

# David Weekley Homes

ATTACHMENT C-1

113 Edinburgh South Drive, Suite 120 • Cary, North Carolina 27511  
(919) 659 – 1500 (Office) • (919) 460 – 9793 (Fax)

February 2, 2010

MEMORANDUM FOR: Planning Department, Town of Carrboro, North Carolina

SUBJECT: Legends at Lake Hogan Project – Affordable Housing Pricing

1. Purpose. The purpose of this memorandum is to request Town approval for maximum pricing for Affordable Housing Units (AHU), pursuant to the project Conditional Use Permit (CUP) and Section 15-182.4 of the Town of Carrboro Land Use Ordinance (LUO).
2. Background.
  - a. A Conditional Use Permit (CUP) was granted for the Legends at Lake Hogan major subdivision project (which was previously known and referred to as the Jones Property) on August 22, 2006. This project consists of 49 single-family detached residences and 16 townhomes.
  - b. This CUP designated ten of the townhome units as Affordable Housing Units.
  - c. This CUP further states that these Affordable Housing Units are to be offered for sale for an amount consistent with the language found in Section 15-182.4 of the Town of Carrboro Land Use Ordinance (LUO).
  - d. Section 15-182.4 of the LUO states:
    - i. “[An] affordable housing unit must be offered for sale or rent at a price that does not exceed an amount that can be afforded by a family whose annual gross income equals eighty percent of the median gross annual family income, as most recently updated by the United States Department of Housing and Urban Development, for a family of a specific size within the Metropolitan Statistical Area where the Town of Carrboro is located.”
    - ii. “It is conclusively presumed that a family can afford to spend thirty percent of its annual gross income on housing costs....[T]he term “housing costs” shall mean the costs of principal and interest on any mortgage, real property taxes, insurance, fees paid to a property owners association, and any ground lease or maintenance fees.”

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3. Discussion. Weekley Homes, L.P. requests approval to offer the ten Affordable Housing Units within its Legends at Lake Hogan community for sale for \$134,000 each. Such prices are within the threshold defined within Section 15-182.4 of the Town of Carrboro LUO.
  - a. 80% of Median Annual Income (2-person Household): \$45,650
  - b. Annual Income translated to Monthly Income:  $\$45,650 / 12 = \$3,804$
  - c. Available Monthly Housing Cost (30% of Income):  $\$3,804 \times 30\% = \$1,141$
  - d. Monthly Housing Cost Expenses:
    - i. Insurance: \$35
    - ii. Homeowners' Association Fees: \$130
    - iii. Real Property Taxes:
      1. Estimated Assessed Value: \$150,000 (mid-point)
      2.  $\$150,000 \times 1.6858\% = \$3,119 / 12 \text{ months} = \$253$
    - iv. Subtotal:  $\$35 + \$130 + \$253 = \$418$
  - e. Remaining Monthly Housing Cost to use towards Principal and Interest: \$1,141 minus \$418 = \$723
  - f. Assuming a 30-year, Fixed Rate Mortgage Rate of 5.0% (per Freddie Mac, for the week of 1/28/10, the average 30-year Fixed Rate was 4.98%), and a Principal & Interest payment of \$723, a standard Amortization Schedule yields a Loan Principal of \$134,000 (see enclosed amortization schedule).

# David Weekley Homes

ATTACHMENT C-3

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4. Point of contact for this request is the undersigned at (919) 659-1502 / rbowen@dwhomes.com.

Thank you very much.



Thurm Bowen  
Land Manager, Raleigh Division  
Weekley Homes, L.P.

**Exhibits:**

- 1 – Department of Housing and Urban Development (HUD) Household Income Data
- 2 – Average Mortgage Rates, Freddie Mac
- 3 – Amortization Schedule

**Notes/Sources:**

- <sup>1</sup>HUD Income Limits for applicable MSA
- <sup>2</sup>Government National Mortgage Association (GNMA) (aka "Ginnie Mae")
- <sup>3</sup>Federal Home Loan Mortgage Corporation ("Freddie Mac")

