

Aydan Court
Townhomes and Condominiums

Chapel Hill, North Carolina

Affordable Housing Plan

September 30, 2008

The applicant, Carol Ann Zinn is a long time proponent of affordable housing and a developer who has provided inclusionary affordable housing in several of her residential developments in Orange County, including both the Larkspur and Montclair single-family neighborhoods in Chapel Hill. The applicant intends to develop Aydan Court in a manner consistent with the affordable housing policies of the Town of Chapel Hill. She is also aware that this is a transitional time for affordable housing in Chapel Hill. Nearly 140 one and two bedroom condominium units will become available during the next one to four years. OCHLT, the vendor for most of these units, is a growing business with expanding needs for additional operating expenses and financial support to ensure the affordability of the units over time.

Aydan Court is an empty nester neighborhood located at the eastern edge of Chapel Hill within the Durham Court school district. It is not a residential community that will be marketed to - nor expected to be occupied by - families with children. OCHLT experience (and that of other non-profit housing providers in Chapel Hill) shows that the location of affordable housing units within the Chapel Hill – Carrboro School System is a major factor in determining housing choice for families with children.

The Council appears to be in the process of adopting policies and regulations so that older adult households may qualify more easily for ownership of affordable housing units. If the Council moves forward with these changes, the applicant believes that the location of Aydan Court and its design would possibly make it an attractive housing option for older, income-qualified empty nester-households.

Assuming that the Council will adopt these program changes, the applicant proposes an Affordable Housing Plan with two components:

- (1) On-site affordable housing, and
- (2) Payment-in-lieu to be used for land purchase in Chapel Hill for affordable housing sites/lots that can be used to develop townhomes or single-family homes for young families with children.

Affordable Housing Obligation – 15% of Total Dwelling Units

The applicant proposed a total of 58 dwelling units. Fifteen percent equals a total of 8.70 dwelling units.

Four (4) dwelling units will be developed on-site.

A payment in lieu will be made for four and 7/10th (4.7) dwelling unit.

A. On-site Affordable Housing Proposal

The affordable housing units will be four (4) one-bedroom dwelling units located within the Condominium building of 37 total dwellings of one, two and three bedroom units.

- (1) Sales prices will be established so that homes are affordable to households between 65% and 80% of median income. Final sales prices will be approved by the Town Manager.
- (2) Eligibility of households for these affordable housing units will be established at the time the dwelling units are available for occupancy using normal credit and income standards. Income limits will be established based upon the range of 65-80% of median income at the time of sales based upon HUD, NCHFA, or other appropriate median income/household size information. Eligible households will be those that live or work in Chapel Hill at the time the affordable housing units are first advertised for sale.
- (3) Initial Marketing. It is proposed that OCHLT provide marketing and sales services for Aydan Court. OCHLT receives a fee for this service to offset the costs of providing the service. It is anticipated that the marketing program will include advertising with all non-profit housing providers and their advertising networks as well as in market rate housing advertising forums such as websites, realtors, and real-estate publications.
- (4) Permanent Affordability will be created by OCHLT in accordance with its standard methods of land trust ownership and deed restrictions and by use of a Housing Transfer Fee as presented in (5) below.
- (5) Housing Transfer Fee

A Housing Transfer Fee approved by the Town of Chapel Hill, with input from OCHLT, will be assessed at the time of first sale and each resale for the market rate dwelling units in Aydan Court.

- (a) These fees will be placed in an escrowed fund managed jointly by the developer (or condominium association as a successor) and OCHLT. These fees are to be used only to pay a portion of the monthly condominium fees, utility fees, and capital facilities fees of the condominium association associated with common facilities that benefit the owners of the affordable housing units as well as the owners of market rate units.
- (b) The Transfer fee will initially be one-quarter of one percent (.25%) of the sales price of the market rate units. (We note that several recent developments have a similar provision in the SUP approval with a maximum fee set at 1%. For Aydan Court, the ¼% proposal has been developed based upon:
 - (i) The expected sales prices for Aydan Court's larger units, prices which will be higher than those for 54 East,
 - (ii) The lower operating expenses for Aydan Court's smaller project and far smaller number of units, and
 - (iii) The far lower percent of on-site affordable housing proposed.

For re-sales the transfer fee will be adjusted down or up (not to exceed ½% by agreement between OCHLT and the Aydan Court Condominium Association).

- (c) The transfer fee shall be paid to the escrow fund at the time of sale of the individual townhome and/or condominium units and prior to recordation of the deed of sale for the dwelling unit.

- (d) Condominium association by-laws and restrictions, as well as individual deed restrictions, shall require the Transfer Fee be paid prior to the recordation of any deeds of sale for individual dwelling units.

