

MEMORANDUM

TO: Chapel Hill Housing Advisory Board

FROM: Applicant – Grove Park, 425 Hillsborough Street (Project #14-091)

DATE: April 24, 2015

This memorandum is in follow-up to the April 14, 2015 Housing Advisory Board meeting. The Applicant has proposed a \$175,000.00 payment-in-lieu to be made to the Town's Affordable Housing Fund prior to the issuance of the first Certificate of Occupancy for Grove Park. The memorandum will address three (3) items that were considered at the April 14, 2015 Advisory Board meeting. Item (1) Request For Applicant's estimates of monthly rental amounts including utilities; Item (2) Further consideration of the Applicant's proposed payment-in-lieu amount of \$175,000.00 and provision to the Board the amount of payment-in-lieu for the East 54 apartment project; and Item (3) Providing \$175,000.00 as a payment-in-lieu and a guaranty of 50 affordable student apartments at the 80% AMI level.

By way of background, there are no specific requirements for affordable housing related to apartment rental projects (non-for sale projects) in Chapel Hill. The Applicant has agreed that should its project at any time be converted to a "For Sale" Condominium Unit or other Sale Unit, the applicant would be obligated to meet the minimum 24 Dwelling Unit (10% of the total amount of net new market rate dwelling units), or provide a payment-in-lieu calculated based on the funding rate, as established by the Town Council annual, at such time as the development converts to condominium ownership.

Item (1) The Applicant project is designed as a redevelopment project to serve undergraduate UNC students who are looking for affordable rental housing that will provide them with value, modern design, energy efficiency, accessibility and life safety updates. In response to the Board's query about the costs of the rental units, attached as Exhibit "1" is a chart containing the Applicant best estimates of monthly rental and utility amounts at build out for the efficiency unit, 1-bedroom unit, 2-bedroom unit, 3-bedroom unit and 4-bedroom unit that will be offered as rentals. The chart compares the estimated per-person rental amounts in the Grove Park project with LUX, Shortbread and East 54 projects. Grove Park efficiency and one bedroom estimated rates will be below the 80% AMI.

Item (2) In response to the Board's query as to the amount of payment-in-lieu for the East 54 apartment rental project, that amount is \$2000.00 per built Unit. The Applicant considered the East 54 apartment rental project in developing its payment-in-lieu proposed amount of \$175,000.00. East 54 is a luxury upscale rental apartment community and does not provide any affordable rental units at the 80% AMI in comparison to the Applicant's proposed project. East 54 currently rents 1-bedroom units at \$1,449.05 per month, an amount that is \$500.00 per month over the current 80% AMI. The Applicant estimates it will have efficiency units and 1-bedroom units for \$784.06 and \$884.06 per month,

respectively. Therefore, the Applicant believes it would be inappropriate to compare the East 54 payment-in-lieu with the Applicant.

The Applicant considers its Project to be more in line with LUX and Shortbread Projects. Shortbread paid \$25,000.00 as a payment-in-lieu for its 85 Unit apartment complex and Lux paid \$120,000.00 as a payment-in-lieu for its 194 unit apartment complex. Those recently developed complexes are designed to serve the same student population that the Applicant's renovation project will serve. Shortbread's payment-in-lieu results in a payment of **\$294.11 per unit**; and LUX's results in a payment of **\$618.55 per unit**. The Applicant has agreed to pay **\$747.86 per unit** for each of the 234 new units proposed. While the Applicant did not use a per Unit formula in calculating its proposed \$175,000.00 payment in lieu, the Applicant's per unit amount of \$747.86 is significantly higher than the amount paid by the LUX project and the Shortbread project.

Item (3) After careful consideration, the Applicant will commit to providing \$175,000.00 as a payment-in-lieu and the Applicant will **guaranty** 50 affordable student rental apartments at the 80% AMI level. The Applicant believes this is a generous offering to meet the Town of Chapel goals of affordable apartment rentals.