

August 31, 2017

A Special Meeting of the City Council of the City of Hickory was held in the Council Chamber of the Municipal Building on Thursday, August 31, 2017 at 6:00 p.m., with the following members present:

Brad Lail	Jeff M.Cline	Hank Guess
	Aldermen	David P. Zagaroli
Danny Seaver		Jill Patton

A quorum was present.

Also present were: City Manager Warren Wood, City Attorney John Crone, Deputy City Attorney Arnita Dula, Governmental Affairs Manager Yaidee Fox, and City Clerk Debbie D. Miller

Also in attendance included: Members of the Hickory Housing Authority Board and Consultants from The Beatty Group, Willie Beatty Sr. and Willie Beatty Jr.

- I. Mayor Cline called the meeting to order. All Council members were present except for Alderman Tarlton. He thanked everyone for coming and taking their time as volunteers, Council appreciated them being present. He thanked Mr. Beatty and Ms. Richardson. He advised he had the opportunity to meet with their Board on several occasions and it had helped him understand more about the RAD program. He appreciated their time. He advised this was an open meeting, open to the public, but was not a public hearing. The formality of a public hearing was not necessary. Council would not be taking any action, there would not be any votes. He commented this is really a meeting between two Boards of Directors, the City Council as the Board of Directors for the City, and the Board of Directors for the Housing Authority. They both have responsibilities and authorities and both serve in part the same constituents. It was an informational session. He had the opportunity, along with City Manager Warren Wood, to learn more about the RAD program, but for others who were not in that meeting, it really is the time to come up to speed. Informality was the rule, discussion between two boards and not the typical stiffness of a public hearing. He asked Dr. Sidney Myles to the podium.
- II. Presentation of the Hickory Public Housing Authority's Rental Assistance Demonstration (RAD) Conversion Program.

Dr. Sidney Myles, Chair of the Public Housing Authority Board, thanked Council for the opportunity to discuss the issue. As they move forward with housing, and you can see it all over the country, they have to find ways to improve housing and this project that they have undertaken is one way to try and up their ante on their housing to improve quality. By improving quality of their housing in our City we can actually attract industry. He commented because the rents had gone so high in Charlotte they had to designate a certain amount of affordable housing in the city and between the Housing Authority and the city they are getting together and trying to figure out how that is going to happen. They are doing this through (RAD) Rental Assistance Demonstration. He advised he had met Mr. Beatty several years ago before RAD was even thought about at one of the meetings that was sponsored by some of the State Agencies involved with housing. Mr. Beatty gave an incredible talk about what your board is doing for your residents. He coined a slogan, there are some boards that meet, greet, eat, and retreat. He joked that is not what they were doing. As the years had gone by, he had gotten to see Mr. Beatty and go to some of his meetings. Mr. Beatty has such incredible knowledge of where housing is going. He introduced The Beatty Group, a privately owned consulting firm providing strategic and technical assistance to public and private sector enterprise in a wide-range of business disciplines. The group team of professionals specializing in affordable housing industry. They provide dynamic vision and innovative strategy leveraging creative solutions to utilize the industry's best practices and trends to support operational and programmatic effectiveness for their client. The company brings a new vision to today's affordable housing market and offers a strategic solution to be long-term sustainable. The Beatty Group has provided a wide broad range of strategic and technical services for the Housing Authorities. Mr. Myles understood they are not only just working with them, they work with several other Housing Authorities in several other States, and private sector providers of affordable housing for more than two decades. Their core client base includes large and small agencies operating from 85 units to 6,000 units of affordable housing under Public Housing Section 8, rural development, and low income programs for the elderly and disabled. They are truly family business owned and operated by Mr. Willie Beatty Sr. and his managing son, Willie Beatty Jr. He noted Stephen Beatty was not present. He asked Mr. Willie Beatty Sr. to the podium.

Mr. Willie Beatty Sr., The Beatty Group, thanked Dr. Myles for the great introduction. He commented his mother would be proud of him if she heard him talking. He thanked Council for the opportunity to share with them where affordable housing is, where it is going, and what is needed, particularly as it impacts Hickory and the community. He advised typically this program was basically an overview. Their program and training for RAD is about a two and a half day course which gets into a tremendous amount of detail. He advised he wouldn't get down in the woods or the weeds. He would talk about three topics. The first being a little discussion about Public Housing; what the model is, where the model is, and where the model is going. He would define and tell Council that it is broken. Then he would discuss RAD which is a preservation initiative that is designed not to fix that broken model but replace it. As he talks about Public Housing he would build that case for change or see how HUD is built. Its case for change in saying this model is dead we are going to take it off life support and we are going to move to something that is better and more stable. He would talk about the Hickory Plan; where the Hickory Housing Authority is going, and how that is impacting what they want to do. He would be happy to answer any questions, and keep the discussion interactive. He advised Council to feel free to stop him, ask questions, engage as they see fit. He thought that it was very important that

Council understood where this program is going in order to understand where the Hickory Housing Authority is going. They do quite a few of these presentations to City Councils, typically it is much earlier in the process. He mentioned they did one previously, but a lot of time had passed since then. He was happy to provide Council with a refresher. Normally after the overview with the city they have been able, in many cases, to form some very strong collaborative relationships. Which is what is going to be required to achieve what the RAD initiative is intending to achieve.

Mr. Beatty presented a PowerPoint and discussed what public housing is. He stated affordable housing and what is it? It is that housing that is affordable to people who are earning a salary at the area median income. HUD drops that down a little lower and says they ought to talk about it at 80 percent of the median income, 50 percent of the median income and 30 percent of the median income. Because when you look at the data those are the critical data points that identify, to a significant degree, how much people are burdened with the cost of housing. If you look at the cost of affordable housing, it is not all just low income people who are paying 50 percent of their income for housing cost; housing cost defined as both rent or mortgage and utilities. In their case it is going to be rent and utilities. He commented think about paying 50 percent, or 50 cents out of every dollar that you earn going to housing. Paying more than you can afford to pay for housing and paying it to the extent that they are not able to do other things, food, healthcare, education, clothing, and other things that sustain your life. At 30 percent, which is where public housing folks are, there is a real burden at 30 percent. Think about that at 30 percent you make minimum income, and you are going to pay a third of what you get after taxes for housing cost. Where do you buy groceries? Where do you buy clothing? Where do you do other things? Public housing is that portion of affordable housing that is owned and operated by the government. You have this big bucket of housing that is called affordable housing which is defined for people at or below the area median income. Some of that is privately owned. Some of that is privately provided by private sector investors, etc. Public housing is government owned and government provided and it is typically subsidized. The truth be told almost every piece of property, every house that is bought for anybody at the median income, even at above, is subsidized to some degree by the government. That thing called an FHA loan, which is a federal subsidy, Fannie Mae, Freddie Mac, etc. Generally the public housing piece is ran by the Housing Authority. The Housing Authority is typically appointed by a board which is appointed by the city. That board is responsible for taking the resources and bringing resources together to address the housing needs of the low income people in the community in which they have jurisdiction.

