



Portland Housing Bureau

Portland Housing Advisory Commission
Tuesday, June 5, 2012
 3:00 p.m. – 5:00 p.m.
 Steel Bridge Conference Room
 421 SW 6th Ave, Portland, OR
 97204

- ✓ = PHAC public member action item
- ▶ = PHB staff member action item

Meeting Minutes

Members Present: Jesse Beason, Marc Jolin, Carter MacNichol, Sarah Zahn, Deborah Imse, Elisa Harrigan, Rey Espana, Andrew Colas, Shannon Singleton

Members Excused: Carmen Rubio, Brian Wilson, Christine Lau

Agenda Item	Discussion Highlights	Outcomes / Next Steps
Welcome & Review Meeting Purpose	Carter MacNichol chaired this PHAC meeting. He asked the group if they would like to discuss the Fair Housing article recently published in the Oregonian. The group agreed.	
Review Minutes	Carter asked the group to review the May minutes. Minutes were approved. Carter asked if there was any public testimony; there was none.	
Oregonian Article	Daniel introduced Mark Larabee to PHAC. Mark is acting Public Information Officer through the summer and used to work for the Oregonian. Rey asked if PHB was contacted prior to the Fair Housing article being published. Traci said yes, reporter Brad Schmidt made public record requests. Daniel added that PHB has worked with Brad since September regarding the location policy. Brad was working off of data gathered by Nikole Hannah-Jones who requested information from PHB last summer. Daniel and Jacob Fox met with Brad in October, and Brad has been working with Commissioner Fish's office. Brad interviewed people in	▶ Send Affordable Housing Dilemma Report to PHAC via email (completed Wednesday, June 6)

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	<p>Washington and Clackamas Counties as well as at HUD and many Community Development Corporation (CDC) directors. Traci said it is not correct that Multnomah County’s District Attorney compelled PHB to release records; it was a large request that required time and the bureau wanted to be clear on confidentiality issues. Carter said the underlying issue of the article is about not following policy. Deborah said she is quoted in one part of the article. She wants to make it clear that habitability is needed in all units, not just Section 8. She said all landlords need to provide quality units according to Chapter 9 of State law.</p> <p>Traci said she feels there was a lost opportunity because the article’s context was not holistic. It didn’t talk about economic and geographic factors or what can be done in the future. Traci wishes the article had more of this context. She added it is a good thing that issues of fair housing have been launched in a public way.</p> <p>Traci showed the group a new report called the Affordable Housing Dilemma published by the National Low Income Housing Coalition. The report looks at tried methods and explores what we still have to learn. We can send a link to PHAC to review the report. Traci mentioned it is unfortunate the Oregonian article painted an “us v. them” scenario regarding the public and government. She would like to see it more as a whole community. Traci added the Oregonian Editorial Board invited the Commissioner and her to give their perspective on the issue and will likely print something soon.</p>	
<p>Rental Housing Discussion</p>	<p>Traci directed the group to the Strategic Plan. What should we invest in? At one time we went for volume, but this method can result in shallower subsidies. Under the Ten-Year Plan, we decided to invest in permanent housing with deep subsidies. We have also prioritized preservation of properties with Section 8 contracts. Traci said PHB values input from PHAC on direction of</p>	

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	<p>investment.</p> <p>Jacob Fox introduced himself to the group. He is PHB's Deputy Director and oversees the Housing Development Finance (HDF) team. HDF structures upfront investments and restructures investments and debt. Jacob gave historical background on investments through Portland Development Commission (PDC) and Bureau of Housing and Community Development (BHCD). PDC was the conduit of Tax Increment Financing (TIF monies for Urban Renewal Areas URAs). BHCD received Federal Community Development Block Grant (CDBG) and HOME Investment Partnership (HOME) funds on behalf of the City and contracted with PDC to manage their investment in affordable housing building and rehabilitation. Section 8 was also occasionally included in these Requests for Proposals (RFPs). TIF could go through an RFP process, often coupled with land acquisition. This was one way to leverage an investment. PDC would have affordable housing and economic development which could lead to more flexibility with a property. A common method was opportunity-driven investments. A third method was for PDC to do an RFP for land. Lastly, there were indirect programs, such as transit-oriented, multi-family tax exemptions, etc.</p> <p>Jacob also talked about PHB's methods. PHB started the Notice of Funds Availability (NOFA) process approximately two and a half years ago in March 2010. PHB did another NOFA in fall 2010 to be in front of the State Consolidated Funding Cycle. PHB has stuck to this cycle since then. If State CFC cycle changes, we will need to recalibrate our NOFA cycle. Jacob said on one occasion land was in a separate RFP. Karl Dinkelspiel, on PHB's HDF team, runs these processes. The NOFA process is competitive. PHB also funds preservation projects, which are not subject to a competitive process.</p> <p>Jacob talked about urgent funding requests. Hacienda Villa de Suenos is one example. This project had major construction</p>	

