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.
January 21, 2011

MEMBERS PRESENT
Maggie LaMont, Chair
Tammy Baney, via phone
John Epstein
Mike Fieldman
Francisco López
Nancy McLaughlin

MEMBERS ABSENT
Jeana Woolley

GUESTS
Janet Byrd
Patti Whitney-Wise
Cathey Briggs
Ryan Fisher
Michelle Deister
Peter Hainley
Rob Prasch
Tom Cusack

STAFF PRESENT
Victor Merced, Director
Rick Crager, Deputy Director
Nancy Cain, Chief Financial Officer
Bill Carpenter, Information Services Division Administrator
Mike Kaplan, OHSI Administrator
Karen Clearwater, Regional Advisor to the Department
Karen Chase, Regional Advisor to the Department
Vince Chiotti, Regional Advisor to the Department
Bruce Buchanan, Regional Advisor to the Department
Lisa Joyce, Policy and Communication Unit Manager
Roberto Franco, Single Family Section Manager
Betty Markey, Senior Policy Advisor
Linda Morter,
Shelly Cullin, Loan Officer
Rich Malloy, NSP & Policy Coordinator
Dave Summers, MultiFamily Section Manager
Roseanne Ward
Cheryl Resendez, Single Family
Leslie Tennies
Vicki Massey
Tony Penrose
Roz Barnes
Dawn Voelker
Janna Graham
Aria Seligmann, Senior Communication Advisor
Vikki Pointer, Recorder

I. **CALL TO ORDER: Chair LaMont** calls the January 21, 2011 meeting to order at 9:03 a.m.

II. **ROLL CALL: Chair LaMont** asks for roll call. **Present: Tammy Baney (via phone), John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin and Chair LaMont. Absent: Jeana Woolley.**

III. <u>PUBLIC COMMENT</u>: Cathey Briggs, Executive Director, Oregon ON, states the feedback she has been getting on the OHSI program is that the OHCS staff has been very responsive in trying to adapt to the changing environment.

IV. <u>APPROVAL OF MINUTES</u>

A. Chair LaMont asks if there are any corrections to the December 3, 2010 Minutes. There being no corrections, the Motion was read:

> **MOTION: Epstein moves that the Housing Council approve the Minutes of the December 3, 2010 Council meeting.**
>
> **VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney (via phone), John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin and Chair LaMont. Absent: Jeana Woolley.**

V. <u>RESIDENTIAL CONSENT CALENDAR</u>:

Roberto Franco, Single Family Section Manager, reports that the department has close to 110 reservations, which is approximately $15.7M, and that there will probably need to be a second issue in April or May.

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

A. *NSP-2 Funding Policy.* **Rich Malloy,** NSP & Policy Coordinator, and **Roberto Franco,** Single Family Section Manager. **Malloy** explains that the department is facing a challenge with NSP2. A major component is that $1.28M of NSP2 funds has been allocated for projects that would fund permanent supportive housing for homeless persons. In addition to that, some of the agency's own money has been leveraged: $2M in Trust Fund and $1.15M in the General Housing Account. The plan is to get these funds out and to do as many homeless units as possible. For some of these projects, the total amount of combined money is well over $400,000. The agency's policy is that if a project has more than $200,000 from any one source, or greater than $400,000 from all sources, it needs to come before Council for approval. The NSP acquisitions are often times in a short timeframe, within 60 days of when they have to close, so a quick approval process is needed. $1.7M of the NSP allocation does need to go to the homeless population. With these projects there is little or no time to negotiate. Often there are 2 units in one project and then another 4 in a project across the street. If these units can be packaged together, approved and funded, the department would be able to close the deal. The request before Council today is to authorize the Director, through the department's Finance Committee, to approve these projects as they come through. **Franco** adds that under the RFAs there is review and scoring criteria to make sure that the project does meet the department's financial requirements and that they meet the minimum years in the term of affordability. There is also a review team and he assures Council that there is a process in place that looks at the financial feasibility of the programs for each proposal received. **Crager** states that the Finance Committee reviews all grant and loan requests before they are presented to Council. With this action Council would be approving an up-to amount of NSP2 funds for the committee to have discretion to approve those. **LaMont** says she does not have a problem with it, but she would like to have a report given to the Council at each meeting about the funding until the funds are used up. **Crager** says that could be put on the Consent Calendar. **Epstein** points out that Trust Funds are used for a lot of other things. **Franco** explains that when the proposal was submitted to HUD for NSP for the creation of permanent supportive housing nearly two years ago, it was budgeted as part of the Trust Fund in a specific amount dedicated to this program.

MOTION: Epstein moves that the Housing Council authorize the Department Director to approve funding requests submitted under the NSP2 Request for Applications to create permanent supportive housing for homeless persons in NSP2 designated areas. The total funding available for the mentioned RFA, including NSP2, Trust Fund and GHAP funds is $3,434,655. Approval of funding requests is subject to applications meeting all the RFA requirements and funding review criteria and the recommendation from the OHCS Finance Committee.

VOTE: In a roll call vote the motion passes. Members present: Tammy Baney (via phone), John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin and Chair LaMont. Absent: Jeana Woolley.

Crager asks Franco to mention the projects that have come forward to the Finance Committee at this point. **Franco** states that the department funded a 4-plex in Bend with HousingWorks under this proposal, and they have a second proposal for another duplex. In a few weeks the department will be getting a proposal for another 20 units.

