

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.

June 11, 2010

MEMBERS PRESENT

Maggie LaMont, Chair
Scott Cooper
John Epstein
Stuart Liebowitz
Francisco López
Nancy McLaughlin
Jeana Woolley

MEMBERS ABSENT

GUESTS

Tom Potiowsky, State Economist
Tim Cox, Housing Works
Tom Cusack, Oregon Housing Blog
Tammy Baney, Deschutes County

STAFF PRESENT

Victor Merced, Director
Rick Crager, Deputy Director
Bob Gillespie, Housing Division Administrator
Marlys McNeill, Asset and Property management
Division Administrator
Lisa Joyce, Policy and Communication Manager
Dave Summers, MultiFamily Housing Section Manager
Bruce Buchanan, Regional Advisor to the Department
Debbie Price, Regional Advisor to the Department
Karen Chase, Regional Advisor to the Department
Karen Clearwater, Regional Advisor to the Department
Vince Chiotti, Regional Advisor to the Department
Betty Markey, Senior Policy Advisor
John Fletcher, Financial Management Division
Policy Advisor
Ann Brown, Continuum of Care Coordinator
Mariana Negoita, Tax Credit Program Coordinator
OHCS Leadership Group:
Sally Dorman
John Skelton
Vikki Pointer
Tony Penrose
Dolores Vance
Craig Tillotson
Katharine Daline
Carol Wagner
Phil Richards
Sharon Bowser
Jo Rawlins, Recorder

- I. CALL TO ORDER: Chair Maggie LaMont** calls the June 11, 2010 meeting to order at 9:03 a.m.
- II. ROLL CALL: Chair LaMont** asks for roll call. **Present: Scott Cooper, John Epstein, Stuart Liebowitz, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont.**
- III. PUBLIC COMMENT: Tom Cusack** distributes a chart titled “\$1.5 Billion in Oregon FHA Loans CY 2010 through April, by Type and Oregon County.” He states that last June Housing Council was kind enough to approve a proclamation recognizing the 75th Anniversary of

the FHA single family loan program. In January, he presented Council with a summary of 2009 FHA activity in the state of Oregon. He explains that the information on the handout is through April of this year. The total volume for 2010 is \$1.5B. Included on the chart is a summary of the volume that is in the 20 “hardest hit” counties. Refinancing activity has dropped about 33%. Rather surprisingly, home purchase volume has increased by 60%.

IV. APPROVAL OF MINUTES

A. **Chair LaMont** asks if there are any corrections to the May 7, 2010 Minutes. There being no corrections, the Motion was read:

MOTION: Epstein moves that the Housing Council approve the Minutes of the May 7, 2010 Council meeting.

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

V. RESIDENTIAL CONSENT CALENDAR: None.

VI. SPECIAL REPORTS:

A. *Economic Outlook.* **Tom Potiowsky**, State Economist, presented Council with a PowerPoint presentation on Oregon’s economic outlook. **Epstein** says that it looks like natural resources is fifth or sixth as a revenue generator, and asks if high tech is now the state’s main driver. **Potiowsky** answers that in terms of the manufactured area, yes. **Epstein** asks if it is lack of diversification that the state has such high unemployment. **Potiowsky** explains that Oregon is a much more diversified state, but what has been diversified is the manufacturing base, and the percentage of manufacturing activity has not decreased. Because a natural resource base is still important for the state, that does tend to hold a higher unemployment rate. Even though the numbers, are adjusted seasonally, choices for changing jobs are much less. Oregon is a state that people like and do not want to move from. **Cooper** asks about regions like Bend and Medford that are heavily construction, housing and wood products dependent, and what the recovery looks like in those areas given that housing does not have a strong come back. **Potiowsky** says that basically the regions of the state that had the strongest connection to the housing market, are the places that will take the longest to come back. The two that he thinks are symptomatic of that are Bend and Medford, because they are nice places and people want to live there. **Epstein** states that Oregon’s deficit is figured from the percentage of total revenue and where it ranks against other states, and asks if Oregon is in the lower half. **Potiowsky** explains that for this biennium, Oregon is less than 1%, so a little above half. Oregon took the spending cuts more seriously and did the income and corporate tax increases to try and fill the holes, so Oregon’s situation is manageable for the moment. **Cooper** says that one of the challenges that Council faces is the amount of inventory of housing and the uncertainty of the population growth curve. He asks how long he thinks it will take before the combination of population growth and working through those inventories starts to put Oregon in a position where housing demand starts to rise. **Potiowsky** says he thinks it will be in mid-2011. **Cooper** asks if that will be across all regions, or if there will be a disparity. **Potiowsky** says there will be a disparity, and that Bend and Medford will see that in 2012. **Merced** comments that he heard retail numbers across the country are down, and asks if that is spurring the debate about whether this recession is a “double dip.” **Potiowsky** says he thinks there will be periods of conflicting signals, and the retail sales for May partially stem from the end of

