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Funding Provided by:

Town of Chapel Hill
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Date: January 22, 2009

To: Mayor Foy and the Chapel Hill Town Council

From: Robert Dowling, Executive Director

Re: Quarterly status report for quarter ended December 31, 2008

The quarter was highlighted by three significant activities:

1. Closing on three Land Trust properties
2. Staff changes
3. Dealing with homeowners at risk

Three Land Trust closings – We completed construction and closed on our second green home in Carrboro on a lot that was donated by the Town of Carrboro. We also resold two existing Land Trust properties; one in Vineyard Square and one in Meadowmont. During the course of 2008 we sold 19 homes, eight of which were new to the Land Trust. We also sold two homes out of the Land Trust, both of which would have required significant amounts of subsidy to retain as affordable homes. There are now 139 homes in the Land Trust.

Staff Changes - In preparation for a significant increase in our volume of sales in 2009-10, we hired a part-time bookkeeper in November. Given the growth of our inventory, our new role in property management, more stringent audit requirements and our collection of monthly stewardship fees, our bookkeeping responsibilities have grown significantly in the past year. We also prepared to hire an operations manager early in 2009, by writing a job description and delineating responsibilities that would no longer be performed by the executive director.

Working with homeowners at risk – Increased numbers of our homeowners are delinquent in making timely payments on their mortgages, HOA dues and stewardship fees. Some of these owners are consistently late paying their financial obligations, but others have come under pressure recently due to reduced hours, and fears about job losses. We recognize that we have to devote additional staff resources to assist these homeowners with budgeting and financial counseling. The Land Trust board recently approved a reserve fund to assist homeowners who experience temporary financial difficulties. Notwithstanding the reserve fund, some owners will be at risk of losing their homes in the coming year.

Other significant activities from the past quarter:

- We worked with two homeowners in Vineyard Square to allow them to continue operating home child care businesses. Though these businesses are fully licensed by the State and the Town, the homeowner association sought to close the businesses as violations of the HOA restrictions. With our assistance, both homeowners have been allowed to continue offering child care.
- We received a \$25,000 grant to fund energy efficiency building techniques in the next two homes we develop, both of which will be in Carrboro.

- We worked with Crosland Properties to determine how our Right of First Refusal on Dobbins Hill is to be implemented. In the course of these discussions it was realized that our Right of First Refusal was never executed in 1994. We are now working with Crosland and the NC Housing Finance Agency to determine if the intention to offer this Right can be effectuated.
- Recognizing that the recession would have an impact on our financial condition, we revised our 2008-09 operating budget by merging two positions into one and by delaying the hiring of our operations manager. These changes reduced our current year budget by more than 10%.
- At the request of the County, we looked into purchasing a small mobile home park in Efland. The intention is to retain the ten mobile homes as affordable housing for the residents, who could lose their homes if the land is sold and redeveloped.

The Land Trust as an organization continues to evolve to meet the challenges inherent in this model. In 2006-07 we recognized the need to address long-term maintenance. To address those challenges, we initiated our property management program in 2007-08. In late 2008, our homeowners became challenged by financial difficulties. As a result, our model must respond to these new circumstances. Looking forward, 2009 will be the year we begin selling condominiums in Chapel Hill. We expect to sell 20-25 condos in East 54, and the Greenbridge condos will follow in early 2010.

Despite the various challenges that we face in 2009 and beyond, I am confident that we will be successful implementing inclusionary housing policies in Chapel Hill, Carrboro and Hillsborough. Each year we have a better understanding of what is required to build a successful inclusionary housing program, wherein low-income individuals and families are integrated into new neighborhoods. We know that our homes must remain affordable and well maintained if they are to be desirable to future low-income households. We also know that for inclusionary housing to be successful, our homebuyers must be well prepared for homeownership. Ultimately, all Land Trust homes are community assets that are intended to serve many generations of low-income people. Both the board and the staff at the Land Trust are aware that our primary responsibility is to serve as stewards of these community assets for the benefit of the citizens of Orange County.

