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Meeting Minutes

HOMES FOR GOOD HOUSING AGENCY

BOARD OF COMMISSIONERS

Location of the meeting:

Board of County Commissioners Conference Room, Public Service Building, 125 East 8th Avenue, Eugene, OR, 97401

Phone: 541.682.2506

The meeting location is wheelchair-accessible. Anyone needing special accommodations (deaf, people with hearing loss, language translation, chemical sensitivity needs, and large print copies of agenda), please make your request at least 48 hours prior to the meeting.

May 23rd, 2018 -- HOMES FOR GOOD HOUSING AGENCY

(2:30 p.m.) (Board of County Commissioners Conference Room)

1. PHA PLAN PUBLIC HEARING

Jacob Fox: Homes for Good works closely with our Resident Advisory Board that both Char and Michelle are on to get input on the Resident Advisory Board on any policy changes we are intending to make. Historically we have not had public attendance to the PHA plan hearing. We inform the Commissioners of this plan. There is no public attendance for this hearing today to give any comments in this meeting. There is an opportunity to give comments in writing until June 11th. Since no one is here to give public comment, we will continue to take written comments until June 11th, 2018. This concludes the public hearing and we will continue with the Homes for Good board meeting.

2. EXECUTIVE SESSION

None

3. ADJUSTMENTS TO THE AGENDA

Jacob Fox: Due to Commissioner Bozevich needing to leave early, I would like to move "Item B" under the "Administration" portion to the end of the meeting to deal with the board orders that require approval.

4. COMMISSIONERS' BUSINESS

- Jay Bozevich – *Present via phone conference (Jay leaves the meeting at 3:40pm)*
- Pete Sorenson – *Present via phone conference*
- Sid Leiken – *Absent*
- Gary Williams – *Absent*

5. #PUBLIC COMMENTS

None

6. COMMISSIONERS' RESPONSE TO PUBLIC COMMENTS AND/OR OTHER ISSUES AND REMONSTRANCE

7. EMERGENCY BUSINESS

None

8. ADMINISTRATION

A. Approval of the 04/11/2018 & 04/18/2018 Homes for Good Board Meeting Minutes

Motion to approve minutes: Michelle Thurston

Motion seconded: Pat Farr

Motion is approved unanimously 5/0 with Commissioners

Sid Leiken and Gary Williams absent.

C. Order 18-23-05-01H/In the Matter of Authorizing Formation of Market District Commons LLC and MD Manager LLC. (Steve Ochs, Real Estate Development Director)

Steve Ochs: This order relates to Market District Commons. We have presented on this project to you several times for a variety of reasons. We have submitted our funding application to Oregon Housing and Community Services and are waiting to hear back. One of the next steps is to form a Limited Liability Corporation which all the funding will go through this LLC. This order authorizes Jacob Fox and Valerie Warner to act on behalf of the LLC to enter financial agreements. You will be seeing another board order if funded that will be more specific to the funding sources and will talk about loans and investors. This board order is specific to setting up the LLC.

Pete Sorensen: Who will be the owner of the corporation?

Steve Ochs: We will be forming two LLCs. One is the Managing Member LLC which Homes for Good will be 100% a member. That Managing Member LLC will then be .01% member of the Market District Commons LLC which will consist of the Managing Member LLC and the investor which will be determined if the project is funded.

Jacob Fox: To elaborate, this is the way we structure our portion of ownership with our low-income housing tax credit properties. The same structure has been in front of the board for approval in the past. How it works is that we are a .01% owner in the LLC until we exit the tax credit partnership which usually happens around year 15 after the investors have received all their tax credit depreciation and losses. Then we move our

buildings into LLCs that we control 100%. Then the buildings will formally go to our corporate balance sheet.

Motion to approve 18-23-05-01H: Michelle Thurston

Motion seconded: Pat Farr

Motion is approved unanimously 5/0 with Commissioners

Sid Leiken and Gary Williams absent.