VII. <u>SPECIAL REPORTS</u>:

A. *Oregon Hunger Task Force Update.* **Patti Whitney-Wise**, Executive Director of the Oregon Hunger Task Force and Partners for a Hunger-Free Oregon, gives the following update:

- *Summer Food Service Program* (handout) is a federal USDA program that helps provide meals for children during the summer months when they are out of school and do not have access to free and reduced priced meals. Two years ago they heard from a lot of areas that schools were going to be closing their summer schools down, so they began to work with the business community and put together a package of mini-grants that they were able to give out throughout the state. That program was repeated again this year. They were able to raise more money to pass through to mini-grants this year - $126,000 that went to 52 organizations in 22 counties. It resulted in the leveraging of federal dollars of over $597,000, which equaled a 4 to 1 return on money invested in those communities. One of the things they have learned over the two years of providing mini-grants is the technical staff have decided to redesign the way they are delivering services in Oregon. The mini-grant process is a way to provide more technical assistance. As a result, they are serving a lot more children.
- *State Legislative Agenda* (handout). They usually have their final agenda out in November, but they are struggling with how to put forward a meaningful legislative agenda when they have a $3.5B hole in the budget. They have been working on re-messaging their issues. They focused a lot on preserving programs this year versus expanding them. In order to end hunger, they have to end poverty. They are talking more about funding streams this session. She distributes a list of accomplishments in a timeline format. **McLaughlin** asks if she is familiar with the Ashland Food Project, which is made up of volunteers, with leaders by neighborhoods. People sign up to participate, they are provided with a bright green shopping bag, and every other month the bag is filled and taken to the neighborhood leader's home. It goes on all year long so it is a constant supply of food and is incredibly successful and easy. **Whitney-Wise** states that it is a wonderful way to supplement. **Fieldman** comments that the mini-grants have been helpful in his area this last summer.

Epstein asks if what she does is more policy and grant administration, as opposed to day-to-day actions. **Whitney-Wise** says yes. **Epstein** asks if the task force is a non-profit, but part of OHCS. **Whitney-**

Wise explains that they are unique in the country, which has been true for many years. The task force was created in 1989. For a number of years they operated in a relationship with OHCS. They oversee the appointment of members of the task force. Money has been raised through tapping state agencies for small pots of money to help fund the base work of the task force. As the years have gone on, they became a fiscal project of the Oregon Food Bank and were able to use their 501(c)(3) status to raise additional target dollars to help fund the food stamp outreach coordination. As the need for emergency food continued to grow in Oregon, the food bank could no longer let them use their status. In 2006 they met with OHCS to try and figure out what they could do. A decision was made that a non-profit would be created to provide the staffing support as the task force grew to do these special projects. The entity was named Partners for a Hunger-Free Oregon. The board must be approved by the task force and is created to support the work of the task force.

B. *Period of Housing Affordability.* ***Rick*** **Crager** explains that the period of affordability has been a policy discussion. John Epstein has been the leader as it relates to how that fits into the strategic plan. Betty Markey has done a lot of research and has put together a staff proposal, which has been sent to the department's partners, asking for comments on the policy by January 31. The intent is to bring that back to Council at the February meeting for consideration and to be able to provide any input received from our partners. Janet Byrd was been invited to provide insight into this issue.

Janet Byrd, Director of Neighborhood Partnerships and Housing Alliance, explains that the Housing Alliance is a statewide coalition of more than 50 nonprofit organizations, local governments, housing authorities, community action agencies and other allied organizations, such as Partners for a Hunger-Free Oregon and Ecumenical Ministries, who are committed to increasing the availability of affordable housing throughout Oregon's communities. She says the Housing Alliance strongly endorses the department's proposal to ensure that housing developed with the support of state controlled resources remains affordable for the longest possible time. They believe the memo that came out from Director Merced on January 6th stated the case well. She says there is the opportunity to learn from the history of state and federal investments in affordable housing. The landscape is different than in the past, and they feel like they have a bigger field and can take advantage of the changed landscape, new partners, and new abilities. They also have an obligation, given the state budget situation and the current need, to really push to maximize the impact of these investments. The Housing Alliance has worked very hard in conjunction with the department and other partners to preserve existing affordable housing. They will be pushing for lottery backed bonds on their legislative agenda to continue the preservation of affordable housing stock. A lot of the value comes from the land and the location, and they know that the people that live there are particularly vulnerable. She says they do not see anything that makes them believe the situation 40 years from now will be any different, so they want to push that limit as far as they can.

She says the Housing Alliance has a few specific suggestions for the policy draft. They strongly believe that permanent affordability is the most desirable outcome. They would like to push the department to take a step further than the draft policy and make 60 years the minimum standard of affordability, and offer preference to owners and developers who go further than that. They do not mean to discourage participation for for-profits. Looking at the experience of the City of Portland, which implemented a 60-year period of affordability in 1998, that policy has not curtailed participation by for-profits. They do feel that the 60-year period effectively levels the playing field for non-profits and housing authorities who are looking for that and so this balances the equation.

Second, the draft memo that came out from the director wanted to allow prepayments at 40 years or 50 years in certain circumstances. They believe that the way the administrative rule works and the policy works is that the director always has the ability to waive requirements given circumstances that warrant a waiver. They would rather see the department not assume that it is automatically a right of an owner and developer, but acknowledge that the ability to waive requirements would continue.

Third, the proposal calculated a simple interest to charge on the value of the state's investment. They would suggest that any recapture formula look at the true value of the investment that the state makes at the beginning. For example, some percentage of equity; some percentage of shared appreciation. They want something that will look at the actual value that has been generated over time.

Fourth, in conjunction with the preservation agenda, if owners are offered section 8 contracts or other federal grant subsidy contracts, they believe they should be required to accept those and to renew those federal subsidies as long as they are offered. There is language in the City of Portland ordinance that does that. They had a brief discussion with the department about the final point. The department was proposing that 4 percent tax credit and bond deals be exempted, and there is some good, sound thinking behind that recommendation, but they would like to have further conversations and discussions about that.

They have just completed their documents they do each session that document housing need by county. They know that one in four Oregon households cannot afford their housing, looking at the HUD standards of affordability and what people should be paying. They know that kids in almost every classroom in Oregon are experiencing homelessness and their futures are threatened as a result. They believe that the unprecedented need they are seeing in communities require that they take these aggressive steps to be sure they are getting the maximum impact from state investment. The department has done good work in putting together a proposal and they commend OHCS for taking that step.

