

Residences at Grove Park
425 Hillsborough St.
Chapel Hill, NC



Special Use Permit Application
Affordable Housing Statement

February 6, 2008

Affordable Housing

In accordance with the Council's existing policy regarding affordable housing, as well as the town's comprehensive Plan objectives, we recommend that the developer propose an affordable housing plan that addresses the following items:

1. Provision of 15% of the proposed dwelling units as affordable dwelling unit(s) available to low and moderate income households with annual income at or below 80 percent of the area median income;

The 15% affordable housing requirement will be provided on site.

In our ongoing collaboration with Orange Community Housing and Land Trust, Robert Dowling has expressed serious concerns about their ability to place the projected influx of affordable condominiums coming to the Chapel Hill market which could lead to unutilized affordable units. To deliver some diversity to the affordable unit inventory and provide units that may be more conducive to family use, we are proposing to provide our required 52 affordable bedrooms, not as only 1 bedroom units, but in a mix of 1 and 2 bedroom units which will be determined in collaboration with the Land Trust and at the approval of the Town Manager prior to the issuance of a zoning compliance permit. We believe this plan will offer the Land Trust the maximum amount of flexibility to address the needs of the community.

2. That the size and distribution of units be located throughout the development, dispersed among the market units;

The units will be a mix of 1 and 2 bedroom units, as determined in collaboration with the Land Trust, provided at the center the development adjacent to all planned amenities.

3. The determination of eligibility of the owners;

We have partnered with Orange Community Housing & Land Trust who will determine the eligibility of the owners.

4. Marketing of the dwelling unit(s);

OCHLT will also handle the marketing of the affordable units. Because of the large number of similar units that may be coming available at the same time, we will work with the Land Trust to establish a manageable schedule for the acceptance of the units. For example, following the issuance of the certificate of occupancy for the affordable units, the Land Trust can accept 1/3 of the units

and accept the remainder in increments over the next 6 to 12 months. However, should demand for the units be greater than forecast, this schedule can be accelerated at the request of the Land Trust to turn the units over faster following the issuance of their COs and meet the demand. Conversely, if the overall supply in the market prevents the Land Trust from placing all the units with qualified buyers two years after the issuance of the CO for the units, the Land Trust will not be obligated to buy the units but they will instead revert back to market rate. During the agreed upon acceptance schedule, to ensure that the units do not go unutilized, we would rent the designated units prior to the agreed upon acceptance date prior to the Land Trust placing the units with eligible buyers.

5. Setting the sale prices of the units;
We will collaborate with OCHLT to set the sales prices of the units according to the appropriate affordability requirements.
6. Adequate assurances that the units will remain affordable in perpetuity;
All effort will be made during the development process to create a design and craft documents to make the affordability of these units perpetual.
7. Monthly condominium fees and utilities minimized by a transfer fee that requires a percentage of the sale of every unit (not to exceed 1%).

By design we plan to keep the assessments, both monthly and special payments, independent of the market rate units to ensure the affordability of the required payments into perpetuity. For the monthly dues, rather than any transfer fee, we plan to use a limitation system that caps the monthly dues for the affordable units to 1.5% of the sales prices for 12 months (eg. Sales Price \$85,000, yearly dues \$1,275 or and average of \$106.25 a month) for 12 months. Any subsequent increases in common expense assessments in any one year will not increase by more than the greater of (a) the increase in the Consumer Price Index for the prior year, or (b) the percentage increase in the median household income for the standard metropolitan statistical area in which Chapel Hill is located. Based on the CPI increases of 3.2% and 3.4% in 2005 and 2006, this the worst case CPI increase would translate to a maximum dues increase of less than \$3.60 per month. An equitable adjustment to any common expenses assessment reflecting any utility charges (water, sewer, heating, air conditioning and electrical) that are master metered so that all units market rate or affordable have a share in shall not be included with regard to the 1.5% limitation. However, by keeping the affordable unit fees independent of the market rate by design, all assessments beyond the limited monthly payments, special one time payments for maintenance or master meter assessments, can be drafted in a fair and equitable way to maintain affordability on a case by case basis. We will work with the Town Manager and staff to draft and finalize appropriate language before the issuance of the ZCP.

Affordable Housing Stipulations

Provision of Affordable Housing: That the applicant propose an Affordable Housing Plan that addresses the following items, for approval by the Town manager prior to issuance of a Zoning Compliance Permit.

a) Unless modified otherwise by this permit the following shall apply:

- i. Provision of 15% of the proposed units as affordable dwelling units available to low and moderate income households with annual income at or below 80 percent of the area median income;
- ii. That the size and distribution of units be located throughout the development among the market units;
- iii. The determination of eligibility of the owners;
- iv. Marketing of the dwelling units;
- v. The number of bedrooms and bathrooms in each affordable dwelling unit;
- vi. The approximate square footage of each affordable dwelling unit;
- vii. Adequate assurances that the designated units will remain affordable in perpetuity;
- viii. That Certificates of Occupancy are issued as a proportionate percentage of affordable units (15%) are available for occupancy, compared to the number of market units constructed (i.e.. For every 6 market rate units, 1 affordable unit);
- ix. Monthly condominium fees and utilities minimized by a transfer fee that requires a percentage of every sale of every unit (not to exceed 1%) to be put into a special fund for this purpose; and
- x. The pricing of the affordable housing units shall be subject to the approval of the Town Manager prior to the issuance of a Zoning Compliance Permit.

Affordable Housing Transfer Fee: That monies collected from a transfer fee associated with the sale/resale of market-rate properties are to be placed in a fund for the specific purposes of first assisting with the payment of condominium homeowners association dues for persons who acquire affordable housing, then with any excess funds to the Orange Community Housing and Land Trust or its successor for the maintenance of affordable dwellings in the development and for other uses in support of affordable housing. Details of the fund shall be approved by the Town Manager. The overall health of the funds will be reviewed by the Town not less than every five years starting in 2014.

Memorandum of Understanding: The applicant will enter into a Memorandum of Understanding with Orange Community Housing and Land Trust and the Town regarding: