

OREGON STATE HOUSING COUNCIL
Minutes of Meeting

TELEPHONE CONFERENCE

Meeting Location:
Oregon Housing and Community Services
725 Summer Street NE, Room 336
Salem, OR 97301

9:00 a.m.
May 13, 2011

MEMBERS PRESENT (Via Phone)

Maggie LaMont, Chair
Tammy Baney
Mike Fieldman
Francisco López
Nancy McLaughlin
Jeana Woolley

MEMBERS ABSENT

John Epstein

GUESTS (Via Phone)

Tom Cusack
Betty Tamm
Karan Reed

STAFF PRESENT

Rick Crager, Acting Director
Nancy Cain, Chief Financial Officer
Bob Gillespie, Housing Division Administrator
Dave Summers, Multifamily Housing Section
Manager
Vince Chiotti, Regional Advisor to the
Department
Karen Clearwater, Regional Advisor to the
Department (via phone)
Mike McHam, Appraiser & Market Analyst
Janna Graham, Loan Officer
Jo Rawlins, Recorder

I. **CALL TO ORDER:** Chair LaMont calls the May 13, 2011 meeting to order at 9:01 a.m.

II. **ROLL CALL:** Chair LaMont asks for roll call. **Present: Tammy Baney, Mike Fieldman, Francisco López, Nancy McLaughlin and Chair LaMont. Absent: John Epstein and Jeana Woolley (arrived at 9:11).**

III. **PUBLIC COMMENT:** None.

IV. **APPROVAL OF MINUTES**

A. **Chair LaMont** asks if there are any corrections to the April 15, 2011 Minutes. There being no corrections, the Motion was read:

MOTION: Baney moves that the Housing Council approve the Minutes of the April 15, 2011 Council meeting.

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

V. RESIDENTIAL CONSENT CALENDAR: None.

VI. NEW BUSINESS:

A. *Neu Place Apartments* (Roseburg, OR), GHAP Funds Increase Request. **Mike McHam, Appraiser and Market Analyst, presents a request for an increase of \$176,106 in GHAP funding for Neu Place Apartments in Roseburg, for the developmentally disabled, including a single family residence. He explains that originally, Neu Place was funded in the fall of 2009 CFC and the proposed project consisted of constructing 10 units for developmentally disabled and converting a garage into an additional unit, along with some common area. The last part of the three-phase conversion was remodeling the 4-bedroom house into a foster care home with 4 beds for physically disabled. At application, this project was considered a 15-unit project. The project still consists of the 10 new units and the garage conversion; however, the house is to remain a 4-bedroom single family residence that will be remodeled and rented as a single family residence at an income level not to exceed 80% median family income. The units and conversion are 50% complete, and the house remodeling is on hold pending today's decision. Currently, this is now considered a 12-unit project. The reason for the changes are that there were 14 funding sources in the project, four of which required discussion for this request, due to the change in sources of funding for the project. The explanations lead to the concluded total net loss in funding of \$307,894. The problem was that the Oregon Department of Human Services funded a \$200,000 grant of On the Move Funding. DHS then discovered the project had been incorrectly funded with the grant source due to some significant problems with the program manager. The project then lost the \$200,000 grant, which started a series of events that filtered through the project budget and proforma. There was originally a permanent loan of \$100,000 intended for the project; however, because of the loss of DHS grant funding, that transferred into a loss of annual income to the project. Instead of renting a house to a service provider as a foster home at \$1,960 per month, the house could now only be rented as a single family residence below 80% MFI at an estimated \$1,068 per month. This loss in income eliminated the project's ability to place the \$100,000 permanent loan on the property. BETC funding has been reduced from \$29,200 to \$15,632, for a total reduction in funding from this source of \$13,568. The sponsor has been able to add some Energy Trust funding in the amount of \$5,674 to partially offset the loss of the BETC. The total net loss in weatherization is \$7,894. When all the pluses and minuses total up it leaves a funding gap of \$176,106. Umpqua has taken steps to address these problems. They value-engineered out a total of \$93,249 from the project, much of which came from some items that DHS was requesting in the foster home for the specific population, but because they are no longer in the deal we can pull those items back out. Secondly, Umpqua has also reduced the cash developer fee to \$209,355 from the original \$240,000, which is a reduction of \$30,645. Umpqua has contributed \$7,894 to try and zero out the net weatherization loss. They have also searched for additional funding sources, but the funding sources were exhausted in the original funding of the project. UCDC reports that if funding is not approved it must consider raising rents, which is very tentative, or use more of the developer fee as a source of funding. If that were done it would jeopardize meeting the organization's overhead and operating cost, and may also impact the organization's ability to meet predevelopment expenses on pipeline projects. The developer fee is adequate, but not**

