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ATTACHMENT 1

Date: October 22, 2002

To: Mayor Kevin Foy and Members Of Town Council

cc: Town Manager Cal Horton

From: Robert Dowling, Orange Community Housing and Land Trust

Re: Quarterly status report

For Quarter ended September 30, 2002

The first quarter of fiscal year 2002-2003 witnessed the long-awaited start of construction of the Rosemary Place Townhomes in Meadowmont. The general contractor, Resolute Building Company, began site work in July and as of this writing, has begun construction of one building. We expect the first affordable homes in Meadowmont to be completed in February/March 2003.

In addition to beginning the construction of 32 new townhomes in Meadowmont, we also purchased two homes that will be included as land trust properties. The first is on Pleasant Drive in Carrboro, a home that requires repair and rehab before it is resold as a land trust home. The second is in Magnolia Place in Hillsborough, which we developed in the late 1990's. As of this writing we own both of these homes; and both have served as valuable learning lessons for us as an organization.

A third learning lesson has been our first resale of a Legion Road Townhome. Notwithstanding the acute need for affordable homeownership opportunities in Chapel Hill, this three-bedroom home has been slow to attract buyers. Priced at \$106,000, we believe that the price is simply too high for the location. But we are confident that this home still represents a good opportunity for the right family.

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

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**Orange Community Housing and Land Trust
Quarterly Status Report
July August September 2002**

The major work accomplished during the quarter was the following:

Rosemary Place:

As stated earlier, construction has begun and much of the grading and underground site work has been completed. Squeezing 32 townhomes, along with 55 parking spaces and a recreational area into 2.5 acres has presented challenges to all concerned. But with help from Ballentine Associates and Duke Power, we are working out locations for utilities and landscaping in between the buildings and asphalt.

Although two homebuyers cancelled their contracts due to their personal circumstances, we have a waiting list of folks wanting to buy a home in Rosemary Place. We expect to have new purchase contracts on both of these units within a matter of weeks. Then once again every home will be presold.

All of the townhomes will be built to the energy standards established by Advanced Energy Corp. of Raleigh. This will result in greatly reduced heating and cooling costs to the homeowners. Implementing the construction techniques required by Advanced Energy has already proven to be a challenge to Resolute and the framing subcontractor. But Resolute is committed to achieving these higher construction standards.

Milton Avenue Homes:

The four land trust homes on Milton Avenue have experienced cracks in walls and foundations. An engineer who investigated the cracks believes they were caused by the drought and the contracting soils (the inspection occurred in early August). He further stated that the foundations of these homes have most likely shifted many times in the forty years since they were built. However, he does not believe the cracks represent a structural problem.

Kovens Construction, the developer who rehabilitated the homes and sold them to us, is continuing to work with some of the homeowners on repair items.

Legion Road Townhomes

As stated above, the first homeowner in Legion Road is now reselling her home after just 15 months. The home's value increased by \$14,000 since the original appraisal, which resulted in a \$3,500 increase in the resale price. We began marketing the home in early August and stepped up our marketing efforts to public sector employees (UNC Hospitals, Town of Chapel Hill, public school systems, etc.) in September. The home has been slow to sell for three reasons:

- At a selling price of \$106,000, it is still too expensive given maximum income limits.
- The Legion Road location is not as desirable as Meadowmont.

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- The land trust model is a hurdle for many prospective buyers.

We are continuing our marketing efforts, including offering a \$1,000 referral fee to area realtors. In addition, the Land Trust has agreed to further subsidize the home by investing an additional \$7,000 in the form of a second mortgage. This reduces the effective cost to the buyer to \$99,000. It is my opinion that we need to aggressively assist homeowners when they wish to sell their homes. **If the land trust model is to be successful, homeowners must have a reasonable assurance that they will be able to sell their homes – or else we run the risk that buyers will avoid purchasing land trust homes.**

Magnolia Place

We purchased a 3-bedroom home in Magnolia Place in order to retain the home as an affordable home in the land trust. The County Commissioners approved an additional \$10,000 of subsidy, allowing us to offer the home for \$103,500 – a price that we thought would be very attractive to potential buyers. However, despite efforts to market the home to school system and County employees, the home remains unsold. The lesson we take from this experience is twofold:

- The Hillsborough market for affordable housing is different from the Chapel Hill/Carrboro market, and
- Once again, price is very important when selling land trust homes. However, equally important may be the relationship between price and appraised value. Because land trust homeowners only receive a portion of the appreciation, a substantial land trust discount may be necessary to entice families to purchase these homes.

Pleasant Drive

We purchased 305 Pleasant Drive, the first land trust home in Orange County, in late June. Our intention was to perform some needed repairs and then resell the home. Unfortunately, the home contains lead paint and therefore is subject to strict rules with regard to repair work. However we have now received three bids from qualified contractors, one of which is within our budget. We expect to sign a contract and get work started on this home within the next few weeks.

The County Commissioners have approved \$30,000 of bond funds to be used for the renovation work. Once completed, the home will be far more energy efficient, and more affordable than it was previously. We expect to resell the home early in 2003.

Homebuyer Classes:

Classes were offered at the Women's Center in Chapel Hill in July (13 completions) and Southern Human Services Center in September (13 completions). No class was held in August.

Abbey Court Condominiums:

OCHLT continues to manage three units in the Abbey Court Condominiums, which house clients of OPC Mental Health. OPC has converted one of the units into transitional housing, for clients that need temporary living arrangements. OPC staff has furnished the apartment to create a more livable space for the residents.

Sykes Street:

Christine Westfall remains an integral part of the Sykes Street Steering Committee, which consists of representatives from the Town of Chapel Hill, Empowerment, area residents and the Land Trust.

The marketing of 501 Sykes has been stalled because the house has not yet received a certificate of occupancy. The Town and Empowerment are working together to best determine how to complete the construction work.

Other Activities:

With assistance from our attorney, we are working with the Town of Chapel Hill and the developers of the Larkspur and Vineyard Square subdivisions. Our efforts are focused on making sure the homeowner association documents are written to accommodate the land trust homes.

We have also asked our attorney to draft condominium documents that would enable the Greenway Condominiums to be developed as a land trust property.

In Carrboro, we are working with the Town to purchase a townhome or condominium that would be an appropriate starter home for a first-time homebuyer. We are also working with prospective buyers of the affordable homes in the Bolin Creek Co-Housing development. That development proposal, which intends to make use of Carrboro's affordable housing density bonus, will go before the aldermen later this year.

In Chapel Hill, we completed repairs on a home we purchased and sold as a land trust home in Culbreth Park. The house had vinyl siding installed in September.

