

**DRAFT OF MINUTES PROPOSED FOR ADOPTION  
THE AFFORDABLE HOUSING LOAN COMMITTEE**

**Meeting Minutes**

**Wednesday, October 14, 2015  
Greenville, North Carolina**

**Present:**

- |   |   |  |
|---|---|--|
| <input checked="" type="checkbox"/> Howard Conner | <input checked="" type="checkbox"/> Melinda Dixon | <input checked="" type="checkbox"/> Thomas Hines |
| <input checked="" type="checkbox"/> Kevin Fuell   | <input checked="" type="checkbox"/> Ronita Jones  | <input checked="" type="checkbox"/> Walt Kitchin |
| <input type="checkbox"/> Matt Smith               | <input type="checkbox"/> Sarah Smith              |  |

**Absent:**

- |  |   |                                       |
|--|---|---------------------------------------|
| <input type="checkbox"/> Howard Conner         | <input type="checkbox"/> Melinda Dixon          | <input type="checkbox"/> Thomas Hines |
| <input type="checkbox"/> Kevin Fuell           | <input type="checkbox"/> Ronita Jones           | <input type="checkbox"/> Walt Kitchin |
| <input checked="" type="checkbox"/> Matt Smith | <input checked="" type="checkbox"/> Sarah Smith |                                       |

**Staff:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Merrill Flood | <input checked="" type="checkbox"/> Sylvia Brown                 |
| <input type="checkbox"/> Niki Jones               | <input checked="" type="checkbox"/> Christine Wallace            |
| <input type="checkbox"/> Gloria Kesler            | <input type="checkbox"/> Marion Blackburn (City Council Liaison) |

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**A. Roll Call**

**B. Approval of Agenda**

Motion was made by Mr. Conner and seconded by Mrs. Dixon to approve the agenda as presented. Motion carried unanimously.

**C. Approval of meeting minutes from September 9, 2015**

Motion was made by Mr. Conner and seconded by Mrs. Dixon to approve the meeting minutes from September 9, 2015 as presented. Motion carried unanimously.

**D. Old Business**

None

**E. New Business**

**1. Approval of regular meeting change (November)**

Mrs. Brown informed the Committee that the Affordable Housing Loan Committee meeting for November falls on the Veterans Day Holiday. City offices will be closed on that day. Therefore, staff recommends that the Affordable Housing Loan Committee meeting be rescheduled to Wednesday, November 18, 2015.

Motion was made by Conner and seconded by Mr. Fuell to approve the cancellation of the Affordable Housing Loan Committee meeting on November 11, and to reschedule the meeting to November 18. Motion carried unanimously.

## **2. Bond Education Presentation**

Mr. Flood made a presentation on the Bond Referendum and provided the committee a copy of the official video used to provide information about the bond referendum. Mr. Flood informed the committee that there will be a question on the ballot that asks Greenville City voters to consider the approval of street and pedestrian and transportation improvement bonds. The answer is either “yes” or “no”. The question is worded on the ballot as such:

Should the order adopted by the City Council authorizing not to exceed \$15.85 million dollars in bonds for the purpose of providing street and pedestrian transportation improvements, and, authorizing the levee of taxes sufficient to pay the principal and interest on the bonds be approved?

Mr. Flood proceeded to elaborate on the bond by stating the bond is a general obligation bond which means the City promises to repay the debt and will use its taxing powers if necessary to retire the debt. If the voters approve the bond, the City has seven (7) years to issue them. All the legal debt for the City is \$444 million dollars. Currently, the City has outstanding debt of \$41 million dollars. Annual debt payments account for \$5 million dollars of the annual budget and represents less than 10% of the actual budget. The last bond referendum was in 2004, which included \$20.8 million dollars for street improvements, West Greenville Revitalization, Center City Revitalization, and storm water improvements.

