

MINUTES OF A SPECIAL MEETING OF THE MAYOR AND COUNCIL
OF THE TOWN OF CHAPEL HILL, MUNICIPAL BUILDING,
MONDAY, FEBRUARY 2, 1987, 7:30 P.M.

Mayor James C. Wallace called the meeting to order. Council Members present were:

- Julie Andresen
- David Pasquini
- Nancy Preston
- R. D. Smith
- Bill Thorpe
- Arthur Werner

Council Members Godschalk and Howes were absent, excused. Also present were Town Manager David R. Taylor, Assistant Town Managers Sonna Loewenthal and Ron Secrist, and Town Attorney Ralph Karpinos.

Joint Meeting with the Board of Directors of Orange Water and Sewer Authority

Orange Water and Sewer Authority (OWASA) members present were:

- Robert Peck, Vice-Chair
- John Hickey
- James Laslie
- William Aderholt
- Scott Herman-Giddens

OWASA Members Betty Sanders, Harold Langenderfer, Edward Mann, and Braxton Foushee were absent. Also present was Executive Director Everett Billingsley.

The following is a summary of the discussions between the two boards:

Mayor Wallace asked for questions from the Council to OWASA Members pertaining to joint planning and watershed protection matters.

Council Members expressed concern about water quality and watershed protection and how to ensure an adequate level of water supply. Statements were made against allowing development and the extension of water and sewer lines into the watershed area until a study of the potential effects could be completed. The Council expressly asked that OWASA recommend to Orange County and Carrboro that the proposed Amberly subdivision be either postponed or denied until the study could be completed. The Council also asked for clarification as to how OWASA would react if one of the governing boards made a policy decision which was in direct conflict with watershed protection.

Both Council Members and OWASA Board Members spoke in favor of the proposed agreement in principle, which contains 13 statements relating to joint planning and watershed protection, the primary of which was the establishment of a study of the water supply watershed carrying capacity of University Lake and Cane Creek.

Council Members expressed concern about the possibility of excessive septic tank failure in the rural buffer which would necessitate extension of sewer lines into the watershed. Mr. Billingsley of OWASA stated that the Board proposed requiring residential lots to have two separate functional drainage fields designated for each lot in the hopes of avoiding massive septic tank failures.

Council Members asked if the construction of Cane Creek reservoir could be moved up. Mr. Billingsley replied that the proposed construction schedule for Cane Creek had the reservoir being completed within two years. He said OWASA was offering incentives for early completion and severe penalties for delays.

The Council asked about the status of proposed changes to the water conservation ordinance and regulations. OWASA representatives responded that they had completed a preliminary review and were in the process of completing the project. The OWASA Members indicated they were looking at using simulation models to predict water levels, rainfall amounts, etc. It appeared that at this time OWASA did not favor restrictions on building permits or certificates of occupancy during the times of water shortages unless these shortages were of a 6 month or longer duration.

Council Members indicated that they would prefer that OWASA propose a suggested policy and implementation process for each stage of water shortage.

Manager Taylor suggested that OWASA, in its report on water conservation measures, make the wording as simply as possible in order to assist in public understanding of the situation. He said it might be possible to limit to only three steps: voluntary; mandatory; and crisis. Mr. Taylor said it was not necessary for the water shortage conservation measures to be related to OWASA's methods of obtaining water. He agreed that OWASA needed a detailed plan for each stage of water conservation but said for public awareness and public information, the technical information was unnecessary. Mr. Taylor said it would be helpful if the Council received information on the relationship with Durham, the basis of the contract, and how many gallons of water OWASA was entitled to purchase. He said information on what opportunities were available and what restrictions would apply to a regional water supply would also be helpful.

Manager Taylor further stated that the Council and staff would like information on the status of Jordan Lake and the Haw River as a potential long term water sources and whether or not recent events in the Bynum area were related to the water supply.

Mayor Wallace said that recent information showed that Jordan Lake would not be available as a water source for some time since a study on the water quality was still not complete. He also said there was some question as to the quantity of water which would be available from Jordan Lake. He said recent events pointed to the possibility that the lake would not have sufficient water in it to allow some of it to be siphoned off to other areas.

Mayor Wallace asked the OWASA members to introduce themselves and give a brief statement on their priorities.

The OWASA members present introduced themselves and said that they were concerned about watershed protection. Some said they favored a development moratorium for the watershed area until the study could be complete. However, there was also sentiment expressed that OWASA should not be placed in the position of either encouraging or discouraging development through its policies of water and sewer line extension. Statements were made that OWASA should not be involved in development disagreements between governing bodies.