She distributes a copy of the Housing Alliance's legislative agenda. She says the Housing Alliance had hoped to join with the department and support them in fairly aggressive requests to expand emergency housing assistance and lottery-backed bonds for preservation; however, it is hard to know how aggressive they can be with the current budget situation. They believe the preservation agenda is essential, given the fact that federal funds that went into homelessness prevention are being lost. The HPRP funds essentially supplemented the Emergency Housing Account by $15M. They are concerned about the impact on the homelessness prevention system. They need to keep a development pipeline open and have to keep meeting the unmet needs in communities. They are also hoping to extend the sunset on the OAHTC and the Farmworker Housing Tax Credit and to support the department's request for some amendments to those. They have a range of other bills they are supporting that deal with protecting tenants who are the innocent bystanders in the foreclosure proceedings and subject to eviction, utility cut-offs and some small housing keeping items that will support community land trusts and help protect the public investment that has gone into properties. They are optimistic that they will be able to make some progress and hold ground in the upcoming session.

C. *CFC Priority Rating Update.* **Bill Carpenter,** Information Services Division Administrator, distributes a copy of the 2010 CFC Needs Analysis Assessment and gives the following overview: The CFC distribution goals for some funds include a 30% set-aside for department priorities, which were preservation. In 2010, 55% were for projects in urban entitlement areas and 45% for properties in rural areas. In the CFC for 2010, nearly 70% of the funds, nearly $24M, were awarded to urban areas and 30%, just over $10M, were awarded to rural areas. The data source is from the American Community Survey. There is an appeals process in the CFC. Last year three appeals were received and one was approved. Some appeals were on data issues and some were on policy issues, so the appeals process was divided into those groups. This year there were no policy appeals, they were all data. From his perspective, generally the needs analysis seems to work; it helps the department fine tune its priorities. There is the difficulty that this was started as the financial markets for bonds and tax credit programs became very difficult. It is unlikely that we can do anything to really channel dollars into most of areas with the highest needs. For the 2011 Needs Analysis, if the ranking comes in at 1.00 or higher then they will be a priority one. If they are between .85 and 1.00, they are a priority two, and below a .85 is a priority three. 12 of the 36 counties were priority threes, 16 were priority ones. The workforce priorities are the only ones that were updated for the 2011 CFC. There were also special priorities for special needs populations, which are updated every two years, so will be updated again in the 2012 round. We now have data for all areas of the state, which was an issue that Scott Cooper felt very strongly about. **LaMont** asks if he saw much difference in the above 1.00 category changes. **Carpenter**: says no, they were nearly identical to last year. **McLaughlin** asks when the 2010 census data will be available. **Carpenter** says in about another year. **McLaughlin** asks what the speculation is about the definition of "rural." **Carpenter** replies that there is a lot of legislative activity about that. There are metropolitan statistical areas that are a standard designation, and there is a great deal of discussion about creating micro-politan statistical data areas for small population centers. For example, Ontario would be a micro-politan area. **Fieldman** adds that there is a third federal designation called frontier communities, which has to do with the population density of an area. **Carpenter** points out that even after the census people decide, there are federal agencies that decide whether or not to use them.

D. *Update on LC 632(SB 150), Expanding Access to Housing in Rural Oregon.* **Bill Carpenter**, Information Services Division Administrator, and **Betty Markey**, Senior Policy Advisor. **Markey** states that low-income areas of the state seem to have some of the highest cost of housing and not a lot of housing available to the workforce, so that those who work in the community are unable to live there as well. Lower income workers may travel longer distances, or spend a high percentage of their income for housing. This is seen in some of the coastal communities, as well as other rural areas of the state. To increase this problem, there were single family rental properties being sold for homeownership. Affordable housing in these communities is often in poor condition. The median incomes in these communities are quite low. 60% of median income in Lincoln County is equivalent to just over 40% AMI in the Portland area. Housing costs in both areas are the same, however. In some areas the private market has not developed any new housing for quite a few years. The cost to develop is high and what they would have to charge for rent to pay for the operating expenses and to pay debt service would not keep the housing affordable to the workforce. We have not been able to assist with OHCS resources develop housing. State and federal programs have a 60% AMI limit. A two-person working household that makes minimum wage makes more than 60% of AMI, so they do not qualify for the housing. To help communities maintain and attract the workers, we cannot change the federal programs, but Senate Bill 150 was an attempt to try and change the state program. It would have allowed state tax credit, grant and loan programs to support projects serving up to 120% AMI in select communities. After putting the concept together, the department began gathering data to demonstrate support for the bill and discovered that the income issues existed in more areas of the state than had been anticipated.

Carpenter adds that they did think about the type of data while putting the legislative concept together, but the data was not available in most cases at that point. He refers to a table that shows minimum wages versus income. It indicates that for one and two persons, both working full-time in minimum wage jobs, they actually made more money than what qualifies for the 60% income level. We were expecting to see a larger difference than what the data showed. He says this is a statewide phenomenon. Using a new data source from the Department of Employment and the data from the American

Community Survey, we were able to put together charts in a number of communities in the state showing income levels. There has been discussion about places like Ashland and Bend and the coast that the lowest income workers have to commute the longest distances, due to the housing in the areas being so expensive. When we started reviewing the data, we found that for almost all communities in Oregon, with a couple of exceptions, the commute patterns and income levels look the same. So regardless of income, the same percentage of workers are commuting similar distances. This was a surprise. Based on this new information, the department will be pulling this bill. **Markey** says they will try and work with some of the community leaders to find out what their issue is and determine if the department needs to be doing more rehab in those communities, and try to find out if they have other data information we can use. **Crager** states that the intent will not be to abandon this, just pull the bill at this time. We want to convene a variety of leaders and partners to tackle this problem thoroughly and figure out what is the best way to address it. **LaMont** says she finds it interesting that some of the other communities like Brookings, Redmond and Bend, are even higher than what Ashland is. The data still does show a need for affordable workforce housing. **Epstein** asks what the band of the population is between 60% - 120%. He says he would guess in urban areas there would be a higher percentage of people that are above 120%. In rural there will not be a large percentage over 120%. Maybe the band you look at then is if there is a big bubble between 60% and 120% who are trying to get into housing, that is eating up a lot of their income. Those are the workers that are really getting crunched. **Carpenter** says he looked at that a little, not exhaustively, and he thinks he is right and it was found near resort areas. **Epstein** suggests that may be distorted by second home owners.

