

CITY COUNCIL MEETING WORK SESSION
Wednesday, July 30, 2014
5:00 P.M. in West End Conference Room
225 East Weatherspoon Street, Sanford, NC 27330

The Sanford City Council held a work session on Wednesday, July 30, 2014 at 5:00 P.M. in the West End Conference Room at City Hall, in order to discuss Brick Capital Community Development Corporation. The following people were present:

Law and Finance Committee:

Mayor T. Chet Mann	Mayor Pro Tem James Williams
Council Member Byron Buckels	Council Member Sam Gaskins
Council Member Jimmy Haire	Council Member Charles Taylor
Council Member Rebecca Wyhof	City Manager Hal Hegwer
City Attorney Susan Patterson	City Clerk Bonnie Davis

Absent:

Norman Charles Post, III

Work Session

Mayor Chet Mann called the work session meeting to order and welcomed Council Members and Brick Capital Community Development (hereafter "Brick Capital") guests to the meeting.

City Manager Hal Hegwer explained that a major point of any discussion regarding Brick Capital was to distinguish differences between community development efforts of Brick Capital and those of the City of Sanford.

Community Development Manager and Brick Capital Secretary Karen Kennedy explained that her position with the City of Sanford focuses primarily on housing rehabilitation and funding acquisition. She described the various funding resources and changes in funding over the past several years with federal and state agencies. She noted that access to Community Development Block Grant funds previously received have ceased for housing and will remain only for infrastructure. Since the City of Sanford has utilized and maintained infrastructure well and has fewer concentrated areas with water and sewer needs compared to other municipalities, funds are more difficult to obtain. Funds are still needed for low- and moderate-income housing and rehabilitation.

Mrs. Kennedy stated that there was still a large inventory of vacant lots remaining from the urban renewal project. One of the duties of the City has been to sell these lots to other non-profit organizations who have partnered with the City for the construction of affordable housing units in the City's redevelopment area, including Habitat for Humanity and the Sanford Housing Authority. Some lots have also been sold to local developers. She explained that she handles grant compliance issues relative to federal and state regulations including Fair Housing, Equal Opportunity and Section 3 funding reporting requirements. She also serves as Sanford-Lee

County Fair Housing representative, maintains housing rehabilitation funding records, works with the local annual Block Party housing and revitalization efforts (in collaboration with local churches, community and civic leaders), is a Board Member of the North Carolina Community Development Association, and is the City's advisor on the Sanford/Lee County Youth Council which was formed by the City.

Mrs. Kennedy reiterated that Brick Capital was originally created as the non-profit entity which was required to handle new construction, a function which the City of Sanford could not perform. In addition to handling new construction, assembling land parcels, acting as a project developer and manager, Brick Capital has evolved to also include affordable housing development of multi-family and supportive housing serving the special needs population. Although both are similar with income-eligibility requirements, they differ in that this special needs population is served only by Brick Capital. Brick Capital also developed the Apple Tree Apartments, handled the Haven project and redeveloped the W.B. Wicker site. She stated that Brick Capital staff, particularly Kate Rumely, has extensive financial expertise and the ability to layer funding resources such as the multi-layered financing process used in the W.B. Wicker project. She also explained that Brick City also has a local presence and a vested interest in the community.

In addition, Mrs. Kennedy explained that the City of Sanford local government assists with planning, zoning/land use, permitting and code enforcement issues and police functions.

Council Member Rebecca Wyhof requested some clarification about the role of the Sanford Housing Authority non-profit organization and whether they were experiencing funding difficulties similar to those of Brick Capital. Mrs. Kennedy explained that they receive funds from the Housing and Urban Development, a federal agency, and do not receive or rely on Community Development Block Grants.