Mr. Beatty discussed housing facts. HUD is much bigger than public housing. Most of the time when you talk about HUD people think about public housing. Public housing is a small amount of what HUD actually does. HUD provides rental assistance to more than 4.8 million households, 13 different rental assistance programs, 18,000 individual contracts, 3,200 Public Housing Authorities, and 1.2 million units of affordable housing. He discussed the inventory, the physical conditions of the standing inventory. He stated you know what it is. He didn't need to tell them about the condition of public housing. It is old. Units are standing from 1937, 1945, 1953, and 1960, very few were built in the 70s, a few in the 80s. Old. They have been neglected due to poor management, or a variety of social economic issues. The public housing program, the laws were written in 1937 and it was not really a housing program. The public housing program was a stimulus package. It was a "Jobs Bill" created after the recession. They said we have this housing need around the country, we have got a lot of poor people, and we have got people that don't have a place to live. They could put together a Stimulus Bill that will create jobs and at the same time provide some housing for poor people. As a result of that the focus was not on the provision of affordable housing in the communities that supported them, it was about jobs. As a result of that it had great success in the provision of jobs it had very poor success in the development of sustainable communities. That foundation is what brings us to where we are today. Maintenance had been deferred due to inadequate capital funding. Sometimes we blame management, and sometimes we blame the board for units being beat down. But you have a 1945 structure, built with 1945 quality levels, with 1945 technology, trying to exist in 2017. He didn't care how much money you spent fixing it, it is like putting "lipstick on a pig", you can't fix that.

Alderwoman Patton asked if they were planning on rehabilitating those units.

Mr. Beatty advised that is where they are today. For the last 50 years, you have got 350 units, they are going to give you an extra \$200,000 this year to take care of those 350 units. In the beginning not bad, because the units were still relatively new. As the units got older not nearly enough money. People used what they had, to do what they could do. He advised that \$26 billion dollars in approved maintenance costs right now. That \$26 billion dollars would bring you up to where you ought to be to HUD's minimum quality standards, which is not much. It is problematic. We all know that \$26 billion dollars is not going to happen. It gets bigger every month, because as the overall inventory continues to age the need for maintenance money goes fast. That money is not going to happen.

Mr. Beatty discussed where public housing was located, communities that are seriously distressed in almost every city. Substandard and abandoned housing and buildings. If you walk through any of those communities, around where public housing is located that is what you see. Growing crime posing safety challenges, gangs, drugs, property crimes all growing in those communities. Poverty industries flourish, check cashing businesses, liquor stores, thugs, that prey on the emotions of poor people. Poor access to quality of life amenities. Healthcare. There are some grocery deserts where people don't have grocery stores within 3-5 miles. Some people want to do that, they want to live in locations away from the city and that is okay because they have cars. They have transportation. Low performing schools. It has been proven time and time again that it matters where you are educated. It matters where you live because it affects how

you are educated, because we are in community schools, and you hear a lot of people that say they hate community schools. They hate community schools because, they like public housing, are typically underfunded and under resourced. We get the same kind of education that we have in housing and that becomes generational. As a result of that generational what you will see is a great-great grandmother came in, and then the grandmother came in, and then the mother and the kids, as many as five generations spending all of their lives in a public housing environment. The system wasn't designed to do that. Little to no access to public transportation. Without public transportation they have no way to go to work, buy groceries, get to doctors, get to healthcare, get to civic and public activities. It can't happen. No public or private investment. Who are you going to bring into that kind of an environment? Crime ridden, dilapidated, buildings and facilities, no access to anything. Who is going to invest money in those communities?

Mr. Beatty discussed the funding for public housing which continues to be inadequate. It is not just today's general professional attitudes of affordable housing. Period. It has just not been favorable. Public housing is considered an entitlement. The monies are just not there. Significant Federal deficits over the past 20 years or so. Not only are we not inclined in the government to put money there, now over the last 20 years we don't have much money to put there. Little to no funding to support residents efforts to achieve self-sufficiency. How much money can we say for the Housing Authority; HUD you are going to budget a million dollars a year to do what I need to do. They give you \$800,000, \$850,000. You have got dilapidated inventories, payrolls, you have got all the other stuff, even property taxes. There are three things that are required for families to become self-sufficient. One is sustainable housing units in sustainable communities. It matters how you live and it matters where you live. Secondly is sustainable employment, where I am not making \$7.25 an hour, but I am earning enough money to provide for myself so that I can live an unsubsidized life. Third is education. If you don't get the education you can't have the job which means you can't have the sustainable housing. Who provides that? His position is when you accept an appointment as a commissioner of a board then you accept some responsibility for driving some activity to those people that you serve because you don't want people there generationally. You want people there for a while until they get on their feet and then you want them to move out. Can't move out if you can't find jobs. Can't move out if you are not qualified for jobs. Can't have jobs if you can't get high performing schools and provide a good education. You don't develop the other values that are required to support it if you are living in a property stricken environment.

Mr. Beatty discussed industry challenges. Current models are not generating desired results when HUD looks at it or when consultants look at it. He spent 24 years on a board, 23 of those years as a board chairman. That model is broken, it doesn't work anymore. He would discuss how and why it was not working. The current budget levels that HUD has is not sustainable. Even funding at 80-85 percent HUD can't sustain public housing over the long-term at the level that it is performing at. They must change the model. Inadequate funding to support construction of new units. At some point, it doesn't matter how well you build a unit, it gets old and goes away. Buildings are just like people. They are born, they are great young, they get old and they die. Whatever you put in the building, eventually that building has to be replaced. If you are talking \$1.3 million dollars of those units that must be replaced, where does that money come from? The Federal government is not going to do that. Toxic political environment, a major shift in the ideology of providing affordable housing. Many people believe today that it is not the responsibility of the government to provide that housing. That can be argued strongly on both sides, but right, wrong, and distance, democrat, politician, independent, the fact is that the environment is toxic for public affordable housing. Growing demand, dwindling supply. How many new public housing built since Nixon? Frozen at that point. Faircloth limit was a rule that determined how many units each Housing Authority would get. That has not been adjusted since the 70s. In fact, we have taken down, his best number was at least five years old, 200,000 units had been demolished and only 50,000 replaced. Roll that forward five years into the situation that we are in now and that 200,000 is probably close to a half million. It might even be worse. It isn't because they haven't tried they have had program, after program, after program. He referenced some of the programs, which were programs that HUD rolled out to try and address the issues that he was talking about. All of them had a little bit of success, none of them have solved the problem. If you look at it nationally right now you are talking about growing demand growing supply. The demand continues to grow big time for two reasons: 1) baby boomers are coming of age and they like to live in a different way; and 2) people who are aging want to age in place so there is no turnover in the inventory. Thirdly the economics of our economics right now, unemployment, foreclosures, drive the need for people to move into rural housing. If you look at rental affordable houses nationwide there are 35 units for every 100 units of need. If we look at that on the lower end it is probably 15, 20, or 25. At the very high end it is not a real problem there is about 101 units for every 100 units needed for people who are earning above the area median income. What you have is the poverty gap continues to get wider, not just in salaries and compensation, but in housing, healthcare, and education. He discussed increasing rents and stagnant income. Inflation is driving rents up. If you look at salaries for poor people and middle income people over the last 20 years they have been fairly flat. The affordability gap is a huge problem right now. People earning minimum wage cannot afford a two bedroom unit in any State in America. A salary of \$38,650 is needed to afford minimum housing requirements. How many poor people do you know that make that. You don't get to earn that at McDonald's. You don't get to earn that at \$7.25 an hour, or \$8.25 an hour, or \$10 an hour. That availability gap is a real problem.