VIII. <u>OLD BUSINESS</u>:

A. *OHCS Charges.* **Nancy Cain,** Chief Financial Officer, and **Dave Summers,** MultiFamily Section Manager. **Cain** explains that the department sent out a letter to partners asking for their input on the charges and fees. She points out that there is a summary of the fees and some copies of written responses in Council's packet. A conference call with all parties who made comments has been held. Based upon those comments, an internal group met to make recommendations on how, or if, the department should change any of the fees. The last time the fees were revised was in 2006. When there is a gap like that, some fees can increase more drastically than you would want them to increase. Therefore, the department has determined that it will do an annual review of all fees. She gives the following overview of the suggested changes:

- *CFC Application Charge*: What we heard is that by increasing the application fee we were adding impediments to applying for the funds. It was suggested that we keep the current application charge and have an added charge for those that get funded. We will charge a higher amount than we were originally planning for those that get funding.
- *Farmworker Housing Tax Credit Application Fee:* This is a new charge. We were proposing a tiered application charge. There was concern that not all the applicants would be aware of the charge. If we did have a charge it was suggested that we have a flat fee. So we chose $200 that would be assessed if an applicant received funding. The amount was the lower of our recommended amounts. We will implement this charge for the 2011 applications. In the notice of availability, there was a notice that an undetermined application fee might be charged.
- *Charges for Construction Analyst*: In the first round this was referred to as a construction "inspector," which seemed to create some confusion around the role of this position. The industry recognizes the need for increased verification that we are meeting the construction standards that will allow these developments to offer a long-term, sustainable product. **Summers** comments that for the 2011 CFC, the department has initiated a construction inspection requirement for all of the projects. Sponsors will be required to contract with third-party, qualified construction inspectors, who have envelope consultant level experience and skill. They will be putting reports together based

on the scope of work and those reports will funnel in through the construction analyst. They will have both construction and purchasing experience so that they can identify if there is an issue that needs to be raised up to our staff architect's level.

Cain continues:

- *Risk Sharing Monitoring Charge*: This $45 per unit charge would only apply to risk share projects. This was a fee that was approved in 2006, but due to circumstances at the time it was not adopted. Our circumstances have not changed much, many projects are still facing financial difficulty, but during this past year we were able to refund some of the bonds in the indenture, creating a savings of about 80 basis points on interest rates for 23 of the projects. We feel this is an appropriate time to implement the charge. There was also some concern about whether or not these were built into the budgets for the projects. It is my understanding that when we underwrite we do so with increases in all types of expenditures including our fees.
- *Charge for Late Submission of Asset and Property Management Monitoring Charges*: This is another new charge. One of the things we want to look at, but have not fully developed, is the possibility of an incentive fee and how that would benefit the department. Normally you offer an incentive because you need the cash and you would have to use other cash. That is not the case right now.
- *Charge for Late Submittal of Certification of Continuing Compliance:* Two of the concerns were if there was enough time to file, and rural areas without mail delivery. That was resolved by the fact that these requests are submitted electronically.
- *Charges for Restructuring of Debt/Changes to Agreements:* In Council's packet there are some specific example scenarios to give more information to partners. It was recommended by the Council and our partners that we consider a flat charge. She says she would rather not do that at this point, because many of the items are requests not for our benefit, but for the benefit of the project owner or sponsor. Consideration of a flat fee would be something we could consider in the annual review process. We did hear our partner input and did make changes. With the new process of reviewing these annually, even where we made no changes to our original recommendation, we have not set those recommendations aside.

LaMont asks if the construction analyst would be a new position or would it be contracted out. **Summers** says that it would be a new limited duration, in-house position. **Crager** adds that, in terms of the limited duration, the department does not have the authority to create permanent positions. We can administratively if we can demonstrate that we have the dollars and the need. If we want to get it permanently approved we have to take it to the Governor and the Legislature. **LaMont** asks if they are looking at a new position, would they look at some of the other existing projects. **Crager** responds that this position has been proposed to have enough fee to pay for the new projects that are coming in. In terms of expanded duties, that has not been built into this proposal. **Summers** adds that they requested feedback from the sponsors on the physical condition of all the projects that the department invested in. This individual would be well-suited to assist the department's Asset and Property Management group to evaluate condition of projects, identify projects that need to be inspected, and then help try and formulate some strategies to work with the project. **Epstein** asks where the revenue numbers come from. **Cain** states that this is from what we expect to bring in during the biennium. **Epstein** says his perception is that late charges are totally valid as long as people are given a reasonable timeframe to submit the documentation. They should get items in on time and if they don't, they should pay a late charge. He says he does not think you incentivize for coming in early, unless you want to spread out internal workload and not get everything coming in at the same deadline. If they are late you are spending time on phone calls and sending letters trying to chase them down, and you should not have to do that. We get charged for legal fees and $40 an hour is a reasonable rate. **Cain** states that they would be responsible to pay the DOJ charges, in addition to the $40. **Epstein** agrees that it is a reasonable charge. He says he is sure there was a lot of discussion around the construction analyst, and we are bringing the analyst in because the industry themselves have not policed well. We are trying to make sure that we use our money prudently. He says he thinks what the department is doing on the CFC is fair, and raising the monitoring fees would also probably have a lot of discussion around it. **Crager** says to keep in mind that that was approved in 2006, and since that time there have been significant refundings around those projects that have created savings for them. **Epstein** comments that this agency does not get a lot of state funding, so it covers its own overhead, and the staff should be spending their time on more important things than chasing down late paperwork. We need to motivate people to not be late. He says it may be worth a discussion that the project's size be scaled to assess the construction analyst fee, because someone analyzing a 4-plex will not spend as much time as on a 100 unit high rise. Perhaps use a sliding scale, or cut off. He says the one he is debating on is the risk sharing, and that it does need to be raised, but maybe over time so people can get ready for it.

