

# OREGON STATE HOUSING COUNCIL

April 6, 2012



*Chaucer Court, Portland, OR  
(84 Units; Acquisition/Rehab/Preservation; Seniors)*

Meeting held at:  
Oregon Housing and Community Services  
725 Summer Street NE, Room 124 A/B  
Salem, OR 97301  
503.986.2005

# OREGON STATE HOUSING COUNCIL

April 6, 2012

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# Oregon State Housing Council

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## Council Members

John Epstein, Chair  
Tammy Baisey  
Michael C. Fieldman  
Adolph "Val" Valfre, Jr.  
Jeana Woolley

## STATE HOUSING COUNCIL MEETING

April 6, 2012

9:00 a.m.

Meeting Location:

Oregon Housing and Community Services  
725 Summer Street NE, Room 124 A/B  
Salem, OR 97301  
(503.986.2005)

## AGENDA

- |       |  |                    |
|-------|--|--------------------|
| I.    | CALL TO ORDER                                    | John Epstein       |
| II.   | ROLL CALL  | John Epstein       |
| III.  | PUBLIC COMMENT                                   | John Epstein       |
| IV.   | APPROVAL OF MINUTES                              | John Epstein       |
|       | A. Minutes of March 2, 2012 Meeting              |                    |
| V.    | DIRECTOR'S REPORT                                | Margaret Van Vliet |
| VI.   | RESIDENTIAL CONSENT CALENDAR                     | Kari Cleveland     |
|       | A. 10900 Block SE Lampert Lane, Happy Valley, OR |                    |
|       | B. 400 Block Eagles Wing St NW, Salem, OR        |                    |
| VII.  | SPECIAL REPORTS -- None                          |                    |
| VIII. | NEW BUSINESS -- None                             |                    |
| IX.   | OLD BUSINESS -- None                             |                    |
| X.    | DISCUSSION ITEM                                  |                    |
|       | A. Foreclosure Settlement Funds                  | Margaret Van Vliet |
| XI.   | REPORTS  |                    |
|       | A. Report of the Chair                           | John Epstein       |
| XII.  | FUTURE AGENDA ITEMS                              | Margaret Van Vliet |

**OREGON STATE HOUSING COUNCIL**  
**Minutes of Meeting**

Meeting Location:  
Oregon Housing and Community Services  
725 Summer Street NE, Room 124 B  
Salem, OR 97301

**9:00 a.m.**  
**March 2, 2012**

**MEMBERS VIA PHONE**

John Epstein, Chair  
Mike Fieldman  
Adolph "Val" Valfre, Jr.  
Jeana Woolley

**MEMBERS ABSENT**

Tammy Baney

**GUESTS VIA PHONE**

John Miller, Oregon ON  
Ross Cornelius, Guardian Real Estate  
Services  
Daina Radzins, Guardian Real Estate Services  
Keith Wooden, Housing Works

**STAFF PRESENT**

Margaret S. Van Vliet, Director  
Diana Koppes, Business Operations Division  
Administrator  
Karen Tolvstad, Policy, Strategy and  
Community Engagement Division Administrator  
Roberto Franco, Single Family Program  
Manager  
Janna Graham, Loan Specialist  
Heather Pate, Program Delivery Section  
Manager  
Jo Rawlins, Recorder

**I. CALL TO ORDER: Chair Epstein calls the March 2, 2012 meeting to order at 9:05 a.m.**

**II. ROLL CALL: Chair Epstein asks for roll call. Present: Mike Fieldman, Adolph "Val" Valfre, Jr., Jeana Woolley and Chair Epstein. Absent: Tammy Baney.**

**III. PUBLIC COMMENT: John Miller, Executive Director, Oregon ON, expresses his appreciation for the recent meetings with Karen Tolvstad and Heather Pate to provide feedback on the 2012 and 2013 CFC process, and says the meetings were extremely productive. Everyone agreed that they are optimistic with the way things have been going so far and it is good to see that OHCS is reaching out to them and apparently really listening to what they have to say. Epstein says he would like to compliment Margaret, Karen, and the staff for quickly doing outreach to the department's community members.**

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

- The month of February was a big transition month for the agency, with long-time senior staff transitioning out.
- There are a number of foreclosure related issues the department has been tracking, but no bills have passed.

- 1 • There was a major settlement with five banks that resulted in \$30M coming to Oregon. The money will be placed in an account for housing-related purposes, and the Legislature will not use it to balance the General Fund budget. Between now and May, she will join with other policy makers to talk about the best use of those funds.
- 2 • The department has begun community engagement efforts. It is intense, hard work, but is producing a lot of helpful insights and is one of the ways we can rebuild some relationships.
- 3 • Julie Cody, the new program delivery administrator, will join the department on March 4 19.

5 **V. APPROVAL OF MINUTES**

6 **A. Chair Epstein** asks if there are any corrections to the February 3, 2012 Minutes. There being no corrections, the Motion was read:

7 **MOTION: Fieldman** moves that the Housing Council approve the Minutes of the February 3, 2012 Council meeting.