Mr. Beatty discussed the current model which is inefficient and ineffective and has serious regulatory constraints. The rules are crazy. He suggested Council sit down and talk to Ms. Alanda Richardson about what she has to go through just to spend a \$1,000 dollars. She would spend a \$1,000 in process doing the procurement that is required to buy a \$1,000 table. If he wants to hire a contractor, he wouldn't get to do like the private sectors and select the best

contractor, he would have to go through a long procurement process that will often net them the worst contractor. Then he would get into real trouble if he didn't hire that worst contractor. He commented concentrated poverty, Hickory, like his stay in Statesville, as in Atlanta. Poverty is not citywide. Poverty is concentrated in poverty level communities. The people that are within those pockets of poverty don't get out easily. Their lives are significantly different than the lives of the people who don't live in that footprint. Inadequate quality of life focus. We do not have the authority of the Housing Authority and we won't even have an afterschool program. We want to have a program to teach a person how to fix their resume. We want to address that academic enrichment that their kid needs so that when he is ready to move into housing he doesn't come back. Not there. He mentioned the availability and the affordability gap, it does not attract or even allow private sector investment. You cannot do anything but buy units unless they say it is okay. You cannot encumber public properties or Federal properties. You can't go out and get a mortgage on them. It is against the law. Anything that you do to public housing you have to pay for it. Right up front. He gets that \$200,000 a year, that doesn't mean capital funds, but there is a million dollars in need. He doesn't have the flexibility of saying I can take the \$200,000 a year and payoff a million dollar loan in 5-10 years. He can use that million dollars to upgrade the property. You don't have that flexibility. HUD says if you buy anything you have got to pay cash for it. There are a couple of programs where they will allow you to pledge \$200 a month, but it takes two years to do it to get through the paperwork, to get through the process.

Mr. Beatty discussed the broken business model. The latest approach to do it, to fix the broken business model, is this thing called RAD. He endorsed it, even before he would explain what it is. He wouldn't tell Council it was perfect, or it would fix every problem, but he would tell them that it is the best program that they have come out with and has a potential to develop sustainable long-term solutions. The first one out of a long list of programs. Is it perfect? Absolutely not. Does it have some shortfalls? Absolutely, but it is the best thing going. It is not the Mercedes or the Cadillac, but it is strong Chevrolet. What is that program? It is a demonstration program designed to test the impact of converting public housing units to a Section 8 funding platform. It is a plan to privatize affordable housing. HUD is going to get out of the business. They have been talking about that for 15-20 years. They have been seeing step, by step, by step and this is the biggie right here. In 2012, the law that authorized this demonstration authorized up to 60,000 units to be converted. When they first started they had 12,000 units approved. Because everybody was afraid of it. They told them this before. I have heard this story and I am not doing that again. Then HUD came out and talked to people like them and told them this is what they are going to do and they need to go tell their clients so they can jump on this train or get on their train later on. This is going to happen. They moved this from 2012 to 2015 they went from 60,000 to 100,000, then went to 185,000 now they are at 225,000 and the recommendation in the 2016 budget from the administration was to totally remove the count. Which says to them this is no longer a demonstration. This is now a program that will become law probably in the 2018-2019 timeframe.

Mr. Beatty explained how it works. HUD enters into a contract with qualified property owners and says I have a deal for you here. They don't really care whether you are a nonprofit or for-profit, or some combination of. If you will take off this program with them, if you will transfer all of your public housing or any parts of it off of the public housing program on to a Section 8 platform, they have a good deal for you. They are going to give you all the assets debt free on an average \$12 to \$15 million dollars. Debt free. In addition to giving you the assets debt free they are going to give you 40 years of guaranteed revenue. They will give you a 20 year contract, with a guaranteed renewal for another 20 years. The law reads that the government must offer and the property owner must accept renewal of the contract in similar terms. They are going to loan you the money to fix these units up and make it nonrecourse. They can't come back after you if it doesn't work. Now what HUD wants you to do with this deal is take that \$10 million dollars in assets and leverage it to raise the quality of your inventory from that poverty stricken community that he has been talking about to a market rate unit and to build as many units as you can build and as your market can handle. They are saying to the board don't worry about today, be prudent in what you are doing. The deal has got to make sense. This is my deal I am going to take care of it.

Alderman Seaver commented that Mr. Beatty had said this should become law by 2018, he asked if all public housing have to become privately done by then or are they going to have some kind of phase in period after that?

Mr. Beatty advised they started a phase in period in 2012 with that 60,000 units. The law has already passed. They are going to convert all of the units they can convert. Make no mistake about it, not every Housing Authority will make the cut.

Alderman Seaver commented it is not going to be as easy as throwing the switch.

Mr. Beatty confirmed that was correct. You can't do it. Those who can't make the cut, who knows what HUD will do. His personal opinion is that they will go to Regional Housing Authorities. Right now you can go into any area of a 20 mile radius and you have 5, 6 or 7 Housing Authorities. Every one of those Housing Authorities has an Executive Director, maintenance staff, property managers, and investors. The other side they have nothing forming assets. HUD has concluded that is not sustainable. What you are going to see is HUD saying they are going to have one Housing Authority or one provider and it is not going to be a Housing Authority because public housing is going away. The whole public housing model is broken it won't be around. They are going to have one housing provider that they are going to fund in this area so this is how you are going to do it. Unless they do it voluntarily then they get to decide how they do it. In Georgia he works with two housing authorities one has seven counties and one has five counties. They are not working totally well yet because it is new. You have a board with

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35 commissioners on it. You are trying to facilitate politically all of those municipalities that you have involved in that consolidation. They are working on a model and he is sure that other people are working on a model throughout the country where we can make that work.