Fieldman asks what the construction analyst is going to analyze if the independent third party gets the standards and the project is meeting all the standards. He says it seems like a duplication and wonders what value we would be getting. **Summers** responds that we have to have someone that is available to take on the work load when there is an issue with construction or specifications. **Fieldman** asks if he has a sense of how many issues they will get. **Summers** explains that the department has sent out a survey to try and judge where the projects are from a physical standpoint. So far, they have determined that a project is either an A, B or C. C being those with demonstrated issues that probably need to be fixed, potential life-safety issues for tenants. They are now at a 30% queue into that level. He thinks they will find that there is a variety of knowledge bases across the state from architectural and contractor partners based on what would be occurring best practices. The vendor that the department has contracted with for the best practices document is based out of Vancouver, BC. They gained the majority of their experience working within the condominium construction defect problem that their area experienced. The local government decreed that an envelope consultant had to be connected with every rehab of a condo project. Where that is happening, there was a general increase in knowledge of what the architects and contractors needed to do on these projects to make them secure. He is hoping that the department can take the best practices and through the inspectors in the field and analysts in-house, this information can be made well known to everyone we are working with. He says he thinks they can make a big difference in the next generation of projects. **Epstein** asks who the envelope consultants are paid by. **Summers** says the sponsor. **Epstein** asks if the department is creating an approved list of whom the envelope people have to be. **Summers** answers yes. The department used this model with the ARRA projects where there was a third party inspector, except that on that occasion a long-term monitoring pool was funded with funds from each project. Then we contracted with inspectors directly. We are going to see how this works this year to see if we think we are getting the allegiance to the best practices and accurate and timely information. If we believe that there is more alliance to the sponsor than to the project, next year we may change the structure to where we find a way to contract directly. **Epstein** asks if this is on projects of a certain size/dollar commitment. **Summers** responds that if they had 3 or 4 group homes, they might not require the third-party inspector, if it is more residential construction. **Epstein** asks if there is a cut-off if they are bringing in a third party. If so, that would make more of an argument for having an analyst. **Fieldman** asks what authority the third-party inspector would have in requiring changes, and if they find something that the contractor is not doing, do they have the authority to say that it needs to be done? **Summers** says the sponsor still is controlling the project. **Fieldman** asks what the value or added benefit would be to having analysis at the state level. **Summers** says that construction is an extremely complex, technical field, as is architectural design, and he does not have anyone on staff, besides one architect, who has the skills to evaluate this information. It is something of a scarce resource issue. **Crager** adds that with the construction inspector they have the standards in which they want the sponsor to comply with, and we all assume our sponsors will adhere to that, but that is not a guarantee. Someone has to be looking at that information and ensuring that it is being complied with, and there may be a need to intervene. **Cain** says it is our oversight responsibility that we are fulfilling. **Epstein** states that he would recommend tiering on that. **Cain** says she would recommend that for this one year we keep the $2,200. In the annual reviews we will look at that issue. There is a certain amount of work that is the same regardless of the size of the project. We do have authority to waive fees, which does not say that we will. **McLaughlin** comments that some of the smaller projects are the most time-consuming because they don't have the expertise. She thinks they should go with it for a year and then take a look at it. **Cain** states that the fee is an allowable expense of most of the programs and we have discussed that part of the implementation of these fees is that we and the RADs will work with the applicants to make sure that these fees are built into the project budget. If Council wants to have a per unit or tiered plan, she would like to take that to partners for comment and bring that to the next meeting, or perhaps look at that for the 2012 CFC. **Fieldman** says the flat fee puts the smaller projects at a disadvantage. **Cain** comments that part of the review is a cost per unit amount, and we certainly could exclude that fee from that calculation. **Summers** states that that would be outside of the evaluation.

LaMont announces that she would like to hear public comment at this time, and will come back after the comment to vote.

PUBLIC COMMENTS:

Peter Hainley, Executive Director, CASA of Oregon, and a board member of Oregon ON, comments that the department has covered most of the issues that were brought up in their letter. In 2009 the department first started talking to them about budget issues coming up and he called it "Team Clarity." Understanding the budget first was the key to coming up with some of the solutions. He says he appreciates the opportunity to have comment on this and to have their issues taken seriously. On some the department did not take their advice, which is okay. Number 7 is still evolving. The third one, the construction analyst, is the one they spent most of their time discussing. They know the issue and support trying to find solutions to it. They want to ensure that they are getting at the right solution and that they are really adding value to the projects. It is an envelope and underwriting issue. There is currently an architect, construction lender, project manager, and now adding a third party and this new position. They want to know what value is being added. Things have been clarified a lot more and they are talking specifically envelope issues. He says he would like to see a few more folks brought in on this. There are some underlying issues and issues around how much is this new person going to be directing the work and does it become a public works project and does that then kick in a whole new layer of requirements. We could experiment with it for a year. His industry is wanting to participate and bring in any of their folks that would need to take a look at this.