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	<p>defects and habitability issues. PHB decided it was cheaper to fix it (out of funding cycle) than to wait to next cycle. Another example is Otesha on 15th and Alberta. This project required approximately \$1M, but this is less than it would take to build a new project.</p> <p>Jacob added that indirect programs have been significantly recalibrated under the Big Look program. Transit Oriented Development and New Multiple-Unit Housing have formed into the new Limited Tax Exemption (LTE) program, which is now a competitive process.</p> <p>PHB has looked at policies and considered investment amounts and policy changes. We drafted a NOFA and talked to community partners. The NOFA was released in November. We sent out an e-blast through our Emma mailing list and placed ads in the Daily Journal of Commerce and other newspapers which serve communities of color. We also placed the NOFA on the PHB website. People who want funds attend a mandatory meeting. We recruit an evaluation committee of 5-11 people, including two people through the City's minority evaluator program. We received 17 applications to the 2011 NOFA, which required considerable staff review. We need to look at how to make the process more manageable. We need to make sure applications are responsive. The evaluation committee ranks and scores proposals through a consensus process. Then the applications go back to management for their consensus. PHB makes recommended changes to funding amounts and types of funding as needed. At this point Traci and Nick Fish will be briefed. Those applicants who will not received funding are given a debrief by PHB staff to make recommendations for better applications in the future. Jacob added that non-profit developers have asked us to look at how to restructure upfront investments. They would like to see higher allowable expenses.</p> <p>Rey asked if there is an equity component to the process. Jacob</p>	

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	<p>said yes, the threshold criteria include an equity component. We have not yet arrived at the perfect lens. Daniel added we will work with Oregon Opportunity Network next year. We want the equity component to reflect sponsors, suppliers, vendors, etc. How can we set goals for equity thresholds and include this in the next NOFA. Craig Kelly will lead a discussion with PHB to look at recommendations to add new scoring to NOFA.</p> <p>Carter asked about the current criteria. Are they in sync with the Strategic Plan? Karl said he would show PHAC the scoring sheet we used last year. Carter said it makes sense to tie it to the Strategic Plan.</p> <p>Sarah talked about the questions Jacob’s presentation raised for her. How can we make investment choices? Should they be based on preservation needs, opportunity, geography? How much should PHB drive the discussion on URAs? Can we measure production results and income levels? Should we target below 60 percent MFI? Does this target sync with reality? Sarah said a lot of 60 percent housing is filled with people at 30-40 percent. Therefore they are still struggling to pay rent. There are a lot of intertwined pieces we need to consider.</p> <p>Jacob told the group we will have an early estimate of funds available in the fall. River District and Oregon Convention Center URA are both around \$10M.</p> <p>Jesse said a lot of rental housing owners with unique portfolios drive what kind of projects they want developed. What kind of changes does this make to underwriting? Are developers driving PHB priorities due to their portfolios?</p> <p>Carter asked what points do developers push back on.</p> <p>Jacob said resident services in our operating budget is open to discussion. People ask for a range of funds in this area. We think</p>	

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	<p>300-700 per unit per year is an appropriate investment. Carter asked if this will impact underwriting. Sarah talked about analyzing how we invest—replacement reserves and upfront investments. There are lots of trade-offs to make when determining how to invest. We have to look down the road and consider new v. acquisition. Recapitalizations can constrain funding.</p> <p>Jacob said restructuring requires additional funds. We ask people to go through the NOFA process. We do set aside funds for recapitalization.</p> <p>Carter asked Jacob if he had thoughts on Jesse’s question regarding developer needs driving priorities. We’ve done a good job when investments are paired with Section 8 vouchers and long-term subsidies. We need to have subsidies paired with investments to reach homeless populations.</p> <p>Jacob talked about the criteria for scoring. Investment priority gets 0-30 points. For example, a preservation project would score high. Financing can get up to 20 points. This criterion is based on what other funding an applicant has secured. Team qualifications get up to 20 points. Readiness to proceed is worth 10 points. Equity is worth 20 points. Preference points can also be assigned.</p> <p>Carter asked if geography is included. Karl said it is implicit in the URA.</p> <p>Marc asked if cost per square foot or per unit is considered. Karl said yes, we analyze this as an approximate number. He said there could be a wide range of projects—some are large with small units; some are small with large units—so this data will vary.</p> <p>Marc asked if it matters how much private funding an applicant</p>	

