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Executive Director

Funding Provided by:

Town of Chapel Hill
Orange County
Town of Carrboro
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Date: October 31, 2006

To: Mayor Foy and the Chapel Hill Town Council

From: Robert Dowling, Executive Director

Re: Quarterly status report for quarter ended September 30, 2006

We remained busy selling new homes, marketing existing land trust properties that are being resold and working with homeowners on maintenance issues. It is becoming apparent that Community Land Trust (CLT) homes are truly a hybrid between homeownership and rental housing. The residents of our housing are homeowners; they must qualify for mortgages, they build equity and are responsible for maintaining their homes. But due to the shared-equity nature of the model, CLT homeowners are also incented to resell their homes as soon as they can afford to purchase a market-rate home. As a result, there has been frequent turnover in our housing stock.

When homes resell, we become aware of how well they have been maintained. Since we have only been operating as a CLT for six years, most of our housing stock is fairly new and maintenance issues have been manageable. But we recognize that maintenance will become a far more substantial issue over time. We also recognize that in the long-term, the Land Trust will need to be the enduring entity that is charged with maintaining homes in the Land Trust inventory. Given these realizations, we are in the midst of performing rigorous analysis as to how our model should be revised such that our homes will remain affordable and well maintained over time. We expect to report to the local governments on our recommendations for revising the Land Trust model in early 2007.

Besides performing this analytical work, we managed to sell six homes during the quarter, four of which were new to the Land Trust. As of this writing there are 122 homes in the Land Trust, including our most recent home in Northside that was built by Habitat for Humanity. We expect to close on three more homes in Northside in the current quarter. We also worked with homeowners on property management issues at Rosemary Place and Legion Road. Additional details are provided in the body of this report.

If you have any questions about the information provided in this report, please call me at 967-1545 ext. 307. Thank you for your continued support of our work.

Copy to Mr. Roger Stancil, Town Manager

Orange Community Housing and Land Trust
Quarterly Status Report
July, August, September 2006

The major work accomplished during the quarter was the following:

Northside

The Shah family closed on their Habitat for Humanity home on Nunn Street in September. They are the first of what will be six new homeowners in the Sykes Street neighborhood. Habitat is building another Land Trust home on Nunn Street that we expect will close in November. A home that we recently had built, also on Nunn St., will also close in November. Two homes developed by Empowerment, Inc. in this same neighborhood will hopefully close by the end of the year. We will develop the final home in this redevelopment effort on Sykes St across from the new substation. We expect to break ground on that property within the next few weeks.

Legion Road Townhomes:

Three of the original owners are currently seeking to sell their homes on Legion Road. At the end of the quarter, two of those homes were under contract, and we agreed to purchase the third property because it needed extensive repairs (given its age). We agreed to purchase the property if the homeowner allowed us to manage the repairs and deduct the cost of those repairs from his proceeds. We believe it is in the best interest of the Land Trust and all future owners of this property that maintenance and repairs be done properly. The Town of Chapel Hill loaned us the funds to purchase this home from their revolving acquisition fund. We hope to have all three homes sold to new owners before year-end.

Two of our homeowners at Legion Road (including one whose home is under contract) have had financial problems due to loss of income. As our inventory of homes grows, we expect we will be dealing with more and more homeowners who are at risk of foreclosure.

Vineyard Square:

The homeowner association has been unresponsive to my request that the HOA dues be adjusted such that Land Trust homeowners are not subsidizing the private trash collection services enjoyed by the market-rate homeowners. This inequity, along with other factors, will be more of a problem for Vineyard Square owners over time.

Today we have three homeowners who want to sell their homes. All are three-bedroom units that have been difficult to sell in the past. Going forward, we expect these three-bedroom townhomes will require additional subsidy because the HOA dues do not cover building maintenance and because the floorplans are inadequate to the needs of many families.

Rosemary Place:

We are working with the homeowner association to address construction issues such as rotting wood and poorly built storage doors on the decks. We have hired a contractor and agreed to pay 50% of the repair costs. The homeowners and the HOA will split the remaining 50%. We also worked with the HOA board on their

budget and long-range capital reserves prior to their annual meeting in August. A two-bedroom unit resold in August for \$95,000.

Greenway Condominiums

The condominium association is proposing to increase the dues in part to hire a property manager. The homeowners who are serving on the board think that a property manager would provide the expertise needed to properly manage and maintain the building. They have also requested that the Land Trust assist with the additional costs.

Other Activities:

We are still working with the heirs to a property in **Carrboro** that is a good site for a single-family home. We hope to have a valid contract in place by the end of the year.

One of the Land Trust homeowners in **Culbreth Park** is in danger of being foreclosed upon. She is struggling to make her monthly mortgage payments and is working with us to sell her home. Unfortunately, her home is now 15 years old and has not been well maintained. Before we resell this property we will have to inject additional subsidy to bring it up to standard.

We sold two homes in the **Larkspur** development to first time homebuyers. We have now sold eleven of the thirteen affordable homes in Larkspur. We expect to sell the last two homes in mid-2007. We have also been dealing with a Land Trust homeowner who has had difficulties with the homeowner association on property upkeep and regulations.

We continue to meet with developers proposing to build residential units in both Chapel Hill and Carrboro. Many of these developments are condominiums, which offer challenges with regard to long-term affordability. Our objective is to propose alternatives that will enable the affordable housing components of these developments to be successful for the future homeowners and the community.

At our annual meeting in September, two recent homeowners were elected to the board of directors. Mike Hansen, who lives in Larkspur, and Mary Bratsch who lives in Pacifica, both joined the board. Gary Giles was elected for a second three year term. The executive committee now consists of the following board members;

President - Sakari Blake - homeowner

Vice President – Gary Giles - community member

Secretary – Gordon Merklein – community member

Treasurer – Jim Tucker – community member