Everett Billingsley stated that OWASA would like support from the Council with OWASA's plans to meet the new phosphate level requirements. He said OWASA's proposal would mean the need for additional revenue sources to construct the needed facilities. He said OWASA would be applying for federal and state funding but that it could also need assistance from local governments in both speeding the process along and providing some monetary support. Mr. Billingsley said that OWASA had hopes of upgrading the 201 facility at Morgan Creek at the same time as initiating the phosphate removal program measures.

The Mayor and Mayor Pro-tem, speaking for the Council, thanked the OWASA Board members for a good joint meeting.

Work Session on Affordable Homeownership Demonstration Policy Issues

Roger Waldon, Planning Director, gave a presentation on the policy issues for Council consideration. He said they fell into two categories: buyer selection and recapture/resale provisions and controls. Mr. Waldon stated that the buyer selection category included the basic eligibility criteria (income, live/work in Chapel Hill, first-time homebuyer, family or household, bedroom size, and financial requirements) and the preference criteria. He said the Town was still in the process of negotiating with Isler & Associates and Capricorn Construction Company on a joint project.

The general consensus of the Council was that the following buyer selection criteria be used:

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Income: Sell homes with a minimum economic mix of 60% of incomes \leq 80% of median (\$24,300 for a 4-person household); 40% of incomes \geq 81 \leq 100% of median (\$24,301 - \$30,400 for a 4-person household), but achieve as high a percentage as possible of families making less than 80% of median income, given available subsidy resources.

Live/Work in Chapel Hill: Require households to either live in the corporate limits of the Town of Chapel Hill or have at least one household member who works in Chapel Hill for one year preceding the date of the application.

First-time Homebuyer: Do not require all purchasers to be a first-time homebuyer, but incorporate this as part of the preference categories.

Family: The definition of a family would not be included as a basic eligibility criterion but considered as part of the preference categories.

Bedroom Size: Match household size to the number of bedrooms to ensure efficient use of subsidies and prevent overcrowding. The standards proposed were: 2 bedroom unit - no more than 4 people; 3 bedroom unit - at least two but not more than 7 people.

Financial Requirements: Have reasonable financial criteria to review preliminary applications and determine eligibility, including a criterion that monthly housing expenses not exceed 28% of gross annual income and the household should meet a debt-to-income ratio calculated as no more than 36% of annual gross income expended for housing expenses. Include other financial requirements, including asset limitation of \$40,000, evidence of sufficient savings to afford the down payment, and credit history. Consider that ultimately lender financial criteria shall determine whether a household would qualify for a loan.

The preference categories were as follows:

Households: Preference would be given to households that include at least one person who works for the University of North Carolina in Chapel Hill, the Town of Chapel Hill, and the Chapel Hill - Carrboro School System but not to be limited to the aforementioned categories.

There was discussion on whether or not to include any preference categories. Council Member Smith said he would prefer not to designate preferences. Council Member Pasquini asked if it were legal for the Town to specify preferences. Attorney Karpinos replied that the staff had researched this issue and with regard to the statutory question the only issue the staff found was a constitutional one regarding equal protection. He said there appears to be a rational basis for the program the Town was proposing and therefore believed the Courts would support on a

rational basis test. He said the closest case the staff could find were cases which challenged the University of North Carolina's preference to in-State students and providing an in-State tuition.

With regard to the recapture provisions and resale controls, the discussion centered around whether or not the Town should include an interest payment on its second mortgage and if so at what rate and whether or not there should be a fixed resale price to the Town or allowing fair market conditions to rule resale. It was agreed that the Town would require accrual of interest on the second mortgage and that it would be due upon resale of the property. The suggested and agreed upon policy would be that the interest rate would be the same as the primary mortgage. The Council also agreed that the Town should have first refusal of the property when the owner attempts to sell. There was also agreement that the Town should share in the appreciation of the property from date of purchase until time of sale. The percentage amount was not agreed upon. No consensus emerged on the question of having a set price or letting the fair market conditions rule resale of the homes.

The Council directed the Manager to prepare as staff report on the policy issues for Council consideration taking into account the matters discussed this evening and including specific examples of possible resale scenarios.

Executive Session

COUNCIL MEMBER SMITH MOVED, SECONDED BY COUNCIL MEMBER PRESTON TO ADJOURN TO EXECUTIVE SESSION TO DISCUSS LITIGATION AND ACQUISITION OF INTEREST IN REAL PROPERTY. THE MOTION PASSED UNANIMOUSLY, (7-0).

The meeting adjourned to executive session at 10:42 p.m.

A MOTION WAS DULY MADE AND SECONDED TO ADJOURN THE MEETING. THE MOTION PASSED UNANIMOUSLY, (7-0).

The meeting adjourned at 11:06 p.m.