Mayor Mann asked what would happen if no funding were available for Brick Capital and how it would affect the Sanford Housing Authority. Mrs. Kennedy introduced Mary Recca Todd, who is the Manager of Supportive Housing with the North Carolina Housing Finance Agency ("NCHFA"). Mrs. Todd explained the Housing Finance Agency's role in Brick Capital projects and confirmed that the Housing Finance Authority had been well served by its partnerships with both the City of Sanford and Brick Capital over the years and that that the supportive housing in Sanford could not have happened without Brick Capital's involvement. Ms. Todd noted that without Brick Capital's continued support, NCHFA, as first lienholder, would be forced to seek another owner who would likely be located outside Sanford-Lee County and that experienced management services would also be required. She informed the Council that NCHFA is modifying the loan terms of Brick Capital in order to defer loan payments.

Council Member Jimmy Haire asked about inspection policies of the multi-family projects, which Mrs. Todd explained are done annually on the interior of the properties (which is the tenant's responsibility to maintain) and that there have been no problems with maintenance on any properties owned by Brick Capital. She further explained that exterior maintenance and landscaping are responsibilities of the owner, not the tenant.

Council Member Charles Taylor remarked that Ken Armstrong, Executive Director of the Sanford Housing Authority, has been a tremendous asset to the community and asked for Mrs. Todd's opinion as to whether the Sanford Housing Authority could adequately assume some of the responsibilities currently handled by Brick Capital. Mrs. Todd replied that she was not sure whether they had the capacity to manage the supportive housing, which is different from public housing. There are other organizations (such as Arc of North Carolina) who serve individuals with disabilities.

Mrs. Kennedy stated that without Brick Capital, the City of Sanford would not have an important piece in the puzzle, namely an ownership interest in the W.B. Wicker Center. Mrs. Kennedy also stated that that ownership of vacant lots which had previously been sold by the City of Sanford to Brick Capital would revert to the City.

Council Member Rebecca Wyhof asked whether there were any functions of Brick Capital which could be removed temporarily as opposed to which functions were clearly essential and could be performed only by Brick Capital. Mrs. Kennedy stated that the assessment currently being performed by the NC School of Government Development Finance Initiative will address these questions which is, in fact, the purpose of the assessment.

Council Member James Williams acknowledged the work on supportive housing previously done by Brick Capital and asked why more staff is needed if no new construction is taking place. Mrs. Kennedy explained that the workload currently being handled by the two existing staff members includes management of both the W.B. Wicker property and of the supportive housing clientele.

City Mayor Chet Mann invited Brick Capital representatives to address these issues. Board Chair Margaret Murchison stated that without the involvement of Brick Capital, the crime rate and blight would both increase, resulting in additional costs to the City.

Brick Capital Executive Director Kate Rumely updated the Council on developments which had occurred since the last meeting held earlier in July. She stated that there are three new tenants at The Sanford Business Suites (located at and leased from the W.B. Wicker Center). The Housing Financing Agency has also agreed to defer loan payments of \$7,000 annually. A local Forester, Stan Hales, has been consulted regarding the 16 acre tract across from Horton Park, who said that the timber on this tract could be thinned and estimated that this should generate somewhere in the \$20,000 to \$30,000 range. The adjacent 11 acre tract has already been zoned for a solar farm and there is a prospective purchaser.

Ms. Rumely distributed to the Council Members information packets (attached and labelled as Exhibit A) on Brick Capital's current budget which included a Summary of Significant Accounting Policies, lender reference letters and photos of local properties which could benefit from services and expertise provided by Brick Capital. Council Member Jimmy Haire shared information and personal knowledge of several of the properties located in the Jonesboro area.

Council Member James Williams inquired about the rent paid for the W.B. Wicker property to the LLC and a pending debt payoff due to an investor. He requested an explanation of the distinction between the “investor” and the “LLC”. Ms. Rumely explained that the Wicker property is currently owned by an LLC with an “equity investor” who invested more than \$1,700,000 in order to receive tax credits which are received immediately. There is a subsequent five-year compliance period, after which time there is a two-year period in which the owner of the property can “buy out” the equity investor at a pre-established price. At that point, Brick Capital and Self-Help Ventures Funds, as co-owners of the Wicker property, will remain as owner.

