Councilman Scott Cooper; Rick Crager was a former member of their staff; and Victor Merced and OHCS is also a member of the commission. He distributes a copy of a PowerPoint presentation and gives an overview of the presentation. **López** asks him how the cuts made by the Legislature impact the functions of the commission. **Bjornsen** explains that they lost one-third of their budget, and they lost one-third in the Runaway/Homeless Fund, making it harder to serve that population. **LaMont** asks if they get any local monetary support from the community. **Bjornsen** says yes, oftentimes the local commission will garner support from foundations, business groups, faith groups, and sometimes community action agencies. They may also invest in a particular counseling program. The leveraging of resources and talent is a hallmark of commissions. They have a grant writer on staff who also does work for local commissions. **López** asks about revenue from the local counties. **Bjornsen** explains that some of the bigger counties will either send county general fund through the commission or waive fees. On the other hand, county government is struggling like everyone else and some commissions pay their fair share to the counties. **Crager** asks about the status of Healthy Start and what they have been able to demonstrate from an outcome standpoint. **Bjornsen** states that for those families that participate, the child abuse and neglect rates significantly decrease. Although it was cut again by 18%, it still continues to be a very major program and continues to demonstrate outcomes. The program is in all 36 counties. **Merced** comments that one of the things that has always been interesting is the statistic that if you are a teen parent, your child has a better than 50% chance of being a teen parent as well and asks if that still holds true. **Bjornsen** says yes, and that in Oregon the teen pregnancy rate has been on a steady decline.

C. Preservation Discussion. Rick Crager explains that one of the common policy discussions and questions that have come up is around the preservation the department is doing and the time period of affordability. He asks if the Council or the department wants to take action in putting a policy forward about the period of affordability on all preservation projects as they come forward. He proposes that Council have that policy discussion in January, and asks Council what they would want from staff in preparation of that discussion. He says staff could make some recommendations based on input from partners, and partners could be invited to testify. **Epstein** says he thinks it should be a global policy around new projects as well as preservation projects, and he likes the staff recommendation idea. **LaMont** says that one of the things she is concerned about is confusing the compliance period with the affordability period. **Epstein** says that is the type of consideration to give. Sort of a sliding scale based on how much resources they get from us. **Crager** adds that the department would not be talking about extending all the requirements of the existing tax credits, just preserving the affordability of the project. **Epstein** suggests looking into what other states do as a guide. **Liebowitz** asks if he is searching for a policy just for preservation or in general. **Crager** says that preservation is what has prompted this, but it could go across the entire spectrum of projects. **Liebowitz** asks why there are limits on the affordability time and why we say after twenty years it can now become not affordable. If our purpose is to create affordable housing and what governs the decisions to fund these projects is need, if that need still exists why set up a cycle that makes it difficult to retain the ability to meet that need? He says we are not here to help people make profits, we are here to make sure that affordable housing exists and continues to exist and to avoid the crisis that we find ourselves now in. **Crager** says that will be part of the discussion. **Merced** says he thinks the idea of looking at what other states and HFAs do is a good one. **McLaughlin** adds that in California most of the programs are pushed to 30 or 50 years.

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

A. *Ames Creek Court* (Sweet Home, OR), Trust Fund Increase Request. **Tony Penrose,** Resource Coordinator and CFC Manager, introduces **Jim Moorefield**, Executive Director of Willamette Neighborhood Housing Services, **Jodi Erickson**, Asset Manager of Willamette Neighborhood Housing Services, and **Joni Hartmann** with NOAH. **Penrose** explains that Willamette Neighborhood Housing Services (WNHS) was asked by Linn County Affordable Housing to assume a portfolio of seven affordable projects. Sunset Corners II was assumed and rehabbed by WNHS in 2008. Carolina 100, Carolina Court and Sunset Corners I were approved by the Finance Committee for a combined $625,000 in OAHTC and closed this past month. In this current request, NOAH will refinance the Ames Creek Court current loan using OAHTC and $98,821 in Trust Fund, along with $95,184 of outside sources for needed rehab and loan pay downs. WNHS is working with NOAH to restructure the remaining three projects: Ames Creek, Sommerville and Cascadia. The projects have suffered maintenance needs, limited replacement reserves and financial difficulties. WNHS took over the management of the properties nearly three years ago and have been working on improving cash flow, adequate property management, construction deficiencies and assessing rehabilitation needs. He gives an overview of the write-up contained in Council's packet. **Moorefield** adds that the situation was different with each property, but what they had in common was that rents had not been increased in too long, property management was not working, there were deferred maintenance problems and, in some cases, poor construction. So they started the much longer process of restructuring property management and implementing rent increases. **Epstein** asks what the source is of the other funds. **Moorefield** says it is WNHS money that was secured from NeighborWorks America. **Epstein** asks if they are matching what they are asking the Council for. **Moorefield** says yes. **Hartmann** states that on this deal, Enterprise has not contributed, but on some other Linn County properties they have. She says they are increasing reserves to $300 per unit. **Epstein** asks if they are confident the numbers are working with what is being proposed. **Moorefield** says yes. **Hartmann** says one of the things to look at is relative rents. The majority of one bedroom units are $355 a month, and with operating expenses of $3,500 a year, those lines start to cross very quickly. **Moorefield** adds that when they started three years ago the economy was much different than it is now. Sweet Home is a small town in rural Linn County. The county as a whole had unemployment at 16%.