Easter season through the Spring. Stores are to the point where they do not have to give deep discounts as they were before. April numbers were very strong. He says he does not see that as a trend leading to a second recession, merely a soft patch that we might be going through this year before things start to pick up. **LaMont** says that a few years ago there was a population growth of retired people coming into the state and asks if that is a trend that is still going on, and if that has an affect on need for more elderly housing. **Potowski** says yes, that trend is still happening, but what recessions do is cause people to stay put. Oregon's population growth among all age groups has dropped.

B. OHCS Leadership. **John Skelton**, reports that Leadership OHCS is a twelve-month program that was chartered in 2008 for a dual purpose. One, to provide and train a pool of leadership-oriented employees; and secondly, to provide an opportunity for department employees to grow personally in the area of career development. The focus is on principles and competencies of leadership, as well as the business of the department with internal and external relationships. The current class will graduate in September. He introduces the members of OHCS Leadership: Vikki Pointer, Director's Office; Dolores Vance, Housing Division; Tony Penrose, CFC Manager; Carol Wagner, Financial Management Division; Craig Tillotson, Single Family Loan Program; Phil Richards, Financial Review Analyst; Katharine Daline, Asset and Property Management Division; and Sharon Bowser, Manufactured Communities Resource Center. The facilitators for the program are himself, Sally Dorman, and Theresa Wingard. (Members not present: Aru Sanchez, Human Resources; Jennifer Marchand, Compliance Officer; Kimber DeBoie, Compliance Officer; Robin Schaefer, Compliance Officer; Theresa Wingard, Manufactured Communities Resource Center). **McLaughlin** asks if this type of program is specific to this department, or if it is in other departments as well. **Skelton** says it is specific to this department, and that Mr. Merced and Mr. Crager were instrumental in starting it. **Merced** says their intent was to develop the next level of leaders in the agency.

C. Final Hardest Hit Fund Proposal. **Lisa Joyce**, Policy and Communication Manager, presents Council with a PowerPoint presentation that was used before the Legislature's Emergency Board last month, and then asks for questions from Council. **Cooper** asks how the department will be able to achieve anything useful from the program if it is not able to receive the money. **Joyce** explains that the department must comply with federal law and the Emergency Economic Stabilization Act of 2008 (EESA), and that the intent was to protect financial institutions that had troubled assets. **Merced** says that, unlike other HFAs that are financial institutions, OHCS is a different hybrid. It is also an anti-poverty agency and is different than most HFAs around the country. The HFAs that are more like OHCS are establishing a non-profit to comply with the TARP regulations. **Epstein** says that it appears like the board will consist of all government people, and asks if there will be any industry specialists. **Merced** answers that the non-profit will serve as a repository for the dollars. **Crager** adds that what will dictate is the administrator contract between the entity and OHCS. **Joyce** points out that the contract needs to be in place no later than October 3, 2010.