Mr. Beatty discussed the goals of the program. Number one is to insure that housing remains permanently affordable to low income households. Leverage private capital to preserve assets. That says I know that you can't have any debts on these units now, but I am going to change the rule. I am going to remove my deed of trust and I am going to allow them to leverage those units to bring in private sector capital for them to rehabilitate the units and build new units. Major, major piece. Stabilize funding to support long-term planning. Which basically means that for 40 years they are going to put them on fixed income. Your subsidy can never go down, but they are going to adjust it for inflation periodically as required on an annual basis. If they do the planning now, they can plan 20 years out. They know what the revenues will be. It is stable. They don't have to worry about the new administration coming in funding them at 65 percent as opposed to 85 percent. They know what their revenues were. They have got to be a good business person in controlling expenses and do all of those things because they are going to move from a budget based model, where they tell HUD how much money they need and they give them the money and their job is to responsibly spend it. Which we don't do a good job of. They are moving over to a model now that says here is what you got, make it work. Make it work. Now they have to be efficient. They have got to find a way to make good solid business decisions that will generate available bottom line. We are not in the business to make profits, but they have to figure out a way to continue to expand their capacity to serve, and it takes money to expand nonprofits capacity to serve. You have got to drive that money to the bottom line because HUD says you have got all you are going to get from me. That is it.

Mr. Beatty discussed RAD provisions, offer residents greater choices of mobility. Under both of these programs, if a resident doesn't like the community that you have created, and if the resident doesn't think you are doing a good job, the resident can request a voucher and they are guaranteed to receive that voucher and they can leave. Choice mobility, if you are in a community where you don't like, renting an apartment that you don't like you pack up and leave. Typically you make enough money where you are not depending on a voucher, but most residents don't have that choice, but under these rules if your customer service stinks, if your service delivery stinks, if you are not doing right by the people you serve by the community they can say bye.

Alderman Guess asked who makes that determination.

Mr. Beatty advised the residents.

Alderman Guess commented without any merit.

Mr. Beatty commented if you are not paying the rent, you violated your lease you didn't get a voucher you just go away. But if you are doing all the things that you are supposed to be doing and following your lease, and not getting poor service, and maintenance people don't show up and you are letting your units go and the yards look crazy, crime is building up around there, you can say I want my voucher. See you later. Now it moves the Housing Authority from a marketing standpoint. It moves the Housing Authority to where it has to be more private sector like. Has to be more private sector like because it has to compete with other private sector providers because this is not only available to the Housing Authority it is available to for-profits. They have to be in a deal with the Housing Authority to make it work or they have to do low income tax credit development but they get the same benefits. At the end of the day the program must be revenue neutral, you can't cost HUD any money. That is huge.

Mayor Cline asked if HUD was actually loaning the money or if they were guaranteeing.

Mr. Beatty advised they were guaranteeing the money. Basically you have got to find a bank, the bank has got to look at your plan. The bank thinks that will work and gives you the money conditionally, the condition is that FHA approves it and insures it. You close the loan and treat it like you would any private sector loan. He discussed provisions of RAD, convert all or part of current public housing authority inventory to a long-term Section 8 contract. If you have 330 units you don't have to convert them all. You might decide at this point to convert 150 units because that is all that you can handle right now. This market is not going to support a lot of what you are asking them to do. Now there is a provision where HUD will do, and once they look at you and see that you are qualified, it almost is not your decision anymore because HUD is starting to ask why you don't move all of them? What do you need to help you move all of them? What they are doing is pushing them to that decision to convert all of their units because they want out of this business and they are going to get out of this business. When you go to HUD and say I only want to convert 100 units, and the 100 units that I have got, I have the capacity to borrow \$5 million dollars but I am going to only borrow \$2 million dollars. HUD is looking at you and saying that is a good thing, but let's talk next week after you think about it some more.

Alderman Patton asked what the Public Housing's stance was of how many that they are going to convert.

Mr. Beatty responded in Hickory, all of them.

Alderman Patton asked in what timeframe.

Mr. Beatty advised everything should be converted by the end of September. They have the Annual Contributions Contract (ACC) right now. That is the funding model. The funding model is

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a contract between the Housing Authority and HUD. They say the ACC is a grant contract. They say they will award them this grant to provide these services to the low income residents and here is how you are going to do that. What is going to happen with the conversion with RAD is they are going to cancel the ACC with the Housing Authority and enter into a Housing Assistance Payment (HAP) contract with a nonprofit, which would actually be the new owners of the enterprise. They are making it impossible for the Housing Authority to continue public housing operations. The ACC provides the money for public housing will be canceled when you convert. They are not giving the new Section 8 to the Housing Authority they are giving it to a nonprofit.

Alderman Lail asked in the City's case if it was New Dimensions.

Mr. Beatty confirmed that was correct.

Alderwoman Patton asked what the logic was in changing from whatever the name was to now New Dimensions.

Mr. Beatty advised before they were Hickory Housing Authority.

Mayor Cline commented Unifour Capital Ventures.

Mr. Beatty commented Hickory Housing Authority stayed there, Hickory Housing Authority didn't go away.

City Manager Warren Wood advised Alderwoman Patton was referring to Unifour Capital Ventures.

Mr. Beatty advised that Unifour Capital Ventures was not a single asset entity. HUD requires that the nonprofit is a single asset entity. What they are doing is protecting their own interest. They say they are not going to allow you to get into a lot of various businesses that would provide liability against you that might impact this \$10 million dollars-worth of inventory that they are transferring to you. They are going to give you \$10 million dollars-worth of assets, number one they need to protect them. They want you to put it into a nonprofit or a for-profit. Even if you are for-profit you are going to have to live by rules, and these rules say that you are going to be a single purpose entity and you are not going to be doing anything else but this, and your only debt is going to be related to this. So that you don't end up with a bankruptcy on some pieces because some parts of it are not performing that would encumber or endanger those assets that were transferred to you at no cost.

Alderwoman Patton commented if it is a single purpose entity then originally two or three years ago when Mr. Beatty spoke he talked about mixed use, about getting something on the ground floor, so that would not be allowed?

Mr. Beatty responded it would be allowed, because it will be a part of the deal of which the assets would be transferred. If you are going to do a second piece or a third piece beyond this initial move you would have to setup another nonprofit. They are working with a county that has eight nonprofit organizations that makes deals, because every tax credit deal has to have a special purpose organization to house it in. If you do five nontax credit deals then you are going to have five single purpose entities.

Mayor Cline asked who assures that the expected performance takes place is it the bank that makes the loan, is it HUD? Who is monitoring the plan?

