

# Minutes

## Homes for Good Housing Agency



### BOARD OF COMMISSIONERS

#### Location of the meeting:

Board of County Commissioners Conference Room, Public Service Building, 125 East 8<sup>th</sup> 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.

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### Wednesday, April 17th, 2019

(1:30 p.m.) (Board of County Commissioners Conference Room)

#### **1. PRESENTATION** – Homes for Good Real Estate Development Pipeline and Cashflow Needs (Steve Ochs, Development Director) (Jeff Bridgens, Finance Director)

**Steve Ochs:** Introduces the presentation. We are going to walk through all the projects going on and talk about current and future finances. He talks about finished projects and current projects. Explains about scattered sites which are public housing which will be sold, and replacement housing needs to be built, which will be done at Taney Place and Hayden Bridge Meadows. Steve talks about predevelopment costs and how money is spent upfront and then brought back into Homes for Good once construction starts.

**Jacob Fox:** Speaks on the delay of MLK Commons due to the environmental review process which has been involving an archeologist.

**Steve Ochs:** Homes for Good is obtaining permits for both Commons at MLK and Market District Commons so that the process doesn't have to stop. The commons at MLK are requiring a surveyor to access the site ahead of time.

**Michelle Thurston:** Was something found, or indicated that something would be there?

**Nora Cronin:** Something was flagged as though there was potentially an archeologically significant site nearby, but nothing has ever been found.

**Michelle Thurston:** So, it is just to cover the bases.

**Nora Cronin:** Yes, the site has been previously developed by the county, and used for Gameday parking. But the survey is required by the State Historic Preservation Office.

**Steve Ochs:** Talks about current projects that are being remodeled. Talks about Glenwood, and how they were hoping to put in tax credits this spring, but this will most likely be delayed so that staff can coordinate more with city of Springfield and make a comprehensive plan as they make plans for the surrounding parcels. He talks about how the sale of the scattered sites can start once financing for Taney Place and Hayden Bridge Meadows are finalized.

**Jacob Fox:** Can you speak on Legion Cottages?

**Steve Ochs:** Explains that it is a tiny home project in Cottage Grove near the American Legion, working with the UO school of architecture to build 4 tiny homes for Veterans.

**Char Reavis:** What's going on in the three rural areas: Cottage Grove, Creswell, and Florence?

**Steve Ochs:** Explains that those are areas that Homes for Good would like to strategically target in the future. Most of the pipeline has been in the Eugene/Springfield area and we would like to target those places for some future larger projects.

**Joe Berney:** What is the split in the portfolio of the current units in Eugene versus Springfield? Have built and Are building.

**Steve Ochs:** For new construction we have 70 in Springfield out of the 200, so about a third, but for all of our units it would be less.

**Jacob Fox:** The split out of our total portfolio of 1,700 units, we have about 210 units in Springfield. We would like to see that balanced. The city of Eugene has had a more proactive plan in the development in affordable housing, and we just haven't seen that same investment in Springfield. I am encouraged by the city of Springfield and they are willing to roll up their sleeves and look into strategies.

Various commissioners talk about the City of Springfield and their engagement in Affordable Housing, the Housing Policy Board, and the TAC study. They talk about the hope for the future for Springfield to be more involved, and actions to do so.

**Pete Sorenson:** I suggest inviting the city of Springfield, their mayor, and their housing staff to a Homes for Good board meeting. We should put some additional effort in bringing them to the table. He also talks about the pros of having Springfield more involved, being more regional and encompassing more of Lane county, and in turn rural Lane County, and being less "Eugene" focused. He suggests having the City of Springfield present what they are doing in Springfield at a Homes for Good Board Meeting.

**Joe Berney:** Talks about the City of Springfield and their planned attendance of future Affordable Policy Boards meetings. He expresses concern with being Eugene-centric.

**Steve Ochs:** Talks about rate of producing housing units, both building new units and rehabbing units.

**Heather Buch:** Asks Steve to clarify what numbers are new units, and what are renovations.

**Steve Ochs:** Explains which numbers are new, which are existing units made into affordable housing, and which units are renovating previous affordable housing units. The first set of numbers are new units, and the following numbers are rehabs at specific site. Steve then talks about the disposition of properties and sales of scattered sites.