Woolley asks what the estimate is of how many people are in trouble. **Joyce** explains that on page 8 of Council's packet there is a column that has to do with percent of loans in foreclosure. She doesn't have the actual number, but could get that information. It is expected that there will be more foreclosures and delinquencies to come, and that Oregon is number one in the increase in foreclosures. **Crager** says that some of the recent numbers we have seen indicate anywhere between 40,000 and 50,000 households that are in some form of delinquency, and that there could

be a growth in that by the time the dollars get here for the program. **Woolley** asks if the timeframe for the program is five years. **Crager** responds that Treasury has not put any specific time on it at this point, but they are estimating anywhere between two and three years with all the dollars going out the door. At some point in the future Treasury has indicated that they will ask states to return dollars for money that is revolving.

Cooper says the purpose of the program is to prevent foreclosures and stabilize neighborhoods. In some of the hardest hit counties, the foreclosures are happening not just among low-income people, but also those at the highest rates. He asks about what the thinking is behind the 120 percent goal, and how to know that that is the target that most needs the help. **Joyce** answers that most of the mortgages that are in trouble are not very big, and the program will not help those with second homes. There are limited resources for a really large problem. The department needs to have some way to ensure that it is targeting those that are least able to find other resources. **Cooper** asks if an analysis has been done to know that 120 percent is the right target. **Joyce** says that 120 percent of state median income advantages rural areas. **Crager** adds that the department is not saying that this is the absolute distribution, but this is where the substantial majority will reside. How we get the dollars out to these particular counties is yet to be determined, and it will be a challenge. The success of the program will rely heavily on the cooperation of the banks and many other factors.

McLaughlin says she knows the department received criticism from some of the county commissioners in Jackson County about including other counties into the calculation, and asks if other counties complained or protested. **Crager** says the department received a series of letters from a variety of counties, as well as city officials, and the majority were in the southern part of the state. **Joyce** adds that there were also some from central Oregon and the coast. She assures Council that the allocation proposal is not putting any dollars at risk or the state at risk of not receiving any of these dollars. The need is intense and everywhere. **Woolley** states that a lot of minority homeowners are concentrated in places like Multnomah and Clackamas counties, and she applauds the department for taking a broader look at the problem and including some of the other counties that may not have met a different definition. **Merced** says the entire state will get this money. The department has stepped into the urban/rural political dichotomy and we are wanting to remain neutral. The 120 percent approach serves everyone well. **Woolley** comments that it gets at the problem at the homeowner level.

Cooper says that one suggestion he has is that it does depend on the cooperation of the banks, and the problem is that the banking system is still not stable, and there may be a need in this process to double back and deal with the changing players in the lending industry. **Joyce** responds that most of the loans the department is looking at are held by national banks. **Crager** adds that, based on the department's data analysis, 50 percent of the loan portfolio in Oregon is Bank of America, and they are in front of most in terms of rolling out some of the programs that they will offer that will connect with some of these proposed programs. **Merced** states that he will be writing an editorial in response to a lot of the misinformation in the southern part of the state, and he will encourage people to pressure the banks to be a partner in this process. **Woolley** asks about how this kind of assistance will be advertised. **Crager** says that part of what was built into this was an outreach campaign that will be included in the 8 percent administration. Currently, people do not know where to go to get help, and the outreach will need to be aggressive in terms of making sure people are aware of this kind of assistance. **Woolley** asks that Council be given an updated report on the outreach campaign once those details are worked out.

LaMont asks if there has been any indication from financial institutions that they will hold off on foreclosure if someone is in foreclosure now, looking at November 1 as the time money will be available. **Joyce** says no. **LaMont** asks if the program will be helping the new people coming in versus those that are in trouble now, and is the department looking at hiring from within. **Crager** says the department has tried to encourage people to use the 1-800-SAFENET line to help those in crisis now. As for hiring, first, we will have state staff hired for the accountability and reporting requirements. We want long term affordability. We need people who will look at this situation much more aggressively than the typical bank might. We will need staff on site to be able to work those types of programs. The regional housing centers that we want to use lack capacity at this point, so we need to put money into that system as well. **Joyce** says the state is facing lay offs, so they will be looking at some of those lists of people who are qualified and currently not employed.

