



February 20th, 2006

Mr. Gene Poveromo
Planning Department
Town of Chapel Hill
405 Martin Luther King Jr. Blvd.
Chapel Hill, NC 27514

Dear Mr. Poveromo,

Please allow this communication to serve as a request to modify the affordable housing proposal for the East 54 development. As proposed, the affordable housing component for East 54 composes 30% of the built-for-sale residential condominiums. There will be 30% affordable units completed in each phase of the project, and no individual building will contain less than 20% affordable units.

The revised proposal ensures that Phase 1 is completed with 30% affordable as planned, but allows for flexibility in the subsequent phases of the development. This flexibility is presented in 2 different scenarios that may occur independently of each other or in some type of combination.

- 1) The developer will be permitted to add more 2 bedroom units at the expense of 1 bedroom units. For every 2BR unit added there would be two 1 BR units removed. This would result in a decrease of the total number of affordable units, but the number of bedrooms would remain the same. Furthermore, the total number of affordable homes in East 54 would not go below 20% of the total condominiums built-for-sale.
- 2) The developer will be permitted to make a payment in lieu instead of constructing 1 BR units in phases II and III. The payment in lieu would be \$75,000 per unit. This would result in a loss of the total number of affordable units as well as a loss of the total number of bedrooms. In any case, the total number of affordable homes in East 54 would not go below 20% of the total condominiums built-for-sale.

Our objective is to learn how the affordable units will sell in Phase I and to apply that learning in Phases II and III. If the Land Trust is able to sell both 1 BR units and 2BR units, then we will proceed as planned with 30% of affordable units in Phases II and III. However, if the Land Trust is struggling to sell 1 BR units, we will have the option to substitute 2BR units or to make a payment-in-lieu. We think this flexibility will strengthen the project and assist the Land Trust in their efforts to provide the proper mix of affordable housing alternatives.

Please contact me directly should you have any questions or requests for additional information.

Best regards,

Lee Perry
East West Partners Management, Inc.

190 Finley Golf Course Road
Chapel Hill, NC 27517
t 919 929.0660
f 919 967.0959
www.ewp-nc.com