The City has an AA bond rating with Standard and Poor’s. Bond ratings range from AAA (extremely strong) to CC (highly vulnerable). In North Carolina, AAA rated cities are Charlotte, Raleigh, Greensboro, Winston-Salem, Chapel Hill and Fuquay-Varina. In addition, an AA rating is still an excellent rating. An obligation of AA differs from the highest rated obligations only by a small degree. For tax implications, if the bond is approved, all of the debt if it was issued at once would result in a necessary tax increase to pay the debt of \$2.25. For example, a home having a value of \$100,000 would equal \$22.50 per year which means an increase in property taxes. However, the entire debt will not be issued all at once, once it is issued, projects are undertaken within a 7 year period. Growth from the tax base would decrease the need for a tax increase should one be required. The 2004 bonds did not require a tax increase to retire the debt.

The purpose of the bonds is for street and pedestrian transportation improvements. The video provided indicates where those proposed improvements will take place. It would not be on State maintained roads such as: Greenville Boulevard, Memorial Drive, and Dickinson Avenue. It would largely be for City maintained roads such as: Arlington Boulevard, Elm Street, and Hooker Road.

Mr. Flood aired the video for the Committee and informed them that after viewing the video he is available to answer any questions the Committee might have about the bond referendum. The highlights of the video are as follows:

- Street & Pedestrian Transportation Improvements Bond - \$15,850,000
- Fund five (5) Major Projects:
  - Street Improvements - \$10,000,000
  - West 5<sup>th</sup> Street Streetscape - \$1,950,000
  - 10<sup>th</sup> Street Connector Enhancements - \$1,750,000
  - Sidewalks - \$ 1,400,000
  - East Side Greenway - \$750,000

A pamphlet was given to the committee and is made available to the public at City Hall, 200 West Fifth Street and online at [greenvillenc.gov](http://greenvillenc.gov).

Mr. Hines asked a question in reference to the 10<sup>th</sup> Street Connector enhancement, what kind of enhancements are they talking about?

Mr. Flood responded by stating that the NCDOT has agreed to do the project to a certain degree. There are other improvements that would enhance the area for larger sidewalks, street trees, lighting, and certain areas of the road way. While the money is there for the project, this would enhance it so it blends in more with the current activities and streetscape pattern that we have in the uptown area.

Mr. Kitchin asked, “What is the status of the 2003 Bond? Is it paid?”

Mr. Flood responded by stating that the 2004 bond (the West Greenville Revitalization Bond) all of the projects have been allocated for the West Greenville portion. The Center City portion is *about* completely (\$100,000) obligated. The transportation bonds that were part of that have also been obligated. Therefore, that debt has been assumed and is being paid back currently as part of a current debt schedule in the City.

Mr. Fuell asked “What was the rate of growth for the City during those times that you did not have to pay the bonds back?”

Mr. Flood replied the annual growth rate as far as population has been constant at about 2% or better. Mr. Flood stated that he can go back and provide some forecast on what the tax rate growth has been but for population it has been about 2%.

Mr. Fuell elaborated on his question by stating that he wants to know what would hinder that same continuance of growth looking forward.

Mr. Flood stated that there is always the possibility that the City can go through years of slow or no growth; that has to be acknowledged up front. Typically, Greenville has been a growing community since the 80’s and 90’s with continual growth thereafter. However, we still need to be extremely cautious in approaching bonds and giving the information to the public. We utilize the opportunity to raise property taxes if necessary to pay back the debt.

Ms. Jones stated that she realizes that this particular bond is going to focus on the East side for the Greenway, are there any future plans to extend the bike trails and so forth on the West side of the City?

Mr. Flood replied that there is a greenway master plan and a project to extend the greenway from the Town Common to points West out to the medical district area. There are a number of other initiatives with some grant applications. The City is hopeful that they will receive funding that will make some connections strictly in the areas of West Greenville that will run from the Town Common to points west.

### **3. Sub-recipient Audit Costs Requests**

Mr. Flood stated that historically when non-profits submit an application for consideration for funding, the committee would review those applications, make a recommendation to council, and then they are funded. However, staff has to ensure that the non-profit meets certain compliance guidelines established by the U.S. Department of Housing and Urban Development through a number of circulars. Because of the size of the City of Greenville being an entitlement community and our entitlement amount, we are required to submit an audit. As such, outside agencies that receive funding regardless of how much their budget size are required to submit an audit annually.