Mr. Beatty advised the bank and HUD, which is why HUD doesn't really look well on what we call no debt conversions. They make it difficult to do. No debt conversion means that HUD has got to do that work and they don't want to. The model really doesn't apply. What will happen is you will still have Housing Assistance Payment with HUD and that contract requires you to meet certain conditions. If you don't meet those conditions then HUD can walk away, cut your funding and you do what you want to do. He commented it was going to give those 300 people those 300 vouchers and he is going to get somebody to find them a place to stay, then you worry about what to do with that new slum you just created because you didn't take care of the property. They hope this motivates strong collaboration between the city and the nonprofit that is providing that service. Ultimately there is mixed results for the city if it doesn't work. It is not going to cost them, they are not going to pay anybody's debt, but you still have housing that must be provided for constituency. You still have areas of town that you can't allow to deteriorate.

Alderman Zagaroli asked where the vouchers come from.

Mr. Beatty replied HUD.

Alderman Zagaroli commented HUD issues the vouchers. You have to qualify in order to get the vouchers.

Mr. Beatty responded yes.

City Attorney John Crone asked if he was an apartment owner who owned 10 apartments and he wanted to take six of these and get into Section 8 voucher program who would he talk to and how would that work.

Mr. Beatty replied right now it would be the Housing Authority. Basically anybody that owns a piece of property that wants to make that property Section 8, there are some applications that you

can fill out, but then they are going to do an inspection of the property. The property has to meet a certain quality standard. If your property in fact meets that quality standard then they would certify you as a Section 8 landlord, and then people would come with vouchers and you would get subsidies that would come from the Housing Authority and a portion of the rent would be paid by the resident that you are renting to. Not difficult to get into, but that is a different Section 8 program than he is talking about. That is called the Choice Voucher Program. The Choice Voucher Program is a voucher that is issued to the resident and it follows the resident wherever he or she wants to go. They can go to China and live if China will accept that voucher.

City Attorney John Crone asked if that was the goal of RAD.

Mr. Beatty replied one of the goals of RAD.

Alderman Lail commented that Mr. Beatty had explained earlier that the residents were going to create some accountability for the nonprofit because they have got the ability to move.

Mr. Beatty commented over two years.

Alderman Lail commented that Mr. Beatty said there were two different kinds of vouchers.

Mr. Beatty explained you have a private based voucher and a choice voucher. A choice voucher is issued to the resident. When the resident leaves your unit that voucher goes with them. A private based voucher is issued to the unit itself. When the resident leaves that voucher stays with that unit and you bring another person in that qualifies for that voucher or for that subsidy.

Alderwoman Patton asked if they were trying to move them all to the choice voucher. Isn't that the point of giving everybody the same degree of freedom to move where they want to?

Mr. Beatty responded that might be an ultimate goal of HUD's. He doesn't see that happening for a long time, probably not in his lifetime. That started out as the goal when they first created the voucher program. If you go back to the old days where you had a black project and white project, everything was segregated. You still had huge concentration of poverty in huge pockets. HUD wanted to give people a way out so they issued vouchers. They implemented the voucher program. The voucher program would allow anyone who lived in public housing to apply for that voucher. As it turned out African Americans who were issued vouchers couldn't find landlords that would rent to them under that circumstance. That was the beginning of the segregation of public housing. They moved from that 1970s where it was somewhere in the 40, 50, 60, range to about 92 percent being minority now.

City Attorney John Crone commented like in Hickory Public Housing from the 70s started across the railroad tracks. Isn't the RAD concept to take it away from there and blend it in other areas?

Mr. Beatty replied yes. It is to deconcentrate poverty. From HUD perspective they want to do away with public housing. They want to raise the quality of low income housing to where you don't know the difference between subsidized housing and housing that is not subsidized. They want all of these people to live together. People that have jobs, people who have income and people who don't.

City Attorney John Crone commented you have the public housing that has been over here in Hickory and it seems like you have the voucher program where you can blend in with like apartment owners who want to participate in the program, what is the middle ground.

Mr. Beatty interjected mixed income communities.

City Attorney John Crone continued you are talking about buying properties in different locations.

Mr. Beatty responded that is one way. That is one approach. Their approach would be let's build quality units that people that aren't subsidized wouldn't mind living in. Let's build quality communities that people who don't require subsidies would be willing to live in.

City Attorney John Crone asked what the difference between that and the housing project was, if that was like a mixed use type.

Mr. Beatty advised that is not mixed income. That is low income, period. What they would like to see and what HUD would like to see is mixed income, everybody living together. There are two ways to do that. You can scatter everybody all over the place or you can create sustainable communities where people don't mind living in the areas that you provide.

Alderwoman Patton asked if the choice voucher wouldn't do that very thing.

Mr. Beatty responded that choice voucher carries into wherever you want to go.

Ms. Alanda Richardson felt there needed to be a clarification when the resident ops to move after two years HUD doesn't issue a new voucher you have to use a voucher from your choice voucher program.

Mr. Beatty commented that is net neutral revenue from a revenue standpoint. HUD is not going to generate a new voucher. That voucher is going to come from somebody that already has a program. In this case it would be one of Alanda's vouchers. She would have to give it to that person. In other cities they have Housing Authorities that don't have any voucher programs.

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What they have to do is cut a deal with someone that has got a voucher program to sponsor that level of activity. One of the things that is coming before her is basically saying to HUD you can't make this happen unless you are going to generate some other vouchers because what you are actually doing is avoiding the net revenue cost to HUD, but you are actually reducing the availability of vouchers that are available to poor people.

A Board Member of the Hickory Housing Authority responded that was being dealt with now.

Alderman Zagaroli asked how long a voucher lasted.

Mr. Beatty advised as long as you qualify.

Alderman Zagaroli commented for generations.

Mr. Beatty replied yes, as long as you qualify.

Alderman Lail commented in Hickory's case, come September we get fully converted to the RAD. The nonprofit would take out a mortgage on the existing public housing that is in place with a bank. The bank is willing to lend because they know that they are getting a certain amount of money from the Federal government for 40 years. The Housing Authority would take that money, in our case, and rehabilitate existing housing stock. Would they rehabilitate it to the point where it would be mixed income?

Mr. Beatty responded no. You can't borrow enough money to do that with the age of those units. That is phase one.

Alderwoman Patton asked what it would take to renovate what we have as "the public housing at this time". What would that cost?

A Board member from Hickory Public Housing commented when they looked at it, it was going to be about \$33 or \$34 million dollars to rehabilitate if they did it first class.

Mr. Beatty commented to knock them down. We have a couple of phases. We are talking anywhere from \$38 to \$42 million dollars. The direction is to upgrade the quality for the market standard.

Alderwoman Patton asked what that would cost.

Mr. Beatty responded right now we are looking at \$9.5 million dollars. That's approximately \$30,000 per unit. Expand the number of units in our portfolio to better align with the demand of the jurisdiction. At this point Ms. Richardson has a huge waiting list. Only one in five people who qualify for subsidy of benefits actually receive it. He ask Ms. Richardson how long her waiting list was.

Ms. Alanda Richardson advised her waiting list was three years minimum.

Mr. Beatty commented we need to build more units than HUD wants you to. Then of course you want to provide supportive services that they talk about. Referencing a slide on the PowerPoint presented he showed Ridgecrest today and showed a photo of where they want to get to with RAD which was a photo of a redeveloped Ridgecrest.

Alderman Zagaroli commented that is a rebuild.

Mr. Beatty advised that was one of the first plans that they looked at. With all of the stuff that has happened since they started this, this might change some. Probably would change some. That is where they want to get to. That is where Hickory wants to get to. The short-term modernization would insure that all major systems are sound, upgrade interiors to improve quality of life, flooring, lighting, electrical fixtures, HVAC, etc., and exterior upgrades to enhance market appeal and alterations to mitigate the traditional "projects" look, so they start to look market rate. That is the bleed, we have got to stop that bleed. Longer term they know that these units are going to have limited life.

Alderwoman Patton asked what the limited life was. Even if they do this rehab and spend this \$9 million dollars you still have where public housing in located seriously distressed areas, the school issues, you still have those same issues so now you have spent \$9 million dollars, how is that going to then let you do greater if you sort of just dressed it up a little bit.

Mr. Beatty responded that piece of the plan they are still working on it. At this point what they would like to do is to put together a longer term plan. Engineers are going to tell them through what they call their PCA's a RAD physical conditions assessments, there are going to tell them what the life of the systems are. They will continue to look at that and monitor the useful life of the entire unit. HUD says basically when the cost of repairing unit exceeds 51 percent of the cost of replacing the unit then it needs to be replaced they will no longer fund the capital for it if they can help. At some point we are going to hit that sweet spot and we need to be prepared at that point to start knocking units down and replacing them with new units, and if at all possible they would like to generate a mixed used mixed income community right were some of those units sit. To do that, the tough part of that, is that I have 311 families and I have got to build some units prior to. Under the HUD rules there is a site neighborhood standards assessment that they have to do. They don't necessarily get to decide exactly what they are going to do, HUD has to approve it.

City Manager Warren Wood asked if HUD was requiring them to reinvest in these existing units as a part of being enrolled in RAD. Is there an option?

Mr. Beatty replied there is an option but here is the deal. He explained there is a community with 344 units. What HUD is saying is you don't have to do any work upfront except for critical needs. Critical needs is life and health things that must be addressed. Once you do that they will let you convert if you can meet all of the other criteria. However, you must maintain a long-term capital plan that shows that when something goes wrong you can fix it, and when it is time to replace it you can replace it. So what HUD said to them when they went to them with the study was okay we will let you do it but we need you to put up a million dollars on the frontend in escrow to begin the funding of which is called the replacement reserve. So they would have to put that money upfront before they can convert. In addition to that they want you to put, in this particular housing authority case, they want you to put \$1,000 per year, per unit, in that reserve, because you have a ton of work to do because you are not doing anything on the front end. HUD is not letting you get away with that so how do you get that number down. Most Housing Authorities don't have a million dollars to put in. So you go in and look at it and instead of doing no work, with the Housing Authority, we are going to do about \$2.8 million dollars' worth of work at a minimum on that which reduces that million off of the frontend to about \$500,000 and reduces the \$300,000 per year, per unit, over the next 20 years to over two hundred and some thousand dollars a year, for everything. HUD says yes, but the numbers want allow you to do it most of the time. At the end of the day the plan is to stop the bleeding. Address these units that we have right now. Whatever the cost is you got to bare it. Understand that part of it is some of those units are going to totally age out, and will have to be replaced. Now we have to put together a massive development plan that shows how they replace those units and to even get started with that they have to build some additional units on the frontend to prepare for that transition.

Alderwoman Patton asked if there was a date of how long, even if they rehab them, out of the 311 units that they own, what percentage of those would probably within two years really need to be torn down.

Mr. Beatty asked in two years.

Alderwoman Patton replied three years.

Mr. Beatty responded none, we hope. What they are looking at, at this point, they are pulling out into a rehab all of the majority of the work that needs to be done in the first ten years. They are looking at least ten years life with those units. It is going to take them that long to put together the plans, get another unit built, handle the financing, get people ready and they still have to deal with those areas, those communities around where public housing is. They don't know what that number is yet. They don't know what has to be done to make that happen. One of the things that they are doing is working with the cities in some places and say they have identified 30 pieces of property around us that need to go before we can make this happen. The cities are saying we own 8 or 9 of those. Take these 8 or 9 and knock them down or rehab them and rent them. Understanding that at some point they are probably going to go away. Then we have to have the money to go out negotiate buying some of those properties on their own, either knocking those properties down or rehab them. In Statesville, where he was a commissioner, they went into the toughest area of town, south Statesville. Drugs, all kind of problems, and all of their units for the most part. There was a furniture factory located there. They convinced the furniture factory to let them have their property. It had some Brownfield problems and some issues. They finally got HUD to work with them to cleanup those issues and secure it. They built a new office and maintenance facility in that area, going to where their people were. They bought up houses that were around it. They would go to the landlord and say they wanted to buy that house from them because it was a crack house. The police would come practice "jump-off" in that empty building and the fire people would come in and do their training on how to do deal with a burning fire. They would burn it down, and all they had to do was pay to clean up the debris and they built houses there. They built single-family units there that facilitated their family self-sufficiency program. If you met all of the goals that you needed to meet and you still couldn't get bank financing they built you a house and financed it. The problem was after the first two or three houses the landlords got smart, and all of a sudden a \$20,000 property was \$50,000. They were able to work with the city to go have a talk and tell them they either move this house up to this code or you need to do something else. So they were able to do that. He advised there is a solution but the solution requires collaboration between the Housing Authority, in this case New Dimensions and the City. He stated understand the Housing Authority is not going anywhere. You wouldn't want the Housing Authority to go anywhere. The Housing Authority is State authorized and only the city can make the Housing Authority go anywhere. The Housing Authority has certain advantages that New Dimensions won't have. The Housing Authority can issues bonds. The Housing Authority can partner with New Dimensions and private sector developers on low income tax credits. The Housing Authority still has the power of eminent domain. New Dimensions won't have those kind of things. It is important that they continue to work together.

City Manager Warren Wood asked what the core responsibilities of the Housing Authority would be after the transition occurs. Mr. Beatty had mentioned their powers they have, but as far as their daily, weekly or annual responsibilities.

Mr. Beatty replied they are working with Housing Authorities in other areas now to say, you don't have assets, you don't have a program, and you don't have income. Partner with the nonprofit and you become the expert that guides and represents the city in the development of affordable

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housing within that jurisdiction, because you can still go after HUD monies as a Housing Authority that New Dimensions might not be able to go after.