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	<p>has. Karl said yes, if you can leverage other funding, you will have a higher score. We haven't looked at public v. private funding, just the total PHB leverage amount.</p> <p>Sarah asked how developer-driven this is. What is PHB's philosophy on what to fund? Developers are driven by funding. They will apply to with specific projects if requested. Currently, PHB asks developers to come up with specifics and tell PHB what is needed. Should PHB push for certain housing types or priorities and be more prescriptive?</p> <p>Jacob said he agrees but there is complexity in setting up a proposal to succeed long-term. A project needs upfront and ongoing subsidy.</p> <p>Sarah agrees but this needs to be balanced with production. PHB wants to produce units. If we target something specific, it may result in lower production.</p> <p>Andrew said it can be hard for smaller developers to play in the game. The big organizations were established twenty years ago and can meet criteria much easier. He thinks it may be a good idea to have a smaller pool specifically for the small non-profits that can't compete with larger organizations. Karl said he agrees some smaller organizations have a much harder time competing. Deborah said Andrew's idea could be a backdoor to reaching equity goals.</p> <p>Jesse asked what PHB thinks is broken in the current process.</p> <p>Traci said there is not a lot of opportunity-driven development. PHB is not doing this now in order to be more transparent, predictable and equitable. She added that last year we received 17 applications but could only fund three. This results in a lot of wasted time for both applicants and PHB staff.</p>	

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	<p>Carter asked if PHB wants a smaller number of applications. Jacob said we may need to do a pre-application to screen before launching into full application review. Traci said we could be clearer on what we will fund and set applicants up to self-score. Jacob said we struggle with managing the process because we have lost 30 percent staff.</p> <p>Marc said there is an opportunity for a Request for Qualifications process to pre-qualify applicants. Small developers could have specific criteria. The process could show not just where an organization is currently but where they are going—there is an opportunity to help them qualify.</p> <p>Jesse said smaller CDCs could benefit from opportunity-driven funding. They can't secure properties without knowing there will be funds. Larger CDCs can create opportunities and hold properties longer.</p> <p>Carter said capacity-building is not in the strategic plan. The priority has been to deliver more units. Capacity-building creates production problems. Where does the energy go? If we are driven by the strategic plan, we should stick to it.</p> <p>Karl said the equity agenda ties in. Bringing in smaller developers ties in with capacity building to focus on equity.</p> <p>Daniel said capacity aside, both small and large developers are culpable in reaching our equity goals. She asked who has capacity issues. Are they culturally specific?</p> <p>John Marshall, of PHB's HDF team, said we used pre-development loans in the past to enable a project to be ready to proceed. Holgate House was done this way. This process can help with equity issues. Jacob said we could use this process more intentionally.</p>	

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	<p>Elisa is concerned about existing housing that has poor construction. She would like to see funding set aside to protect current investments. They shouldn't have to compete with new project dollars. PHB should talk publicly about protecting existing construction. There should be less competition between new building and preservation. Current residents have communities and we shouldn't relocate them.</p> <p>Carter asked if she was suggesting setting aside funds for this. Elisa said yes, maybe set aside funding for rehabilitation. Karl said we worked on three projects this year, two of which were rehab. Elisa said it would be good to communicate this better with the public because it is not common knowledge.</p> <p>Jesse said the capacity issue in the NOFA process is flawed. It's not an issue of the applicants but of the balance sheet. Taking advantage of current funding could help secure future funding.</p> <p>Traci said this conversation is important for future work plans. She would like to get PHAC aware of PHB process and projects to help see what PHAC wants the focus on. Karl added that we wrestle with these issues every year. Traci said the discussion affirms we are focusing on the right ideas.</p> <p>Rey said coordination amongst funders is important. We should have discussion to reach a broader community goal. The equity issue needs to be more intentional and prescriptive. PHB is being intentional which is helpful. PHB can drive investments with equity goals. We can consider innovation and look to the Lents modular project as an example.</p> <p>Jesse said he didn't hear any objections to the short Letter of Intent process. That may be a good step.</p> <p>Sarah said PHB is doing a good job. We should encourage further transparency and put our decisions in front of the development</p>	