Cathey Briggs, Executive Director of Oregon ON, comments that this process caught them by surprise and they have had to respond quickly. She was happy to hear Nancy say that in the future the department would have an annual review process. They take these issues seriously. They have all learned a lot. They would have a lot to contribute to the conversation. It would be great to have a decision-tree or scenario discussions. Who trumps who? On the charges for restructuring debt, how does that apply to year-15 projects? **Cain** says that at this point in time, restructuring at the 15th year, projects would not incur these charges. **END OF PUBLIC COMMENTS.**

Cain says that before Council is the department's proposal and she asks that Council approve the charges as written, with instructions to revisit certain aspects of the fees at the next annual review. **López** comments that he likes the idea of using scenarios so that people will understand better, and he thinks that should be included in the explanation. He says he would also like the policy that the department uses for waivers be outlined. With partners' feedback, Victor sent a memo on December 8th asking for comments, and he asks how that is being pursued. He says he wants to be sure the feedback requests have been going to everyone. **Cain** states that the December 8th memo went out to partners, and they received the three written responses that Council has copies of. As a result of those, they held a follow-up partner call last Friday. The goal is having the annual reviews and following a prescribed process, and making sure that there is significant time for that interaction to occur. The department will also review who receives the information to make sure that we update and ensure that we get input from everyone who has a stake in the process. **López** asks what the projected revenue that these fees will generate is. **Cain** responds that the original was over $200,000 a biennium. Some of those will be reduced because some of the fees were reduced and deferred. **López** states that the period of feedback was less than a month and when you include the holidays, he was surprised that the timeframe was so quick. **Joyce** explains that the department has an electronic list that consists of nearly 1,000 people. It was included in the Director's Message and she contacted several of the members of the budget group and shared that this was coming and to be prepared. The timing was difficult in terms of the holidays. On the other hand, the department needed to have these in place for the next round of funding. **López** says his concern is that we create these groups to provide feedback to the department and he does not want to rush to a decision. He is not opposed to the fees, he is opposed to not getting enough feedback from members of the community at large. **Cain** states that that is also a concern of the department, so the timeframes in the future will allow more time. This will also incorporate meetings with partners so these issues can be discussed. **Joyce** comments that Rick and Nancy have been working on ways by which to engage stakeholders more effectively in decision making. **Merced** says they did hear the issue around establishing a decision-tree, which he thinks is a good idea. The liability issue is one that is worthy of a continued discussion. **LaMont** states that the support of having a specific time that the changes will be coming out and looking at them would be a good thing to do. **Crager** says they have a draft of that and they can bring that to Council so they can get an idea of what they are looking at in the future. **López** responds that he thinks it would be helpful to have a report on the process and how this is going. Council's role in monitoring this is very important, and he would like that included as an agenda item. **LaMont** says that feedback on how we are connecting with our partners is something that is part of our goal.

> **MOTION: McLaughlin moves that the Housing Council approve the OHCS Charges and Fees as written and discussed, with follow-up with the partners regarding decision timing, doing an annual review and, in particular, with number three (*Charges for Construction Analyst*) to see how that works.**
>
> **VOTE: In a roll call vote the motion passes. Members Present: John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin and Chair LaMont. Absent: Baney and Woolley.**

Fieldman asks what the option would be of approving the Charges for Construction Analyst for just a year. **Crager** says that all fees will be subject to an annual review.

IX. REPORTS:

A. *Legislative Update.* **Lisa Joyce**, Policy and Communication Manager, says the department has a smaller number of legislative bills going forward, and gives the following report:

- She is attempting to get clarification on the OAHTC Program Modification, which does have a fiscal impact with the increased utilization of the credit.
- There are bills to extend the sunset on the OAHTC and the Farmworker Housing Tax Credit.
- An area of controversy has been around SB152 with regard to the Oregon Hunger Relief Task Force. The statute requires the department to fund the administrative expenses of the task force. The department has not been receiving a line-item budget for that, so has asked to be relieved of that expectation. A compromise has been reached to add a clause "subject to funds available." This will assure that the department will fund the task force only when resources have been allocated.
- There is going to be a tax credit committee this time. With regard to the Farmworker Housing Tax Credit, there will be a celebration of everything they have accomplished through the Farmworker Housing Facilitation Team on April 1.

B. *Oregon Homeownership Stabilization Initiative (OHSI).* **Mike Kaplan**, Administrator of OHSI, reports the following:

- The application for the Mortgage Payment Assistance program closed at midnight on January 14. Over 19,000 had started applications, about 15,500 completed them. The disparity is that a lot started the application and realized they were ineligible for the program. They were pleased with the completion rate. The application process itself was found to be relatively easy to navigate. The intake requirements to the application was a two-step process. The first was the on-line application and the second is that the homeowner is to provide supporting documentation to an intake agency in their county. They expect the meetings at the intake agencies to continue into next week.
- As outreach reports are being compiled, they are pleased with what measures were taken in each county. In some of the smaller counties they were able to send a letter to every single homeowner in that county to let them know about the program. Word did get out and homeowners were aware of the program.
- In terms of lessons learned, foreclosure prevention programs are a document management exercise. Making sure the homeowners get the right documents in the right format has been the biggest challenge for both the department and its partners. As they move forward, they will put a lot of thought and effort into making sure future programs address that issue. Overall our partner agencies did a wonderful job and worked incredibly hard.
- Current projections indicate that 5,000 to 6,000 statewide will make it through the approval process and then move on to the underwriting stage. Reviews will be done to make sure they are correct and then they will be forwarded to the servicers so they have a chance to review the clients they will be assisting.