exorbitant. There are no unusual risks or concerns. The two options to consider to GHAP funding are: First, a quarter's GHAP funds would be available at any time if OHCS receives more than budgeted sufficient funds. Secondly, if the above funds are insufficient to fill the gap, the funds would have to be allocated by reducing the available funds from the 2011 CFC round.

Tamm says she would like it to be understood that Umpqua worked with DHS for about two years in the work-up of this project, with DHS developing plans and scope of work. It was a shock when they withdrew funding after commitment. She says they have tried to do what they could in both value engineering and sources and change in the work product. **Fieldman** asks her to explain what the On The Move funding was for. **Tamm** explains that it was for the home that they were going to convert into a high need foster care. On The Move was to help people who were over-housed in nursing homes to come back into their communities into a house that has services, but not as many as a nursing home would have. **Fieldman** asks who the operator was going to be. **Tamm** states that DHS has service providers that they were lining up. **Fieldman** asks about who will operate the DD services portion. **Tamm** says Umpqua will operate and are partnering with WISH, a parenting group for the developmentally disabled. WISH is providing the resident services and Umpqua will provide the property management. **Fieldman** asks if they are a new group in town. **Tamm** responds that they are fairly new, and they work with the county senior and disabled services. They formed about three years ago to start working towards developing housing for this population. **Crager** adds that, as it relates to the On The Move grant, both Karen Clearwater and he exchanged several calls with DHS when this was going on, trying to get a better understanding of the situation and ways in which the funding could continue to be committed to the project. Unfortunately, this chapter had a sad ending as it relates to some of the litigation and investigation at DHS and the ultimate release of several staff. A lot of this was tied up in the Department of Justice and they were told they appreciated the situation, but there was nothing they could do about it. **Gillespie** says the department has \$1,308,000 of HOME funds in this project and we have a liability to HUD for that if the project does not go forward. **Baney** says this sounds like a fairly unique situation, and asks how the department can make sure this does not happen again. **Crager** says it is very unique, but it was not the fault of Umpqua, and there was no way they could have anticipated this. **Baney** says she is supportive of moving forward. **McLaughlin** says she is too, and points out that they have been very creative in filling as many of the gaps as they could.

MOTION: Fieldman moves that the Housing Council approve an increase of \$176,106 in GHAP funds for Neu Place Apartments.

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

VII. SPECIAL REPORTS: None.

VIII. OLD BUSINESS: None.

IX. REPORTS:

A. *Rural Workforce Housing.* **Rick Crager**, Acting Director, explains that many of the programs the department offers do not help those in some communities that are not making minimum wage. Much of this is due to state and federal rules and regulations that dictate what level of incomes the department needs to target. Prior to the current legislative session, the department was developing a legislative concept in an attempt to help some of the rural communities that are in need of workforce housing, by changing the income requirements or how the department looks at certain communities; as opposed to using just median income. To demonstrate that there are high needs, we looked at using high levels of commute as a basis. As Bob Gillespie and Bill Carpenter started gathering data, it was difficult to demonstrate that, so we elected to pull the legislative concept because we did not have enough information to make a good case to the legislature for making an exception in certain communities. We do know that there are workforce housing issues in rural parts of the state, on the coast and eastern Oregon. In an effort to do more investigation and have some policy discussions and try to identify ways in which we might be able to provide support to those communities through potential policy changes, and different financial tools, he has asked Bob Gillespie, the Housing Division Administrator, to take the leadership role in convening a policy group to start some dialogue and figure out what we might be able to be put forward. Council was sent a draft of the charter earlier in the week.