VII. NEW BUSINESS: None.

VIII. OLD BUSINESS: None

IX. REPORTS:

A. *Federal Stimulus Plan Update.* **John Fletcher**, Budget Manager and ARRA Coordinator, distributes copies of two reports: the Total Program FTE Funded with ARRA Dollars; and the Cumulative Overall Financial Status to Date. He says to keep in mind that the primary purpose of the ARRA programs was not job creation, but to provide services for the homeless and some tax credit assistance and exchange programs. **McLaughlin** asks what the timeframe is for getting the dollars expended. **Fletcher** explains that each of the ARRA programs has a different timeline, and that by 2013 all of the ARRA dollars will be spent. **McLaughlin** asks if the funds go back if they are not expended. **Fletcher** says yes. **Woolley** asks if the department is on track in terms of its spending. **Fletcher** says yes, the department is on schedule to meet all the targets.

B. *2011-13 Budget Update.* **John Fletcher**, Budget Manager and Financial Management Division Policy Advisor, reports that OHCS has spent months working with partners and internal staff to develop a budget for the 2011-13 biennium. The Policy Package list totaled over \$200M. This past month the Governor released a report that revenues were not coming in, and issued some General Fund cuts statewide. State agencies were asked to look carefully at their upcoming budgets and requests. The department's executive team felt it was important to pare down the list to \$82M. **Cooper** asks if the 20 positions in the Oregon Homeownership Stabilization Initiative are field support or agency positions. **Crager** states it will be for staffing the entity that will contract with the department. The positions are not for counselors in the field; that is a separate allocation. **Cooper** asks if the positions are associated with the \$7M. **Fletcher** says yes. **Cooper** says that seems like a large number. **Fletcher** explains that they looked at the breakdown of the \$7M in terms of how much that is in actual admin support versus program delivery, and it is about half and half. **LaMont** says she assumes that is an estimate. **Fletcher** indicates that is correct; the department had to do an estimate for the June 1st proposal. **Crager** says they are not sure of these estimates, because it all comes down to participation of banks, and they did not want to underestimate. **Woolley** asks if this plan assumes spending all the money by the end of the 2011-13 biennium. **Crager** says yes. We estimate a two to three year spend-down timeframe. **McLaughlin** asks if there is a rule of thumb average cost or percentage of admin for a

program. **Fletcher** states that it is about 8 percent. **Crager** adds that one of the things they did was to examine a lot of the other state's proposals in order to learn from them. Oregon's proposal is close to being in line with the other proposals with the administrative costs.

Legislative Concepts Update. **Lisa Joyce**, Policy and Communication Manager, distributes a copy of the 2011 Legislative Concepts, and gives an overview. **Woolley** asks if she will be coming back to Council with some recommendations. **Joyce** explains that first the language is submitted to Legislative Counsel for drafting; once a bill is drafted an invoice for the drafting is submitted to the department; and once the invoice is paid the draft bill is sent to the department for review and comment. **Crager** says that the bill for Housing Council statute updating will be important for the Council to be engaged in, and that certainly this coming from the Council versus the department will be appropriate. **Cooper** states that he has a tactical suggestion on concept #4. He is fearful that if the department goes forward with this in the present environment, they are going to get fired at from two fronts. First, the whole budget hole issue; and second, getting caught up in the unresolved BETC tax credit debate. He believes the department will be vulnerable to a charge of "why do you need to create this now?" He suggests putting in additional language that delays the implementation of that provision, so it does not take affect immediately, but two or four years down the road when it is certain that this need will remerge. **Joyce** responds that they have talked to members of the legislature and have a great deal of support from the leaders of the Revenue Committee. **Crager** says the department is not suggesting any increase in cap in this particular model. There is no request for more credits. It just enables the department to use the credit differently. **Cooper** states that he is concerned that there will be a discussion in the upcoming session about going to the tax expenditures report and paring down, given the fact that it is going to be difficult to show the need for this. **Crager** asks if Councils thinks, in terms of showing the need, it could be demonstrated that there are a lot of projects coming to Housing Council members asking for OAHTC, but being unable to place those because banks are not willing to use those in their existing form. **Epstein** says that by making this more flexible, they would be helping to fill the gap for communities that currently do not have money to bring to the table. **Woolley** agrees that it might help to present this differently.

