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Date: October 28, 2007
To: Mayor Foy and the Chapel Hill Town Council
From: Robert Dowling, Executive Director
Re: Quarterly status report for quarter ended September 30, 2007

The summer quarter of 2007 was highlighted by four activities:

1. Closing on ten Land Trust homes
2. Completing construction on two homes
3. Hiring a new construction manager
4. Undertaking staff training

Ten closings – Crystal and Amy worked hard over the summer to close on 4 new Land Trust homes and 6 re-sales of Land Trust homes. The new homes are in Larkspur in Chapel Hill and Pacifica in Carrboro. There are now 13 affordable homes in Larkspur and 7 affordable homes in Pacifica. The resales were at Legion Road, Rosemary Place and Culbreth Park. The Land Trust inventory now numbers 130 homes.

Constructing two homes - We completed construction of our last Northside home at 500 Sykes Street in September. We have a contract on this 3BR, 2BA home that we expect will close in late November. Total development costs for this property will be approximately \$190,000. We also completed a substantial renovation of a home we purchased in Culbreth Park. This 16 year-old home required more than \$40,000 of repairs, including new HVAC, hot water heater, roofing and siding. This home will require about \$70,000 of HOME funds to be affordable. We have signed a purchase contract and expect to close in late November.

New construction manager – In August we hired Lanny Pratt, who has more than 35 years of property management and construction experience. Lanny will oversee construction projects and help to structure our new property management program. We expect to hire a property manager in the current quarter.

Staff training - Recognizing that we face many challenges as we plan for property management, and further recognizing that we must become more productive in order to manage the increase in sales volume that we face in 2008-09, the board approved an increase in funding for staff training. The training, which we began during the quarter, is meant to increase the productivity of each staff member and create a more efficient operation. I believe the entire organization will benefit from this training, enabling us to better manage our workload and increase our productivity.

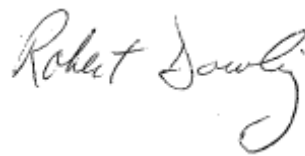
In addition to these major activities, we also negotiated the purchase of two additional homes in Culbreth Park. Both of these homes will require substantial renovation before they can be sold to low-income buyers. We expect to complete these renovations before year-end. We have also been in negotiations with Crosland about serving as a sponsor in a tax-credit rental development in Winmore.

Crosland is hoping to win tax credits in 2008 to construct 58 units of affordable rental housing in Winmore. We have assisted by applying for and receiving \$300,000 of HOME funds that will be used to purchase the needed land from the developer. By serving as a sponsor, we become a tiny part of the ownership structure and are entitled to a portion of the development fees.

We also worked with three developers during the quarter who will be building residential or mixed-use developments in Carrboro. The developments, Ballentine, Alberta and Roberson Square, will all include affordable units. It should be noted that the 23 affordable units in these three developments will require more than \$700,000 of subsidy to be affordable. This amount is in addition to the roughly \$3 million the Land Trust will need to keep our initial 125 homes affordable and well-maintained over time. It is also in addition to the approximately \$300,000 of subsidy that will be needed for the affordable condominiums in the Lot 5 development.

By taking on property management and managing homeowner associations, the Land Trust is ensuring that our affordable housing inventory will be maintained as valuable community assets for future generations. We believe this is the best means of maintaining this housing stock, but we are also becoming increasingly aware of the responsibilities that will be placed on the organization. As of this writing, there are five Land Trust homeowners who are significantly in arrears on their monthly HOA assessments. Collecting these dues from families that are having financial difficulties is a delicate undertaking that requires compassion, a systematic approach and staff resources. I expect one day we will have to foreclose on a family (due to non-payment of monthly assessments) that we had previously helped to purchase a home. These new responsibilities will no doubt increase over time with the growth of our inventory of homes.

I want to reiterate our thanks to the local governments that support our work. We are very grateful for that support. In return, we continually strive to improve our performance so that inclusionary housing is truly successful here in Orange County. I believe we can become a model for integrating affordable homeownership opportunities into market-rate neighborhoods in a manner that is successful for our homeowners and for the surrounding community.

A handwritten signature in cursive script that reads "Robert Dowling". The signature is written in dark ink and is centered on the page.