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August 30, 2006

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Mayor Kevin Foy and
Chapel Hill Town Council Members

Re: Affordable housing at Castalia

Dear Mayor Foy and Council Members:

You may recall that at the June public hearing, I recommended that the Council ask the developer for a payment-in-lieu of \$180,000, rather than asking for two affordable condominiums in the Castalia development. I further asked that these funds be used to subsidize the six, two-bedroom condominiums in the Greenway development, also in Meadowmont.

Since June I have talked with the developer and with the Town staff about the affordable housing component of Castalia. My objective is to propose a win-win scenario that best achieves the Council's affordable housing objectives in a way that works for the developer. Although the developer now believes that a payment-in-lieu may be the most effective means for him to provide affordable housing, he has balked at paying \$180,000, as I had proposed.

After considering this matter for the past several weeks, I believe that a payment of \$150,000 is fair and consistent with recent precedent. I believe that \$75,000 is a sufficient amount of subsidy to renovate or construct one affordable home. This is consistent with my recommendation that the Council accept a payment of \$70,000 from the developer of the McCorkle Place Condominiums in April last year. In Castalia, where the developer is expected to provide two affordable units, a payment of \$150,000 represents an amount that should be sufficient to construct two affordable units.

Although \$150,000 is insufficient to fully subsidize the six, two-bedroom units at Greenway, I believe this payment is fair and reasonable. It also enables the Council to create five truly affordable units at Greenway. I realize that the Council does not generally favor payments-in-lieu for affordable housing, but in this instance, I believe the payment-in-lieu offers a far better alternative than two condos.

Thank you for your consideration of this proposal.

Sincerely,

Robert Dowling
Robert Dowling
Executive Director

cc: Cal Horton and Roger Stancil