McLaughlin asks what the vacancy rate is. **Erickson** says it is at 2%. **LaMont** says she was on the council when this project was first presented and it was in really bad shape. She says she appreciates the organization saving the projects and asks how the portfolio has been improved. **Moorefield** states that some of the answer has to do with specifics on particular properties, and an example is restructuring property management. They had high vacancy rates at most of the properties, and finding on-site managers has presented a challenge for them. **Hartmann** adds that one thing they have seen as the lender is the amount of engagement and oversight that has increased 100 fold. The numbers and property managers are being monitored, questions are being asked, and they have seen great strides in making rental increases. **Moorefield** explains that one of the reasons they were able to increase oversight had to do with capacity of the small organization. They did not have a full time asset manager before they took over and it is working better today than it was three years ago. **Epstein** asks if they have taken ownership of the partnership. **Penrose** says that four of the seven in the portfolio have transitioned. **Moorefield** states that they will take over responsibility.

MOTION: Epstein moves that the Oregon State Housing Council approve an additional $98,821 in Trust Fund to Ames Creek Court for an accumulative award of $198,821.

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

B. *St. John's* (Portland, OR), Predevelopment Loan Request. **Shelly Cullin**, Loan Officer, introduces **Julie Garver**, Housing Development Director with Innovative Housing, Inc., and **Vince Chiotti**, Regional Advisor to the Department. **Cullin** states that Innovative Housing has requested a predevelopment loan in the amount of $323,000 for the acquisition of property located in the St. John's Neighborhood of Portland, which is a key component to the overall design of the proposed project. With the successful acquisition of this property, Innovative Housing will also be responding to an RFP from the City of Portland's Bureau of Environmental Services for the adjacent property. If Innovative Housing is successful in obtaining site control of the adjacent property, then they would proceed with packaging a CFC application for the 2011 CFC. The proposed project would be a mixed-income project for families with incomes between 30% and 60% of median income with eight units for permanent supportive housing. She gives an overview of the write-up contained in Council's packet. **Garver** adds that they have done additional rental survey work since they presented this request to Council, and says the available units in this area are very limited. One of the things the RFP asked for from the City was market rate rents and they wanted to make sure the 60% rents proposed were in a market rate for St. John's. They also found the apartment stock in the area to be very limited, and they are confident that it will be competitive.

Epstein says that Wells Fargo is the bank for this project, but he does not have a direct conflict.

MOTION: López moves that the Oregon State Housing Council approve a Predevelopment Loan in the amount not to exceed $323,000, at a current interest rate of 5% per annum for a maximum of two years to Innovative Housing, Inc., for the acquisition of property to-be-developed affordable housing project located at 8803 N. Lombard in Portland, Oregon.

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

C. *Canterbury Hills* (Medford, OR), Predevelopment Loan Request. **Dolores Vance,** Loan Officer, introduces **Betty McRoberts**, Director of Development for the Housing Authority of Jackson County, and **Karen Clearwater**, Regional Advisor to the Department. **Vance** states that the Housing Authority of Jackson County has requested a predevelopment loan for $500,000 with a current interest rate of 5% and a two-year term, for the acquisition of the site to develop Canterbury Hills. They have site control, which was verified by an appraisal, and they are putting 15% down, plus closing costs and the predevelopment loan. They plan on developing 50 units of family housing for tenants at 50% area median income. She gives an overview of the write-up contained in Council's packet. **Clearwater** says this will be an opportunity for the Housing Authority to get the department involved in the northeast side of Medford, which has historically been higher income and not a lot of multifamily housing. **Vance** adds that because it is a two-year term on the loan, they will have two cycles for CFC to come in for their additional funding. **Liebowitz** states that on the previous project there was a note that since the preservation had priority on the coming cycle they recommended skipping this cycle and going forward in 2011, and asks if that was a consideration or thought on this project. **Cullin** explains that the delay for that project is the RFP process with the city and they did not feel they could do it timely. **Liebowitz** says that is fine.

MOTION: McLaughlin moves that the Oregon State Housing Council approve a Predevelopment Loan in the amount not to exceed $500,000, at a current interest rate of 5% per annum for a maximum of two years to the Housing Authority of Jackson County, for acquisition of land associated with the development of Canterbury Hills in Medford, Oregon.

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

D. *Additional TCAP Reservation Requests.* **Mariana Negoita,** Low Income Housing Tax Credits Program Coordinator, and **Shelly Cullin,** Senior Loan Officer. **Negoita** reports that the department has officially closed one exchange program and one TCAP transaction, both of which have contributed to the preservation of several senior housing units for very low-income individuals in Coos and Multnomah Counties. The exchange program is doing well and six deals are expected to close before year-end, with the remaining closing the first quarter of 2010. She says that when they initially presented the request for ARRA gap funding for stalled projects or LIHTC projects affected by the capital markets, they mentioned they were not 100% confident the requested amounts would induce construction starts and job creation because of the fluctuations in the projects' funding streams. Since then, the following has occurred: First, two projects returned their TCAP funding; one closed last month with an investor; and one is pursuing another funding venue. Council awarded reservations of about 98% of the funding, but with the returns there is nearly 10% of the total TCAP funds remaining. Secondly, the department received additional guidance that has allowed for the determination of the asset management fee. An interdivisional workgroup determined that fee to be $145,000 for the 15 years of asset management responsibilities above and beyond the current level of asset management duties. Third, from closing the first TCAP project, they learned the director's approval of additional TCAP, per Council's August meeting motion of the lesser of 10% or $250,000 per project, was not sufficiently flexible. She says that housing staff found a solution and the project is moving forward, but it would be helpful to have Council's support and funding flexibility. Finally, for the remaining TCAP funding, the department advertised it will entertain requests for additional funding, provided the projects could close by February 12, 2010.