Gillespie reports that data gathered from 32 out of 36 counties in Oregon, showed that households that were making minimum wage, made too much to qualify for the department's housing, because their incomes were above 60% AMI. So they had to look for some other way if they were going to differentiate some areas over others. The department has heard over the years about low-income households not being able to afford living in communities and having to commute long distances to work and then expending too much of their income on transportation costs. Their hope was that when the American Community Survey data came out, it would show the commute patterns, particularly those areas of the state where the low-income households were commuting longer distances to work. What they found was surprising; that all across the state the commute patterns were the same for low, medium or high income. They could not differentiate the areas based upon an imbalance between the work and the housing. 60% of AMI in many of the rural counties is equivalent to 43% AMI in Portland, so we are talking about low-income households. Any time you start talking about housing in rural areas, homeownership is going to come up as well. The data on that is mixed in comparison to multi-family. In some of the rural areas of the state, homeownership rates exceed the statewide average. Some eastern Oregon counties have 70% homeownership rates, where the state is at 63%. Even though the wages are lower, the homeownership cost is significantly lower and they did not suffer with the bubble like other areas of the state with the high inflations.

The purpose of the Rural Workforce Housing Task Force is to get a policy group together to determine the impediments in both state and federal statutes, to look at some potential changes to where we can make some exceptions, and maybe find a way to designate the areas of the state that have more of an impact. Finally, we would then come up with some strategies: legislative changes, ideas about different financial structures, or different ways of development planning. The hope is to start this group in July. Some legislative members have expressed an interest in this issue and it is hoped that they will be willing and able to serve on the task force. He says he hopes to have a Housing Council member chair the task force, with staff doing the work and

providing the background data. The rest of the participants will include local officials, cities or counties that can describe what is happening in their communities; some rural housing authorities and some rural nonprofit organizations; rural economic development organizations; the Employment Department because of their data access about employment; and Business Oregon. The goal is to hopefully make policy and statutory changes, and come up with some pilot projects. The federal piece is more difficult. We would like to come up with an action plan of working with our delegation or working with NCSHA, because that is the big money that we have available to spend around the state. **Crager** adds that one of the areas in Council's strategic initiatives was how to develop more formal federal requests or plans. This would be a good opportunity if what comes out of this is some recommendations on some changes at the federal policy level that Council can get behind and get the partners that are part of this group behind.

Woolley suggests having a staff person from one of the offices of our delegation. **McLaughlin** suggests having someone from HUD or RD. Not as a permanent member, but drawing in someone for a specific purpose, and then releasing them later. **Gillespie** says he has considered those groups, but in more of an ad hoc member status. He says he would like to keep the task force membership at 15 members. **Crager** states that, as part of the charter, they could build in that the group would bring in experts where necessary, including, but not limited to, organizations like HUD, RD, etc. **Woolley** says that since this is a policy committee, they would certainly want the people who have set policy at different levels and then others, like the Employment Department, as ad hoc members. **McLaughlin** says that is a good point, and she would be happy to call Carol Gallante, who does the multifamily for HUD, who could certainly provide some advice. **Gillespie** says he would appreciate that. **McLaughlin** asks if he wants more information on single or multi-family. **Gillespie** says multifamily. **Woolley** says she is totally supportive of taking this on and trying to see if we can do a better job of meeting housing needs in the rural communities. She asks if it has been vetted with the Governor's office. **Gillespie** says it has not. The Executive Team worked on this earlier in the week. The next step will be to go to our policy advisor at the Governor's Office. Secretary Donovan made some comments regarding the tax credit program and that there ought to be some exceptions in the tax credit program to deal with rural issues. **Woolley** states that from Council's point of view, they understand there are issues that need to be addressed and she does not think Council needs to ask permission. Council wants to take more of a leadership role and our partners need to be informed. Discussion follows about whether Council member Baney or Fieldman should Chair the task force, since they are both from rural areas of the state. **Gillespie** says that he and Rick will talk further with Baney and Fieldman about who should Chair. **Fieldman** asks that they make sure to push public transit; **Baney** says to include access.

