



Date: May 22, 2014

To: Chapel Hill Town Council and Orange County Commissioners and the Orange County HOME consortium

Copy: Roger Stancil, Michael Talbert and CHT board of directors

From: Robert Dowling, Community Home Trust

Re: Challenges that require action

In 2007, I addressed the Assembly of Governments about two challenges that jeopardized the success of inclusionary housing. Those challenges were (i) long term affordability of our homes, and (ii) long term maintenance.

Since 2007, we have been chipping away at the maintenance issue and have made great progress. However, the affordability problem is worse today than it was in 2007 due primarily to two factors:

1. HUD income limits for purchasers are lower today than they were in 2007
2. The costs of owning one of our homes increases every year due to higher home prices and higher HOA dues, property taxes and stewardship fees.

I have discussed these issues at both Town Council and County Commissioner meetings in recent years. However, I am compelled to write this memo because external circumstances continue to present risks to the long term success of inclusionary housing. I believe it is my responsibility to alert you to these risks and to offer mitigating solutions.

Specifically, the risks that jeopardize the programs are two:

1. Home Trust home buyers have limited access to first mortgage financing
2. Reduced federal subsidies, in conjunction with continued stagnant income limits, make it increasingly difficult to resell some of our homes.

Mortgage financing for our buyers has been difficult in recent years, but the NC Housing Finance Agency provided \$5 million specifically for our buyers. This funding has enabled us to sell most of the 38 homes we have sold this fiscal year. However those funds will be exhausted in 2015 and we need to identify alternative sources of mortgage funding.

Our ability to attract other lenders, such as SECU and Self Help, requires that we allow these lenders to obtain the fee simple interest in the property in the event of foreclosure. *If we provide the fee simple interest as collateral, and we allow a home to be foreclosed upon, we would lose it from our inventory entirely.*

We recognize the risks of making this change, but the Home Trust board has weighed those risks and approved the change in order to accommodate the

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needs of our home buyers. As you all know, we have never had a foreclosure and we hope never to allow a home to be foreclosed upon. However, the Home Trust cannot unilaterally agree to provide the fee simple interest without approval from both **the Town Council** and the **Board of County Commissioners**.

By way of this memo, we are asking for your approval of this change. We are more than happy to work out the details with your attorneys and staff.

On the matter of reduced federal subsidies, the Town Council, the County Commissioners and the HOME Consortium could help us to better utilize CDBG funds, HOME funds and local funds that are already invested in our homes by allowing us to sell to higher income households. Currently, we are prohibited from doing so because both the Town and the County impose 99 year affordability restrictions that limit buyers to 80% of AMI.

If the Town, County and HOME Consortium will allow us to sell to households up to 115% of AMI when permissible by HUD, you will assist us in two important ways:

1. Our window of eligible buyers will be widened (which will increase diversity in some of our neighborhoods)
2. We will require less subsidy in the future to continue to make all of our homes affordable to households at 80% AMI

Again, by way of this memo, I am requesting approval from the Town Council, the County Commissioners and the HOME consortium to allow us to sell homes to higher income households when permitted by HUD.

Both of these challenges, if left unaddressed, have the potential to truly disrupt the success of our inclusionary housing programs. We had hoped that the Charter would address these issues, but it does not appear that the Charter will be executed prior to the summer break.

You all have been instrumental to our success over the years. Thanks to your support, there are 227 affordable homes integrated into market rate neighborhoods in Chapel Hill and Carrboro. We estimate the market value of these community assets to be more than \$40 million.

We very much appreciate your support. We are more than happy to answer any questions you might have. Thank you for your consideration.

Sincerely,


Robert Dowling
Executive Director