Negoita states that Council has been presented an updated list of projects and a revised motion based on the feedback and requests they have received from sponsors. The primary reason the department is asking for this flexibility is TCAP timing. The TCAP agreements need to be executed for at least 75% of TCAP funding within the next 10 weeks, which is not going to be an easy challenge. **Cullin** says that when they put the original motion together, it was done quickly and they are now in a timing crisis and are trying to anticipate potential gaps in funding. **McLaughlin** asks if they are assuming the other six projects not presented today are not going to have any gaps. **Cullin** explains that those are the bond 4% transactions and the dilemma they have with those properties is the fact that when there is tax exempt bond proceeds there is good and bad cost eligibility. With TCAP resources, there are tracing requirements that are a little different than normal tax credit equity and those collided with the same uses. The bond deals cannot take another dime of TCAP. **Epstein** says that these are true project costs and what we are not doing is giving them more TCAP. These funds are for true third party expenditures that they have encountered on these deals. **Cullin** says that is correct, or loss of lender loans.

> **MOTION: McLaughlin moves that the Oregon State Housing Council approve an increase in TCAP funds to: Astoria Gateway II, up to $1,700,000; Bridge Meadows, up to $2,500,000; Hood River Crossing, up to $2,400,000; The Knoll at Tigard, up to $1,200,000; Miracles Club, up to $1,300,000; The Rockwood Building, up to $2,400,000; Roosevelt Crossing Transit, up to $3,000,000; Upshur House, up to $2,500,000; and Walnut Park, up to $1,200,000.**

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

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

IX. <u>REPORTS:</u>

A. ***Loan Grant Approval Limits.*** **Bob Gillespie,** Housing Division Administrator, states that two legislative sessions ago the legislature increased the ability of the Housing Council to increase the single family loan program limit of what it had to approve to anything over $150,000. Going into the last legislative session, there was discussion about possibly doing the same thing with the statute regarding Housing Council approving any loans or grants in excess of $100,000. HB 2256 removed the language that Council has to approve in excess of $100,000. What the legislature put in its place was ORS 456, which states: "Subject to the approval of the Council, the department shall establish by rule one or more threshold amounts above which housing grants, or other housing funding award proposal requires Council review and approval." That statute goes into effect January 1, 2010. He says the department is in the process of writing the administrative rules and would like Council's input. Council is currently seeing on an annual basis 12 to 15 awards that are currently between $100,000 and $175,000. A lot of what it impacts are the Trust Fund awards, which are right at $100,000. If a project has difficultly and needs a fix, the request for additional increase in funds has to be brought back to the Council for approval. As the department goes forward with new resources that are available, such as the document recording fee, there is a new pot of money and we must decide what is the best way to efficiently utilize it. He says the department intends on taking Trust Fund and the document recording fee and putting them into a pool and rather than having projects receive multiple awards from multiple funding sources, granting them larger awards of one funding source. He asks what Council feels would be a reasonable limit to set.

Liebowitz asks the following questions: What is the purpose of Council oversight? What drives that? Is it just monetary value or is it a limit of an individual project? Or would we want to look at it in a slightly different way, would the aggregate sum of the awards be more of a driving factor? If we are going to commit $300,000 - $400,000 of OHCS funding would that call the necessity of oversight rather than $100,000? Maybe it is not the individual funding source that will drive it, but the aggregate sum. Council would want to see that the larger amount of money is being spent in a way that is consistent with its purpose and mission. **Crager** asks if he would be suggesting perhaps a formula if there is a project that is getting over X% of direct OHCS resources, then it comes in front of the Council. If it is less than that, it would not. **Liebowitz** says either a percentage or dollar amount, rather than being tied to a specific funding source. **Merced** suggests another question would be what percentage, out of the totality of what we look at in a year, does not reach Housing Council? **Epstein** says they are also dealing with the greater issue of whether Council wants to spend less time doing this and more time doing policy. **Merced** adds that the other issue is how far they want to drive the fiduciary responsibility. Following general discussion it was agreed that **Gillespie** would come back to Council in January with a dollar recommendation of $200,000 and an aggregate of $400,000. **LaMont** asks if there is a spreadsheet that could show where the loans have come from. She says she is concerned the $400,000 is going to be too low for aggregate. **Gillespie** says that would help determine if the threshold will make a difference and it gives staff a good direction to work from.

B. ***Neighborhood Stabilization Plan Update.*** **Rich Malloy**, NSP Program Coordinator, explains that this program is used for down payment assistance, closing costs, deferred loans to homebuyers throughout the state, and that nonprofits may use it to acquire properties. There are nine entitlement jurisdictions that have funds; there are 15 loans that are done, but the money hasn't yet been drawn; and there are another 20 – 30 loans in the pipeline. The City of Portland will be doing an application process and has 250 applications that they are reviewing. The department has six nonprofit subgrantees, including Habitat for Humanity and some of the community development corporations around the state. The model for the nonprofits is different, in that they get the grant money to buy the home, they fix it up, and then they sell it to people in their respective home buying programs. He says that underwriting standards have gotten more restrictive for first mortgages, which may make it more difficult for people to qualify for a loan. In January and February he will start bringing numbers to the Council. The NSP II application has been submitted and HUD will be making selections this month. **Betty McRoberts** asks how Oregon stacks up against the other states in spending their NSP funds. **Malloy** says he is researching that question because he is speaking at a conference and they want to know the same thing. He says he will report back to Council with that information. **McRoberts** says her concern is whether that will affect the state's ability to get NSP II funds. **Malloy** says that is a tough question for him to answer, buy he does not think there has been so much progress anywhere that people have spent half or even three-fourths of their NSP money.