Mr. Flood also stated that when the City is audited, HUD looks and reviews us and they require us to have an audit for the organizations that receive money. It became necessary that we have made that requirement historically since 1994 which is when the City of Greenville became an entitlement community. Although some sub-recipients are saying they are encountering significant expense with the preparation of those audits, it is an eligible activity. Staff has been working through a number of models with a number of non-profits that have called to ask “what do we do?” The non-profits would like a portion of the dollars that have been allocated to them be utilized for the audit costs. Staff has suggested a budget that would include:

- \$5,250 – Labor
  - \$3,000 – CRC’s
  - \$1,500 – Staff Training
  - \$3,500 – Program Licensing
  - \$3,500 – Supplies
  - \$500 – Annual Audit
- \$17,250 – Total Awarded

Mr. Flood mentioned that HUD funds are not the only funds that non-profits receive but they are a portion and by having that requirement it creates a significant cost to the non-profits. Staff has looked into a model where the City would take a percentage of all of the non-profit funds and what the HUD funds represented and say “if the HUD funds represent 10% of your annual operating budget, then 10% of your HUD funds can go towards that model. Some of the non-profits felt as though that is a little small considering some non-profits have significant costs between \$2500 - \$3500 on audits. Another model staff created allocated about \$500. The City wants to be generous with the non-profits but do not want to fund the entire audit because the non-profits do receive funding from other sources and the HUD funds typically do not represent all of their funding.

Mr. Flood proceeded by displaying a slide on a citation from one of the administrative journals for HUD CDBG Sub-recipients. As a result, the citation talks about an audit being an allocated or eligible expense.

Staff recommends a \$1500 contribution from their allocation go towards audit costs with the consideration that other programs are not requiring non-profits to submit an audit. In conclusion, staff recommends that the Affordable Housing Loan Committee approve \$1,500 to be allocated for Audit costs towards the Literacy Volunteers of America – Pitt County 2015-2016 Sub-recipient agreement.

Ms. Jones asked that since this particular agency has asked for the allocation, will every other agency that asks have to go through the same process.

Mr. Flood replied that staff would ask the Affordable Housing Loan Committee to approve the recommendation because the committee has made an award based upon a certain program of work and this would be an amendment. Therefore, with this being an amendment, it's less than the 10% so it does not require a public hearing, but, it would require Affordable Housing Loan Committee approval. If other agencies that have been awarded funds for this year's awards would like to have the same consideration, staff would ask that agency to come before you and make a presentation.

Mr. Kitchin asked that since the audits and the HUD guidelines require that these audits be done annually, does staff know or can they tell if the audits are less expensive the second year or the third year that the non-profit is in business?

Mr. Flood replied that it's consistently around the same price because a number of the agencies receive funding from us year after year. The auditor, although they become familiar with the organization, the cost is still the cost. Staff has not really seen a reduction in costs as of yet but maybe in the future we might.

Mr. Allen Spicer, Executive Director for Literacy Volunteers of America - Pitt County spoke on the request to allocate funds to audit costs and provided additional information. Mr. Spicer stated that managing CDBG funds require a lot of administrative work. Therefore, they would like to minimize the impact that this has on non-profits. Mr. Spicer stated that the Literacy of America – Pitt County would like the full audit cost be paid with CDBG funds since these are funds already allocated to the organization and is an expense that needs to be covered in order to apply for CDBG funds. Mr. Spicer proceeded to mention that the audit cost for Literacy Volunteers of America is \$3,000 which is significantly more than the insurance fees, special event expenses, staff development, marketing, and advertising fees.

Mr. Fuel asked Mr. Spicer is he requesting more than \$1500?

Mr. Spicer replied by stating that although he does not want to contradict staff's recommendation, however, he does believe that his organization would be better served if the audit costs were covered by CDBG funds.

Mr. Fuel asked how much of the funds did you get from the City and what is the percentage of your total allocation?

Mr. Spencer responded by stating that they are looking at 6 funders so 1/6 is the number that was talked about initially which would be \$500 because each year the audit cost is \$3000.

Mr. Kitchin asked if that is the projected amount of the audit cost.

Mr. Spicer replied that he is correct and the auditor that they use has maintained a constant price for many years, however, they are not sure if they will see an increase or a decrease in the future.