E. Order 18-23-05-02H/ In the Matter of Accepting a Bid and Awarding Contract #18-C-0032 for the Administration Building Chiller Replacement Project (Jacob Fox, Executive Director)

Jacob Fox: As you know we purchased a new building at 100 West 13th. We had a mechanical failure of a major system, the air conditioning system also known as the chiller. We worked with our attorneys on this and we were worried about a protracted procurement process because the summer is approaching and we have been seeing warmer temperatures. We have commercial tenants in the building including a medical clinic where the air condition needs to be controlled and right now our system has failed. We worked with our attorney and went through the emergency procurement process. Kurt Von der Ehe who is present did an amazing job of navigating through the procurement process. We did not just go out and select a company to fix it. We worked with an engineer and receive bids. It is disappointing that we have to spend almost \$170,000 to fix a building component however it is a permanent solution for not only the current tenants but for our staff when we move into the building.

Char Reavis: Was there any disclosure that the chiller might be an issue?

Jacob Fox: We did extensive due diligence on the building systems and none of the due diligence that we did indicated that we would have a chiller failure. In the due diligence report, it was noted that we would have to replace the chiller at some point. We bought the property knowing this but not expecting it to fail prior to moving in our plan was to wrap that upgrade in during the rehab next fall.

Pat Farr: Was this the existing chiller from the old library?

Kurt Von der Ehe: Yes, this is the existing chiller from back when it was the Eugene Public Library. It has been working ok as is over the years.

Motion to approve 18-23-05-02H: Michelle Thurston

Motion seconded: Pat Farr

Motion is approved unanimously 5/0 with Commissioners

Sid Leiken and Gary Williams absent.

F. Order 18-23-05-03H/ In the Matter of Approving a Reimbursement Resolution for New Chiller at Homes for Good's New Administrative Building (Valerie Warner, Deputy Director)

Valerie Warner: When we learned about the need for this improvement and started to think about what funds to use, it occurred to me that we had just executed this municipal lease with PNC for the EPC, that's the energy project that we are doing. There are funds that are authorized to borrow on that now we are going to need to borrow on. It is a loan that has already been approved. We have applied for it, the funds are ours. As a conservative finance person, I would like to leverage this rather than use reserves because we have so much development activity going on. We are bifurcating the loan and this will be a taxable portion of that municipal lease and the money we are using for EPC is not taxable because we are using on a government property. Often when we have public improvements, they are funded by bonds or loans. We do reimbursement resolutions and sometimes we do them in the same board action that approves the project. We do not do them often because when we do a project like low income housing development the types of cost we will be reimbursing are not inclusive costs such as staff time. The reimbursement resolution allows us to include some early costs and allows us to go back 60 days from the day that we borrowed the funds and reimburse ourselves. On this resolution, I estimated \$9,000 in engineering cost. Without this item, we would not be able to do it. We would have to pay that portion out of development funds. This allows us the flexibility to reimburse ourselves.

Pat Farr: So, this resolution is just for \$9,000 and not in addition to the \$174,000 for the chiller?

Valerie Warner: We are going to borrow the whole amount to replace the chiller but we are going to have the money before we spend it before that portion of it. This portion of it for the engineering we have already spent which we will need the reimbursement resolution for.

Pat Farr: I want to be clear that the \$9,000 is a part of the \$174,000 and not on top of the \$174,000?

Valerie Warner: The \$9,000 is on top of the chiller cost. The \$174,000 is for the vendor that will purchase and install the equipment. The \$9000 is largely for the engineering to design the project.

Motion to approve 18-23-05-03H: Michelle Thurston

Motion seconded: Pat Farr

Motion is approved unanimously 5/0 with Commissioners

Sid Leiken and Gary Williams absent.

G. Order 18-23-05-04H/ In the Matter of Authorizing the Executive Director to Apply for Assistance from the Federal Home Loan Bank of Des Moines Competitive Affordable Housing Program for the Housing First Apartment Community in Eugene, Oregon (Steve Ochs, Real Estate Development)

Steve Ochs: This order would allow us to apply for up to \$750,000 for the Housing First Project on Martin Luther King Blvd. I will give you a quick background on that as part of the Development Pipeline presentation. Nora Cronin our project manager for Housing First will speak more about this shortly. The Housing First project is one that we have been partnering with Lane County and St. Vincent de Paul. The idea is that we would build an apartment community that has support services for those coming out of homelessness and would be located right next to the Behavioral Health Center on Martin Luther King Blvd. Recently we had our kick off meeting to get things going. We are looking to go after 9% tax credit funding the beginning of next year so the timing of this funding would be great as it takes them a while to award this money so we would not find out until December if we are awarded. That will be perfect timing for us to determine how much we need to ask the State at the beginning of next year. This order allows us to apply for the funding.