C. ***Housing Opportunity Bill Rulemaking Update.*** **Lisa Joyce**, Policy & Communication Manager, reports that no one showed up for the hearing; the draft rules are out for review; the comment period ends on December 21; and the final rules will be adopted on the December 22. She says the department has had limited feedback on the rules, and that by design they are fairly broad. The nature of some of the concerns was the ability to have fees, and the main reason for the fees is to have a sustainable program. **Crager** adds that the key word in the administrative rules is the language that says "may." The department does not charge a fee, but it wants to be prepared in case the money that it takes in does not cover costs. At this point it is not the intent to charge a fee. **LaMont** comments that the fees only pertain to costs to operate the program, so the department could not charge a fee to supplement any other areas. **Crager** says that is correct. The department would have to collect whatever it costs to run that particular program. **Joyce** states that the department's partners at Neighborhood Partnerships are going to be pursuing a minority homeownership symposium that will help the department achieve some of the goals that it has around the homeownership assistance program. There are three areas of priority in existing statute, and the document recording fee added a fourth, which is to increase the percentage of minority homeowners. **LaMont** asks if the department has any idea on how much it will be getting. **Crager** says not at this point. There is a feeling that with the credit that was given to first time homebuyers and then the extension of that credit, that the amount will be higher than initially forecasted, but that is an estimate at this point.

D. ***Federal Stimulus Plan Update.*** **John Fletcher**, Policy Advisor, distributes the OHCS ARRA Update, which gives an overview of each ARRA program. He says the second reporting period is coming up in January, and there are some programs that will be reporting for the first time, including TCAP and exchange partners. On the national level, there have been some concerns on how jobs have been calculated and reported. The federal government is working on the methodology and there may be some reporting changes required. On the state level, an assessment will be given to the department for the cost of the statewide team at the governor's level, but the amount is not known at this time. The ARRA funds do not allow the department to use admin funds for these purposes, so the department will have to find a way to pay the assessment out of other department resources. Weatherization got off to a slow start with some of the problems with reconciling the Davis-Bacon wage classifications, but is now proceeding well. As of December 2, 104 homes have been weatherized. Funds have been committed for the homeless prevention program and the CSBG program, and those programs and CAP agencies are drawing funds. To date, the department has received two-thirds of its expected ARRA funds, and it has spent 5% of the total.

E. *Report of the Chief Financial Officer.* **Nancy Cain** distributes a copy of the department's summarized budget. She says she will have an audited version of the department's financial statements for Council at the January meeting. The department turned in its election to participate at the $120M level of the Fannie Mae/Freddie Mac bond issuance program.

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

- The document recording fee process is currently one of the department's biggest priorities.
- The department is in the process of putting together temporary rules around the lottery backed bonds issuance, which will be closed in about seven days, bringing about $5.5M of lottery backed bond proceeds to the department. The funds are specific to preservation, as well as the manufactured dwelling parks.
- Preservation has been an on-going program discussion with the statewide preservation group. The strategy around the $16.3M is that $11.3M has been unveiled, and is currently out in an RFA to be used in conjunction with bonds and tax credit programs. There will be a review process that will go in place after December 15 to develop the line-up of preservation projects. The $5M balance will go into the next CFC. The department hopes to get some details out in the next 30 days with regard to parks.
- The department is undergoing an exercise with DAS and the Legislative Fiscal Office to provide details on how we would take a 5% and 10% general fund and lottery backed bond cut if the upcoming tax increase measures should fail. The department has very little general fund or lottery funds to cut. The programs that are at risk are the general fund food program, as well as the two homeless programs. The department's proposal is to do a pro rata across the board cut, except for the lottery backed bond program, because to get to the amount of debt service that is actually paid this biennium for the bonds that have not been issued, we can only go to a certain amount. It would mean a 7% cut, or $1.5M of lottery backed bond capacity.
- He was involved in the last month's homelessness summit, which was very successful. The purpose of the summit was to reach out to communities that do not have 10 Year Plans in place. The U.S. Census Bureau provided scholarships, and it was well attended.
- He gave a presentation to the Joint Human Services Committee on the status of the Governor's 10 Year Plan, which was well received. He was joined by Joann Zimmer, who provided some of her experience on the local plan in Corvallis. Rep. Huffman and Rep. Kruse indicated they had interest in seeing what they could do to move their communities' 10-Year Plans.

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

- In October, during the restructuring of offices, a staff member or members inadvertently placed confidential and personal information in a recycle barrel instead of a shredding barrel and the barrel was subsequently put on a loading dock where someone found the information and took it to the *Statesman Journal*. The paper published an article about how lax the security was in the building. The security breach also involved the Parks Department. As a result, new policies have been put into place, one of which is a shred-all policy. There is an agency-wide mandatory training scheduled on how to handle instances like this and what to do with confidential information so that this does not happen again. He says he feels confident the department has done everything it can to mitigate the situation. He says he maintains this was a one-time incident, and there is no evidence that any other documents were ever put outside, and the department's position is that the actions taken are enough to mitigate any future kinds of similar incidents. Because of the Consumer Protection Identity Act that was passed in the last session, DCBS is conducting an investigation into the incident. Potential penalties could include $1,000 for each violation, up to $500,000. He says he does not foresee the department being fined to any great degree.

- He had a meeting yesterday with the Community Action Partners of Oregon. They are interested in having a joint meeting with Council, with May 7 as the tentative date.
- A two-day housing conference is being planned for September 21, 2010, along with the community action agencies.
- He passes around a booklet that was published by Transition Projects, a homeless advocacy and provider organization in Portland, called *Where I slept; being homeless in Portland.* The book includes photos of what homelessness looks like. Community leaders were asked to contribute comments on what they saw in the photos, and a poem he wrote was included.

H. ***Report of the Chair.*** **Chair LaMont** reports that Rick Crager was honored by Oregon ON at its annual meeting as a housing hero for his efforts in the legislative session to get the Housing Opportunity Bill passed.

