

MINUTES
CENTRAL CITY REVITALIZATION AND
HOUSING COMMITTEE
OCTOBER 29, 2008 AT 5:30 PM
COUNCIL CONFERENCE ROOM – 2ND FLOOR CITY HALL

The Central City Revitalization & Housing Committee met on Thursday, October 29, 2008. The following members were present:

Chairman: Walker Reid
Councilman Dale Burkett
Councilman John Howren

Chairman Reid called the meeting to order and called the first item for discussion and recognized Annie Thombs for the presentation:

ITEM 1: OFFER TO PURCHASE AND CONTRACT CITY OWNER
PROPERTY – 1001 WEST CIRCLE

Ms. Thombs said the City has constructed units in the past for sale to first time home buyers. Three properties have been developed in the Smyre Community, 2 units were on Millstone Drive and the other on West Circle. One of the units on Millstone was sold about a year ago. The other two units have had a lot of interest but no one could qualify for a bank loan. The appraised value was \$107,800.00. The price was lowered to \$105,000.00. Because of the economic times banks would not loan to the applicants. Staff is recommending to the Committee that the City provide the mortgages through their American Dream Mortgage Assistance Program. The applicants are going through counseling and will continue with counseling. The loan amount would be \$102,500.00 at 5% interest rate for a term of 360 months or 30 years. At such time as the mortgage crisis is over, they would recommend that the applicants try to get a loan from a bank and refinance the mortgages. The mortgage payment amount would be \$550. 54 per month per month . They are also recommending adding to the loan a second mortgage of \$5300.00 for Jessica Edmondson as a Deferred Payment Down Payment Assistance. The second is the difference between the appraised value and the selling price and would be for a term of 10 years.

Chairman Reid asked if the City would be the Lien Holder?

Ms. Thombs said that was correct.

Councilman Howren asked how many notes was the City toting?

Ms. Thombs said four.

Councilman Howren asked about the value on those?

Ms. Thombs said probably around \$300,000. There was some discussion about credit scores.

Mr. Palenick said these people need a record of making payments.

There was more discussion about other loans made by the City.

Ms. Thombs said that the construction costs on these units was between \$ 85,000 to \$90,000. The money has already been disbursed. This way they can get the properties back on the tax roles.

Ms. Melissa Magee said these homes must be sold to low-income people. The reasons they can't obtain loans is because of their credit scores.

Councilman Burkett asked about the monthly payments.

Ms. Thombs said there would be no payment of the second, because that is a deferred down payment. If these applicants re-finance within the affordability period, they must repay that down payment assistance, on a prorated basis.

Councilman Howren asked if there were any requirements as to casualty insurance?

Ms. Thombs said they require a current certificate of insurance. The homeowners are sent a reminder when it is time to renew their insurance. The City of Gastonia must be placed on the insurance. The applicants are responsible for their insurance and property taxes. The other properties on Queens Court are doing this, and are having no problems bringing in their bank statements or abiding by the rules.

Councilman Howren said they had no foreclosures under this program at all and they have been very successful and it is doing a wonderful thing for their citizens.

Councilman Howren made a motion to approve. Councilman Burkett seconded the motion and it was unanimous.

ITEM 2: OFFER TO PURCHASE AND CONTRACT CITY OWNED PROPERTY – 3195 MILLSTONE DRIVE

Ms. Thombs was recognized for the presentation. This was the same scenario as the previous item. It is for Tonya Govan. She has met all the eligibility requirements and her payment would be \$550.00 with an interest rate of 5% and for a term of 360 months. The second would be \$4,700.00 because the original appraisal on that property was \$107,200.00.

Chairman Reid asked if anything happens to the property, who was responsible?

Ms. Thombs said the applicant would be responsible. This is just like the first one, no difference.

There was a brief discussion.

Councilman Howren made a motion to approve and take to full Council. Councilman Burkett seconded the motion and it was approved unanimously.

ITEM 3: OTHER BUSINESS

Councilman Burkett asked what the policy on Code Enforcement was in reference to going on property as far as is it on a complaint bases or random basis or is a combination?

Ms. Magee said it was not random per se; generally it's on a complaint basis. They get a lot of complaints and that is a lot of what they do. If they see a problem, they will follow up on that as well. It is not entirely complaints. Legally, random means "I picked you out for no reason" Code Enforcement cannot do that kind of random inspection. Technically they could have a canvas where they would inspect every house in the neighborhood, but you cannot choose which house you inspect randomly unless you can see problems with that house. It is just like police can't stop random cars on the road. They have to have probable cause. Code Enforcement has to have reason to believe there are code enforcement violations before they can inspect a house.

Councilman Burkett thanked them for their input.

There was a discussion concerning Code Enforcement Policies.

Chairman Reid thanked Staff for the updates.

ITEM 4:

Mr. Palenick said they had a couple of items for information only.

Ms. Susan Hinely said the issue that she would like to bring to the Committee is Loan Program that was initiated by the Gaston County Downtown Loan Revolving Program. They have worked with the County Attorney and Ms. Magee, they have come up with an Interlocal Agreement that would allow a maximum loan to be given in the amount of \$50,000 to an investor, the minimum loan would be \$10,000.00. They would do this because this amount of money a bank is not interested and will not do it. They have the expertise; they know how to do it. Staff thinks they see one or two, they don't expect many loans out of this pool. They will be accountable and will be monitored by HUD and the loan committee would under write the loans. Anyone can apply and applications will be going through the non-profit, their recommendations would then be sent to the City for review. They can approve or deny the loan.

