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Date: April 24, 2007

To: Mayor Foy and the Chapel Hill Town Council

From: Robert Dowling, Executive Director

Re: Quarterly status report for quarter ended March 31, 2007

The first quarter of 2007 was dominated by four organizational activities:

1. Conveying our operating challenges to local governments
2. Marketing of existing Land Trust properties
3. Planning for our statewide conference in April
4. Staff transition

Operating Challenges - As the Council is aware, the Land Trust model faces challenges maintaining affordability in the face of stagnant HUD income limits. In March, HUD announced that the median family income in our MSA declined by 2.6% between 2006 and 2007. This may mean that our maximum income limits (80% of the area median income) may remain unchanged for even longer than we are projecting. The only way to keep homes affordable will be to add subsidy as homes are resold. I feel confident that we have lined up sufficient subsidy funds to manage this issue in 2007 and well into 2008.

The second challenge of ensuring that Land Trust homes are well maintained over time is more vexing. Resolving this challenge will require establishing a reserve account for future maintenance. However establishing reserves for future expenditure may not be an eligible use for our typical sources of subsidy (HOME, CDBG and County bond funds). Without these reserves, we risk allowing Land Trust homes to fall into disrepair over time. *Our challenge is to identify a source of funds that can be used for maintenance reserves.*

Lastly, the Land Trust will face increasing challenges managing the workload that will be required of us in the immediate future. Taking on property management of our existing inventory of 125 homes will require additional staffing in 2007-08. The responsibilities of marketing and selling more than 100 homes that have already been approved by the local governments is a more daunting task that will require more staff resources in the 2008-09 fiscal year.

Marketing Land Trust Properties - During the quarter we were marketing six existing Land Trust properties, one of which closed in January. We were also marketing or preparing buyers for six additional properties that are new to the Land Trust, two of which are in Larkspur and one of which is in Northside. We expect to close on at least five homes in the current quarter.

Our sales and marketing staff consists of one full-time, and one part-time employee, both of whom have young children. As a result, our ability to absorb a large volume of new homes is somewhat restricted.

It should be mentioned that selling Land Trust homes recently became more challenging because we instituted our new model, which includes assessing a stewardship fee to every new homeowner. The stewardship fee adds to the cost of our properties, and may even discourage short-term buyers from purchasing a Land Trust home. However, while we recognize that the stewardship fee makes our homes less affordable, we believe the fee is necessary if our homes are to be maintained in the future.

The NC Community Land Trust Conference – Along with the Durham Community Land Trustees, we are hosting the first ever NC CLT conference at the Friday Center on April 26th and 27th. More than 125 people from NC and six other states will be attending to learn the nuances of the CLT model from John Davis and Mary O'Hara, two nationally recognized leaders of the CLT movement. The conference is oriented to the many communities that are considering starting a community land trust to deal with their affordable housing problems, but we will also have classes for groups that are already established. A highlight of the conference will be a bus tour of land trust properties in both Orange and Durham Counties.

Staff Transition – In March we hired Gricelle Font to manage our event planning, communications and administrative responsibilities. As a native of Puerto Rico, Gricelle has already been very helpful to our outreach efforts to the Hispanic population.

Unfortunately, in March we also received the resignation of Ann Griffin, our construction manager for the past three years. Ann will be going to work for a general contractor, but she'll continue doing work for us on a contract basis for several more months. Ann's expertise and vision will be missed. We will be looking for a new construction manager, as well as a property manager, in the current quarter.

In summary, Orange Community Housing and Land Trust continues to evolve to meet the challenges presented by the CLT model. Our objective is simple: provide homes that will remain affordable and well maintained forever. This is not an easy undertaking, but combined with inclusionary housing, this model may be our last best hope to integrate affordable homeownership opportunities into newly-built neighborhoods. I can assure you that the board and staff of the Land Trust are committed to making this model work both for low-income families and the communities in which the housing is located.