X. <u>FUTURE AGENDA ITEMS</u>. None reported.

Chair LaMont adjourns the meeting at 12:30 p.m.

Scott Cooper, Interim Chair DATE **Oregon State Housing Council**	**Victor Merced, Director DATE** **Oregon Housing & Community Services.**

OREGON STATE HOUSING COUNCIL
Telephone Conference
Minutes of Meeting

Oregon Housing & Community Services
Large Conference Room, 124 B, First Floor
725 Summer Street N.E., Suite B, Salem, OR 97301
9:00 a.m.
December 18, 2009

MEMBERS PRESENT
Maggie LaMont, Chair
Scott Cooper
John Epstein
Stuart Liebowitz
Nancy McLaughlin
Jeana Woolley

MEMBERS ABSENT
Francisco López

GUESTS
Doug Chrisman

STAFF PRESENT
Victor Merced, Director
Rick Crager, Deputy Director
Bob Gillespie, Housing Division Administrator
Dave Summers, Multifamily Housing Section Manager
Bruce Buchanan, Regional Advisor to the Department
Shelly Cullin, Senior Loan Officer
Joyce Robertson, Loan Closer
Jo Rawlins, Recorder

I. **CALL TO ORDER: Chair Maggie LaMont** calls the December 18, 2009 meeting to order at 9:00 a.m.

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

III. **PUBLIC COMMENT: None**

IV. **NEW BUSINESS:**

A. *Buttercreek Apartments* (Hermiston, OR); *Fairview Apartments* (Ontario, OR); *Boardman Apartments* (Boardman, OR), Pass-Through Revenue Bond Financing Request, Housing Preservation Funds Request, Weatherization Grants Request, and Trust Fund Grants Request. **Shelly Cullin,** Senior Loan Officer, introduces **Doug Chrisman** of Chrisman Development & Management, Inc. **Cullin** gives an overview of the three projects:

Buttercreek is currently a 91-unit project with 70 units receiving project-based rental assistance. As part of the rehab, studio units will be converted to one- and two-bedroom units. Rural Development has approved this conversion proposal. When the rehab is completed, there will be a total of 86 units. Rural Development will provide an additional 15 units of rental assistance, for a total of 85 units having rental assistance, plus one manager unit. Rehab costs are approximately $28,600 per unit. The more extensive rehab work includes converting the studios to one-and two-bedroom units, constructing a new office, shop and storage building, laundry room improvements, siding and window trim repairs, exterior door replacements and painting, adding additional floor and attic insulation, replacing stairways, refinishing decks, replacing balcony guardrails, repaving parking lots, reroofing all buildings, and replacing water heaters, refrigerators, air conditioners and kitchen countertops.

Fairview is a 40-unit project, with 36 units of rental assistance. At the time of transfer RD will provide an additional three units of rental assistance and the project will have one manager unit. Rehab costs are approximately $31,600 per unit. The rehab includes remodeling the office, replacing all windows, replacing exterior doors, adding attic insulation, residing and painting all buildings, replacing stairways, repairing, sealcoating and striping parking areas, reroofing the buildings, replacing gutters, replacing playground equipment, landscaping, replacement of water heaters, refrigerators, air conditioners, range hoods, kitchen countertops and sinks, bathroom countertops, and installing smoke detectors.

Boardman is a 12-unit project, with 9 units of rental assistance, and at the time of transfer will receive an additional three units, for 100% project-based assistance. Due to the small size of this project, there will be no on-site manager. Rehab costs for this project are $60,000 per unit. The distribution of per- unit costs are higher due to the small size of the project. The rehab includes construction of a new office, replacing windows, residing, reroofing and painting all buildings, replacing stairways and rebuilding decks, repairing, repaving and re-striping parking lots, landscaping, replacing water heaters, refrigerators, ranges, range hoods, installing smoke detectors, replacing kitchen and bathroom countertops and sinks, replacing bath fans, replacing vinyl flooring, painting interior of all units, and upgrading the laundry room.

At the time of transfer for all three projects RD will have provided 21 additional units of rental assistance to the state. Current rents are above market, but within the LIHTC program rents. However, with 100% rental assistance for all the projects, tenants will only pay 30% of their income for rent. Market information indicates that vacancy rates for affordable units in the three communities is under 4%. The affordable rent projects survey reported waiting lists and the local housing authorities have indicated waiting lists for Section 8 vouchers of 8-24 months. Financing for the projects comes from various sources. US Bank and RD have underwritten these projects as one project. Department resources are provided separately to each project. The bond will be purchased by US Bank, with US Bank providing a permanent loan using the Oregon Affordable Housing Tax Credits. **Cullin** gives an overview of the underwriting for each project. She says US Bank is completing their underwriting analysis write-up and will be submitting for loan approval by the end of December, anticipating a loan approval by January 5, 2010. RD anticipates final approval by mid-January, just prior to the bond sale. US Bank is the lender on several of the department's projects that have been stalled, so the only issue now is a workload issue for them to complete write-ups. They have completed credit underwriting on the borrower, and it is just a matter of getting the write-ups done and submitted. RD has submitted their loan approval; however, their loan committee is not scheduled to meet until the first part of January, and it is anticipated that they will look at this as soon as they can. The bond sale is scheduled for January 19-22. She says the financing team members are all highly experienced with affordable housing, including the bond and tax credit transactions. The principals of Chrisman Development and Management, Doug and Tony Chrisman, have developed, owned and managed affordable and market rate housing and commercial properties since 1989. They currently own 450 units and manage 482 units, most of which are affordable housing projects that include some variation of department resources. They are very experienced with the acquisition and rehabilitation with RD properties. Deposits to operating reserves for those properties started in June 2007, there is approximately $160,000 in the reserve accounts, and they have not been accessed in the last two years. A review of other properties from their real estate operating schedule shows all properties with DCRs from 1.10 to 4.0, with reserves totaling approximately $757,000. The Chrismans are very experienced developers and have experience with all of the department financing programs.