C. Housing Council Strategic Plan Update. **John Epstein** reports that for goal 5, "To seek out opportunities that will better position OHCS to sustain its infrastructure so that it can continue providing services to low-income Oregonians," Jeana Wooley, John Fletcher, Nancy Cain and he strategized that they would have a three-prong approach. They first want to bring a presentation to the Council about the various funding sources. The next presentation would be to identify areas looking forward to determine those that might be growth opportunities for the department, and to then select a few to focus on. **Woolley** adds that they thought it would be helpful for the Council members to have the benefit of the presentation so they can see the revenue streams and how efficient those are. **McLaughlin** says she likes the idea of the overview, particularly with herself being a new member, and having two new members joining Council. She believes there is potential for overlap with what she and Rick are working on, and at some point they will need to look at how to coordinate everything. **Crager** points out that John's presentation was the last one within the Council's strategic plan, and the next step will be developing a roadmap to aid in coordinating each of the goals.

D. Report of the Chief Financial Officer. On behalf of Nancy Cain, **John Fletcher** reports:

- The general fund reductions were recently submitted. Each agency with General Fund was required to implement a 4.5% reduction on their biennial budget. The department has three programs with general fund. The recommendation was to protect the EHA (Emergency Housing Account) program because that money was more flexible than other General Fund programs. The SHAP (State Homeless Assistance Program) received a larger reduction, as it absorbed the reduction that would have been assigned to EHA.

- The agency budget and policy option packages are being developed and moving forward.

- The department is going through discussions and trying to evaluate new bond council.

- There have been a few swaps since the last meeting. **Crager** adds that it has been asked how much variable rate the department has outstanding. For the swaps that John mentioned, the market reached the point where the department was able to hedge every bond issuance except for one.

Epstein asks if the department still has the guarantee in place on the Emerald Pointe project. **Crager** says no, because it successfully closed.

E. Report of the Deputy Director. Rick Crager reports the following:

- He recognizes the extremely hard work the department has put in over the last two or three months. Many of the programs the department has acquired did not come with staff and the work had to be absorbed by existing staff.

- He will talk about the Document Recording Fee at the next meeting, but says that the next CFC round will be the first to include some of the Document Recording Fee as awards.

- The budget concepts require a large amount of work and the department is trying to be as thoughtful and transparent as possible with the budgetary process.

- The strategic plan has continued to move forward and is on track on some very important internal initiatives.

- He says he wants to personally thank Council member's Liebowitz and Cooper, and says it has been a pleasure to have their support, and that he has appreciated working with both of them.

F. Report of the Director. Victor Merced reports the following:

- In two weeks there will be a Minority Homeownership Summit in Salem, sponsored by OHCS and Neighborhood Partnerships. This will be the second summit and will take a look at the minority homeownership gap and strategies being successful in other areas.

- There are several grand openings and ground breakings next week that he will be attending: Bridge Meadows, Walnut Park and Martha Washington.

- Finally, there still seems to be a lot of energy around funding the National Housing Trust. Congress has included about \$1B in funding for the capitalization for the trust fund. If it is to be distributed proportionately, it will mean \$13M for Oregon.

Epstein says that he wanted to recognize Victor for his participation, along with NOAH, in the MacArthur Conference which was held in Portland, that focused on preservation. It was well attended and a good conference.