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	<p>community.</p> <p>Elisa asked if we have heard questions regarding having more units in higher opportunity areas. How do we answer this? Daniel said we will talk in September about our city-wide housing strategy. David Sheern will lead the discussion and we will talk about tools, geography, projected growth, and the Portland Plan. We can go more granular then.</p>	
Director's Report	<p>Traci told the group about the recent contractors meeting PHB held to explain equity goal-setting. We did not give explicit goals yet. We are working with the Commissioner and others to set these. The meeting had a good tone. We can learn from each other and be accountable to the goals.</p> <p>Jesse said the staff did a good job. PHB is engaged. He asked if there is a timeline for goals. Traci said we want to collect data in the first quarter. Managers have a couple of months to work with sub-recipients.</p> <p>Kate Allen gave an update on the LTE program. We circulated a draft letter of PHAC recommendations. If there is not any further discussion amongst members, the letter is ready to sign. Kate has met with Commissioner Fish and Chair Cogen. They are receptive the recommendations of the letter (Waiving cap for homeownership projects with long-term affordability and creating preferences for East Portland). Kate added the application timing issue is also on their radar. Carter asked for a motion to approve the letter. The letter was approved. Marc asked if everyone should sign or just the current chair. The group decided just the current chair should sign.</p>	<p>► Revise LTE Recommendation letter for Carter's signature and send to Carter.</p> <p>✓ Carter will execute LTE letter.</p> <p>(both actions completed 6/7/12)</p>
Consolidated Plan Update	<p>Kim McCarty gave a brief update of the Consolidated Plan. The Con Plan is a five-year action plan to guide fund investments. We are currently working on the second one-year plan. A draft of the plan is available on the PHB website. It will soon go to the Commissioner's office to be finalized and will go to Council on</p>	

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	<p>June 27. The Plan will go to HUD on July 13. Kim told the group that Marc presided over the Federal Funding Oversight Committee through which we gained public testimony.</p> <p>Marc said there were a number of public hearings. The best attended was the one at Bud Clark Commons following the Coordinating Committee to End Homelessness meeting. There have been changes to ESG funding including the name change from Emergency Shelter Grant to Emergency Solutions Grant. ESG sends a lot of funding to Short-Term Rent Assistance. There is an opportunity to better sync with the budget process in the future. We can sync with the Strategic Plan as well.</p>	
Commissioner Terms & Process	<p>Daniel reminded the group that half the initial PHAC memberships were two-year terms and half were three-year. Carter, Carmen, and Brian are up for renewal. Toby's seat also needs to be filled. Carter has accepted a second term. We are waiting to hear from Carmen and Brian. We will run notices for vacant seats and coordinate with the Office of Neighborhood Involvement. When we have a short list of possibilities, Traci will make recommendations to Commissioner Fish.</p> <p>The Chair Roster has been updated. Christine will be absent this month and next, so Carter will chair through the summer. The work plan has also been updated.</p>	
Meeting Wrap-Up and Planning for Next Meeting: Rental Housing	<p>The next PHAC meeting will be at JOIN. Carter asked if the next meeting will be on July 3. Daniel said we received enough confirmations to hold it this day. Marc asked who cannot attend July 3: Rey, Christine, Andrew (tentative), Jesse may call in. Carter told the group he will be out August 7.</p> <p>Carter said the next meeting will cover the Ten-Year Plan Reset. Marc and Shannon will lead the discussion. Marc asked what PHAC wants to discuss. Carter said he would like to hear background and objectives. Sonia asked for an overview of what</p>	<p>✓ Marc/Shannon will send out Ten-Year Plan materials to brief PHAC before July meeting. Or send them to Skylaar so she can send out.</p>

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	<p>we have done and where we are going. Elisa would like to know who the Ten-Year Plan committee members are. Traci said materials can be sent in advance to brief PHAC. Carter said the meeting should include telling PHAC what action and/or feedback is needed regarding the Ten-Year Plan.</p>	