

# HOUSING AND COMMUNITY DEVELOPMENT COMMISSION

## AGENDA

12:00 Noon  
Wednesday, June 18, 2014

### **Madison Avenue Meeting Room 500 SW Madison Avenue**

- I. Visitor Propositions
- II. Consideration & Approval: [HCDC draft minutes of 5/21/14](#)
- III. Staff Report: [Loan funds and recent rehab loans](#)
- IV. Review & Recommendation: [Essential Repair Loan Program policy exception request](#)
- V. Discussion: Update on status of open and pending CDBG and HOME projects
- VI. Other Business
- VII. Adjournment

#### Commission Members

Judy Gibson, Chair  
David McCarthy, Vice Chair  
Kara Brausen  
Ed Fortmiller  
Gary Hamilton  
Dave Henderer  
Kenny Lowe  
Gerry Perrone

#### Planning Commission Liaison

Roger Lizut

#### City Council Liaison

Dan Brown

<b>Draft</b> <b>Subject to review &amp;</b> <b>HCDC approval</b>
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**HOUSING AND COMMUNITY DEVELOPMENT COMMISSION**  
**MINUTES**  
**May 21, 2014**

Present

Judy Gibson, Chair  
David McCarthy, Vice Chair  
Gary Hamilton  
Dave Henderer  
Kenny Lowe  
Gerry Perrone  
Dan Brown, City Council Liaison

Absent

Kara Brausen  
Ed Fortmiller  
Roger Lizut, Planning Commission Liaison

Staff

Kent Weiss  
Terri Heine

**SUMMARY OF DISCUSSION**

Agenda Item	Action/Recommendation
I. Consideration & Approval: HCDC Draft Minutes of April 16, 2014	Approval
II. Status: Loan Funds & Recent Rehab Loans	Information Only
III. HUD's CDBG Program Monitoring Report	Information Only
IV. HCDC Charge from Corvallis Municipal Code	Discussion
V. Review of Human Services Fund Allocation Process	Discussion
VI. Other Business: Volunteer Month Recognition	Information Only

## CONTENT OF DISCUSSION

### **I. Consideration & Approval: HCDC Draft Minutes of April 16, 2014**

Chair Gibson opened the meeting, asking for consideration of the HCDC draft minutes of April 16, 2014. The minutes were approved unanimously.

### **II. Status: Loan Funds and Recent Rehab Loans**

Housing Division Manager Weiss reported that three new First Time Home Buyer (FTB) loans have closed since the last meeting. Regarding rehabilitation loans, Weiss noted that none have closed since the last meeting, adding that several are in the application/review process.

### **III. HUD's CDBG Program Monitoring Report**

Weiss noted that representatives from HUD's Portland Community Planning and Development Office conducted a monitoring review of the City's CDBG program from March 24 - 27. During this time, HUD staff did an in depth review of the City's CDBG-related financial records, program files, and project files. Weiss directed Commissioners to copies of the monitoring review letter and report included in their packet, noting that he is very proud to be able to say that the result of their monitoring review was limited to only one concern. There are three levels of outcomes that HUD may call out. The most serious level of outcome is one or more findings, which means that the recipient did not follow the rules and regulations as required by the CDBG program. Weiss noted that it is very rare that a monitoring review does not uncover findings. The second level of outcome is a concern, which is used by HUD when they find something that is not out of compliance with any rules, but which represents an issue significant enough that they would like it changed. HUD asks City staff to follow up with them regarding the change(s) put in place as a result of a concern. The third level of outcome that HUD uses is a recommendation, which is a lower-level concern and does not require a follow up response from City staff.

Continuing, Weiss noted that the one concern identified by HUD was related to guidance that has changed in regard to lead-based paint. HUD requires that homebuyers receive a lead-based paint pamphlet if the home they are buying was built prior to 1978. Currently, this pamphlet is being provided to the homebuyers by their realtors, with the homebuyers signing off that they received it. Housing staff have been documenting that this exchange happened as part of a visual inspection checklist form prepared by staff early in the loan preparation process. HUD is recommending that, along with the visual inspection checklist, a copy of the lead-based pamphlet disclosure form signed by the homebuyer also be included in the City's customer file. Weiss noted that staff had already put a new procedure in place to address HUD's concern prior to the completion of their onsite monitoring review.