Michelle Thurston: Are you applying for the full \$750,000?

Pat Farr: How confident are you in receiving this funding?

Nora Cronin: I am Nora Cronin the new Project Developer at Homes for Good. I have applied for this type of funding on past projects. They are pretty prescriptive, there are a set number of points you can get and it is very clear on how many points you can get when you apply. They told me what the point value of the lowest scoring project was last year and we are above that and I am fairly confident that we will get it but you don't know what the pool of projects is this year. We are about 6 points above the lowest scoring project last year and I think we have a good shot. It is a big chunk of money that I think we should apply for and I think it would be great for the project.

Char Reavis: Since there are other people involved in the funding of this project so that will be a benefit as well.

Jacob Fox: Homes for Good partnered with Lane County and we are doing a convening of healthcare leadership and we've received early indications that PeaceHealth and Kaiser will be making a commitment to the project that will be significant. I am still working with them to learn exactly what that looks like but I'm pretty positive that we will get a substantial investment from healthcare. Things are looking good for the gap funding. As Nora pointed out, an additional \$750,000 could allow us to maybe ask for a little less than the maximum of 9% on the low-income housing tax credit application which is always a good thing.

Motion to approve 18-23-05-04H: Michelle Thurston

Motion seconded: Pat Farr

Motion is approved unanimously 5/0 with Commissioners

Sid Leiken and Gary Williams absent.

B. Executive Director Report

Jacob Fox: This is a more internally focused Executive Director Report. The reason why we can do the things that we do is because of our employees. I've seen a lot of Executive Directors kind of lose touch with the hard work employees do every day. I am dedicating two half days a month to working directly with our staff. There are two reasons for this, one is that I want to see what they do and two, I want to be able to speak with every staff person to see how things are going what ideas they have for the future of the organization, what questions/concerns they have regarding their work or the overall direction of the agency. How I plan to document the information is that I want people to feel they can be very candid with me. I will probably start with documenting the themes that I am hearing and will weave those into a future Executive Director Report for the board. I will also weave those comments into all agency emails in my communications with staff.

The other thing is that the entire Management Team read an article from the Harvard Business Review that really helped us figure out where we are in our evolution as an organization and how our approach to work needs to change now that we have gotten through the first few years of me as the Executive Director. We've cleaned up a lot of business systems. There is kind of a new era for us and the way I envision it is less hierarchy and more of a mentor and coach relationship with staff. Bringing the management team along in changing their thinking as well of where we are going with the organization.

The final thing is that we do have a new strategic plan that as deeply as we can, will be developing in the coming months. We haven't engaged our line staff and key employees in prior strategic plans. It wasn't as transparent of a process as I would've liked it to be. Obviously, they saw all the reports but a lot of staff did not have time to read them. We are trying to figure out how to make our evolution as an organization and strategic plan more meaningful to every employee in the organization.

Char Reavis: I heard some positive feedback from one of the staff that participated in the Job Shadowing and they felt very appreciated and comfortable speaking their mind.

Jacob Fox: I think the board is seeing how awesome our staff is through bringing our Excellence Awards winners to the board meetings and will continue to do that. We have a lot of great people working for us and there is a great future ahead.

Pat Farr: Congratulation on the new approach to the strategic plan. The way you are going about it by describing more involvement with staff. Strategic plans are more effective when people are a part of it.

Char Reavis: I would like to say customer service is so much better. People are feeling more comfortable in expressing that they do not agree with something. It makes a difference when people are heard and feel that their voice matters.

Michelle Thurston: I know there has been some turnover with staff from Homes for Good from a resident's point of view. I have heard from my own experience with people in the

housing community that they are impressed with the new people that have been brought in because everyone seems to have that same view and goal of what they want to accomplish and what they want to see happen in making sure that residents are taken care of and I think that's a great thing.