**Joe Berney:** Asks about the 12 scattered sites that have been sold, and if those sites were sold at market price, and how fast they sold.

**Steve Ochs:** Explains that preference for single family homes were set for 1<sup>st</sup> time home buyers for the first ten days, but they were sold at Market price. Duplexes were not set as a 1<sup>st</sup> time home buyer preference and sold within a week. HUD doesn't allow them to be sold under market value. Each house was sold about 15% above what Homes for Good put them on the market for, and all single family homes went to first time home buyers.

**Jacob Fox:** Talks about the Day Island site, to process that Homes for Good went through to appraise the site through a real estate broker. Homes for Good asked for an aggressive appraisal, and they sold the Day Island site broker to broker.

**Joe Barney:** What is being built on the parcel?

**Jacob Fox:** The new owners intend on building 70 market rate apartment units at the entrance to Alton Baker Park.

**Patt Farr:** Just for clarification, you mentioned with the sale of the scattered sites that there is a bedroom for bedroom requirement as far as replacement is concerned? So we are building the same amount of bedrooms as we are selling?

**Steve Ochs:** Correct. Steve talks more about the scattered site sales, the options that residents have of staying in their unit until the new replacement housing are built, that they can get a section 8 voucher, or they can move into another public housing site that Homes for Good owns if there are sites open.

**Jacob Fox:** Talks about the projected income numbers for the sales of various sites, and how there is still a gap between what Homes for Good is selling and the cost it will take to develop all the new units, which will be work on everyone's part to figure out how to close that gap.

**Char Reavis:** I just want to ask if I am remembering correctly that with this program that when people have to move that you are paying their moving expenses.

**Steve Ochs:** Yes, Homes for Good hires a moving company and covers all moving expenses for the families, or if they would like to self-move they can get a flat amount. Because that is expensive, we will use the proceeds from the first twelve scattered sites to start funding the relocations.

**Joe Berney:** What stops one corporation from buying all 200 scattered sites, getting low income residents out and establishing a much higher rent?

**Steve Ochs:** Yes, Homes for Good has set a preference towards first time home buyers for these homes.

**Peter Sorenson:** Is there a policy of how this is all done, or is it decided on each property? Have we adopted the state's or county's property disposal policy or rules?

**Steve Ochs:** Mentions that Homes for Good uses the Oregon Revised statutes for decommissioning/selling properties. The proceeds from these sales go into an account that has to be used for affordable housing.

**Pete Sorenson:** Do other authorities or agencies have any additional decommissioning/sale policies for sites in addition to the national policies?

**Jacob Fox:** I am unaware of any, most operate under the state revised statutes, which is how we have operated and bought and sold land, but I will reach out and look into it more.

**Steve Ochs:** Talks about the considerations to why 48<sup>th</sup> and Main is being sold. He talks about how there is an environmental hazard due to a mill that has a large tank on it that has a blast zone which would prevent any outdoor areas or patios for this site. It also wouldn't score well for tax credits because it does not have good access to grocery stores or social services.

**Joe Berney:** How long has Homes for Good or HACSA owned these properties, how much were they purchased for, and why were they bought if there are these factors?

**Steve Ochs:** The environmental hazard wasn't known at the time of purchase, it wasn't known until Habitat for Humanities tried to build on a nearby parcel. We looked very closely at this site for RAD replacement housing until the environmental review came out.

**Jacob Fox:** We don't really know a lot of the reasons these properties were purchased, but I do feel good about the due diligence we went through and the discussions we had with the board before the marketing of these sites.

**Steve Ochs:** Talks about River Road property and the disposition considerations. He talks about the greenway application, the flood zone, and how HUD discourages Flood Plan development and the process that there would have been an 8 step process to build on the property. It would also score low for tax credits, not being accessible to grocery stores and social services even though it is on the bike path. It was purchased in 1998 and never developed.