Council Member Charles Taylor requested to know exactly who the investors in Brick Capital are at this time. Ms. Rumely explained that investors in the Wicker project, with a total investment of approximately \$6.1 million, are as follows: Equity Investor National Trust (approximately \$1.793 million), Federal Home Loan Bank of Atlanta (approximately \$2.515 million), Community Development Block Grant funds from the State (approximately \$1.1 million), Lee County (\$200,000) and a project development fee (approximately \$462,000).

Ms. Rumely explained that the twelve-unit supportive housing project was funded through a loan of \$120,000 from Federal Home Loan Bank of Atlanta and a loan of \$400,000 from the Housing Finance Agency, who also made a \$90,000 grant. First Bank was also involved in the project.

Ms. Rumely further explained that the second, six-unit supportive housing project received funds from the Department of Health and Human Services (“DHHS”) Key Program through the NC Housing Finance Agency. NCHFA Manager Todd explained that the construction money capital came through the Housing Trust Fund which is administered by the agency and that the operating assistance was through the Key program which is operated on behalf of DHHS.

Ms. Rumely summarized by saying there is a total of 18 supportive housing units in Sanford and five more in Pittsboro. She also noted that of these 18 units in Sanford, only one is vacant. There is quick turnover of these properties, she explained; they do not sit vacant on the market for very long.

Council Member Taylor wanted to know what else the lenders who furnished letters of reference (First Bank, First Citizens Bank & Trust Company and Branch Banking & Trust Company) have committed to do in order to support Brick Capital and to keep it afloat. Kate Rumely stated that they have already made modifications to their loans and they have made regular contributions. Mr. Taylor referred to a long established local business, Lee Builder Mart, which began with layoffs, then reduced its hours of business, trying many ways to stay afloat but ultimately, had to close. He asked if Brick Capital would be willing to liquidate property in order to remain financially viable. He requested that everyone recall the core purpose of Brick Capital.

Ms. Rumely commented that Brick Capital has in fact actively attempted to sell their office building but there had been no interested buyers. She noted that it had been on the market,

having been listed with Steve Malloy, a commercial agent for Adcock & Associates, for six months and no perspective buyers had viewed it. Ms. Rumely explained that Sanford has many competing commercial properties currently for lease and for sale.

Mayor Mann asked Ms. Rumely if Brick Capital was willing to move forward immediately with thinning the timber as previously discussed to generate income and to proceed with donating some lots back to the City in order to reduce tax payments. He stated that the City and Brick Capital need to buy some time until the assessment is received and to ascertain how to make Brick Capital sustainable. Mr. Mann inquired as to whether some assets could be quickly liquidated. He noted that often shedding or pruning is necessary in order to become more productive, as well as formulating a better business model.

Council Member Taylor commented that Adcock Rental Management has successfully managed more than 300 local rental properties for years, as has Simpson & Simpson and many other individuals. He also noted that he has reviewed the budget of the local Habitat for Humanity, whose paid staff salaries run approximately \$32,000-\$35,000 annually. He explained that these matters have been brought to his attention by his constituents and that since there are currently many needs in the community and these needs will only increase, any assistance provided to Brick Capital will likely result in additional requests by other non-profit organizations.

Council Member Sam Gaskins noted that property management is a complex issue requiring many staffers. He sees the issue involving three questions: (1) is Council willing to step in? (2) what can the City do and what needs are there that the City can fulfill? (3) how can the City fund any assistance? Mr. Gaskins explained that due to the decrease in sales tax receipts and very low interest income, taxes levied by the City have been increased in order to fund items previously removed from the budget, including \$600,000 for paving work and bonds approved by the citizens. The figure of \$200,000 previously given to the Council is for recurring expenses and is not a one-time request, which is a major problem.