B. Oregon Homeownership Stabilization Initiative (OHSI) Update. **Nancy Cain**, Interim OHSI Administrator, reports that her staff is making steady progress in the Mortgage Payment Assistance Program. 1,200 loans have been sent out to be signed by applicants, and they are prioritizing those by applicants who have foreclosure holds expiring. They have started making some payments. Even as they continue to process approvals and borrowers who are signing the loan documents, payments will not be made on their behalf until the end of May. Servicers want only one monthly payment, and it will take some time for the servicer to post the payment, so it may not show up until June 8th. There are over 200 loans that are going back to the intake agencies for the applicant to provide additional information. There have been some denials, with the first denials going out this past week. The intake agencies are being notified of those denials so that they can be prepared for the applicant to be calling them. An appeal process

has been set up, allowing 21 days from the date of the letter to submit an appeal. **Woolley** asks if the rejected applicants are fitting a certain pattern. **Cain** explains that one applicant could not demonstrate the loss of income from 2008, 2009 and 2010. The criteria is to compare the higher of 2008 or 2009. She says she personally called the three that were rejected. An additional 17 denials will be sent out early next week that are all for the same reason -- a land sale contract or otherwise privately financed. Servicers enrolled represent 85% of the borrowers, which is up 10% from the last report. Those that are left are the hardest servicers to get, and have a smaller number of loans. There are just a few servicers who refuse to participate. They are starting to work with Treasury on some alternative procedures that would allow them to serve those applicants who are otherwise eligible, which would necessitate the applicant getting OHSI information that a servicer normally would get. **Woolley** asks if there are any larger servicers who are refusing to participate. **Cain** says no. The largest is one with 33 borrowers.

The next program that they are focusing on is transition assistance; however they will not be able to start the program by the June 1 target date. The Deschutes/Jackson County refinance pilot program will be launched by June 1. The pilot program will involve pre-screening and will be different in that it is not necessarily borrowers coming in, but is investor driven, so they will need to have an investor willing to sell the loan, and then match the eligible applicant. She says they have a contract with Further Development.

C. Report of the Chief Financial Officer. **Nancy Cain**, Chief Financial Officer, says the department's financial statement audit will begin soon. The budget work session will be next week. The legislative fiscal analyst is thorough and had 85 questions, some multipart. A large packet of information was submitted in answering those questions. The economic forecast was yesterday and the key item was the General Fund revenue projection. The 2009-11 budget is down \$40M, which will not cause an issue for the department because we still have an ending balance. Lottery is holding constant, which is good news for us. The key piece in the 2011-13 budget for us is the \$10.5M of Lottery backed bond proceeds, which is very important because it will be used for preservation. The General Fund going into the 2011-13 biennium is up by \$129M, which is insignificant for a 2-year budget that is \$15B. She says that with swings from one forecast to another, \$129M can disappear quickly, and there will be eight forecasts in the next biennium. **Gillespie** comments that there have been drops over the last years of \$300M - \$500M in a forecast. **Cain** points out that it is better than a decrease and that the state's economic advisor seemed optimistic about the jobs increase, which leads to strong personal income taxes. **Fieldman** asks if OHCS is on the radar for any increases. **Cain** explains that the department has the types of programs that could be targeted. The statewide Homeless Assistance Program, Emergency Housing Account, and General Fund food programs. The department was successful last biennium in getting a small amount added back to the statewide Homeless Assistance Program. **Fieldman** says he heard a rumor that they would be looking to put more money into food programs, and that EHA is one that may be listed as a priority to receive additional funds. He says he participates in a legislative phone call with local legislators to the chamber every other Monday and that Co-Speaker Hanna is always on that call, and it will be a unique opportunity for him to get some time with the Co-Speaker.