**Steve Ochs:** Talks about the financing needs for current projects and future projects.

**Jacob Fox:** Talks about RAD phase two, defining this as the selling of the 100 scattered sites. RAD phase 3 would be looking at the rest of the public housing financing to converting the subsidies of the rest of the public housing portfolio into section 8 vouchers so that Homes for Good can get tax credits, loans, or other help to fix the housing.

**Jeff Bridgens:** Talks about the resources coming in, and how Homes for Good organizes and restricts certain funds for project. For example, when Day Island was sold there were identified and those proceeds will be reinvested in the new administration building. He talks about predevelopment costs that go out and the balance of cost needs, how credit is used and needed in certain predevelopment phases, and how when Homes for Good closes on a property they get reimbursed for predevelopment costs. He talks about these need to be timed, and balances and the flow of money in and out between the credit line, and the reimbursement of predevelopment costs. When sites are sold, the proceeds can be used to help fund the predevelopment costs of other sites so that credit doesn't have to be used to cover those short-term expenses until they are reimbursed.

**Steve Ochs:** Talks about how the use of the line of credit is a new practice but is needed with three projects being in predevelopment simultaneously.

**Jacob Fox-** Talks about the cash in and out of the organization referencing the chart (*see presentation*) that shows the flow for the next couple of months. The number of projects and expenditures are unprecedented in this organization, but Jeff and Jacob are watching this flow very closely. The sale of the scattered sites will allow a larger pool to draw from so that the line of credit potentially won't be needed.

**Pat Farr:** How does Moss Adams come into the watching the money part?

**Jeff Bridgens:** Talks about the current field work that is occurring.

**Patt Farr:** So, in short, we as a board we can rest assured that there is a control on the finances both in and out and that the balances are being watched.

**Jeff Bridgens:** They are looking at internal controls on the finances, and they have an obligation to point those out on the audit if they find flaws.

**Heather Buch:** Are they secure lines of credit, and are they are backed by and underlying property?

**Steve Ochs:** They are not, they are unsecure lines of credit.

**Heather Buch:** So, is it at a higher interest rate than if it was secured by one of the properties that is owned?

**Jacob Fox:** We can find that out, we don't know that answer off the top of our head.

**Jeff Bridgens:** Mentions that that it is a favorable variable floating line of credit. Jeff and Jacob will look into this.

**Michelle Thurston:** Who is reimbursing the predevelopment costs?

**Jeff Bridgens:** It comes from the investor.

**Joe Berney:** What is the developer fee? From my understanding they are really high.

**Steve Ochs:** Development fees can be up to about 18% of a project. Steve explains some of the variables to determine the developer fee and how the developer fee is dispersed back to Homes for Good over a period, some when construction is complete, some into operation time. It is typical to be a million dollars paid over a two-year timeframe.

**Joe Berney:** Is that million-dollar developer fee financed into the property?

**Steve Ochs:** Yes.

**Joe Berney:** So it serves as an income for Homes for Good, but it increases the in-debitedness of the property?

**Nora Cronin:** Explains more about developers' fees in affordable housing compared to market rate housing. She confirms that the developer fee is financed into the project.

**Joe Berney:** What is your LLC?

**Jeff Bridgens:** 1.4 million dollar limit.

**Joe Berney:** How deep are you into it at this point?

**Jeff Bridgens:** About \$400,00 I would say.

**Joe Berney:** Your expectation is to go deeper but then to recover that?

**Jeff Bridgens:** Correct, it could be almost fully used by September, but then in October we would be expecting a large influx of resources which would then go in and pay it down. He explains that the ideal would be to use it and pay it down in a revolving fashion.

## **2. PUBLIC COMMENTS – 20 Minutes**

No public comments were given on this date.

## **3. COMMISSIONERS' RESPONSE TO PUBLIC COMMENTS AND/OR OTHER**

## **ISSUES AND REMONSTRANCE (2 min. limit per commissioner)**

None

## **4. COMMISSIONERS' BUSINESS**

**Pete Sorenson:** Suggests the June Board Meeting to be moved from June 26 so that it is not on a down week when the County Commissioners are not having other meetings.