Jacob Fox: For us, if we can get our operations more efficient, we would like to expand our resident's services. We could possibly change property management positions to more resident focused positions. Through efficiency there is room to change the DNA of our agency to be able to help out a lot more.

Char Reavis: If there are no further comments we can move on to the presentation.

Jacob Fox: There are a few reasons why we developed this presentation and I think it is a good thing for the board to know that the amount of time we have invested in governance and communicating with the board is extensive so this board packet for example took a minimum of 30 hours of staff time with the with the real estate presentation included. I think it is a good investment because the board really needs to understand what we are doing and the calculated risks we are taking at a pretty granular level. I would also say that I think you all know how the River Road issue went down with the neighbors made me realize that the board needs more frequent updates on the "why" behind we sell property and how we are going to reinvest those funds. As I stated before when we get into changing out governance structure over the next few months, I'll be bringing orders to the board on a change in governance. We do need a real estate development committee to meet frequently; we need an accounting and finance sub-committee. At the very least I need an executive committee. I think because of the Lane County Commissioners many commitments we are going to need to think richly about the future of governance for this agency.

What we did was invested a ton of time in giving you an update on almost all aspects of real estate development. There are a couple of outliers that I'll explain as we get further into the presentation. I will need some advice from the board on how frequently you want this update. Pete emailed me as he was getting questions about Market District Commons so he asked for some orientation and I pointed him back to this presentation that the board received last week. Just because the board needs information to answer questions that you will get in the community. You need to be able to answer basic questions and point people in our direction. I will now turn it over to our Real Estate Development Director, Steve Ochs for our presentation.

Steve Ochs: I wanted to introduce Spencer McCoy and Nora Cronin who are project developers. They are super knowledgeable and motivated and we are happy to have them part of the team. One of the biggest parts of our real estate development is the ability to partner with providers, architects, contractors, and provide great affordable housing. Steve Ochs Presents PowerPoint

Steve Ochs Presents Real Estate Development PowerPoint

Minutes Reflect Questions and Answers Related to the Presentation

Predevelopment Activities

Michelle Thurston: What is the most time-consuming activity of a development project? Is it the funding or the development, what is the most time-consuming aspect for a project such as Glenwood as an example?

Steve Ochs: In the case of the Glenwood property, it was the environmental review process. Typically, the funding aspect takes the longest.

Nora Cronin: With the funding, the reason why it takes a lot of time is due to the funding cycle. It is often once a year so if you are not approved you may have to wait till the next year.

Pat Farr: With predevelopment activities and funding applications, can they merge? You do not have to complete predevelopment activities before you start your funding cycle?

Steve Ochs: That is correct. Depending on the funds, some like to be the last funder in and other funders don't mind not knowing if you have secured other funding.

Spencer McCoy: Typically, the predevelopment activities will be creating things we will need for the funding applications.

Jacob Fox: The funding application is most connected to the low-income housing tax credit application. In the predevelopment activities, a lot of times you are chasing your gap financing so in the context of the Housing First project, we submitted a Meyer Memorial Trust grant application for \$300,000. Nora is going to pursue the Federal Home Loan Bank, and we are trying to get healthcare to also contribute.

The Costs of Real Estate Development Projects

Jacob Fox: I wanted to reflect a little on a couple things I think the board should know about the high cost of real estate development. The cost of staffing for our real estate development and asset management is not small at is a half a million dollars a year. If you have a team that is half a million dollars a year and you get a developer fee of \$850,000 – \$1,000,000 every year, the other half a million is gobbled up in predevelopment inflow and outflow. I think when people hear about a million-dollar developer fee, they think people are making money on this. That is not the case with us. If we didn't get those fees, the risk wouldn't be worth it. The other thing is that the risk on these projects is spread over 60 years even though the tax credit compliance period is just 15 years. We are making a 60-year affordability commitment to the State of Oregon so that means that after we have retired, we still need to have staff that are paying attention to the real estate assets.

Financial Overview of Homes for Good Development

Char Reavis: Day Island isn't selling for more than two million even though it is along the Willamette River?

