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Funding provided by

Town of Chapel Hill

Orange County

Town of Carrboro

Town of Hillsborough

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Date: January 27, 2003

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 December 31, 2002**

We were reminded of the risks inherent in the affordable housing business during the last quarter. Like all nonprofit housing organizations, we specialize in housing for people who are typically not served by the private sector. Despite our ability to provide homes around \$100,000 in a County where the average price of a new home recently exceeded \$300,000, we are still subject to market forces – and the weather.

Remember the drought? It must have ended on October 11th, the day we were supposed to begin framing our first building at Meadowmont. I believe it rained about 7 inches that day. Since then, we have enjoyed higher than expected levels of precipitation. Good for the reservoirs. Bad for construction.

As a result, our Rosemary Place Townhomes have been delayed – and we have had to eradicate mold from a building that was most exposed to the rains of October and November. However, with the drier weather of the past few weeks, we have been able to make good progress, and with luck we will begin construction of our 5th (and final) building this week. The first of our thirty-two buyers should begin moving into their new homes by mid April.

Another risk we encountered during the quarter was the risk of re-selling a home – particularly a home in the Land Trust. We were marketing two land trust homes during the quarter that were simply not selling – until December 18th, when we signed reservations on both homes. Again, we learned that the Land Trust is a challenge for buyers, who prefer to own the land and retain all the appreciation when they re-sell their home. These lessons will help us do a better job of managing these risks in the future.

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
October November December 2002**

The major work accomplished during the quarter was the following:

Rosemary Place:

As stated earlier, construction was slowed by bad weather, which will result in delayed closings. Resolute Building Company is working with a mold mitigation specialist to remove all the mold in both the living areas and crawl spaces. This has been an expensive process that hopefully will not cause us to exceed our budget. Buyers of the townhomes will be informed of the mold problem, and how it has been mitigated.

All thirty-two townhomes are either under contract or reserved. Unfortunately, the number of minority households will be well below our expectations. Two minority buyers did not meet the guidelines, one opted to buy a home in Durham and one was unable to obtain financing. As a result, our non-white buyers have been reduced to just four households.

On a more positive note, the Rosemary Place Townhomes represent a wonderful opportunity for our buyers, who will be living in energy efficient homes within a very desirable community. Monthly payments for two-bedroom units, including homeowner's dues, will be around \$750.

Milton Avenue Homes:

The cracking (in foundations and interior walls) that was plaguing these homes has subsided since the end of the drought. The developer, Kovens Construction, has offered to repair interior wall cracks without expense to the homeowners.

One homeowner is being forced to sell their home, because it is no longer affordable to them. The couple's income has declined and they are no longer able to make the monthly mortgage payment. We will commission an appraisal (as soon as we fix the broken sanitary sewer line), in order to determine their resale price. I suspect that this home will be unaffordable to the next buyer because it started out being just barely affordable to the current owners, a four-person household. If the resale formula results in a price that is unaffordable to a family below 80% of the median income, we will seek additional subsidy to bring the price down. This 3-bedroom, 1 and ½ bath home sold for \$113,000 in late 2001.

Legion Road Townhomes

As I stated in my last quarterly letter, the first townhome to become available for resale at Legion Road has been a difficult experience. The board of the Land Trust agreed to lower the effective price of the home by using \$7,000 of our funds as a 'soft' second mortgage. This made the home more affordable and increased the

number of people who could qualify to purchase it. This change, plus an aggressive marketing campaign on the part of Martha Isleib, our Marketing Manager, resulted in far more interest from prospective buyers.

As mentioned earlier, we found a buyer for this home in late December, and we expect to close on the re-sale within the next couple of weeks. The home is being bought by a young couple, who believe it represents their best opportunity to own a home in Chapel Hill. Again, we learned that reselling a Land Trust home presents its own challenges. The home needs to be priced with a sufficient discount to the private market in order to be appealing to buyers.

Magnolia Place

The home we purchased in July is finally under contract! We never thought it would take 6 months to sell a three-bedroom, 2 and ½ bath home in Hillsborough for \$103,500. Since we borrowed the funds from the bank to buy this home, we have been paying interest for the past 5 months. This unexpected interest expense will just about eat up our expected marketing fee of \$2,500. The County has added \$10,000 in subsidy to this house in order to make it affordable as a Land Trust property. Once again, the risks of developing and selling Land Trust homes provides us an opportunity to learn and do it better next time.