Pat Farr excused at 3:15

## **5. ADJUSTMENTS TO THE AGENDA**

**Jacob Fox: Introduces** Order 19\_17\_04 01H to be added to the agenda

Motion to approve addition to the agenda: Pete Sorenson

Motion seconded: Heather Buch

Approved unanimously 6/0 with commissioner Jay Bozievich excused

## **6. EMERGENCY BUSINESS**

None

## **7. ADMINISTRATION**

### **A. Approval of Minutes: 03/27/2019**

Motion to approve minutes: Heather Buch

Motion seconded: Michelle Thurston

Approved unanimously 6/0 with commissioner Jay Bozievich excused

### **B. Executive Director Report**

Jacob gives a brief update of the Housing First program and progress in potential partnerships with Lane County. Jacob shares about a potential program working with DHS, and the process of submitting a project proposal for this project to the state for funding. Homes for Good plans on writing a letter of support, and if chosen would be put in a cohort for the project. He talks about the weatherization program and how it was monitored, mentions the good findings, and the improvements that will be made in focus on multifamily housing. Jacob talks about meeting with St. Vincent DePaul, and meeting with other organizations. Jacob then recognizes Aisha and the work she has done with the board and board administration, and the change of administration.

### **C. ORDER 19\_17\_04 01H – Oregon Department of Energy Grant Application Approval for New Administration Building**

**Nora Cronin:** Introduces a grant opportunity for the Department of Energy, which is due Monday. The grant would be for up to 35% of the project cost, which would be no more than 35,000. As part of the application process, Board approval is needed. This is to comply with a state statute that 1.5% of project cost must be used for solar energy.

**Joe Berney:** How big is the system?

**Nora Cronin:** After various proposals from solar consultants, the one we will probably go with is a 50.3 KW system.

**Joe Berney:** Suggests creating an LLC to own the system and get an investor and discusses how that could potentially decrease the cost of the system.

**Jacob Fox:** Suggests that Joe can advise them on the details of this at a later time, the motion will just allow Homes for Good to apply for the grant.

**Joe Berney:** Who have you chosen to provide the system?

**Nora Cronin:** We have not chosen, we are still in the open RPF process, but are using one of those proposals as a basis for the grant.

Motion to approve ORDER 19\_17\_04 01H: Michelle Thurston

Motion seconded: Pete Sorenson

Approved unanimously 6/0 with commissioner Jay Bozievich excused

D. **DISCUSSION** -- HUD Regulatory Relief Pilot Program (Beth Ochs, Rent Assistance Division Director) (Wakan Alferes, Resident Services Director)

**Wakan Alferes:** Talks about the Moving to Work program and some of the flexibility and simplification of processes it allows. Wakan explains how there are different aspects of Moving to Work, but the cohort Homes for Good is interested in focuses on rent reform. She talks about the benefits of a different funding structure that Moving to Work agencies use which would allow more creative solutions to current problems.

**Beth Ochs:** Talks about the Tiered Rent system for non-elderly and non-disabled families that is being proposed as part of the Moving to Work program. She talks about the current residents and the potential impact, and how that impact would be minimal. It allows flexibility with funds for example offering incentives to landlords for accepting section 8 vouchers, pay on vacancy loses or damages, using funds to have landlords keep units on the market long enough to get the needed inspections for section 8 instead of moving on to other tenants. It would allow Homes for Good to be more competitive in the private market since it is such a tight market in Lane County. Beth explains the intention to write a letter of support, and the application process that would take place after.

**Wakan Alferes:** Explains that there are cohorts in the future that Homes for Good may also be interested in if they are not selected for the Rent Reform cohort.

**Heather Buch:** Will this help with administrative burdens or make more administrative burdens?

**Beth Ochs:** Explains how the initial review would be the same, but it would move the review process of income increases to every three years instead of annually. If a tenant has a rent increase, they would not be assigned into a new tier until the three year review, but if a tenant had a loss of income, that would be adjusted on an as need basis.

**Michelle Thurston:** Will this affect current residents, or only new residents? Would this rent increase be in conflict with the law that was just passed in terms of 7%?