Concluding, Weiss noted that HUD looked closely at the City's annual process of reviewing applications to determine eligibility for funding, as well as the process for the allocation of funds. He noted that HUD really liked the comprehensive process that is in place, including the HCDC's involvement with evaluating agency presentations and forming funding recommendations that are forwarded on to City Council for final approval.

#### **IV. HCDC Charge from Corvallis Municipal Code**

Weiss directed Commissioners to a second memo included in their packet regarding HCDC's charge from the Corvallis Municipal Code. He noted that during the April 16 meeting the Commissioners briefly discussed the mission, roles and responsibilities of the HCDC, and requested that more information be provided by staff for continued discussion. Weiss noted that the memo includes the Commission's formation and charge statement from 1981, as amended, as it is found in the Corvallis Municipal Code.

Continuing, Weiss noted that as reflected in the charge, the primary mission of the HCDC is focused on overseeing all aspects of the City's use of CDBG and HOME program funding (developing and implementing policy through five-year Consolidated Plans and annual Action Plans, preparing funding allocation recommendations for the City Council, and reviewing and approving annual program reports). The HCDC also conducts annual reviews of the City's loan program policies and considers policy exception requests when Housing staff has received loan applications that do not meet applicable policies. Weiss noted that there have also been, on occasion, additional policy discussions and development work, when requested by the Planning Commission or City Council, related to housing provisions contained in the Land Development Code (LDC) and Comprehensive Plan. Two significant examples of this work were HCDC's review and recommendation of adding LDC provisions to allow Accessory Dwelling Units, and for adding provisions for clustered, cottage-style development.

Commissioner Henderer noted that section "f" of the charge says that the Commission will represent the affordable housing interests of very low, low and moderate income citizens and citizens with special housing needs. He asked if that section is relevant to the discussion that took place during Visitors Propositions at the April 16 meeting, and if not, where it would be more appropriate for a citizen to discuss the need for more affordable housing in the community. Weiss responded that the issue of affordable housing is discussed in several places, including City Council and the Planning Commission, noting that the HCDC's role becomes more acute when there are specific initiatives going forward in regard to affordability, and the Commission is asked to weigh in on those initiatives. Weiss added that if the Council did not think the HCDC was performing in line with its charge, they would make this clear during the sunset review that takes place every three years. Also, the Consolidated Plan that is developed by the HCDC and staff every five years is a look at the affordable housing needs of the community, and makes a clear statement that there is not enough available affordable housing. Weiss noted that the work HCDC does in developing the Consolidated Plans and annual Action Plans is definitely within the purview of its charge, but larger conversations regarding affordable housing issues are undertaken through updates of other documents such as the City's Comprehensive Plan and Land Development Code. He noted that there will likely be some Comprehensive Plan updates as a result of a new visioning process that is coming in the next few years, adding that the HCDC will most likely have a role in the discussion of those updates.

Commissioner Henderer thanked Weiss for clarifying the HCDC's current role as more of a review Commission rather than an initiator of new policies. Weiss noted that although this is HCDC's current practice, if the Commission as a group wanted to have a longer discussion about a topic that could address affordable housing and possibly formulate a recommendation for Council, that is certainly something the HCDC could do. Councilor Brown opined that it may be best that the HCDC continue with its current role as a review Commission, at least until the economy improves, at which time it is likely more funding will become available to fund the

exploration of any new affordable housing ideas. He agreed with Weiss that with the new visioning process on the horizon, the HCDC will have opportunities to be sure the interests of low income residents in the community continue to be represented.

## **V. Review of Human Services Fund Allocation Process**

Weiss noted that during a discussion at HCDC's April meeting regarding the goals of the CDBG Human Services Fund and the process used to allocate resources from the Fund, Commissioners requested that staff provide information from United Way about the process they use to allocate funding from their own and the City's Social Services Funding programs. Weiss then handed out copies of United Way and Human Services Fund applications received from two local social service agencies for review and comparison as requested by the Commission.