Epstein says these deals make sense for the department because they are coming with renewable RD rent subsidies and RD is leaving money in the projects. If the projects are not kept affordable, then RD may not take these funds and move them to another new project. So what the department is doing is preserving the RD subsidies it has in Oregon and giving more to each of these projects. **Cullin** says that is correct. **Epstein** points out that it is a lot of money per unit, and some could argue that for the money to preserve a unit in Boardman, you could build brand new. **Cullin** says that based on the conversations the department has had internally and with its partners, it appears people are wanting to see more rehab done on projects, so costs on these kinds of projects may go up more than in the past. **Epstein** states that this is the department's role with regard to preservation, and that is why Council would approve these, because they are coming with subsidies that would be lost otherwise. **Cooper** comments that mathematically these projects make sense, but he thinks the department needs to be sensitive to the fact that it sends a message to rural partners that if they have new construction, they need not bother to apply because the department is only interested in preservation. **Merced** says the department has been saying preservation is a priority and it will be for the next year or so. **Cullin** states that one of the things the department might be able to provide on future preservation deals is an analysis of the rental assistance to show the savings to the state versus the rehab cost, and that might help Council with their analysis. **Woolley** says she believes it would be helpful. **Epstein** says he agrees with Scott, and he wants to be certain that more rental assistance is gained on these projects. **LaMont** asks if RD does any multifamily projects. **Chrisman** says no. Their budget nationwide is extremely small so Oregon would be lucky to get one new project every four or five years.

> **MOTION: Cooper moves that the Oregon State Housing Council approve a Pass-Through Revenue Bond Financing in an amount not to exceed $6,200,000 to Sagebrush Affordable Housing LLC for the acquisition/rehabilitation of Buttercreek Apartments, Fairview Apartments, and Boardman Apartments, subject to borrower meeting OHCS, US Bank, Rural Development underwriting and closing criteria, documentation satisfactory to legal counsel and Treasurer approval for the bond sale; and**
>
> **Housing Preservation Funds to Eastern Oregon Affordable Housing II in an amount of $145,000 for Buttercreek Apartments; $145,000 for Fairview Apartments; and, $145,000 for Boardman Apartments; and**
>
> **Weatherization grants to Eastern Oregon Affordable Housing II in an amount of $244,137 for Buttercreek Apartments; $120,976 for Fairview Apartments; and, $29,220 for Boardman Apartments; and**
>
> **Trust Fund grants to Eastern Oregon Affordable Housing II in an amount of $150,000 for Buttercreek Apartments; $100,539 for Fairview Apartments; and, $142,611 for Boardman Apartments.**
>
> **VOTE: In a roll call vote the motion passed. Members Present: John Epstein, Scott Cooper, Stuart Liebowitz, Nancy McLaughlin, Jeana Woolley and Chair Maggie LaMont. Absent: Francisco López.**

Chair LaMont adjourns the meeting at 9:23 a.m.

Scott Cooper, Interim Chair DATE **Oregon State Housing Council**	**Victor Merced, Director DATE** **Oregon Housing & Community Services.**

Monthly Single Family Housing Loan Production Report

Month: November

2008		2009					
				Current Month		Year to Date	
# Loans	$$$ Loans	Counties	Index**	# Loans	$$$ Loans	# Loans	$$$ Loans
12	1,356,086	Baker	6.28			6	492,404
21	3,440,282	Benton	4.39			12	1,712,451
106	20,992,525	Clackamas	5.45			12	2,199,283
3	505,224	Clatsop	5.33			1	222,883
21	3,737,811	Columbia	5.45				
49	7,255,472	Coos	5.89			6	943,042
13	2,310,226	Crook	5.57			1	86,734
5	954,025	Curry	7.72				
86	17,083,257	Deschutes	5.07	1	119,920	25	3,308,827
39	5,905,636	Douglas	5.79			3	369,918
		Gilliam	5.48				
2	197,244	Grant	6.11				
4	465,761	Harney	6.16				
3	578,747	Hood River	7.52				
119	21,393,544	Jackson	5.31			18	2,821,879
5	758,957	Jefferson	5.88			1	71,920
49	9,292,516	Josephine	5.99			8	1,527,078
80	11,374,842	Klamath	5.82			9	1,062,758
9	1,322,664	Lake	6.28				
95	16,222,636	Lane	4.99			17	2,407,772
7	874,622	Lincoln	5.82			2	319,467
39	5,467,478	Linn	5.21			9	1,100,787
8	854,045	Malheur	6.26			5	511,817
117	18,602,806	Marion	4.90			40	5,709,589
3	294,016	Morrrow	5.57			1	107,142
434	83,366,547	Multnomah	5.45	3	478,164	136	23,403,731
20	3,014,842	Polk	4.90			7	1,172,251
		Sherman	5.35				
2	364,145	Tillamook	5.96				
30	3,295,317	Umatilla	5.47			17	1,995,710
15	1,614,620	Union	5.41			7	791,477
		Wallowa	5.87			1	100,980
6	890,376	Wasco	5.38				
148	28,768,854	Washington	5.45			22	3,808,463
		Wheeler	6.67				
48	9,247,640	Yamhill	5.45			5	933,661
TOTAL 1598	281,802,764	**TOTAL**		4	598,084	371	57,182,022
Ave Loan Amt	176,347	**Ave Loan Amt**			149,521		154,129