Council Member Gaskins stated that he does believe the City should provide some sort of assistance because of the many benefits Brick City has provided, including increased property values, which in turn adds to the tax base and which is anticipated to continue. Mr. Gaskins pointed out that approximately 2/3 of City jobs are related to public safety. He does hope, however, that Brick Capital can become self-sustaining and hopes that the assessment will provide guidance on achieving this goal.

Community Development Director Marshall Downey confirmed that the "Kick-Off" meeting for the assessment was held on July 18 and that since that time, meetings have been held with Ms. Rumley, properties have been toured and data is now being reviewed. The assessment process is expected to take approximately six weeks and should be completed before the end of August.

Council Member Rebecca Wyhof reiterated Brick Capital's value to the community, while stating that she has been asked by constituents whether funds should instead be invested directly within the city to maintain accountability and to control how the funds are spent in order to assure a return on any investment. Mrs. Wyhof explained that her issue is whether the funds should be provided to a non-profit organization or spent directly within the City, not whether work done by Brick Capital has been productive.

Council Member Sam Gaskins remarked that the County should also play a part in resolving this issue, along with the City.

Council Member Taylor stated that the funding issue is similar to the recent funding issue with Haven, which was ultimately resolved without any involvement from the City. Council Member Gaskins noted that financial data was not provided by Haven while Brick Capital has provided all information requested, including data needed for the assessment.

Mayor Mann summarized much of the discussion by stating that while consensus seems to be that there is a desire to assist Brick Capital in some way, the level of commitment to assist is uncertain at this time. Mr. Mann stated that this workshop has been a great source of information needed to make an informed decision. He further stated that perhaps until the assessment is received, Brick Capital could proceed with measures to provide a temporary cash flow until additional financing is received or until a more efficient business plan is formulated.

Council Member James Williams requested some background information on Kate Rumely, which she provided by stating that she has been with Brick Capital since February 1997 and her previous work experience included working with non-profit organizations, serving as a Board Member of one organization and working with community development organizations in the Boston neighborhood where she formerly resided.

Mayor Chet Mann stated that the hope is that the streetscape improvement project will entice and spur interest by private investors.

Mrs. Rumely expressed her desire to continue property rehabilitation, such as the ones in the photos she provided, which will then add to the local tax base. Council Member Gaskins noted that there are two benefits received from these rehabilitation projects: (1) the increase to the tax base, and (2) the fact that these rental units now provide income to Brick Capital.

Brick Capital CDC Board Member Bill Wilson stated that properties similar to those shown in the photos are a blight to the City, the removal of which is part of Ms. Rumely's mission on behalf of Brick Capital. He noted that Ms. Rumely, who was trained at Harvard University, also recognized the need to rehabilitate W.B. Wicker School, which was a successful project and which serves as a wonderful example of the work done by Brick Capital. He also noted that the Board of Brick Capital serves because of a request from the City for their services.

Council Member Byron Buckles noted that the Sanford City signs state that this City is "well centered", similar to a construction leveling tool. The level also represents balance, which

is a goal of Brick Capital and Kate Rumely, who both represent the City of Sanford's motto of being "well centered".

Mayor Mann asked if there were any other issues needing clarification or whether any additional information or data was needed from any of the parties at the workshop.

Ms. Rumely questioned whether approval was needed from the City for the timber cutting since the land was given to Brick Capital by the City subject to restrictive covenants. Mayor Chet Mann stated that this matter will be placed on the agenda for the upcoming meeting.

Adjournment

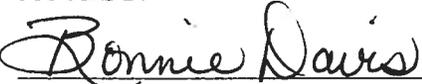
Council Member James Williams made the motion to adjourn. Seconded by Council Member Wyhof, the motion carried unanimously.

Respectfully Submitted,



T. CHET MANN, MAYOR

ATTEST:



BONNIE DAVIS, CITY CLERK