Continuing, Weiss noted that he had recently met with local United Way representatives Jennifer Moore, Executive Director, and Lauren Caruso, Community Impact Director. They discussed how the United Way is currently redesigning their funding process. The new process will likely lead to two areas of focus: 1) funding will be used to meet basic needs as has been the case in past years, and 2) looking also to fund things that will have a larger community impact. This second, newer area will focus on funding services that help prevent negative situations from occurring in people's lives in the first place. The thinking is that this may involve a larger community-wide collaborative effort among agencies that have the ability and staff to work on something bigger. Plans to begin this process include community funder meetings that will take place in late summer, and which will include representatives from United Way, the City's Social Services and Human Services Funds, Benton County, Samaritan, the Benton County Foundation, and others who provide funding resources for local social services.

Weiss noted that staff is looking for direction from the HCDC in regard to whether to hold off on possibly making large changes to the Human Services Fund application until staff has a chance to meet with others at the community funder meetings to see if there are ways to collaborate as far as the information that is gathered on the applications. This would mean that the current Human Services Fund application would be used again for FY 15-16 funding as that allocation process kicks off this fall, but that an updated version would likely be available beginning with the FY 16-17 funding cycle. Following a brief discussion, the Commission's consensus was to postpone making changes to the Human Services Fund application until more information is available following the community funder meetings.

## **VI. Other Business: Volunteer Month Recognition**

Weiss noted that it is National Volunteer Month and in recognition of the HCDC's good work for the community, Mayor Julie Manning wanted to thank each of the Commissioners on behalf of the City. He then handed out small appreciation gifts with individual cards signed by the Mayor.

There being no further business, the meeting was adjourned at 12:55 p.m.



Revision Date: 11-Jun-14

FY 13-14 HOUSING REHABILITATION LOAN PROGRAMS FUNDING															
ALL FUNDS TOTAL: \$280,000 (Figure includes \$140,000 Carryover funds from FY 12-13)															
CDBG PROGRAM LOAN BUDGET: \$280,000 (\$70,000 BUDGETED TO NIP; \$210,000 BUDGETED TO ER)															
250 REVOLVING FUND LOAN BUDGET: No funds budgeted from revolving loan fund for FY 13-14															
Funding Source	Loan Number	Property Address Street	Loan Type	Approval Request Date	Loan Amount Requested	Date Approved By CM	Loan Amount Approved	Loan Closing Date	Escrow Deposits	Loan Funds Disbursed	Escrow Balance	Date Project Complete	Excess Funds Returned to City	Rehab Project Balance	FY 13-14 Funds Available
<b>NIP/ER LOAN FUNDS</b>															<b>\$ 280,000.00</b>
<b>NIP PROGRAM</b>															<b>\$ 70,000.00</b>
<b>NIP CDBG LOANS</b>															<b>\$ 70,000.00</b>
C	1314NI001	SE Villa Place	NIP	09/10/13	\$ 13,522.00	09/11/13	\$ 13,522.00	09/17/13	\$13,522.00	\$ 11,185.15	\$ 2,336.85			\$ 2,336.85	
<b>NIP CDBG SUBTOTAL</b>					<b>\$ 13,522.00</b>		<b>\$ 13,522.00</b>			<b>\$ 11,185.15</b>			<b>\$ 0.00</b>	<b>\$ 2,336.85</b>	<b>\$ 56,478.00</b>
<b>NIP 250 RLF LOANS</b>															<b>\$ 0.00</b>
R															
<b>NIP 250 RLF SUBTOTAL</b>					<b>\$ 0.00</b>		<b>\$ 0.00</b>			<b>\$ 0.00</b>			<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>NIP PROGRAM TOTAL BALANCE</b>							<b>\$ 13,522.00</b>			<b>\$ 11,185.15</b>			<b>\$ 0.00</b>	<b>\$ 2,336.85</b>	<b>\$ 56,478.00</b>
<b>ER PROGRAM</b>															<b>\$ 210,000.00</b>
<b>ER CDBG LOANS</b>															<b>\$ 210,000.00</b>
C	1314ER001	NE Manchester St.	ER	08/02/13	\$ 14,151.00	08/05/13	\$ 14,151.00	08/14/13	\$ 14,151.00	\$ 11,575.60	\$ 0.00	01/17/14	\$ 2,575.40	\$ 0.00	
C	1314ER002	NW Roosevelt Drive	ER	08/08/13	\$ 57,209.00	08/12/13	\$ 57,209.00	09/04/13	\$ 57,209.00	\$ 57,209.00	\$ 0.00	05/12/14	\$ 0.00	\$ 0.00	
<b>ER CDBG SUBTOTAL</b>					<b>\$ 71,360.00</b>		<b>\$ 71,360.00</b>		<b>\$ 71,360.00</b>	<b>\$ 68,784.60</b>	<b>\$ 0.00</b>		<b>\$ 2,575.40</b>	<b>\$ 0.00</b>	<b>\$ 141,215.40</b>
<b>ER 250 RLF LOANS</b>															<b>\$ 0.00</b>
R			ER												
<b>ER 250 RLF SUBTOTAL</b>					<b>\$ 0.00</b>		<b>\$ 0.00</b>			<b>\$ 0.00</b>			<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>ER PROGRAM TOTAL BALANCE</b>							<b>\$ 71,360.00</b>		<b>\$ 71,360.00</b>	<b>\$ 68,784.60</b>	<b>\$ 0.00</b>		<b>\$ 5,150.80</b>	<b>\$ 0.00</b>	<b>\$ 141,215.40</b>
<b>NIP/ER CDBG LOAN FUND TOTAL BALANCE</b>							<b>\$ 84,882.00</b>		<b>\$ 71,360.00</b>	<b>\$ 79,969.75</b>	<b>\$ 0.00</b>		<b>\$ 2,575.40</b>	<b>\$ 2,336.85</b>	<b>\$ 197,693.40</b>
<b>NIP/ER CDBG + 250 RLF LOAN FUND TOTAL BALANCE</b>							<b>\$ 84,882.00</b>		<b>\$ 71,360.00</b>	<b>\$ 79,969.75</b>	<b>\$ 0.00</b>		<b>\$ 5,150.80</b>	<b>\$ 2,336.85</b>	<b>\$ 197,693.40</b>