-----I N C O M E L I M I T S-----

| PROGRAM                                       | 1 PERSON | 2 PERSON | 3 PERSON | 4 PERSON | 5 PERSON | 6 PERSON | 7 PERSON | 8 PERSON |
|---|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>STATE: NORTH CAROLINA</b>                  |          |          |          |          |          |          |          |          |
| <b>Asheville, NC MSA</b>                      |          |          |          |          |          |          |          |          |
| <b>Asheville, NC HMFA</b>                     |          |          |          |          |          |          |          |          |
| FY 2009 MFI: 55700                            | 11700    | 13350    | 15050    | 16700    | 18050    | 19350    | 20700    | 22050    |
| 30% OF MEDIAN                                 | 19500    | 22300    | 25050    | 27850    | 30100    | 32300    | 34550    | 36750    |
| VERY LOW INCOME                               | 31200    | 35650    | 40100    | 44550    | 48100    | 51700    | 55250    | 58800    |
| LOW-INCOME                                    |          |          |          |          |          |          |          |          |
| <b>Haywood County, NC HMFA</b>                |          |          |          |          |          |          |          |          |
| FY 2009 MFI: 49700                            | 10450    | 11950    | 13450    | 14950    | 16150    | 17350    | 18550    | 19750    |
| 30% OF MEDIAN                                 | 17450    | 19950    | 22450    | 24950    | 26950    | 28950    | 30950    | 32950    |
| VERY LOW INCOME                               | 27950    | 31900    | 35900    | 39900    | 43100    | 46300    | 49500    | 52650    |
| LOW-INCOME                                    |          |          |          |          |          |          |          |          |
| <b>Burlington, NC MSA</b>                     |          |          |          |          |          |          |          |          |
| FY 2009 MFI: 54700                            | 11800    | 13500    | 15150    | 16850    | 18200    | 19550    | 20900    | 22250    |
| 30% OF MEDIAN                                 | 19650    | 22450    | 25250    | 28050    | 30300    | 32550    | 34800    | 37050    |
| VERY LOW INCOME                               | 31450    | 35900    | 40400    | 44900    | 48500    | 52100    | 55700    | 59250    |
| LOW-INCOME                                    |          |          |          |          |          |          |          |          |
| <b>Charlotte-Gastonia-Concord, NC-SC MSA</b>  |          |          |          |          |          |          |          |          |
| <b>Anson County, NC HMFA</b>                  |          |          |          |          |          |          |          |          |
| FY 2009 MFI: 44100                            | 10450    | 11950    | 13450    | 14950    | 16150    | 17350    | 18550    | 19750    |
| 30% OF MEDIAN                                 | 17450    | 19950    | 22450    | 24950    | 26950    | 28950    | 30950    | 32950    |
| VERY LOW INCOME                               | 27950    | 31900    | 35900    | 39900    | 43100    | 46300    | 49500    | 52650    |
| LOW-INCOME                                    |          |          |          |          |          |          |          |          |
| <b>Charlotte-Gastonia-Concord, NC-SC HMFA</b> |          |          |          |          |          |          |          |          |
| FY 2009 MFI: 66500                            | 13950    | 15950    | 17950    | 19950    | 21550    | 23150    | 24750    | 26350    |
| 30% OF MEDIAN                                 | 23300    | 26600    | 29950    | 33250    | 35900    | 38550    | 41250    | 43900    |
| VERY LOW INCOME                               | 37250    | 42550    | 47900    | 53200    | 57450    | 61700    | 65950    | 70200    |
| LOW-INCOME                                    |          |          |          |          |          |          |          |          |
| <b>Durham, NC MSA</b>                         |          |          |          |          |          |          |          |          |
| <b>Durham, NC HMFA</b>                        |          |          |          |          |          |          |          |          |
| FY 2009 MFI: 65500                            | 15000    | 17100    | 19250    | 21400    | 23100    | 24800    | 26550    | 28250    |
| 30% OF MEDIAN                                 | 24950    | 28500    | 32100    | 35650    | 38500    | 41350    | 44200    | 47050    |
| VERY LOW INCOME                               | 39950    | 45650    | 51350    | 57050    | 61600    | 66200    | 70750    | 75300    |
| LOW-INCOME                                    |          |          |          |          |          |          |          |          |
| <b>Person County, NC HMFA</b>                 |          |          |          |          |          |          |          |          |
| FY 2009 MFI: 54300                            | 11400    | 13050    | 14650    | 16300    | 17600    | 18900    | 20200    | 21500    |
| 30% OF MEDIAN                                 | 19000    | 21700    | 24450    | 27150    | 29300    | 31500    | 33650    | 35850    |
| VERY LOW INCOME                               | 30400    | 34750    | 39100    | 43450    | 46950    | 50400    | 53900    | 57350    |
| LOW-INCOME                                    |          |          |          |          |          |          |          |          |
| <b>Fayetteville, NC MSA</b>                   |          |          |          |          |          |          |          |          |
| <b>Fayetteville, NC HMFA</b>                  |          |          |          |          |          |          |          |          |
| FY 2009 MFI: 51600                            | 10850    | 12400    | 13950    | 15500    | 16750    | 18000    | 19200    | 20450    |
| 30% OF MEDIAN                                 | 18050    | 20650    | 23200    | 25800    | 27850    | 29950    | 32000    | 34050    |
| VERY LOW INCOME                               | 28900    | 33050    | 37150    | 41300    | 44600    | 47900    | 51200    | 54500    |
| LOW-INCOME                                    |          |          |          |          |          |          |          |          |
| <b>Hoke County, NC HMFA</b>                   |          |          |          |          |          |          |          |          |
| FY 2009 MFI: 46300                            | 10450    | 11950    | 13450    | 14950    | 16150    | 17350    | 18550    | 19750    |
| 30% OF MEDIAN                                 | 17450    | 19950    | 22450    | 24950    | 26950    | 28950    | 30950    | 32950    |
| VERY LOW INCOME                               | 27950    | 31900    | 35900    | 39900    | 43100    | 46300    | 49500    | 52650    |
| LOW-INCOME                                    |          |          |          |          |          |          |          |          |

