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Funding provided by

Town of Chapel Hill
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ATTACHMENT 1

Date: October 27, 2003

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

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

The July, August, September quarter was our most prolific quarter ever, as 28 homebuyers closed on their new homes in Rosemary Place. It was a long time coming, but worth the wait for our homeowners, who now live in Meadowmont, a stone's throw from Harris Teeter and the UNC Wellness Center.

As I have detailed in recent quarters, the Rosemary Place Townhomes had been delayed by bad weather and mold problems. However we mitigated the mold, completed construction and obtained our Certificates of Occupancy during July and August. We now have thirty-two first-time homebuyers finally living in their new, energy-efficient homes. Thanks go to Resolute Building Company and the folks at Advanced Energy Corporation.

We also purchased another home in Culbreth Park that we will resell as a Land Trust home after we complete some repairs. This three-bedroom home is available for \$105,000. We also purchased 111 Milton Avenue from the homeowner who was relocating out-of-state. Although we prefer not to own homes, this house has foundation problems that may require substantial investment to remedy. We were unaware of this problem (which plagues many homes in this part of Chapel Hill) when we purchased the home from Kovens Construction in 2001. We are now investigating how best to make repairs in order to retain the home in the Land Trust.

Lastly, we began marketing homes in the Greenway Condominiums, in Vineyard Square and in Larkspur. All three of these developments are being built by private sector developers, but sold by us as Land Trust properties. All three developers agreed to provide these affordable homes at the request of the Chapel Hill Town Council.

If you have any questions about the information provided in this report, please call me at 967-1545. Thank you for your continuing support. Accompanying this report is a copy of our 2002-2003 audit from Blackman & Sloop.

Robert Dowling

**Orange Community Housing and Land Trust
Quarterly Status Report
July August September 2003**

The major work accomplished during the quarter was the following:

Rosemary Place:

As stated above, all thirty-two townhomes are now owned and occupied by first-time homeowners. Twenty-eight of the homes closed during the third quarter, keeping Martha Isleib, our Sales and Marketing Manager, quite busy. In late August we held a dedication ceremony, where we heard from several new homeowners, all of whom are very excited to be living in Meadowmont. All of our homebuyers displayed great patience with the delays we encountered during the long and wet construction process.

As an organization, we learned that using non-conventional building techniques, like sealed crawl spaces, requires more thoughtfulness and planning than using more conventional methods. If we use similar techniques in future developments, we will spend more time (and money) working with our design professionals prior to the start of construction. This will save time and money in the long run, and result in a better product for the homeowners. We believe the townhomes in Rosemary Place are well built, energy-efficient and attractive, but we also know that we can do better the next time.

Milton Avenue Homes:

We purchased 111 Milton in late August because the homeowner was re-locating out of state and the home had foundation problems that precluded selling it to another first-time homebuyer. Like many homes in this part of Chapel Hill, the Milton Avenue homes are built on poor soils, which swell and contract with the moisture content. An engineer has recommended installing helical piers beneath the footings in order to stabilize the foundation. However the cost of these repairs will be between \$25,000 and \$35,000. A board committee, along with Construction Manager Eric Diener, is examining a variety of options to remedy these problems.

Legion Road Townhomes

One of the Legion Road Townhomes came up for resale in the spring of 2003. A two-bedroom unit, it was listed to sell for \$89,750. Unfortunately, we had a difficult time finding a buyer for this home. In September, we decided to lower the purchase price by investing \$7000 of our own funds as a second mortgage. We had a contract on the home within two weeks of lowering the price. We expect this home will close in early November.

Once again, we are reminded that our homes are subject to the same rules of real estate as all other homes. Location and price are important considerations to people with modest incomes who are looking to buy a home. Of course, with the Land Trust model, we have an extra layer of complexity with our homes.

Homebuyer Classes:

Classes were offered at Southern Human Services Center in July (10 participants completed the class) and at Chapel Hill Town Hall in September (7 participants completed the class).

Greenway Condominiums:

We began marketing these affordable condominiums that are being developed by White Oak Properties in Meadowmont. All sixteen of these condominium units 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. Construction is nearly complete and we have contracts or reservations on seven units.

This is the first condominium development to be sold within the Land Trust. It has already been a good learning experience for us as we learn how better to work with private sector developers. This experience will be helpful since we expect there will be additional opportunities to sell condominium units in the Land Trust in future years.

Vineyard Square:

In September we began marketing the affordable townhomes within the Vineyard Square development. Centex, the developer of Vineyard Square, is building the first of what will be 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. The first five units will be ready around the end of the year.

We have \$77,000 of HOME funds to bring the prices down on some of the units and make them more affordable. We expect to subsidize eight to ten, three bedroom townhomes with these funds.

Once again, working with the private sector has been a learning experience. It has also been a learning experience for the folks at Centex, who are unused to providing housing that is priced below their costs. However, they have been very cooperative and easy to work with.

Other Activities:

We closed on the first two, single-family homes in Larkspur in early October. The families are both thrilled to have the opportunity to live in beautiful 1400 square foot homes, within an upper income neighborhood.

The next two homes will be ready in the March/April timeframe. As with Greenways and Vineyard Square, all thirteen of the affordable homes built in Larkspur will be in the Land Trust, and thus permanently affordable.

The Greenway Condominiums, the townhomes in Vineyard Square and the homes in Larkspur all represent wonderful opportunities for working families who typically cannot afford to purchase a home in Chapel Hill. Furthermore, they represent a significant change in how developers produce new neighborhoods. Inclusionary housing can be shown to be successful if these three developments are successful.

We purchased a home in Culbreth Park in late August. This home was built as an affordable home in the early 1990's. We have recaptured it as a Land Trust home, made some repairs and are now selling it for \$105,000. It is available to individuals and families who live or work in Chapel Hill.

We signed a contract to purchase a townhome in Carrboro in September. We are still negotiating with the owner of the townhome on repairs, but we are hopeful that this purchase will close in early November. We will then market the home first to employees of the Town of Carrboro and then to the general public. We expect this two-bedroom, two-bath townhome will sell for around \$85,000 (with subsidy from HOME monies).

We are still working with prospective buyers of the affordable homes in the Pacifica Co-Housing development in Carrboro. However that development has been slowed due to a lawsuit.

The developers of Winmore are required by their CUP to offer us first refusal on seven townhomes that will sell for around \$140,000. Although this is a good price for new construction, it is not affordable to households earning less than 80% of the area median income. We will need to lower the price to about \$100,000 in order for these townhomes to be truly affordable. We will investigate the possibility of obtaining the subsidy needed to make these units affordable.

For the first time in many years, we do not have a development project on the horizon. As a result, we will be looking for opportunities to purchase land and begin the process of developing new housing. We are interested in partnering with other nonprofit organizations to provide housing that is very much needed in Orange County.