Jacob Fox: We did a lot of extensive work with our brokers and the issue with Day Island is about buildable square footage. The area in which you can build on is a lot less than what it looks like. So, for the buildable square footage, it is pretty aggressively priced at \$2.4 million

Pat Farr: My instinct that properties inside of Eugene are more desirable because the lack of available land to develop on inside Eugene. Is that a fair assumption?

Steve Ochs: We are even seeing the prices of sites in Springfield increase.

Ela Kubok: You do not see the Housing First project in the Gap financing needs because we are getting ready to put that together so we have a number and a timeline for when we need to acquire it. We are working on applications right now so this would be a separate time where we would come back to the board. Nora is the project developer for Housing First.

Market District Commons

Michelle Thurston: For this building, there will be 15 units set aside for specifically for veterans. I now understand that these 15 units will be for veterans and people with disabilities. Will veterans be moved to the top of the list?

Steve Ochs: When we initially developed this project, and working with VetLift, we were thinking about having 12 or 13 units for veterans. When the project based vouchers came out, we applied for 15 units so the theory is now that we would have 12 units for veterans and 3 units for people with disabilities. We are still working through what that looks like with the waitlist. The Homes for Good Rent Assistance division is working on the waitlist. For now, we are still looking at 12 units for veterans and 3 units for people with disabilities.

Pete Sorenson: When Homes for Good is trying to allocate different components of a project for veterans, is there a requirement that a certain number of spots or percentage be given to those categories of people who are covered under the civil rights act such as veteran? Are there any other requirements for other categories such as persons with disabilities?

Steve Ochs: Yes. Through the funding application we are putting in, we are committing to serve both veterans and persons with disabilities and we are committing to the number of units we are providing. That could change.

Pete Sorenson: Is there any way to determine whether we are lawfully serving these people or are we excluding people in preference for another for example, there is a lot of interest in serving veterans but other categories such as the elderly, women, or persons with disabilities who are covered under the civil rights act may not receive the same treatment.

Jacob Fox: We have robust engagement with our regulators on decision making like this. We also have a close partnership with legal aid as well for example they come to all our Section 8 briefings and we talk to them about the aspects of our real estate development. On the project based vouchers, we go through the process of issuing a competitive RFP. That RFP contains language around fair housing and equal opportunity. Then we must send our proposed selection to HUD who does a thorough review. We have apartment buildings that are dedicated specifically to the elderly and persons with disabilities. Based on the attorneys and regulating bodies that must approve our projects, I do not feel there are any civil rights violation liability.

Steve Ochs: We had a call with the HUD field office recently and we asked about these issues.

Spencer McCoy: We are very on top of fair housing issues when we are looking at serving special populations at all our properties. In this conversation, we were told to specifically look at by HUD as that we do not have disparate impact. So, we are looking closely to make sure that we are not having disparate impacts with these different groups.

Pat Farr: I have a question for you Commissioner Sorenson. Were you asking if we are potentially committing civil rights violations by giving veterans preferential housing treatment?

Pete Sorenson: Not at all. Veterans are part of the civil rights act but so are other groups. So, I'm concerned that we are monitoring any federal decision making regarding what groups are favored over any other group.

Char Reavis: Is there some sort of needs assessment that happens as far as disabled people and veterans before a decision is made on allocating units.

Steve Ochs: We will go to our own consolidated plan or our partners to determine the needs of the people we serve.

RAD 2.0

Pat Farr: Is there a gap in time when residents are not housed?

Steve Ochs: No, we have to have the replacement housing build before or if they have a voucher, we will let them stay in the unit while they are searching for a new residence.

Pat Farr: So, it is seamless?

Spencer McCoy: It is possible that there would be a temporary relocation but we would have to follow the URA and put them up in a hotel and there would be all those requirements that would apply.

Char Reavis: Before this started, there was incredible communication with the residents where they were informed on this process.

Steve Ochs: We used a relocation consultant for phase one and we will be using her again for phase 2.

Jacob Fox: What we will do is probably not change this presentation much. We will briefly overview the RAD 2.0 and we will continue through the rest of the presentation at our June 27th meeting.

Due to time constraints, the presentation was not completed and will be resumed at the next board meeting on June 27th, 2018

9. OTHER BUSINESS

Adjourn