Mr. Palenick asks how much equity does individuals have to have to get a loan under this program.

Ms. Hinely said it was a one to one match. These loans are for small businesses and small gap financing.

Ms. Magee said this is a County program and what the City is agreeing to administer the loans according to their guidelines the County got from HUD.

Councilman Howren said they got \$99,200.00 basically the County is providing this for Gastonia homes.

Mr. Palenick asks if the money that is repaid would go back to the County.

Ms. Magee said yes but the program allows for the City to be paid for the administration.

Mr. Palenick said this was to small amount of money, there is too much administration to it, it will not serve anybody for anything. He asks if there was a time limit on this, if they make less than 25% of the total of the loans could they call this a failure and send the money back.

Mr. Palenick said he would suggest to this committee that if some amount of money isn't provided to individual business in some time frame, that they then proactively go back to the County and ask them if these funds could be used for the Pedestrian Plaza, Big Splash, or something else downtown. The interest rate is 2% below prime.

Councilman Burkett asked how long the County has had these funds?

Staff said since 2005.

Mr. Palenick said if you were getting a loan of \$25,000, it isn't going to work for anybody. Hopefully, it will be a loan of \$40,000 to \$80,000.

Ms. Hinely said in that case there would only be 2 loans. They are comfortable with it and they feel like they are helping out when the bank wouldn't do it.

Chairman Reid said he would agree that instead of having a lot of little loans, they should make 1 or 2 loans.

Ms. Hinely said she does have it scheduled for the City Council Meeting on November 18, to give the County an opportunity to approve it first, because they are the ones who received the money.

Mr. Palenick asks if it was on their next meeting?

Ms. Hinely said it was on their November 13, 2008 meeting.

Mr. Palenick said he thought the minimum loan should be at least \$30,000.

There was some discussion about the size of the loans and what the loans should be used for.

Ms. Thombs ask Ms. Magee if there was a way that the agreement could allow flexibility for program design?

Ms. Magee said the way the agreement is written is says that it incorporates program description as amended. You could change the program description; it is already in there.

Chairman Reid asked if this was an FYI or does the Committee need to make a motion?

Ms. Magee said what she thinks she is hearing is that they want staff to go back to the County and ask them if they will change the program as follows:

1. They want to make loans larger than \$10,000 minimum.
2. To expand what it can be used for to include furniture, fixtures and equipment.
3. And if no loans are closed within 12 months, to request that the County amend the original grant and place the money into a single physical capital improvement.

Councilman Burkett said he would make a motion to take it to Council on November 18, 2008. Councilman Howren seconded the motion and it was unanimously.

ITEM 5: OTHER BUSINESS

Ms. Thombs said The Gear Program has been reevaluated to change the formula design on the program. Under the original program, they would take a 12 month history, average out the annual, multiply it times 7% and that would be their assistance. The assistance was coming out to \$5.00 a month or \$3.00 month. Staff felt the program not moving as quickly as they hoped and so they changed the formula for the program. Under the new formula which is based on a percentage of income, a family of two, who gets \$800.00 a month, then they would take their \$800.00, divide it by the guideline income limit and they would fall into a percentage range. They would qualify for \$25.00 per month credit to their electric assistance. If they fall 81 to 90% it would be \$20.00 and from 91 to 100% it would be \$15.00. The assistance would range from \$260.00 a year to \$180.00 per year..

Mr. Palenick said this would make more of an impact for the individuals applying. And it would benefit more people.

Ms. Thombs said they should be able to assist 400 families per year.

Mr. Palenick said it could be done through the budget.

OTHER BUSINESS # 6

There was some discussion about a grant program for foreclosed homes.

Mr. Palenick said they are aggressively pursuing that, they have a neighborhood stabilization program at the National Level. It got funded to certain states and certain communities. Charlotte received such a grant of \$5.3M. There is \$52M remaining to share with the rest of the State. The City is doing a letter of intent and they will meet the deadline.

Ms. Thombs said they would be applying for \$2M to \$5M.

Chairman Reid asks Staff to give them an update on senior housing.

Ms. Thombs said it is up and running and going well. They are moving along quite well. They have dug up lots of rock.

Councilman Howren asks what took place on the corner property?

Ms. Thombs said they were still working with them. It looks very promising.

OTHER BUSINESS #7

Ms. Thombs said the last thing they wanted to update them on. It is what they call their Individual Development Account Program, this is their wealth building program. Homeowners can participate and save \$1000.00 and it would be matched. Because of the mortgage crisis, they are not getting the applicants that they would like to get. Under that program you can either have home ownership, educational training or small business, so they are adding the post secondary education and training. A family can save \$1000 and they match them \$4000 for post secondary education training. They have 26 slots left and they are going to market it in the schools and Gaston College. Families will be able to have monies to further their education. They will have to amend their previous program.

Councilman Burkett said it looks like those slots would be taken up for housing. He asked how much money are they talking about.

Ms. Thombs said it could be either/or in this program.

With no other concerns, the meeting was adjourned.