McLaughlin asks about the program they were talking to Treasury about. **Kaplan** says that is the refinancing pilot project in Deschutes and Jackson Counties. They are on the verge of submitting the third iteration of that effort to Treasury. Treasury has continued to be flexible in working with the department on that program. The concerns they have raised are valid and the department is working to create a model that they will be comfortable with. He says they are cautiously optimistic. **Epstein** says he heard a news story on NPR about the program, and their take was that it was starting very slowly, and that some counties were drastically undersubscribed. **Kaplan** states that he heard the same story. The skepticism was certainly there, but he thinks the story was a week or two late. That skepticism had largely disappeared by the time the story hit the air. **Epstein** asks if the 5,000 to 6,000 who are eligible will be going through the lottery process. **Kaplan** explains that they have 15,500 who have completed the application. Of that they expect somewhere between 5,000 to 6,000 to be eligible. The drawings that were discussed will be done county-by-county. They are currently evaluating what the capacity to serve is going to be. They are starting to see what actual mortgage payments will be. They have reserved $20,000 per applicant, but they may find that the loan payments for a year do not reach that amount. **McLaughlin** comments that the National Housing Law Project publication had a table in an article that showed how all the states were doing, and Oregon was displayed prominently. **Kaplan** says that being a second round state, Oregon is on the verge of taking the lead even ahead of the first round states in terms of launching its program statewide. People from other states are now asking what Oregon is doing. He says they are looking forward to actually making mortgage payments relatively soon. **LaMont** says that is quite an accomplishment. **Crager** adds that Mike and his staff have been incredible.

Merced introduces Diana Koppes as the department's new Asset and Property Management Division Administrator.

C. *Report of the Chief Financial Officer*. **Nancy Cain** offers the following report:

- She received a letter from the State Treasurer regarding the Dodd-Frank Act, which modified the Securities and Exchange Act. It is relevant to the department in that we are a municipal issuer, and many requirements of the SEC do not apply to us. The requirements apply to our underwriters. One of the critical potential issues facing us is that municipal advisors will be required to register with the US Securities and Exchange Commission. When the proposed rule first came out, many dismissed the fact that Commission members would have to register. There has been some discussion about members of boards, commissions and even housing councils that would have to not only register, but meet requirements of a municipal financial advisor. Since it is still being worked out, she says she was not going to concern Council with this. However, the State Treasurer did issue a letter in response. Some of our bond counsels are also addressing this issue with the SEC. She says she would not be alarmed at this point. All 50 states and local municipalities are objecting to this particular rule.
- She is anxiously awaiting the budget which will be released on February 1st. She has been asked to compare two different scenarios. One is that the general fund budget will be based upon the 2009-2011 legislatively approved budget, less the reductions that we took in general fund, which is about $11M. The second was a 25% reduction, which would take us down below $9M.
- In the single-family loan program, eight loans were purchased this week, along with two more next week. There are just under 100 reservations for about $15M. The department is about halfway through the funds and is looking at scheduling the next sale in May. One of the surprises to her is that they have received more selections for the Rate Advantage, which is a lower interest rate, than for the Cash Advantage program, which is down-payment assistance.

Crager comments that at the next Council meeting there will be a report on the Document Recording Fee and where the projections are going. They still remain very positive. Last time we were $2M above what the budgeted projection was. We are already having some discussion about allocations and plans for the dollars. Nancy has done a great job outlining the money, where the dollars are being allocated, and their status. **Merced** says it is also worth noting that Senator Merkley is in the state promoting, among other things, another first time homebuyer tax credit.

D. *Report of the Deputy Director.* **Rick Crager** states that he is going to have Shelly Cullin give an update on the conduit program and a couple of the projects that Council is familiar with and some plans around that. **Shelly Cullin**, Senior Loan Officer, explains that with the market collapse there were a couple of projects that stalled. One of those was a portfolio of three Section 8 properties: Stewart Terrace, Indian Creek and Villa West. At the time that Council approved those in September of 2008 for the conduit, LIHTC, OAHTC, and Housing Preservation money. After the collapse, we had a borrower that did not have an equity investor; however, the lender has stuck with the projects. In September of 2009, we came before the Council when we got the ARRA money and these projects were awarded tax credit assistance program funds (TCAP). Guardian was going to come in and be the equity investor at a very low yield, so this money was to replace the loss in yield. Since that time, we did not have our 30-year rehabilitation standard. We will be revisiting the properties, which is criteria of the lender, US Bank. The sponsor has found an equity investor so we believe that WNC will be in the deal. We will get $.62 on the dollar at this point. We will get a 30-year rehab on the properties. Because we are increasing the scope of rehab, the project cost will increase. When you have tax exempt bonds and 4% tax credits you have to have at least 50% of your project financed with bonds based on the eligible basis of tax credits. Council will need to approve an increase in the conduit amount, which may need to happen via a conference call in early March, since Council does not have a March meeting.

- *Period of Affordability.* **Crager** distributes a memo from Victor regarding the proposed affordability period, outlining the proposal that is being made, along with comments from Tom Walsh & Co., and the Housing Alliance. He says that he and Betty Markey spoke with John Epstein prior to finalizing the memo, who gave them some great suggestions on modifications. Betty did some additional research on the states, per Council's request. Most states give preferential points to those that are suggesting longer affordability terms. There are a few others that have standard affordability periods. This may be something they want to highlight as an option. There would be a prepayment option in year 40 and year 50 that would need to be documented in agreements going forward. In the early 80's the documents that were generated were very vague as to the prepayment option which has created a lot of issues for the department. The department is proposing the calculation that Betty came up with in terms of the payback of the grant dollars with some simple interest compounded, and there is a suggestion of looking at the value of the property as well. **Betty Markey**, Senior Policy Advisor, says that most of the states have offered points for longer years, although not as long as we are suggesting. A couple states had done a longer period of time. Another reason for not applying it to just bonds and 4%s is the fact that applicants could go to someone else to get that bonding authority. To be competitive in the market we probably do not want to keep putting additional requirements on it. Most of the projects that have come in for bond and 4%s, especially for preservation, have received other subsidy from the department. In that case they would fall under the proposal of the 60-year affordability. **Crager** adds that their intent is to give until January 31st to collect partner input, and they will provide that input to Council prior to the February meeting, at which time they will give Council a recommendation based on what they have heard.