\*

| Week | U.S. 30 yr FRM | 30 yr fees & points | U.S. 15 yr FRM | 15 yr fees & points | U.S. 5/1 ARM | 5/1 fees & points | U.S. 5/1 ARM margin | U.S. 1 yr ARM | 1 yr fees & points | U.S. 1 yr ARM margin | U.S. 30 yr FRM/1 yr ARM spread |
|------|----------------|---------------------|----------------|---------------------|--------------|-------------------|---------------------|---------------|--------------------|----------------------|--------------------------------|
| 1/7  | 5.09           | 0.7                 | 4.50           | 0.7                 | 4.44         | 0.6               | 2.74                | 4.31          | 0.6                | 2.75                 | 0.78                           |
| 1/14 | 5.06           | 0.7                 | 4.45           | 0.6                 | 4.32         | 0.6               | 2.74                | 4.39          | 0.5                | 2.75                 | 0.67                           |
| 1/21 | 4.99           | 0.7                 | 4.40           | 0.6                 | 4.27         | 0.6               | 2.74                | 4.32          | 0.6                | 2.74                 | 0.67                           |
| 1/28 | 4.98           | 0.6                 | 4.39           | 0.6                 | 4.25         | 0.6               | 2.74                | 4.29          | 0.5                | 2.75                 | 0.69                           |

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# Mortgage Amortization

## Inputs

|                       |              |
|-----------------------|--------------|
| Loan principal amount | \$134,000.00 |
| Annual interest rate  | 5.050%       |
| Loan period in years  | 30           |
| Base year of loan     | 1            |
| Base month of loan    | Jan          |

## Key Figures

|                                 |              |
|---------------------------------|--------------|
| Annual loan payments            | \$8,681.28   |
| Monthly payments                | \$723.44     |
| Interest in first calendar year | \$6,722.06   |
| Interest over term of loan      | \$126,438.40 |
| Sum of all payments             | \$260,438.40 |

