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ATTACHMENT 2

November 15, 2004

Mayor Kevin Foy and  
Chapel Hill Town Council Members  
Chapel Hill Town Hall  
306 North Columbia Street  
Chapel Hill, NC 27516

Re: Affordable Housing Ordinance

Dear Mayor Foy and Council Members:

I would like to add my personal perspective to your discussion on revising the affordable housing provisions in LUMO. As always, my objective is to strengthen the Town's ability to secure truly affordable housing from private sector developers. I believe this is preferable to restricted size units and is usually preferable to payments-in-lieu.

Very simply, I think that rounding up may discourage developers from building affordable homes, and encourage size-restricted homes, particularly with small developments of thirteen units or less. For example, a proposed development of 7, 8, 9, 10, 11, 12 or 13 homes will all require that two affordable homes be built. While a development of 13 homes *might* be able to absorb the costs of two affordable homes, I don't believe that would be financially feasible for a development of fewer than ten homes.

Perhaps the Council could continue to round down and ask for a payment-in-lieu for the fraction. For example if a developer proposes 8 homes, she would be required to provide one affordable home and 20% of the payment for an additional home.

However, this won't work if the required payment amounts to hundreds of thousands of dollars. The current formula for determining the payment-in-lieu could easily cost a developer \$300,000 or more for one house. Again, I don't think developers will choose this option. They would be far better off financially to build size-restricted units that can be sold at a market price.

However, if the payment-in-lieu were reduced to an amount that a nonprofit organization typically needed to subsidize a home, then the developer would have incentive to choose the affordable housing option. I would be happy to work with the Town to assist in this determination of an appropriate subsidy.

I appreciate the efforts of the staff and the Town Council to continue to find ways of providing affordable housing options in Chapel Hill. Thank you for your consideration of this perspective.

Sincerely,

Robert Dowling  
Executive Director

cc: Mr. Cal Horton, Town Manager