City Manager Warren Wood commented that annual funding contract obviously goes away, so there is no funding for...

Mr. Beatty interjected they are leaving for some period of time the employees, or some of the employees in the Housing Authority for New Dimensions. The Housing Authority will manage those units that have been turned over to the new owner for them for a management fee. That management fee then generates some revenues for them that allows the board to have time and very limited resources to begin talking about how we generate alternative sources of revenue.

Alderwoman Patton asked if they have considered discussing it with the Council of Governments (COG) since there are other areas here, like Lenoir and Morganton, they have had meetings with the COG of doing this same thing to make this more regional housing.

Mr. Beatty commented the Housing Authority and New Dimensions in this case is going to be willing to work and collaborate with anybody who can help them achieve the mission. The mission is the provision of safe, sanitary, decent housing and sustainable communities for the people that they serve.

Mayor Cline commented that RAD conversion would take place pretty soon. He asked when they would actually see physical work, rehab working going on.

Mr. Beatty stated early 2018 and being finished in 2019. If you look at the development plan, the modernization, about \$9.5 million dollars in total building cost, which is about \$30,000 roughly per unit, expect to close November 2017. The redevelopment new construction and sources of financing on the low income housing tax credits: FHA 221d4 loans, CDBG and Home Funds, private developers coming to the table; total development for the units between \$37 and \$40 million dollars, \$120,000 to \$130,000 per unit today. That number will change with inflation, and with other things that they look out in terms of design. He discussed the first step was conversion which he had talked about where they were at. He discussed the construction timeline, which they are saying the plan begins January 2018 and completes December 2018 or early 2019. HUD rules say that you have to start within 30-60 days of closing the financing and you have to complete it in 12-18 months. The redevelopment piece they are saying completion of time phases master development plan in mid-2018. It will take them that long before they have the developers and all of the technical people to sit down and deal with the concept that they have got in mind. Begin implementation of phase 1 of the plan in early 2019. They still have got a lot of work to do.

Alderman Guess asked under the RAD program, what if anything changes for the two entities, first being the City Council and second being the Board that is in existence now. How does that change under the RAD program or does it change under the RAD program significantly? And what would those changes be?

Mr. Beatty advised there are no changes for City Council they still have control of the Housing Authority to appoint board members to the Housing Authority. The nonprofit is a standalone independent nonprofit. They will appoint their own commissioners. They through their bylaws will determine what the terms of those appointments will be, etc. Those can be right now, the same commissioners could be those from the Housing Authority, might not be. It depends on what the needs of the nonprofit are and how they determine those needs need to be done.

Mayor Cline confirmed they would appoint their own board just like any other nonprofit does.

Mr. Beatty responded yes.

Alderman Lail said for example they might say let's get a construction expert as a member of our board since we are going to begin in this modernization.

Mr. Beatty commented or a real estate person or a developer, or a property management company.

Alderwoman Patton commented from that this new group would get a management fee for anything constructed.

Mr. Beatty replied no, they want get a management fee, they will own the properties, they will pay a management fee.

Alderwoman responded they will pay a management fee.

Mayor Cline commented HUD would be paying the entity the nonprofit. The nonprofit would be paying the fee to the Housing Authority for services.

Mr. Beatty stated let's be clear, the Housing Authority still has to be able to manage the properties and it needs to be approved by HUD. It might be at the time where the cost of doing it the nonprofit might say they are going to self-manage.

City Attorney John Crone asked if there was an opportunity for a private investor to invest in the first phase of the project.

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Mr. Beatty explained in the modernization piece, the rule allows it, the plan at this point doesn't include it.

City Attorney John Crone asked if they would want to encourage that.

Mr. Beatty responded absolutely, but where they are right now they need every dime they can get and what they would rather bring to the table to the private investor is bring your million dollars of this \$30 million dollars that they have got to raise for a piece of the action. They don't have any trouble raising this money to do modernization. What they will work hard at, and is doable, they have to raise somewhere between \$30 and \$40 million dollars.

Alderman Zagaroli asked who owns the deed to the properties.

Mr. Beatty advised today, the Housing Authority has the deed to the property and HUD has the deed of trust on it. That deed of trust basically says you can't do anything without their approval. You can put debt on it, etc. HUD will release that deed of trust when the property is transferred to the nonprofit and at that point that nonprofit will own the deed and the debt.

Mayor Cline confirmed that the City doesn't own the property nor the debt, the Authority does.

Mr. Beatty advised correct. He advised there was no debt today. The City doesn't own anything, their only relationship to the Housing Authority is that the law requires that the City appoints the commissioners. Once the commissioners are appointed they are self-sustaining. The law prohibits the City's interference with them in the way that they do business, frankly.

Alderman Guess commented it is pretty much the same as it is now. Nothing changes.

Mr. Beatty responded yes, for the Housing Authority and the City nothing changes. Basically it will be a nonprofit, nonprofit owned, and to the extent that no other nonprofit will be paying the property taxes. The property taxes would not be paid to the City as we have now.

Alderman Zagaroli confirmed would not be paid.

Mr. Beatty replied yes, would not. But in terms of the City's relationship with the Housing Authority nothing changes, you still would have no control over the Housing Authority beyond appointing commissioners.

Alderman Guess asked if HUD had any alternative to RAD or that was the only route that the City had right now, the only route that is available right now.

Mr. Beatty advised there are some limited processes, quite frankly Hickory took advantage of every one of them. There is a CFFP Loan where HUD under certain circumstances will allow you to borrow money from a bank and pledge your capital allocation each or certain portions of it to pay that off. There is an energy proficiency loan that basically the Housing Authority and some provider will come in and they will do an analysis and say if you do all of these repairs you are going to save this much money in energy and you are going to pay me from the energy savings that are generated from the project. Beyond that you can apply to sell some properties that the Housing Authority owns but you have to go through what is called a Section 18 process which is difficult and you have to for the most part replace those units, because if you are going to demolish or dispose of a unit then you have to replace that unit. Whatever you get from it has to go into the units itself. The answer is yes there are some rules allowing you to do some things, very, very limited, it doesn't do much for you in the long-term.

Alderman Patton asked what kind of a contract the Housing Authority had with The Beatty Group and for what length of time period.

Mr. Beatty advised they had a consulting contract where they actually provide consultation services on operations, management, human resources and development. RAD right now is a bigger piece of that. He wasn't sure of the dates of their contract. He thought it went through some part of somewhere in 2018. In terms of how they get paid, they get paid by the hour. They get paid for what they do just like attorneys do. They don't use them, they don't pay them. They use them, they send them a bill and they pay them. He asked for any further questions. He advised Council there was a good deal more information in the handout about RAD and some of the details. He advised Council if they had any questions they could probably look back to that pretty quickly. If not, he would certainly not hesitate to answer any questions that they might have.