  LaMont says the 60 years doesn't bother her and asks if the units would be viable at that time and what happens at that point in time. She says if someone were to purchase a unit right now that is 30 years old, and put 60 years on it, she doesn't know that the housing is designed to last that long. She asks if the sponsors would be stuck at that point. **Markey** says she thinks that was part of the reason for the 40-50 years so they could potentially buy out at an earlier time period. That was also the reason for the director having discretion to waive if the property had deteriorated to a point where it is no longer feasible to keep them. **LaMont** says that in some of the Rural Development programs, if you keep a unit for so many years then you are not required to pay so much back. She doesn't want the department to require the whole grant, plus interest, to be paid back. If you have paid on a unit for 40 years, then you should only pay back a portion. **Epstein** states that the theory behind that is to encourage people to keep it affordable for 60 years, but the option was if you do not keep it affordable for 60 years, and you want out, we want to get enough money back to replace the affordable unit we lose. **LaMont** says she understands that, and if you were looking at new construction she would agree with that. **Markey** says she is correct and that is where the director would have the ability to waive the repayment. There could be some acquisition rehabs that have been repaid and are of quality in year 40. In that case if someone wanted to buy out they should compensate to replace those units. **LaMont** says she would rather see it set in stone that the department is looking at some parameters. **Crager** states that they can work on that and when they come back to Council, address that.

- *Strategic Plan.* He has been working with Nancy McLaughlin, who has been terrific in working on her strategic initiative. They are trying to develop a framework around the Council in which they can collect stakeholder and partner input into their process of recommended policy. They had drafted a framework and Nancy wanted them to have a fresh perspective and the opportunity to not get stuck in a formalized process to where Council could reach out to a variety of partners, stakeholders and even out of state people. They spoke with John VanLandingham, who is a member of the LCDC commission, and they have a policy framework that he shared with us that was similar to what Nancy was talking about. It allowed them to create workgroups that would focus on specific issues. They will try and model that a bit more to fit into Council's structure to create maximum flexibility. They hope to be able to share that framework with Council at the next meeting. **McLaughlin** says she has served on enough task forces, councils and committees to know that once you get locked into those it is very tough to get out. She says Council may find that it wants some outside expertise that is not in the normal realm of the people that they would be talking to.
- *MultiFamily Workgroup*. **Crager** says the MultiFamily Workgroup has met before trying to come up with a list of key things that are problematic. It was a good process with a lot of people around the table coming up with ideas. His intent is to bring a report back to the Council with the outcome of that workgroup.
- *Business Processes.* Victor has asked him to look at places that the department can be more effective and efficient in its business operations. Some of the steps taken are as follows: The department created a budget workgroup last year that recommended the department map its processes. As a state agency, we are required to have an internal audit function within the department. Other agencies are starting to look at whether there is a more effective way to do that, either through contracting or restructuring. The department has entered into a contract with a firm to reevaluate that function. The MultiFamily section combined the housing finance section and the housing resource section. At the time it was necessary because we had to cut staff. Those sections have a lot of processes that need to be looked at carefully and outlined. We are in the early stages of that and his intent is to try and get those processes road mapped and then start looking at areas for duplications, and things that no longer need to be done. The department is looking at ways to continue to be more efficient in the use of state resources and at the same time be more efficient with partners and make it easier on them.

E. *Report of the Director*. **Victor Merced** says that while the economics of the state are driving efficiencies and streamlining, the department would still be looking for those. We owe it to ourselves, the agency and our partners if we are going to implement fees to help support our structure. He attended a meeting with the Governor, along with four other directors from ODOT, Economic Development, DLCD and DEQ. The Governor has asked them to be part of his regional solution center think tank for the state. It goes back to the Governor's original concept of community solutions teams. He has eliminated the Economic Revitalization Team and renamed it the Regional Solutions Team, and he wants to create centers in different parts of the state to regionalize economic development and job creation to take advantage of the state's natural resources and economic opportunities. Job creation is his number one priority. We will continue to refine our model so that he will understand that we are certainly on board with his vision. The main premise of the solution center is that economic development comes from the local communities. So the local communities will have advisory committees made up of a convener for the Governor, a mayor, business leader, university president, county commissioner, and a foundation person. That is all being coordinated by a Regional Solution Coordinator. The advisory team are the five he mentioned, with opportunities for Forestry, Agriculture and Water. The team will set general priorities for the region, and the coordinator will be responsible for staffing the steering committee and coordinating agency. When there are projects that are identified that address the regional job creation issue and economic development, the coordinator will work with agency directors and local staff to see how to bring resources to the table. He says the think tank will be looking at ways to integrate resources and helping to implement the local projects. The RADs will have a very important role in all of this as well. **McLaughlin** asks how soon they will start the Regional Solutions project. **Merced** says it will be soon; they are still hiring regional staff. **LaMont** asks how many regions there will be. **Merced** responds that they didn't say, but under ERT there were five, so that may be the model to follow.

F. *Report of the Chair.* **Maggie LaMont** said she enjoyed the public input at today's meeting and the discussions on charges. She likes the suggestion of hearing back more on the process of being more involved with our partners. She says she would like Council to review its goals and thinks Council did a good job of setting those. She would like Council to set a specific agenda item for goals. Whatever floats to the top of having activity can be updated. It is a motivator if it is on the agenda. **Crager** says they will get the updates that Council had for the framework for the strategic plan. **LaMont** says she would like to do it more frequently than once a year.

X. <u>FUTURE AGENDA ITEMS</u>. McLaughlin agreed to submit names of one or two tax credit investors to report to Council.

Chair LaMont adjourns the meeting at 12:40 p.m.

<u>/s/ Maggie LaMont</u>	**<u>2/18/11</u>**	**<u>/s/ Victor Merced</u>**	**<u>2/18/11</u>**
Maggie LaMont, Chair	**DATE**	**Victor Merced, Director**	**DATE**
Oregon State Housing Council		**Oregon Housing & Community Services**	