Loan Source: C if CDBG  
R if RLF

**HCDC Policy Exception Consideration  
Essential Repair (ER) Program**

June 10, 2014

**Address:** NW 13<sup>th</sup> Street, Corvallis

**Household:** Two person household at 2% (extremely low) of area median income

**Requested Loan Amount:** \$54,441

**Scope of Work:**

- Deck replacement
- Kitchen ceiling repair
- Skylight repairs
- Hardwood floor repair and refinishing
- Gates and fence repairs
- Exterior painting
- Main bath rehab
- New heating system
- Electrical repairs

**Policy Exceptions:**

This loan cannot be approved by the City Manager without HCDC consideration and recommendation because it exceeds the \$30,000 threshold as per Administrative Policy 94-8.03.051,c,1.

**Narrative:**

The house was constructed in 1960 and is approximately 2,942 square feet. It is a five-bedroom, two-bath residence with an attached carport. The overall condition of the house is good except for issues with the heating system, mold in the main bathroom, electrical wiring, and various other components that are in need of repair or replacement.

According to archived permits the house was remodeled in 1972 whereby the garage was converted to a living space, with access to an addition above the garage which has three small bedrooms and a bathroom. From a heating system perspective, this remodel basically divides the house in two, whereby the original side is being heated with a malfunctioning gas furnace, and the garage conversion is being heated with antiquated and unsafe wall heaters. For this and other reasons, heating professionals are proposing a ductless (mini-split) type of system to replace the existing dual system.

The main bathroom has a significant mold problem which is concentrated in the ceiling. The likely cause of this issue is an inadequate and improperly installed exhaust system. However, the attic space to this house is complex and not very accessible, and it was not feasible for Housing staff to access the area immediately above the bathroom to fully evaluate the situation. A game plan has been developed to provide better access to this area of the attic. Such access will facilitate not only the bathroom rehab, but will also provide access for running wires to accommodate various electrical installations and repairs. Housing staff has included a significant contingency fund in the budget to cover “to-be-fully-determined” issues such as these.

The rest of the proposed rehab project consists of those items as listed on in the Scope of Work of this consideration. Each item addresses issues ranging from hazardous (e.g. second story deck), to items which have been worn out over time (e.g. wood floors). The project will be phased to address all hazardous issues first. Non-hazardous, aesthetic type items will done last, contingent upon available funds.