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

10  
11 **VI. RESIDENTIAL CONSENT CALENDAR:**

12 **A. 36200 Block E Historic Columbia River Hwy, Corbett, OR.**

13 **B. 11200 Block Pioneer Rd., Lyons, OR.**

14 **Roberto Franco**, Single Family Program Manager, reports that the lot size on the Lyons property is listed as exclusive farm use, but is just residential, and there is no commercial use. **Woolley** points out that the property has several acres, and clarifies that they are not farming or doing anything with the acreage. **Franco** says that is correct. **Woolley** asks if they were farming it, if that would be an issue with the loan. **Franco** explains that it would be an issue with Rural Development, but not with OHCS. He explains that in Lyons, it is typical to see residential homes with that much acreage.

16 **MOTION: Woolley** moves that the Oregon State Housing Council approve the Consent Calendar.

17  
18 **VOTE: In a roll call vote the motion passes. Members Present: Mike Fieldman, Adolph "Val" Valfre, Jr., Jeana Woolley and Chair Epstein. Absent: Tammy Baney.**

19  
20 **VII. SPECIAL REPORTS: None**

21 **VIII. NEW BUSINESS:**

22 **A. Village East Apartments** (Springfield, OR), Predevelopment Loan Request. **Janna Graham**, Loan Specialist, introduces **Ross Cornelius** and **Daina Radzins** with Guardian Real Estate Services. She reports that Guardian has requested a predevelopment loan in the amount of \$764,000 for the acquisition of Village East Apartments, an existing 42-unit family project in Springfield, Oregon, that has a HUD project-based Section 8 contract for 100% of the

1 units. The present owner is in bankruptcy and the trustee is disposing of the property as part of  
2 the settlement, which puts the project at risk of converting to market rate. She gives an  
3 overview of the write-up contained in Council's packet. **Woolley** asks what the limit is on  
4 predevelopment loans. **Heather Pate**, Program Delivery Section Manager, replies that there is  
5 no limit on the predevelopment loan funds. **Van Vliet** responds that it could be something the  
6 department could consider if that is an area of interest to Council. **Woolley** notes that it has been  
7 her experience that these loans keep getting bigger. **Epstein** asks, with regard to the sponsorship  
8 and the guarantor, what guarantor structure First Republic Bank is getting versus the  
9 department's guarantor structure. **Graham** says that First Republic is obtaining a guarantee  
10 from Guardian Real Estate Services, as well as a personal guarantee from Mr. Brenneke.  
11 **Epstein** asks why the department, being in a second lien position and taking more risk, does not  
12 have the same guarantee structure. **Graham** states that, typically, the agency has looked for the  
13 guarantee from for-profits and has not required a personal guarantee in the past. It does not  
14 mean that we cannot do that, but what we have is a guarantee from Guardian Real Estate  
15 Services. **Van Vliet** suggests that this is a policy and practice that could be reviewed. Staff is  
16 doing their best to negotiate in good faith what they understand to be the rules. As Julie Cody  
17 comes on board, she will bring some expertise and perspective that will be helpful. If the  
18 Council wants to direct the department to require personal guarantees, that is within their  
19 purview. **Epstein** says it is his opinion that the department has a fiduciary responsibility to  
20 protect funds it is awarding and it also has a public purpose to preserve affordable housing. The  
21 guarantee structure should be similar to what the first lienholder is getting. **Woolley** asks if it  
22 would be a problem if a personal guarantee were required. **Cornelius** responds that they had  
23 anticipated Council's question, and the predevelopment loan from OHCS or First Republic does  
not include any rent restrictions on the housing. They checked with Mr. Brenneke, and as long  
as they are able to get out of the contract and operate the units at a market-rate rental in order  
to be able to eventually satisfy the loan, Mr. Brenneke is agreeable. It is unusual, because that is  
the opposite of what they are trying to do to preserve the housing and the contract long term.  
They do not have any guarantee that their CFC application will be awarded. **Woolley** reiterates  
"You would have no problem providing Brenneke's personal guarantee if there is no restriction  
on how you rent the property in order to satisfy the repayment of the loan?" **Cornelius** responds  
"Yes. We will keep the contract in place for as long as we are able to apply for CFC funds. We  
are in it to preserve it. If we are not successful in the three CFC rounds to get it funded and the  
loan comes due, then we will have to figure out how to optimize the value of the property at that  
point. We want to be sure that one of the options available to us is to be able to get out of the  
contract and take it to market. That is the last thing we want to do."