## Payments in First 12 Months

|   |     |              |          |          |          |            |            |              |
|---|-----|--------------|----------|----------|----------|------------|------------|--------------|
| 1 | Jan | \$134,000.00 | \$723.44 | \$159.52 | \$563.92 | \$159.52   | \$563.92   | \$133,840.48 |
|   | Feb | \$133,840.48 | \$723.44 | \$160.19 | \$563.25 | \$319.71   | \$1,127.17 | \$133,680.29 |
|   | Mar | \$133,680.29 | \$723.44 | \$160.87 | \$562.57 | \$480.58   | \$1,689.74 | \$133,519.42 |
|   | Apr | \$133,519.42 | \$723.44 | \$161.55 | \$561.89 | \$642.13   | \$2,251.63 | \$133,357.87 |
|   | May | \$133,357.87 | \$723.44 | \$162.23 | \$561.21 | \$804.36   | \$2,812.84 | \$133,195.64 |
|   | Jun | \$133,195.64 | \$723.44 | \$162.91 | \$560.53 | \$967.27   | \$3,373.37 | \$133,032.73 |
|   | Jul | \$133,032.73 | \$723.44 | \$163.59 | \$559.85 | \$1,130.86 | \$3,933.22 | \$132,869.14 |
|   | Aug | \$132,869.14 | \$723.44 | \$164.28 | \$559.16 | \$1,295.14 | \$4,492.38 | \$132,704.86 |
|   | Sep | \$132,704.86 | \$723.44 | \$164.97 | \$558.47 | \$1,460.11 | \$5,050.85 | \$132,539.89 |
|   | Oct | \$132,539.89 | \$723.44 | \$165.67 | \$557.77 | \$1,625.78 | \$5,608.62 | \$132,374.22 |
|   | Nov | \$132,374.22 | \$723.44 | \$166.37 | \$557.07 | \$1,792.15 | \$6,165.69 | \$132,207.85 |
|   | Dec | \$132,207.85 | \$723.44 | \$167.07 | \$556.37 | \$1,959.22 | \$6,722.06 | \$132,040.78 |

## Yearly Schedule of Balances and Payments

|    |              |            |            |            |              |              |              |
|----|--------------|------------|------------|------------|--------------|--------------|--------------|
| 2  | \$132,040.78 | \$8,681.28 | \$2,060.74 | \$6,620.54 | \$4,019.96   | \$13,342.60  | \$129,980.04 |
| 3  | \$129,980.04 | \$8,681.28 | \$2,166.99 | \$6,514.29 | \$6,186.95   | \$19,856.89  | \$127,813.05 |
| 4  | \$127,813.05 | \$8,681.28 | \$2,278.99 | \$6,402.29 | \$8,465.94   | \$26,259.18  | \$125,534.06 |
| 5  | \$125,534.06 | \$8,681.28 | \$2,396.78 | \$6,284.50 | \$10,862.72  | \$32,543.68  | \$123,137.28 |
| 6  | \$123,137.28 | \$8,681.28 | \$2,520.66 | \$6,160.62 | \$13,383.38  | \$38,704.30  | \$120,616.62 |
| 7  | \$120,616.62 | \$8,681.28 | \$2,650.94 | \$6,030.34 | \$16,034.32  | \$44,734.64  | \$117,965.68 |
| 8  | \$117,965.68 | \$8,681.28 | \$2,787.96 | \$5,893.32 | \$18,822.27  | \$50,627.97  | \$115,177.73 |
| 9  | \$115,177.73 | \$8,681.28 | \$2,932.05 | \$5,749.23 | \$21,754.32  | \$56,377.20  | \$112,245.68 |
| 10 | \$112,245.68 | \$8,681.28 | \$3,083.60 | \$5,597.68 | \$24,837.92  | \$61,974.88  | \$109,162.08 |
| 11 | \$109,162.08 | \$8,681.28 | \$3,242.97 | \$5,438.31 | \$28,080.89  | \$67,413.19  | \$105,919.11 |
| 12 | \$105,919.11 | \$8,681.28 | \$3,410.59 | \$5,270.69 | \$31,491.48  | \$72,683.88  | \$102,508.52 |
| 13 | \$102,508.52 | \$8,681.28 | \$3,586.87 | \$5,094.41 | \$35,078.35  | \$77,778.29  | \$98,921.65  |
| 14 | \$98,921.65  | \$8,681.28 | \$3,772.25 | \$4,909.03 | \$38,850.60  | \$82,687.32  | \$95,149.40  |
| 15 | \$95,149.40  | \$8,681.28 | \$3,967.22 | \$4,714.06 | \$42,817.82  | \$87,401.38  | \$91,182.18  |
| 16 | \$91,182.18  | \$8,681.28 | \$4,172.27 | \$4,509.01 | \$46,990.10  | \$91,910.38  | \$87,009.90  |
| 17 | \$87,009.90  | \$8,681.28 | \$4,387.92 | \$4,293.36 | \$51,378.01  | \$96,203.75  | \$82,621.99  |
| 18 | \$82,621.99  | \$8,681.28 | \$4,614.71 | \$4,066.57 | \$55,992.72  | \$100,270.32 | \$78,007.28  |
| 19 | \$78,007.28  | \$8,681.28 | \$4,853.22 | \$3,828.06 | \$60,845.95  | \$104,098.37 | \$73,154.05  |
| 20 | \$73,154.05  | \$8,681.28 | \$5,104.06 | \$3,577.22 | \$65,950.01  | \$107,675.59 | \$68,049.99  |
| 21 | \$68,049.99  | \$8,681.28 | \$5,367.87 | \$3,313.41 | \$71,317.88  | \$110,989.00 | \$62,682.12  |
| 22 | \$62,682.12  | \$8,681.28 | \$5,645.31 | \$3,035.97 | \$76,963.19  | \$114,024.97 | \$57,036.81  |
| 23 | \$57,036.81  | \$8,681.28 | \$5,937.09 | \$2,744.19 | \$82,900.28  | \$116,769.16 | \$51,099.72  |
| 24 | \$51,099.72  | \$8,681.28 | \$6,243.95 | \$2,437.33 | \$89,144.23  | \$119,206.49 | \$44,855.77  |
| 25 | \$44,855.77  | \$8,681.28 | \$6,566.67 | \$2,114.61 | \$95,710.90  | \$121,321.10 | \$38,289.10  |
| 26 | \$38,289.10  | \$8,681.28 | \$6,906.07 | \$1,775.21 | \$102,616.97 | \$123,096.31 | \$31,383.03  |
| 27 | \$31,383.03  | \$8,681.28 | \$7,263.02 | \$1,418.26 | \$109,879.99 | \$124,514.57 | \$24,120.01  |
| 28 | \$24,120.01  | \$8,681.28 | \$7,638.41 | \$1,042.87 | \$117,518.40 | \$125,557.44 | \$16,481.60  |
| 29 | \$16,481.60  | \$8,681.28 | \$8,033.20 | \$648.08   | \$125,551.60 | \$126,205.52 | \$8,448.40   |
| 30 | \$8,448.40   | \$8,681.28 | \$8,448.40 | \$232.88   | \$134,000.00 | \$126,438.40 | \$0.00       |