**Cost Reasonableness:**

Cost reasonableness has been determined primarily by a competitive proposal process. The owner has obtained competitive proposals for each significant part of the overall project. It should be noted that at the time of this writing, the owner and staff are still analyzing some parts of the general contractor proposals. For this reason, the contractor selection may vary from what is proposed on the attached Cost Summary.

**Request:**

For the following reasons, Housing Division staff request that HCDC consider a policy exception for an ER loan in an amount of \$54,441:

- Although the cost of the project would be significant, the owner is of the opinion that the house is worth the investment; and, Housing staff have determined that the structure meets suitability-for-rehab criteria.
- There is sufficient equity to secure the loan. The debt-to-County's RMV will be 39.7% including the ER loan. If a loan is approved the City will be in second lien position behind a HELOC capped at \$50,000 with zero balance.
- The household has an income that qualifies as extremely low but has resources which establishes that the household is "financially sustainable" as previously defined by the HCDC.\* The household meets all other program criteria.
- The proposed work will improve the functionality, safety, accessibility, and energy efficiency of the house.
- FY 13-14 loan funds, adequate to fund at the requested level, are available.

\* Note: The requirement that an applicant be financially sustainable as a homeowner was discussed at the November 20, 2013 HCDC meeting. HCDC made a recommendation that the ER program's administrative policy be adapted to define a financially sustainable homeowner as, " A homeowner whose projected taxable and non-taxable income, verified subsidies, and/or 50% of current savings are sufficient to cover both monthly debt and other monthly living expenses for a period of not less than one year." This household complies with the above definition (see attached Loan Analysis), and its loan approval is contingent upon City Management's adoption of this recommended policy.

**HCDC Comments:**

**HCDC Recommendation for approval:**

Yes             No            By a vote of: \_\_\_\_\_            Date: \_\_\_\_\_

\_\_\_\_\_  
Judy Gibson, HCDC Chair

**Cost Summary for Housing Rehabilitation Loan**

June 10, 2014

NW 13<sup>th</sup> Street  
Corvallis, OR 97330

**Selected costs in bold/italicized**

Work covered by General Contractor <sup>1</sup>	<b><i>Pride Construction, Inc.</i></b> Clevenger & Associates, Inc.	<b><i>\$29,391.00</i></b> \$28,471.00
Exterior Painting	<b><i>Pride Construction</i></b> Clevenger & Associates, Inc.	<b><i>\$4,845.00</i></b> \$5,120.00
HVAC <sup>2</sup>	<b><i>Hendrix Heating</i></b> Middleton Heating Day Heating	<b><i>\$11,275.00</i></b> \$8,769.00 \$5,950.00
Tree/Stump Removal <sup>3</sup>	<b><i>Limbwalker</i></b>	<b><i>\$300.00</i></b>
<b><i>Subtotal</i></b>		<b><i>\$45,811.00</i></b>
<b><i>Contingency<sup>4</sup></i></b>		<b><i>\$8,000.00</i></b>
<b><i>Closing Costs</i></b>	<b><i>First American</i></b> (Title insurance, escrow, recording fees)	<b><i>\$630.00</i></b>
<b><i>Total Loan Amount</i></b>		<b><i>\$54,441.00</i></b>

<sup>1</sup> Owner solicited proposals from four construction firms. Only two followed through. Proposal comparisons are within 3% of each other with a number of details and value engineering still to be determined. Being that there are significant electrical concerns, the owner is more comfortable with Pride in that they were the only contractor to have their electrician visit the site. Also, Pride is a full time construction firm, whereby Clevenger appeared to have other employment responsibilities.

Actual contract price may vary from the above amount; however, it is not anticipated that the requested loan amount will change.

<sup>2</sup> Owner selects Hendrix Heating because this company spent extensive time at the owner's house evaluating existing conditions and making suggestions about the best system for what is a rather complex house to heat. Hendrix's proposal is for a 4-zone system; Middleton's is for a 3-zone; and Day Heating's is for only a 2-zone. Hendrix also submitted a proposal for a 3-zone system which was within \$57 of Middleton's proposal. There are numerous factors involved regarding which is the most cost and energy efficient system for this house, but Housing staff respects the decision to select a 4-zone system.

<sup>3</sup> Owner made a total of five calls to firms specializing in tree removal. Limbwalker was the only one to come to the house and submit a proposal. Based upon comparisons to other projects, the price is considered reasonable by Housing staff.