** High Need
High Number = low affordability e.g. $300K median home price divided by $30K median income = 10
Low Number = more affordable e.g. $300K median home price divided by $50K median income = 6

Monthly Single Family Housing Loan Production Report

Month: December

2008		2009					
				Current Month		Year to Date	
# Loans	$$$ Loans	Counties	Index**	# Loans	$$$ Loans	# Loans	$$$ Loans
12	1,356,086	Baker	6.28			6	492,404
21	3,440,282	Benton	4.39			12	1,712,451
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86	17,083,257	Deschutes	5.07	2	199,250	27	3,508,077
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		Gilliam	5.48				
2	197,244	Grant	6.11				
4	465,761	Harney	6.16				
3	578,747	Hood River	7.52				
119	21,393,544	Jackson	5.31	1	156,120	19	2,977,999
5	758,957	Jefferson	5.88			1	71,920
49	9,292,516	Josephine	5.99			8	1,527,078
80	11,374,842	Klamath	5.82			9	1,062,758
9	1,322,664	Lake	6.28				
95	16,222,636	Lane	4.99			17	2,407,772
7	874,622	Lincoln	5.82			2	319,467
39	5,467,478	Linn	5.21			9	1,100,787
8	854,045	Malheur	6.26			5	511,817
117	18,602,806	Marion	4.90	2	209,145	42	5,918,734
3	294,016	Morrow	5.57			1	107,142
434	83,366,547	Multnomah	5.45	4	808,973	140	24,212,704
20	3,014,842	Polk	4.90			7	1,172,251
		Sherman	5.35				
2	364,145	Tillamook	5.96				
30	3,295,317	Umatilla	5.47			17	1,995,710
15	1,614,620	Union	5.41			7	791,477
		Wallowa	5.87			1	100,980
6	890,376	Wasco	5.38				
148	28,768,854	Washington	5.45			22	3,808,463
		Wheeler	6.67				
48	9,247,640	Yamhill	5.45			5	933,661
TOTAL 1598	281,802,764	**TOTAL**		10	1,623,488	381	58,805,510
Ave Loan Amt	176,347	**Ave Loan Amt**			162,349		154,345

** High Need

High Number = low affordability e.g. $300K median home price divided by $30K median income = 10

Low Number = more affordable e.g. $300K median home price divided by $50K median income = 6

Memorandum

To:	Oregon State Housing Council
From:	Mike McHam
Finance Committee Meeting Date:	January 22, 2010
Requested Action:	Approve an increase of $100,000 in Housing PLUS and $97,000 in Trust Fund for the Clifford Apartments project
Project Sponsor:	Innovative Housing, Inc.
Property:	Clifford Apartments 519 S. E. Morrison Street Portland, Oregon 97214
Affordability Commitment:	60 years
Target Population:	HOM-CMI-PIP

RECOMMENDATION/MOTION: Recommend the Oregon State Housing Council approve an increase in Housing PLUS of $100,000 (to a total maximum of $790,000) and Trust Fund of $97,000 (to a total maximum of $197,000) for the Clifford Apartments Housing Project.

REQUEST FOR INCREASE IN FUNDING

Project Overview

Clifford Apartments is an acquisition/rehab project in southeast Portland. Upon completion, it will provide 88 units of affordable housing targeting homeless (HOM), chronically mentally ill (CMI), and previously incarcerated persons (PIP). The project will contain 33 SROs, 54 studios (including a single manager's unit), and one (1) one-bedroom unit. Incomes are directed at below 30% up to 50% MFI. A total of 45 units are permanent supportive housing, with 30 units having project-based rental assistance from Section 8 (15) and McKinney (15). Multnomah County is providing limited duration subsidy on the remaining 15 PSH units. Ground floor retail space adds income to the project.

This project was originally funded in the Spring 2008 CFC. The Finance Committee approved the first increase in funding for this project on June 16, 2008. The increase was for $565,000 (now $285,000) increase in OAHTC to support the permanent loan and relieve a gap. This current request is the second request for increased funding on this project and requires Housing Council approval.

Explanation of Increased Cost

Several funding gap challenges have confronted the Clifford, especially during the past year. The three most significant of these related to underwriting changes by the permanent lender, difficulties securing the historic tax credit investor, and the difficult economic and financial market conditions. Below is a table provided by the sponsor outlining the sequence of events:

2/2008 CFC submission	Perm loan at $1.835M; Historic Tax Credits entering at conversion
6/2008 PDC TIF funds reduced by $1 Million	6/2008 – 12/2008: Local funders and FHLB filled the $1 Million gap
2/2009 Historic Tax Credit Investor pulled out	Same investor had to pull out of many other deals around the country; also reviewed in May, but still no deal.
5/2009 NOAH (1) reduced perm loan	New amount $1.7M
6/2009 OAHTC increase request	First OHCS increase of $565,000 in OAHTC to a total of $1,550,000
7/2009 NOAH changed the amortization period, and again (2) reduced perm loan	New loan amount $1.45M
7/2009 Lower loan amount created gap of $100,000, plus an additional $60,000 gap due to project delays	Request to OHCS for $100,000 in additional Housing Plus. Request put on hold due to additional HTC project gap.

