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Town of Chapel Hill
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Date: January 21, 2008

To: Mayor Foy and the Chapel Hill Town Council
From: Robert Dowling, Executive Director
Re: Quarterly status report for quarter ended December 31, 2007

The quarter was highlighted by four activities:

1. Closing on two new Land Trust properties
2. Purchasing two additional homes in Culbreth Park
3. Hiring a property manager
4. Undertaking additional staff training

Two closings – We completed construction and closed on our last home in the Sykes Street neighborhood. The buyers of this 3BR, 2BA single-family home are a couple with one child. Both owners work within walking distance of their new home. We also completed renovations and closed on a home in Culbreth Park. The buyer of this home was a single mom with two children who works for a local attorney. During the course of 2007 we sold 18 homes, seven of which were new to the Land Trust. There are now 132 homes in the Land Trust.

Two more in Culbreth Park - We purchased two formerly affordable homes in Culbreth Park that were built around 1990. Both require substantial renovation, including new siding, roofs, HVAC systems, flooring and hot water heaters. When renovations are completed next month, both homes will be in excellent condition and ready for purchase by a low income buyer. Both will sell in the \$120,000 to \$130,000 range.

We were able to purchase these homes at below-market prices because the Town of Chapel Hill has a right of first refusal. The Town also provides the financing to purchase the homes.

Property manager – We hired Trish Cates in November as our first property manager. Trish is off to a quick start creating the systems necessary to successfully implement our property management program. She has also managed the search for appropriate software that will enable us to manage the homeowner associations of Legion Road, Rosemary Place and Greenway Condominiums. We have learned that collecting stewardship fees from our homeowners each month requires a consistent, systematic approach. The nature of our business is that some homeowners have difficulty making their payments. As we become more systematic about collecting payments, I expect more owners will be at risk of losing their homes due to a failure to make timely payments.

Staff training - As I mentioned last quarter, we have been re-engineering how the organization works in an effort to become a more productive organization. The additional work associated with increasing sales activity and property management requires that we become a more focused, systems-driven organization. This organizational development work will result in greater clarity of roles and improved communication among members of the staff.

Looking forward, 2008 will be the year that we implement our property management program. When we begin managing the homeowner associations in the next several months we will be entering a new line of business that will require increasing staff resources as our homes age and as new homes come into the Land Trust. However, we recognize that property management is essential if inclusionary housing policies are to be successful in the long term.

The second half of 2008 will also be time for us to significantly increase our marketing efforts in preparation for the increase in sales volume in 2009. Although it appears that some of the approved condo/townhome projects may proceed more slowly than originally projected, we still expect our sales volume to triple in 2009.

Lastly, the tightening of credit is having only a small impact on our business thus far, as banks implement new lending guidelines. As we look at 2008 and beyond, we need to be aware of the impacts that further tightening, or higher interest rates will have on our program. Our window of eligible buyers continues to shrink as housing costs increase and HUD income limits remain stagnant. Tighter credit or higher mortgage rates will only exacerbate this situation by further limiting our pool of potential buyers. Although the current lending environment is not an obstacle to our business, I feel compelled to alert the local governments that the success of our program would be adversely impacted by further deterioration in the credit markets.