Alderman Patton asked how many units were currently empty.

Ms. Alanda Richardson thought there was six empty right now.

Mayor Cline commented out of 311.

Ms. Alanda Richardson responded yes.

Alderman Zagaroli commented if you have a waiting list, that aren't qualified at this point.

Mr. Beatty commented they are qualified.

Alderman Zagaroli said to fill the six vacancies.

Mr. Beatty explained it is not that easy because basically you have got to go to the person. They have to be able to get power on, they have got to have deposits, they have got to pass all of the other admission data and some people just can't do it. You might go through 20 people to get to six. He asked if there were any other questions.

Mayor Cline asked Council for other questions.

Mr. Beatty commented anything that he didn't cover, any concerns he would be happy to address.

Alderwoman Patton commented she still wanted to explore why the Public Housing Authority would not be open to working with the Council of Governments since this is where the other entities are going and not to just wrap it all into one large housing authority. Or to be open to that.

Mr. Beatty replied he couldn't say that the Housing Authority wouldn't be open to that. He thought that one of the things that the board would have a responsibility for though was to insure that that arrangement was in the best interest of the people that they serve here in Hickory. At this point you are not required to have a Regional Housing Authority.

Alderwoman Patton commented that is what they are doing.

Mr. Beatty commented it is a long process that HUD would have to drive.

Mr. Willie Beatty Jr. responded if agencies are merged into a regional process a lot of times they look at that as being a punitive outcome for those that didn't perform.

Mr. Willie Beatty Sr. commented typically that is what happens. When they were in Statesville they ran five different Housing Authorities and basically HUD would call them because they had done the work. It took them 10-12 years to get there but they got there. They were doing the work. Whenever HUD had any trouble housing the money they would give them stock. They would manage those Housing Authorities to get them out of trouble to where they are sustainable. In the industry it was not a good thing to have your Housing Authority reporting or being run by someone else.

Mayor Cline referenced what Mr. Beatty had shared in the small group meeting that they had; this kind of program is pretty new. If he understood it they had been working on this RAD program for years. This was not a "Johnny come lately" there was some serious preparation.

Mr. Beatty explained the responsibilities of the board is to achieve that strategic plan that he talked about, RAD or not RAD. They have got to figure out how to make it happen and they started working on that long before RAD. He thought Ms. Richardson had a \$1.8 or \$2 million dollar Self-Help P Loan. Upgrade to units that had to be worked on. They just paid that loan off, but it was there. The other loans; UPC loan, and the Energy Efficient loan, they had done over the last 20 years everything that was available to them they have gone after to try and make it work. RAD came about and so RAD is another tool, RAD is not the end. We have to get to that new development with or without RAD. One way or another the Housing Authority has to get there because they owe it to the people that they serve. That is the oath that they took.

Alderman Seaver commented when you are talking about the people that are being served, are they onboard with this. Do they know?

Mr. Beatty commented if the residents say no, then it is no. They have to send to HUD with the first application. They had to hold three meetings. They had to write down everybody that was there and contact information. Every question that they answered and what their responses were to those questions. That had to go in with the application and if the preponderance of the group said this is a bad deal and we don't want it, boom the brakes come one.

Mayor Cline confirmed that had already been done.

Mr. Beatty advised that is not just one you have two or three times in the process.

Mr. Willie Beatty Jr. added specifically with regards to the Hickory Housing Authority in addition to the meetings there were customer surveys done. They took the results of the survey and acted upon that. So for the last several years they had actually been streamlining and grouping services and receiving specialized training and bringing in specialized people to be able to prepare to operate more efficiently under this new model.

Mr. Willie Beatty Sr. commented that Ms. Alanda Richardson and the Housing Authority took a beating on turnover issues. When they did the assessment, years ago when they came, they determined that the City doesn't have the horses to run this race. You certainly don't have the people that you need to get to that next level. Ms. Richardson provided tons and tons of training to make that happen and not everybody made that cut. Going forward as we start to operate more like a business, more like a private sector operation, you have to perform to get paid, you have to perform to stay. The Housing Authority want pat you on the head for doing your job, because that is what you get paid to do.

Alderman Seaver commented that was the goal to start with really was to have the turnover. People moving in, get established.

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Mr. Beatty Sr. advised he was talking about employees. Resident turnover you need also. Other than that you can't build enough units to handle the folks that you are required to serve.

Alderwoman Patton asked how they were going to get away from this generational poverty.

Mr. Beatty discussed what they had already done. They brought in a FSS program. HUD only gives you staffing money. They had a ROSS program. They went after this long before RAD. They were doing this. They had adopted in their strategic plan responsibilities for those three areas that he was talking about: stable housing in a stable community, job enhancement opportunities for residents and education to make that happen. That is in their plan, and that is where they are going to have to have people who know how to do that, and not only that know how to do that, but to have people that are committed to doing that. He grew up in public housing, his whole family did. He advised he had a little bit of insight in terms of what is needed. He advised that this board that is seated now have not faltered in the least, no resistance. They basically have said if we can find the money go do it. In some cases they would tell Ms. Alanda Richardson to go do it anyway. They are working one piece of it. This is not a one legged stool that is housing on it. This is not a brick and mortar organization. They are dealing with the whole person. Where that person lives. How that person gets employed. How they get educated and how they can move from where they are to self-sufficiency. What he was talking about was one leg of that three legged stool.

Alderman Seaver thought that was the ultimate goal as a Council, he wanted to know that the City's citizens were well taken care of. That is Council's goal.

Mr. Beatty commented now you will have an opportunity to participate in that.

Alderwoman Patton commented because you are going to be looking for partners. You are going to be looking for the City to actually partner or the Housing Authority to partner.

Mr. Beatty responded or any other organization in town. When they were in Statesville, and even in some of the other places right now, they had partnership with United Way, and they had partnership with the school system. They provided them building space for afterschool programs, and they supported them with Century 21 monies, \$1.6 million dollars. They provided busing and transportation, so their kids could get home after they kept them there. They had people that provided meals so they could be there. They partnered with the police department. They did the whole game. This is a community effort and Hickory Housing Authority can't do this alone. With all due respect, it is not their purpose or their job to do it alone, the people right here have some skin in it. What the Housing Authority wants to do is give them an opportunity to put that skin there and to leverage it to make it work for the people that the Housing Authority and that Council represents.

Mayor Cline asked for any further questions. He thanked everyone for attending and for the great presentation. He reiterated that this was not a public hearing and Council would not be taking action tonight. He thanked them for being courteous and their information which helped them a lot.

III. There being no further business, the meeting adjourned at 7:46 p.m.

Mayor

City Clerk