8/2009 New Historic Tax Credit investor found for the project, but due to subordination problems with lender, equity has to come in over a five-year period.	Five-year pay-in period; both perm and construction lender hesitant because IHI had to provide a five-year bridge loan of $620,000
11/2009 Operating cost increase discovered	Expenses raised, DCR fell
11/2009 NOAH reduced (3) perm loan	New amount $1.27M *($565,000 total decrease)* The OHATC request for the project will be reduced from $1.7 Million to $1.27 Million.
12/2009 Project gap due to lowered perm amount	Total gap up to $340,000, plus continued problem of large IHI bridge loan
12/2009 IHI filled portion of gap	Total gap reduced to $222,000
12/2009 PDC provided an additional $300,000 to the project	This amount reduced the historic tax credit IHI bridge loan to $320,000, and also provided for a special operating reserve later in the project to be created with the tax credit equity paid in later years
1/4/09 Request to OHCS for final project funding gap	Gap funding request: $100,000 Housing Plus, $97,000 Trust Fund, $25,000 Weatherization

With all other financing finally committed or in place, the funds requested in this increase should allow the project to start construction promptly. A summary table of OHCS funds is illustrated in the following table:

OHCS Increase in Funds Request

Funding Source	Original App.	Current Request	Absolute Change
Trust Fund	100,000	197,000	**97,000**
HELP	75,000	75,000	
Housing Plus	690,000	790,000	**100,000**
LI Weatherization Program	75,000	100,000	**25,000**
*Total	940,000	1,162,000	**222,000**

** Does not include $1,270,000 in OAHTC*

Steps Taken to Address Increases

Value Engineering: It is not feasible to cut the budget more as the building has a significant number of code problems that need to be addressed, and mandatory elements that cannot be eliminated (i.e. creation of office space for service providers to serve 45 mentally ill and homeless individuals, a seismic upgrade to the roof, etc.) The sponsor is not requesting additional resources to address construction cost increases.

Reduced Scope Investigation: See above.

Alternative Funding Sources: From June, 2008 to December, 2008, IHI spent a large amount of time working to fill a $1 Million PDC funding gap caused by TIF District economic losses.

This included an additional $350,000 from PDC, $391,912 from FHLB, $208,000 from the City of Portland (BHCD), and an additional $50,000 from Multnomah County.

In 2009, OHCS added an additional $285,000 (originally $565,000) in OAHTCs. More local resources were provided to address permanent loan and tax credit investment changes, including $200,000 of City of Portland HIF funds, and an additional $300,000 of PDC TIF funds. As a result, there are no other funds available for the Clifford.

Increasing Rents: It is not reasonable to increase rents beyond those currently assigned to the project and serving the targeted special needs populations at these income levels. Also, projected rents, even those subsidized by federal and county programs, are being discounted by NOAH for underwriting.

Additional Deferred Developer Fee: IHI added $67,000 to deferred developer fee. This brings the total deferred developer fee to $317,000, or 53% of the total $600,000 developer fee.

Reduction in Project Scale: Not feasible. The project contains 88 total units, 45 of which will be Permanent Supportive Housing units. It requires the level of services and rehabilitation proposed. Nine different funders are committed, and most of the funding is dependent on providing this program.

Other: Not applicable

<u>Contingency Plan if OHCS Increase is not Approved</u>

There is no good contingency plan. The Clifford building is currently almost half empty with carrying costs of approximately $20,000 per month. The project has been delayed by NOAH's underwriting process (closing originally planned for February 2009), and IHI cannot afford to continue carrying the building for very long. If the project cannot find additional funding in January, the project may be delayed, empty units will have to be re-rented, and the sponsor may apply for 9% LIHTC's in the next CFC round. That is an imperfect solution with many risks including:

- Creating significant relocation costs when construction does start.
- Delaying the project will probably also increase construction costs. Walsh Construction has bid the project out to subcontractors and currently cost savings are incorporated in the project. However, industry wide, construction costs are expected to increase in 2010.
- Project permits will expire in April, 2010. The City extended permitting for six months, but April 2010 is the deadline to pay for and pick up the permits.
- A significant delay will probably result in the loss of some funding partners, especially FHLB ($792,000) and McKinney (rent subsidy and case management dollars).

<u>Risks or Concerns</u>

Since this is a substantial rehabilitation of an older, multi-story building with seismic upgrades to the roof, it is not unreasonable to consider that unforeseen additional costs could be encountered. This could require more resources at a later time.

Options to Consider

No realistic alternatives or options are readily available at present.

Comments

- The TIF funds were reduced due to a lawsuit and reduced collections.
- Since application, OHCS, FHLB, Multnomah County, Portland, and the developer have all increased respective funding positions to make the project whole. Even Walsh Construction has decreased contractor profit in order to assist the project.
- The longer construction is delayed, the more carrying costs are mounting.
- The permanent loan (with OAHTC) is for a 10-year period only.
- Historic Tax Credits (HTC) enter the project with equal annual payments over a five-year period rather than as a lump-sum at closing.
- The project is anticipated to return to OHCS for funding further rehabilitation following the tenth year of operation.

Attachments:
Project Summary

PROJECT SUMMARY

Project Name:	The Clifford	
Date:	01/05/10	
County	Multnomah	

SOURCES

OHCS Grants & Equity	$1,162,000	
OHCS Loans	$0	
NON-OHCS Grants	$1,354,912	
NON-OHCS Loans	$4,740,000	
Applicant Ccontributions	$617,000	
Other Funds	$0	
TOTAL FUNDING SOURCE	**$7,873,912**	

USES

Acquistion	$3,482,612	
Construction/Rehab	$2,354,229	
Development Costs	$2,037,071	
Total	**$7,873,912**	

FIRST YEAR INCOME & EXPENSES

	Without OAHTC	**With OAHTC**
Rental Income	584,100	515,160
Other Income	9,984	9,984
Gross Potential Income	594,084	525,144
Less Vacancy	(35,645)	(31,509)
Added Subsidy	0	50,983
Effective Gross Income	558,439	544,618
Commercial Income	54,586	54,586
Annual Operating Expenses	(484,386)	(484,386)
Net Operating Income	128,640	114,819
Annual Debt Service	(115,879)	(82,626)
Primary Debt Coverage	1.11	1.39