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ATTACHMENT 1

Date: August 4, 2003

To: Mayor Kevin Foy and Members of Town Council
Copy: Mr. Cal Horton, Town Manager

Re: **Quarterly status report
For Quarter ended June 30, 2003**

Board of Directors

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Chair

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Vice-Chair

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Funding provided by

Town of Chapel Hill

Orange County

Town of Carrboro

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The April, May, June quarter was a very difficult period for us as we struggled to complete our first homes at Rosemary Place in Meadowmont. As I reported last quarter, our thirty-two townhomes had been delayed by the wet weather that began last October. These homes were originally scheduled to be completed early in 2003, but the weather delayed our expected first closings until May/June.

We were further delayed by the need for continued mold remediation work and building code matters. As a result, we did not close on our first homes until the very end of June. As of this writing we have obtained 20 certificates of occupancy and 18 owners have closed on their homes. We expect that all the homes will be in the hands of the new owners by the end of August.

A majority of staff time was devoted to completing the Rosemary Place Townhomes, but that was not our only challenge during the quarter. We also spent considerable time completing the documentation needed for a condominium public offering, which is needed for the Greenway Condominiums in Meadowmont. This is our first condominium project, and completing the disclosure information that is required by state statute was a new experience. We expect the Greenway condominiums to be ready for purchase late this year.

An additional challenge arose when a Milton Avenue homeowner decided to sell her home. The inspection report revealed significant foundation problems due to poor soils. According to the inspector, these foundation problems could lead to structural problems. Needless to say, the homeowner is distressed about this situation, which could render her home un-sellable, at least as a Land Trust home. As an organization, we are addressing this issue such that the homeowner is not unduly harmed financially.

If you have any questions about the information provided in this report, please call me at 967-1545. Thank you for your continuing support.

**Orange Community Housing and Land Trust
Quarterly Status Report
April May June 2003**

The major work accomplished during the quarter was the following:

Rosemary Place:

As stated above, we have received 20 certificates of occupancy and expect to complete the thirty-two townhomes in August. The delays in this project were caused primarily by bad weather. However, the completion of construction has also been delayed because we employed a building methodology (sealed crawlspaces) that is somewhat unconventional. Unfortunately, we failed to obtain clearance from the building inspector on the design of these crawlspaces. Working out the design requirements in June and July caused weeks of delay that were avoidable had we addressed these matters earlier in the process.

Additional delays were experienced when the building inspectors required that every one of our thirty-two townhomes receive clearance from mold by a licensed inspector. The building inspectors wanted to be sure that our unvented crawlspaces would not provide an environment conducive to mold growth. However given all the rain that fell on these buildings, it was not difficult to detect mold in the crawlspaces. As result, we were required to hire a specialist to clean the crawlspaces and then have them inspected and 'cleared'. This process has cost us both time and money. The mold remediation work will total about \$30,000 for the entire project.

On a more positive note, despite the delays, most of the homeowners who have closed on their homes are quite happy. We plan a celebratory event that will hopefully include many homeowners on August 27th at 9:00 a.m. We expect all the homeowners to be residing in their new homes by then.

Milton Avenue Homes:

Our first re-sale of a Milton Avenue home occurred during the quarter when 123 Milton changed hands. The original owners were unable to afford the monthly payments due to a loss of income. The new owners work at UNC and have two young children.

The owner of 111 Milton will also be selling her home to relocate out-of-state. Unfortunately, her home has foundation problems that we were unaware of when we purchased the home from Kovens Construction in 2001. Like many homes in eastern Chapel Hill, this home is built on poor soils that shrink and swell, causing movement of the structure. The last two years have seen drastic changes in soil moisture levels resulting in severe foundation cracking as well as cracks to interior walls.

Needless to say prospective buyers of this home are quite concerned about these problems. As an organization, we feel compelled to address the problems, since they pre-existed the sale of the home in 2001. An engineer has provided us with a report

that indicates fixing the problem could cost \$30,000 or more. We are in the midst of gathering information to make a recommendation to the board on how to proceed. The three options we are considering are the following:

- Spend the funds to correct the problems
- Try to sell the home “as is” with assurances to the next buyer that they will not be saddled with expensive repairs
- Sell the home out of the Land Trust “as is”

It should be noted that the other homes we purchased on Milton Avenue have experienced similar problems. We have learned that buying and fixing up older homes can be a very risky (and expensive) business.

Legion Road Townhomes

A third Legion Road homeowner is now trying to sell his home. As was the case with the first Legion re-sale, it is taking a long time to sell. We believe these homes are difficult to sell because they are priced higher than the Rosemary Place townhomes (\$89,000 versus \$80,000) and they are in a less desirable location. Interested buyers frequently opt to wait for one of the two-bedroom townhomes at Vineyard Square, which is being built off Homestead Road. The Vineyard Square 2BR townhomes are priced at \$90,000.

Homebuyer Classes:

Classes were offered at Chapel Hill Town Hall in May (11 participants completed the class) and Southern Human Services Center in June (10 participants completed the class).

Greenway Condominiums:

We are working with White Oak Properties, the developer of 16 condominium units called Greenway Condominiums that will be in the Land Trust. Ten of the units will be one-bedroom units selling for either \$80,000 or \$90,000. Six will be two-bedroom units selling for \$140,000, which is affordable to households earning between 80% and 100% of median income. The construction of these condominiums is underway with the first units expected to be ready for sale in November.

Other Activities:

We are working with the developer of the Larkspur development to market the first of 13 affordable homes that will be in the land trust. The first two affordable homes should be completed in September. These single-family homes will sell for \$105,000 to households at 80% of median income or \$135,000 to households below 100% of median income.

We had signed a contract to purchase a townhome in Carrboro in June. However the inspection report revealed the presence of mold in the crawlspace and the HVAC system. As a result, we rescinded our offer. We

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are again looking for a townhome to purchase and sell to a first-time homeowner in Carrboro.

We are also working with prospective buyers of the affordable homes in the Pacifica Co-Housing development in Carrboro. The Pacifica developer, Giles Blunden is making use of Carrboro's density bonus to include seven affordable townhomes/condominiums in his development. The first homes will not be available until next summer.

We worked with the developers of the Winmore development that was recently approved in Carrboro. We helped to structure a deal whereby the Winmore developers will build 24 multifamily units for Weaver Community Housing Association. These 24 units will be operated as limited-equity cooperative housing. The Winmore developers are also willing to sell townhomes to the Land Trust at preferential prices. The details of this arrangement still need to be worked out.

We expect to begin marketing the affordable townhomes within the Vineyard Square development later this fall. Centex, the developer of Vineyard Square, will be providing 30 townhomes to be included in the Land Trust. They will be offering 2-bedroom units for \$90,000, and 3-bedroom units for \$115,000. Both of these prices are affordable to households earning less than 80% of the median income.