Pleasant Drive

We purchased 305 Pleasant Drive, the first land trust home in Orange County, in late June. We began renovating the home in November in order to make it more energy efficient (and affordable). The contractor has just about completed the work, and the home is under contract to close in the next couple of weeks.

The funds for the rehab work were provided by Orange County. Though we did not have enough subsidy to make all the necessary repairs, we completed expensive work including new windows, vinyl siding and insulation. The new homeowner will need to do some painting in order for the home to be truly finished, but he is willing to do that work himself. The home will re-sell for \$110,000.

Homebuyer Classes:

Classes were offered at Chapel Hill Town Hall in October (7 participants completed the class) and Southern Human Services Center in November (8 participants completed the class). No class was held in December.

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:

We have met with the developers of the Vineyard Square development, who 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.

We are also working with the developer of the Greenway Condominiums to generate the condominium documents that are required by NC statute. Since this will be the first condominium development in the Land Trust, (anywhere in NC), there will be learning lessons for all involved.

In Carrboro, we are working with prospective buyers of the affordable homes in the Bolin Creek Co-Housing development called Pacifica. Pacifica intends to make use of Carrboro's affordable housing density bonus. The development application should go before the aldermen next month.

We are also hoping that the developers of Winmore will be willing to donate land to be developed by the Land Trust in conjunction with Weaver Cooperative Housing Association (WCHA). WCHA is a new organization that is interested in creating affordable rental housing that is operated as a cooperative. We are awaiting a proposal from the Winmore developers.

Orange Community Housing and Land Trust			
Approved Operating Budget 02-03			
	Revised	Actual	Percent
	2002-03	as of	of
	Budget	12/31/2002	Budget
<u>INCOME</u>			
Chapel Hill	90,000	22,500	25.00%
Orange County	86,750	43,375	50.00%
Carrboro	18,000	4,500	25.00%
Hillsborough	2,500	0	0.00%
Total Core Funding	197,250	70,375	35.68%
<u>Other Income</u>			
HUD funding for Land trust	23,000	9,500	41.30%
Homebuyer Classes	1,500	72	4.77%
Miscellaneous Income	500	46	9.13%
Private donations	2,000	480	24.00%
Interest Income	1,200	751	62.58%
Development fees	50,000	6,500	13.00%
Member contributions	500	550	110.00%
Land lease income	2,880	2,780	96.53%
Total Other Income	81,580	20,678	25.35%
Operating Income	278,830	91,053	32.66%
<u>Project Income</u>			
Net Old Well Income	2,160	1,080	50.00%
Total Project Income	2,160	1,080	50.00%
TOTAL INCOME	280,990	92,133	32.79%
<u>EXPENSES</u>			
<u>Personnel Expenses</u>			
Executive Director	46,500	22,356	48.08%
Office Manager	26,325	12,500	47.48%
Project Manager	34,606	16,346	47.24%
Sales & Marketing	30,000	14,423	48.08%
Land Trust Project Manager	35,896	17,139	47.75%
Health insurance	19,242	9,555	49.66%
Retirement plan	7,931	2,948	37.17%
Payroll Taxes	16,249	6,378	39.25%
Subtotal Personnel	216,749	101,645	46.90%
	Revised	Actual Expenses	
	2002-2003	as of 12/31/02	
<u>Operating Expenses</u>			
Equipment/Furniture	1200	0	0.00%
Insurance	4000	2,637	65.93%
Marketing/ Advertising	1800	1,002	55.68%
Memberships/Publications	1,000	527	52.65%
Office Rent & Storage	14,400	7,200	50.00%
Office Supplies	2,000	662	33.08%
Postage	1,000	506	50.55%

Printing	3000	1,080	36.00%
Legal	3,000	942	31.39%
Accounting/ Audit	11,000	9,155	83.23%
Payroll Service	1,800	697	38.70%
Telephone	8,000	4,340	54.25%
Training	2,500	460	18.40%
Travel	2,500	669	26.77%
Meetings	500	5	1.02%
Board Expenses	2,000	291	14.55%
Miscellaneous	1,000	241	24.09%
Realtor Expenses	3,000	600	20.00%
Consulting Services	500	85	17.00%
Subtotal Operating	64,200	31,097	48.44%
Subtotal Personnel and Operating	280,949	132,743	47.25%
Project Expenses:			
Other Project Expenses	0	533	
Total Project Expenses		533	
TOTAL ALL EXPENDITURES	280,949	133,276	
NET INCOME (LOSS)	41	-41,143	na