**Beth Ochs:** No, because the rent isn't changing, it is the tenant's responsible portion.

**Wakan Alferes:** Explains the hardships that people are allowed to apply for, for a certain period of time. For example if they have \$0 income, but they have a minimum rent of \$50, they can apply for a hardship not to pay the minimum, but it is only for a period of time. She reminds the board that this is only for families who are non-elderly and non-disabled.

**Char Reavis:** Describes a hypothetical scenario where one people is working and making \$800 while another is disabled and receiving \$800, and one is paying 30% for rent while the other is paying \$50, and states that it seems unfair.

**Wakan Alferes:** Explains that the concept for the Moving to Work program is to incentivize people to work and to increase income, to eventually move through the system.

**Char Reavis:** Voices concern from a story in Alaska where there was a cut off time for the program, and that people after the program couldn't sustain paying market rate housing and became homeless again.

**Wakan Alferes and Beth Ochs:** Talk about how there are waivers that can put time limits on participation if an organization chooses, but is not required, and that Homes for Good does not currently plan on utilizing these waivers. They clarify that tenants could potentially "income-out" where they make enough income where they pay full market rate, and then they wouldn't utilize the voucher anymore and it would move to another person in need, but they would not "time-out" of the program.

**Joe Berney:** Are there any negatives related with the program?

**Wakan Alferes:** Not that I can see.

**Beth Ochs:** It would be a shift in the way we do our work, and a shift in our software systems. Not that they are a downside, but something we should be aware of if we choose to participate as a Move to Work agency. But I see it as all positive.

**Wakan Alferes:** Definitely some heavy lifting when it come to the education of some of the participants and communication to them.

**Char Reavis:** Suggests talking with residents and the RAB about the change if it happens, making sure the residents are informed and there is collaboration giving them adequate notice about the change.

**Jacob Fox:** An order will be brought to next month's meeting to apply to the program.

E. **DISCUSSION** -- New Administration Building Scope and Financing Update (Jacob Fox, Executive Director)

**Jacob Fox-** The Day Island building has already sold, Homes for Good will stay in the building through January, getting free rent in October, November, and December. If Homes for Good needs to stay in the building in 2020, Homes for Good would have to pay \$10,000 a month



rent. Fairview will stay in Homes for Good possession, and they will be looking for a tenant, either a government agency or nonprofit, to rent the space when the admin team moves out. Jacob then talks about the new building purchase.

**Nora Cronin:** Mentions that the building hit 95% design this week and will be able to submit building permits by May 6<sup>th</sup>.

**Jacob Fox:** Kaiser is currently renting the medical section of the building and will be moving out in 2020. Jacob mentions he would like to potentially partner with a medical clinic that works with low income households.

**Heather Buch:** Have you talked to Lane County Health and Human Service?

**Jacob Fox:** No, and no partnerships have formally been discussed at this time.

**Nora Cronin:** Walks the board through the line items of the budget.

**Jacob Fox:** Mentions he has been discussing with Moss Adams about potential financing options: bonds, tax exemptions, partnerships with Lane County, or traditional bank financing. He will bring additional drawings, designs, and financing plans to the board at a later time.

**Joe Berney:** How much are we going to need to finance?

**Jacob Fox:** It will be total project cost, minus what the Day Island building sold for, so about 8.5 to 9 million.

**Joe Berney:** Is Homes for Good is paying Moss Adams to help think about this, and how much Homes for Good is paying them?

**Jacob Fox:** We have a "not to exceed \$30,000," clause.

**Michelle Thurston:** What is the projected timeline for getting out of the current buildings, is January 2020 is the goal?

**Jacob Fox:** January 2020 was based on a previous timeline, it does not seem like a reasonable time to get out of the buildings. Jacob runs through some scenarios and what that could look like if Homes for Good is not in the new building in January.

**Michelle Thurston:** Confirms that rent to stay in the Day Island building would be 10,000 a month.

**Jacob Fox:** If Homes for Good stays in the building we will try to negotiate a better rent.

**Nora Cronin:** Discusses a new timeline for the building based on submitting permits May 6<sup>th</sup> and getting them approved by July 8<sup>th</sup>. Finishing construction in March 2020, then moving in furniture and people. The project will come back to the board next month to update them on the financing timeline.

## 8. OTHER BUSINESS

Adjourn