(6) Affordable Housing Release to Market Rate Housing

If there is no market or a very limited market for the affordable housing units in Aydan Court, the applicant wants to have a process in place that would allow the affordable housing units to be sold as market rate units with a payment-in-lieu applicable in that circumstance.

- (a) Sixty (60) days¹ prior to anticipated plumbing rough-in for the affordable units (approximately 135 days prior to the sale of each unit), the developer will provide written notice to OCHLT that a bona-fide sales contract is required within 30 days.
- (b) If no sales contract is forthcoming within 30 days, the affordable dwelling unit shall be released for sale as a market rate unit.
- (c) If an affordable housing unit is released for and sold as a market rate unit, a \$78,000 payment-in-lieu shall be made to the Chapel Hill Affordable Housing fund at time of closing and before recordation of the sale.
- (d) If all affordable housing units are released for market sale in accordance with the provisions of item 4 above, the Transfer Fees in the escrow fund, including all associated interest earnings, shall be distributed to the developer.

B. Affordable Housing Proposal • payment-in-lieu

The applicant will provide a payment-in-lieu to the Town's affordable housing trust fund to be used to:

- (1) Acquire land to develop single-family, two-family, or townhome units for families or
- (2) Maintain the long-term affordability of previously developed single-family, two-family or townhome units.

All housing would be located in Chapel Hill. The type of dwellings to be constructed would be townhomes or single family-homes for occupancy by families with children that desire ground level homes.

- (1) The applicant will provide a payment-in-lieu to the Town's Affordable Housing Trust Fund equal to \$78,000² per unit (including fractions).
- (2) The Aydan Court payment-in-lieu will be \$ 366,600, based upon 4.70 - dwelling units x \$78,000 per unit
- (3) The applicant proposes a per dwelling unit PIL paid upon receipt of a Certificate of Occupancy for each market rate dwelling unit as a reasonable financial and administrative way to handle the payment-in-lieu process. Based upon the figures above, this would translate to a

¹ Calendar Days are the basis for all timing references in this section.

² This is the amount of the payment-in-lieu per unit obligation of the recently approved Castilla development project in Meadowmont. The applicant believes it is the most recent value for a payment-in-lieu acted upon by the Town.

payment-in-lieu of \$6,800 at the time of receipt of a Certificate of Occupancy for each of the 54 market-rate dwelling units. (Total 54 x \$6,789= \$366,606)

- (4) The PIL will be paid to the trust fund beginning with the very first Certificate of Occupancy. This method is also designed to provide the developer with an occupancy and revenue process that establishes a proportionately rational schedule for paying fees. It is a good way to limit the up-front economic impact of paying the full amount of the PIL before any construction takes place and eases the burden of dealing with market slowdowns when they occur.

APPLICANT PROPOSED AFFORDABLE HOUSING STIPULATION
Stipulations Specific to the Development

(3) Affordable Housing Plan: That the Aydan Court development meet the adopted Town Council goal that each new development provide affordable housing equal to 15% of the total units developed by one of the following two alternatives as determined appropriate by the Town Council and Town Manager.

- I. A combination of on-site housing and a payment-in-lieu, or
- II. A payment-in-lieu for all required affordable housing units.

If a combination of on-site housing and a payment in lieu is provided (Alternative I. above), the following conditions shall prevail:

- A. The developer shall provide up to four (4) one-bedroom dwelling units within the proposed condominium building for sale to and occupancy by households that live or work in Chapel Hill at the time the affordable housing units are first advertised for sale, and
 - B. Provide a payment-in-lieu for the balance of the required affordable housing units (4.7) at the rate of \$78,000 per unit. This payment-in-lieu shall be placed in the Affordable Housing Trust fund for use as follows:
 - 1) To acquire land to develop single-family, two-family, or townhome units for families or
 - 2) To maintain the long-term affordability of previously developed single-family, two-family or townhome units.
 - C. The developer shall provide a proportionate payment-in-lieu prior to receipt of a Certificate of Occupancy for each market rate dwelling unit as a reasonable financial and administrative way to handle the payment-in-lieu process.

(A total payment-in-lieu of \$366,000 (4.7 units times \$78,000 per unit) this would translate to a payment-in-lieu of \$6,800 at the time of receipt of a Certificate of Occupancy for each of the 54 market-rate dwelling units. (Total 54 x \$ 6,789= \$366,606))
- III. The applicant shall submit an Affordable Housing Plan that addresses the three items above and: 1) the timing of provision of the constructed affordable units; 2) the eligibility of owners; 3) the marketing of units; and 4) long term affordable provisions.
 - IV. The Affordable Housing Plan shall be reviewed and approved by the Town Manager prior to issuance of Zoning Compliance Permit.