Mr. Kitchin stated that it appears staff has a recommendation to approve \$1500 but the agency is requesting that the committee approve \$3,000?

Mr. Flood confirms that Mr. Kitchin is correct and indicated that staff tries to balance their recommendations with the amount of money that was awarded and for the agency to still carry out some of the mission. If funding covers more administrative costs then they are not getting a lot of the mission accomplished through the grant. Staff does not believe that it is CDBG's responsibility to pay the full cost of the audit because although CDBG is requiring the audit, they are not the only funding source in the budget for any of our organizations. Staff's goal is to allow CDBG to pick up some of the cost but not all of it because then you start chipping away at getting work done for paying administrative fees.

Mrs. Jones asked if staff is under the analysis to look at their whole budget and compare them with other audit costs.

Mr. Flood stated yes.

Mr. Fuell asked if there was a way to vote on this that we agree to the \$1500 and going forward reevaluate if there would be a need to increase funds.

Mr. Flood stated, that is possible and that this is only for this particular funding year and that additional funding years the committee would have the opportunity to make another recommendation or determination as would other organizations would have the ability to come in and present their case. Also, this does not favor organizations that have not been funded before. You have to be in the system and have funds appropriated because then what we would be doing is catching someone up that has not received money before. Likewise, the organization is expected to up keep the same level of services that were presented to the loan committee to be completed and accomplished. There is no new money; this would come out of the existing allocation.

Mr. Fuell stated that he understands the burden that is put on sub-recipients but at the same time you do not want to take away from where money is being allocated.

Motion was made by Mr. Conner and seconded by Mrs. Jones to approve the staff recommendation of \$1500 be allocated toward the Literacy Volunteers of America – Pitt County audit costs.

#### **4. Amendment to the HOME Down Payment Assistance Program**

Mr. Flood stated that the HOME program is designed to provide affordable housing initiatives and opportunities for low-to-moderate income homebuyers. Our program has been traditionally for first-time homebuyers. However, we are heading into a phase where you have existing homeowners that might be displaced by government action but they're still meeting the income threshold. However, because they are not

first time homebuyers, they would not be eligible for the up to \$20,000 in HOME funds even if they meet all other criteria, and it would be an eligible expense, but in some cases, purchase of an older home to replace it with a newer home that is on the market today are creating some challenges for some homebuyers. For example, there is one client that has a home and is a homebuyer, would have the possibility of moving into another home, and to make them whole, we would need to provide some form of secondary mortgages. The goal for any type of government action is for the homeowner that is being displaced as a result of government action, be in the exact same condition or made whole by the government action. The government action should not place them in any less or worse situation with regard to housing than they were before the government action took place. Therefore, staff is asking the committee to consider an amendment that in addition to being a low income first time homebuyer or an existing home buyer that is being displaced by government action to be eligible under the HOME program. This would be a local change that would be allowed under our rules and procedures so that those that are affected by government action, but, who are also low-to-moderate income would be eligible for secondary mortgage assistance through the HOME program and that would be up to \$20,000.

Mrs. Jones asked if an example might be what happened on Farmville Boulevard.

Mr. Flood stated that's correct.

Mr. Fuell asked, anything dealing with eminent domain?

Mr. Flood replied that's correct.

Mr. Hines stated that he did not know that the government had a package to make you whole.

Mr. Flood stated that it depends on the funding source. The North Carolina Department of Transportation is required to follow the Uniform Relocation Acquisition Act. If it was a City project and it was not a URA required acquisition relocation benefit, there would be nothing for some of the homeowners. However, at times we do find in some small cases where the homeowners are in a little worst shape.

Mr. Kitchin asked who makes the determination as to whether or not people are getting properly compensated.

Mr. Flood replied that they use the private real estate market to help in making those adjustments and determinations. Often times it is not just one real estate professional, it may be two or three to appraise the property and to determine what the fair market value is of their property. Then, staff will work with what's available in the existing real estate market to determine what the comparable unit is. The staff has undergone significant training on URA implementation. However, the real problem comes in when the government action may be localized without federal funds or with federal funds and just the comparables in the market are not available for that property owner.

Motion was made by Mr. Conner and seconded by Mrs. Hines to amend the HOME down payment assistance program to include homeowners affected by government relocation and acquisition (*low-to-moderate income and must live within the City limits.*)

Motion carried unanimously.

**5. Down Payment Assistance**

**a. 801 Fleming Street (20% HOME Grant)**

Mrs. Brown stated that Mrs. Braswell and Mr. Williams are the homeowners of 801 Fleming Street and has a sales price of \$105,000 which is also the appraised value. Mrs. Braswell and Mr. Williams will be using the 20% HOME grant and the grant amount is \$20,000 which is the program cap. This program gives first time homebuyers a no interest forgivable loan and is designed for 20% of the sales price of the home. However, in this case, the 20% would equal 21,000 so that's when the cap kicks in. It is also forgiven 1/15 a year for 15 years. This is a two person household with a 46.15% AMI; they are both first time homebuyers and have successfully completed the homeownership workshop. They have also been approved for a mortgage with the American Security Mortgage.

Staff recommends that the AHLC approve this application for down payment assistance in the amount of \$20,000.

Mr. Hines asked what the applicants to one another are since there are two last names.

Mrs. Brown informed the committee that the applicants are engaged.

Motion was made by Mr. Conner and seconded by Mrs. Dixon to approve the application for down payment assistance in the amount of \$20,000.

**F. Staff Report**

Mrs. Brown gave the following announcements:

2015 Financial Literacy Series  
October 26<sup>th</sup> – Loan to Own  
5:30 p.m. – 7:30 p.m.  
Sheppard Memorial Library (Room B)  
530 South Evans Street  
Sylvia Brown, 329-4509

Mrs. Brown mentioned that the Non-Profit Workshop was held on Wednesday, September 30 where two sessions were held. The first session had 12 attendees and the second session had 4 attendees for a total of 16 attendees. Applications are due Tuesday, January 12, 2016 at 3:00 p.m. only for organizations that were represented at the workshop and they will be time and date stamped once received. No other organization will be allowed to submit an application.

Mrs. Brown also stated that on February 10, 2016 the meeting time needs to be at 3:00 p.m. instead of 4:00 p.m. because the organizations that have gone through the staff review will come before the committee and make a presentation which can vary 3-4 or 5-6 organizations depending on how many applications are received and the quality of the documentation. The meeting time change will be on the November or December Agenda.



Mrs. Brown stated that process of receiving applications in January, staff will immediately begin to review them and to look at the audit to see if they are in good financial standing, and to make sure that the proper things are documented like staff and projects (whether it's eligible or ineligible). If HUD does not approve an application, then that organization will not be allowed to make a presentation to the committee. The program is by reimbursement only, so the organizations have to make sure they have the finances to put the money up first. Then, they must submit documentation to prove that they have eligible expenses and then they are reimbursed. March is when the committee will make their final funding recommendation for those organizations that make it through the process, and then it goes to City Council for their review and recommendation, and then to HUD for final approval.

Mr. Conner stated that he is on the Tenth Street Connector Committee but wants to know between East Carolina University, the Department of Public Transportation, and the City of Greenville, how much money was kicked in.

Mr. Flood responded by stating that each organization raised \$2 million (total of \$6 million) to do the initial planning and design work for the Tenth Street Connector. The project is currently under construction and they have acquired the properties and they should be indicating under construction.

Mr. Hines asked that when the street is completed would it be a City owned maintained street rather than a state street.

Mr. Flood stated that this was actually a state project that was on the state's Department of Transportation long term plans for Greenville by the three entities that Mr. Conner mentioned bringing the \$2 million each to the table, this project was able to be moved up to a priority status and the funds went to design and planning as oppose to the actual roadway. The North Carolina Department of Transportation will still own that facility.

Mr. Conner asked if the Department of Transportation is responsible for Dickinson Avenue.

Mr. Flood stated that yes, for Dickinson Avenue, Greenville Boulevard, Memorial and from Reade all the way out is a state maintained street.

**G. Other**

None

**H. Adjournment**

Motion was made by Mr. Conner and seconded by Mrs. Dixon to adjourn the AHLC meeting. Motion carried unanimously.

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Walt Kitchin, Chairman

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Sylvia D. Brown, Staff Liaison