<sup>4</sup> The contingency for this project is intended to cover repairs stemming from concealed dryrot, unforeseeable conditions, and change orders for eligible expenses. Unused contingency funds will be returned to the City.

**City of Corvallis Essential Repair Loan Analysis**

Address: NW 13th Street

Date: 06/10/14

DEBT SERVICE-TO-INCOME	BEFORE LOAN	WITH LOAN
Annual Taxable Income*	\$2,000.00	\$2,000.00
Monthly Taxable Income*	\$166.67	\$166.67
Household Size @ Percent of Median Income	2 @ 3% AMI	
Monthly Housing Debt (PITI)	\$404.00	\$404.00
PITI Monthly Debt/Income Ratio	242.4%	242.4%
Total Monthly Debt (Housing + Fixed)	\$404.00	\$404.00
Total Monthly Debt/Income Ratio	242.4%	242.4%

PROPERTY DEBT-TO-VALUE RATIO	BEFORE LOAN	WITH LOAN
Total Property Debt	\$50,000.00	\$104,441.00
County's Real Market Value	\$263,052.00	\$263,052.00
Debt-to-County's RMV Ratio	19.0%	39.7%
Appraised Property Value	N/A	N/A
Debt/Appraised Value Ratio	N/A	N/A
Mortgage Payment P & I (Monthly)	\$0.00	\$0.00
Property Insurance (Monthly)	\$46.00	\$46.00
Property Taxes (Monthly)	\$358.00	\$358.00

MONTHLY EXPENSES	FIXED (Debt Acct's)	VARIABLE (Living Expenses)
Medical Dental		\$25.00
Auto/Transportation		\$100.00
Auto Insurance		\$52.00
Telephone		\$95.00
Education		\$0.00
Utilities		\$219.00
Daycare		
Food		\$300.00
Other (e.g. credit cards, loans)		
<b>TOTAL</b>	<b>\$0.00</b>	<b>\$791.00</b>

Total monthly debt/expense load (property + fixed + variable)	\$1,195.00
Total monthly debt/expense-to-income ratio	<b>717.0%</b>

See "Sustainability" below\*\*

LOAN AMOUNT	\$54,441.00
Interest Rate	0.00%
Term - Months	Deferred
Monthly Payment	N/A

Notes:

\*Other Income: Only a small percentage of the applicant's income is taxable. Only taxable income is factored into percent of AMI.

However, total annual projected income (taxable + non-taxable) equals \$10,268.

\*\*Sustainability:

Total projected monthly income (taxable + non-taxable)	\$772.33
Total monthly debt/expense-to-all income ratio	155%
Monthly subsidy required from savings	\$422.67

Does annual monthly subsidy from savings exceed 50% of current savings: No

Does applicant meet criteria for a financially sustainable homeowner: Yes

RECEIVED

June 13, 2014

JUN 18 2014

Housing & Community Development Commission  
PO Box 1083  
Corvallis, OR 97339-1083

COMMUNITY DEVELOPMENT  
HOUSING DIVISION

Dear Board Members,

We recently finished up some much needed improvements to our home made possible only with the help of city of Corvallis home rehab loan program.

My wife is totally disabled from a stroke she suffered 10 years ago. It's been a very difficult road for our family. Physically, emotionally and financially. We've been teetering on the brink of financial ruin and had not been able to keep up on necessary improvements to our house. Roof leaked, deck was literally falling down and unusable, old pipes clogged to the point we had very little water flow to the bathroom I use to shower. The bathroom was small and had a number of barriers that made it unsafe for me to get in the shower and could not use the sink or toilet. She brushed her teeth at the kitchen table for 10 years.

I bought a paper one day and just by chance saw Joe Demarzo's ad for the loan program. I called him and with his assistance applied, and eventually was approved for the program. It was a gift from heaven for us!

You need to know also what a great job Joe does for the city. We leaned on him for guidance and support. He was always gracious with his time and kept the contractors on their toes and on budget. needs were a priority for him. We appreciated that.

You won't find anyone more appreciative than us for all the help. This has taken some pressure off us and made life a little better. If we can somehow, someday, we will pay back the city so that Joe can help another family in need.

THANK YOU!