18 **Epstein** asks if, under the current structure, with Guardian Real Estates Services as the  
19 guarantor and not Mr. Brenneke, there is an affordability restriction on our loan. **Van Vliet**  
20 replies yes. **Epstein** states that under our current proposed structure, Guardian Real Estate  
21 Services will guarantee our loan and we have an affordability restriction requirement. **Graham**  
22 replies that it would be while the loan is active. **Epstein** says we could waive at some point, but  
23 there is a restriction. **Graham** says yes, for the term of the loan, and the term is 24 months, and  
they can prepay at any time. **Epstein** clarifies that if we get Mr. Brenneke's guarantee, the  
affordability restriction is just for the term of the loan, they have the ability to take it to market  
at the end of the term, nothing is changing on that side of the structure. **Graham** says that is  
correct. **Van Vliet** adds that this is not an ideal way to do negotiations, and she offers to  
personally work with staff and the borrower to come to an acceptable solution if we can clarify

Council's wishes and policy direction to try and make this approval process a little easier.  
1 **Fieldman** says he would feel comfortable with that.

2 **AMENDED MOTION:** Woolley moves that the Oregon State Housing  
3 Council approve a predevelopment loan in the amount not to exceed  
4 \$764,000, at an interest rate of 5% per annum, to GM Village East  
5 Apartments LLC, for the acquisition of Village East Apartments,  
6 located in Springfield, Oregon; and waive the six month term for  
loans exceeding \$500,000; contingent on First Republic Bank loan  
approval, with possible additional guarantee support being negotiated  
by the Oregon Housing and Community Services Director or staff  
assigned to such negotiations.

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

9 **IX. OLD BUSINESS:** None

10 **X. DISCUSSION ITEMS:** None

11 **XI. REPORTS:**

A. *Report of the Chair.* None.

12 **XII. FUTURE AGENDA ITEMS.** None.

13  
14 **Chair Epstein** adjourns the meeting at 9:47 a.m.

15  
16 \_\_\_\_\_  
17 **John Epstein, Chair** **DATE**  
**Oregon State Housing Council**

16 \_\_\_\_\_  
17 **Margaret S. Van Vliet, Director** **DATE**  
**Oregon Housing & Community Services**



**Date:** 3/28/2012

**To:** State Housing Council

**From:** Roberto Franco, Manager  
Homeownership Section

**Re:** Residential Loan Program - purchase of loans equal to or greater than 75% of the local area Acquisition Cost Limit, or \$190,000, whichever is greater.

**Background:** State statutes require the State Housing Council to establish a single family loan threshold for loans to be reviewed and approved prior to purchase. The current threshold for single family loans includes all loans equal to or greater than 75% of the applicable area program purchase price limit, or \$190,000, whichever is greater.

**Considerations:** Staff has reviewed all of the following loan files and concluded that the borrowers and properties meet all relevant program guidelines for the Residential Loan Program. All required documents have been properly executed, received, and the loans have been approved for purchase. In addition to being approved by staff, the loan files have been underwritten by the applicable lenders and are insured by either FHA (FB), Rural Development (RG), or Uninsured (U) with a loan-to-value of 80% or less.

1	<u>Borrower</u>		<u>Lender</u>	STERLING SAVINGS BANK	
	<u>Co-Borrower</u>				
			<u>Purchase Price</u>	\$340,000	<u>Note Amount</u> \$331,381
			<u>Cost Limit</u>	\$381,645	<u>Principal Balance</u> \$331,381
14	<u>Property Address</u>	10900 BLOCK SE LAMPERT LN HAPPY VALLEY OR 97086	<u>Appr. Value</u>	\$340,000	
			<u>Year Built</u>	2005	
	<u>Hshld. Income</u>	\$87,648	<u>Living Area (Sq. Ft.)</u>	2,979	<u>Loan-to-Value</u> 97%
	<u>Income Limit</u>	\$100,800	<u>Lot Size (Sq. Ft.)</u>	10,760	<u>Insurance Type</u> FB
16	<u>% of Income Limit</u>	86.95%	<u>Cost per Sq. Ft.</u>	\$114.13	<u>Rate</u> 4.000%
	<u>Prior Ownership Yes (Y) or No (N)</u>	N	<u>New (N) or Existing (E)</u>	E	
			<u>Construction Style</u>	Two Story	
18	<u>Borrower</u>		<u>Lender</u>	HOMESTREET BANK	
	<u>Co-Borrower</u>				
			<u>Purchase Price</u>	\$212,000	<u>Note Amount</u> \$206,595
			<u>Cost Limit</u>	\$268,860	<u>Principal Balance</u> \$206,595
19	<u>Property Address</u>	400 BLOCK EAGLES WING ST NW SALEM OR 97304	<u>Appr. Value</u>	\$212,000	
			<u>Year Built</u>	2005	
	<u>Hshld. Income</u>	\$54,096	<u>Living Area (Sq. Ft.)</u>	2,131	<u>Loan-to-Value</u> 97%
20	<u>Income Limit</u>	\$82,880	<u>Lot Size (Sq. Ft.)</u>	6,824	<u>Insurance Type</u> FB
	<u>% of Income Limit</u>	65.27%	<u>Cost per Sq. Ft.</u>	\$99.48	<u>Rate</u> 4.000%
	<u>Prior Ownership Yes (Y) or No (N)</u>	N	<u>New (N) or Existing (E)</u>	E	
			<u>Construction Style</u>	Two Story	

**Recommended Motion:** That the Oregon State Housing Council approve the Consent Calendar.