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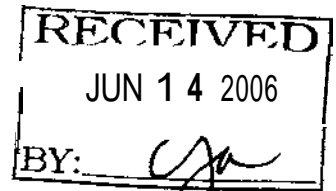
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June 13, 2006

(91)

Mayor Kevin Foy and
Chapel Hill Town Council Members



ATTACHMENT 17

Re: Affordable housing at Castalia

Dear Mayor Foy and Council Members:

The developer of the Castalia mixed-use building in Meadowmont is proposing to provide two small rental units in order to satisfy the Town's inclusionary housing policy. I would ask the Council to consider an alternative requirement that I believe would better serve the affordable housing needs of our community.

If the developer would agree to provide a payment-in-lieu of \$180,000, the Land Trust could create six, truly affordable units at the Greenway Condominiums, which is also located on W. Barbee Chapel Rd. in Meadowmont. The Council may recall that the Greenway condo building was sold to the Land Trust by the developer of the Hilltop Condominiums. Ten of the Greenway units, all containing one-bedroom, were priced to be affordable to individuals earning less than 80% of median income. These ten units satisfied the Town's 15% requirement.

However, at the Council's request, the developer agreed to sell the entire 16-unit building to the Land Trust. The six, two-bedroom units were priced to be affordable to households between 80% and 100% of median income. After much negotiation, we agreed to this arrangement, but in retrospect, the prices of the two-bedroom units, at \$140,000, were too high. As a result, they have been difficult to sell.

With a contribution of \$30,000 per unit, we could reduce the base price of the Greenway 2BR units to \$110,000, a price that is just affordable to households earning less than 80% of median income. I realize that the Council does not favor payments-in-lieu for affordable housing, but in this instance, I believe the payment-in-lieu offers a better alternative for the community. The developer will have a far greater impact if he is permitted to create six affordable ownership units rather than two rental units (which present their own challenges) in a luxury condo building.

Thank you for your consideration of this proposal.

Sincerely,

Robert Dowling
Robert Dowling
Executive Director

cc: Cal Horton, Town Manager ✓

PROPOSAL SUBMITTED BY
(92) APPLICANT 3/30/06

Castalia Affordable Housing Program

The Castalia Project will have two dwelling units designated for affordable housing under the following intended program.

The units will be available for rent.

The eligible renters for these units shall include families earning 80% or less of the median 3-person family income for the Raleigh-Durham-Chapel Hill Metropolitan Statistical Area (RDUMSA).

The rental rates will not exceed the current Section VIII Fair Market rents (including utilities) as published by the U.S. Department of Housing & Urban Development, according to the numbers of bedrooms in each unit.

The owner and the management company will enter into a "good faith" marketing agreement to ensure that the affordable units are rented to eligible low-income renters. The owner will work with local non-profit low income housing organizations to advertise affordable units and recruit eligible renters. The "good faith" marketing agreement will be subject to the approval of the Town Manager and the Orange Community Housing Corporation (or such alternative organization as approved by the Town Manager) prior to the issuance of a Zoning Compliance Permit.

The deed restrictions will include a provision that if, after working with the local non-profit low income housing organizations, the owner or management company are unable to recruit eligible renters, the owner may rent such units to other renters without restrictions for up to 12 months if written authorization is provided in advance for such rental units from Orange Community Housing and Land Trust (or such alternative organization as approved by the Town Manager) and approved by the Town of Chapel Hill.

The owner will record a deed restriction to ensure that the affordable units remain affordable to low income renters, subject to the approval of the Town Manager and the Orange Community Housing and Land Trust (or such alternative organization as approved by the Town Manager) prior to the issuance of a Zoning Compliance Permit.