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**Funding Provided by:**

*Town of Chapel Hill*  
*Orange County*  
*Town of Carrboro*  
*Town of Hillsborough*

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CommunityHomeTrust.org

Date: October 16, 2009  
To: Steve Stewart, Carrboro Town Manager  
From: Christine Westfall, Community Home Trust  
Copy: James Harris, Jeff Kleaveland, Robert Dowling  
Subject: Legends at Lake Hogan Affordable Housing Pricing

Jeff Kleaveland asked me to review David Weekley Homes' proposal for pricing affordable housing for the Legends at Lake Hogan project. I reviewed the September 15<sup>th</sup> memorandum and have the following comments:

1. David Weekley Homes' assumptions for monthly housing cost expenses, including insurance, homeowners' association dues, and property taxes seem reasonable to me and in line with expenses we see on our Home Trust properties. However, the buyers of these homes may also have to pay private mortgage insurance (PMI), which could add \$60 to \$80 a month to their housing expenses. The Town might want to request that David Weekley Homes add PMI to their affordability calculations.

I would also like to note that while these expense assumptions are in line with today's figures, the actual cost of these items may rise, due to inflation, by the time these homes close.

David Weekley calculates that after the above expenses are taken into account, a family earning \$45,650 a year would have \$651 left over to pay their mortgage (principle and interest), if their housing payment does not exceed 30% of their gross monthly income. Our amortization spreadsheets show that a mortgage payment of \$651 corresponds to a loan amount of \$114,655. David Weekley calculations return a loan amount of \$142,035. If \$114,655 is the correct amount, than that would represent the maximum price that would be affordable to households of 2 at 80% of the area median income.

2. David Weekley Homes' memo does not outline their plan for maintaining the affordability of the homes upon resale, so I cannot comment on this aspect of their affordable housing plan.

I would be happy to answer any questions you have about our calculations or this memorandum, and can be reached at (919) 967-1545 ext 305.