



TOWN OF CHAPEL HILL

Town Hall
405 Martin Luther King Jr.
Boulevard
Chapel Hill, NC 27514

Legislation Text

File #: [23-0523], Version: 1

Authorize the Town Manager to Execute Option to Ground Lease Agreements with the Vertical Developers of the Homestead Gardens Mixed Income Affordable Housing Development Project.

Staff:

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Department:

Affordable Housing and Community Connections

Overview: These agreements authorize the Town to give the vertical developers of the Homestead Gardens project - CASA, Habitat for Humanity, and Community Home Trust - the sole and exclusive option to lease Town land at 2200 Homestead Road for the construction and operation of affordable housing.



Recommendation(s):

That the Council authorize the Town Manager to enter into option to ground lease agreements with the vertical developers of the Homestead Gardens mixed income affordable housing development project.

Background: [Homestead Gardens <https://www.chapelhillaffordablehousing.org/2200-homestead>](https://www.chapelhillaffordablehousing.org/2200-homestead) is a Town Council approved mixed income affordable housing community on Town-owned land. The Town is working with the Homestead Housing Collaborative, a group of four local affordable housing partners, to plan and develop the site. Council approved a conditional zoning permit for the parcel in May 2021 and authorized the Manager to execute a site development contract with Self-Help Ventures Fund in October 2021, which was executed in February 2022.

The approval of vertical development contracts is one of the next key milestones on the project schedule that has been shared with [Council <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=5165094&GUID=46D2FC5A-EAFC-4C75-9629-42C4042F0ADB>](https://chapelhill.legistar.com/LegislationDetail.aspx?ID=5165094&GUID=46D2FC5A-EAFC-4C75-9629-42C4042F0ADB). The option agreements included in this item are an interim step to achieving that milestone. The Town and its outside legal counsel have worked with the vertical developers to outline the terms of the option to ground lease agreements that give each developer a sole and exclusive option to lease the land. It is anticipated that the Town will need to execute a ground lease with each vertical development partner by summer 2024, prior to the start of building construction for the project.

While site construction is not likely to begin until 2024, the authorization of the option agreements will provide the vertical partners evidence of site control, allowing them to be better positioned to apply for funding and identify potential lenders. In the short term, CASA plans to submit a funding application for nearly \$2 million in [Supportive Housing American Recovery Plan \(SHARP\) <https://www.nchfa.com/rental-housing-partners/supportive-housing-developers/supportive-housing-american-rescue-plan>](https://www.nchfa.com/rental-housing-partners/supportive-housing-developers/supportive-housing-american-rescue-plan) funding in July 2023 that requires demonstration of site control.

Council will have additional opportunities to consider key aspects of the projects, including:

- In Fall 2023 Council will consider an application for a major modification to the existing Conditional Zoning Permit that Council approved in May 2021. The proposed modification reduces the project size to eliminate the northern portion of the site plan, which was determined to be prohibitively

expensive to develop.

- In Spring 2024, Council will consider the development contracts between the Town and each vertical partner. The contracts will confirm the general terms and conditions of the project, establish the responsibilities of the development team, confirm the terms of the ground lease, document the Town's funding commitment, and establish protections for the Town.

Key components of the proposed option to ground lease agreement:

- Offers a sole and exclusive option to lease the parcel for two years
 - If a developer does not meet the conditions precedent to closing within this time period, the option period ends.
- Ensures the property will maintain permanent affordability (99 years).
- Offers site control to the developers for a nominal amount (\$10/year).
- Restricts use of the site to the plans proposed in each project's conditional zoning application.
- Establishes the conditions required for the developers to exercise their options, including:
 - Receipt of all government approvals needed for the project
 - Full financing of the project

Fiscal Impact/Resources: This Option to Ground Lease Agreement does not allocate any Town funding toward the project. Once the ground lease is signed, the agreement proposes the lessor pay a nominal amount (\$10/year) to lease the land.



Attachments:

- Homestead Gardens Options to Lease Resolution

A RESOLUTION AUTHORIZING THE TOWN MANAGER TO EXECUTE OPTION TO GROUND LEASE AGREEMENTS WITH CASA, HABITAT FOR HUMANITY OF ORANGE COUNTY, AND COMMUNITY HOME TRUST TO CONSTRUCT AND OPERATE AFFORDABLE HOUSING AT THE TOWN-OWNED 2200 HOMESTEAD ROAD SITE. (2023-06-14/R-3)

WHEREAS, on [September 6th, 2017 <http://chapelhill.granicus.com/MinutesViewer.php?view_id=21&clip_id=3233&doc_id=2307f58a-9404-11e7-8661-00505691bffa>](http://chapelhill.granicus.com/MinutesViewer.php?view_id=21&clip_id=3233&doc_id=2307f58a-9404-11e7-8661-00505691bffa), the Council designated 2200 Homestead Road as a mixed-income affordable housing site and authorized the Town Manager to continue to pursue development of mixed-income affordable housing on this site and to engage potential partners in the discussions; and

WHEREAS, on [June 20th, 2018 <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=3531765&GUID=2AAB0753-D883-4117-BBFE-3FB157CEA5ED&Options=ID|Text|Attachments|Other|&Search=homestead>](https://chapelhill.legistar.com/LegislationDetail.aspx?ID=3531765&GUID=2AAB0753-D883-4117-BBFE-3FB157CEA5ED&Options=ID|Text|Attachments|Other|&Search=homestead), the Council gave feedback on a Concept Plan for the development of 2200 Homestead Road where the exploration of development partners was identified as a key next step; and

WHEREAS, on [November 28, 2018 <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=3760315&GUID=212CC318-56AD-416C-A079-39C9F7E37174&Options=ID|Text|&Search=RFQ>](https://chapelhill.legistar.com/LegislationDetail.aspx?ID=3760315&GUID=212CC318-56AD-416C-A079-39C9F7E37174&Options=ID|Text|&Search=RFQ), the Council authorized the Town Manager to issue a Request for Qualifications to identify potential development partners for 2200 Homestead and to begin negotiations with potential developers; and

WHEREAS, on February 27, 2019, the Town executed a Memorandum of Understanding with Self-Help Ventures Fund to establish the terms and conditions for negotiating an agreement for site development at 2200 Homestead Road; and

WHEREAS, on [June 17th, 2020 <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=4563690&GUID=ADE08ABC-2155-4427-A7A8-29EA9E26E81C&Options=ID|Text|&Search=affordable+housing+bond>](https://chapelhill.legistar.com/LegislationDetail.aspx?ID=4563690&GUID=ADE08ABC-2155-4427-A7A8-29EA9E26E81C&Options=ID|Text|&Search=affordable+housing+bond), the Council approved \$3.3M in Affordable Housing Bond funding for the 2200 Homestead Road project; and

WHEREAS, on [November 4, 2020 <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=4682752&GUID=67E829EC-E6E4-4117-849B-09126332CFA0>](https://chapelhill.legistar.com/LegislationDetail.aspx?ID=4682752&GUID=67E829EC-E6E4-4117-849B-09126332CFA0), the Council approved \$173,395 in Affordable Housing Development Reserve funding for the 2200 Homestead Road project; and

WHEREAS, on [May 19, 2021 <https://chapelhill.legistar.com/LegislationDetail.aspx?GUID=3FF66E07-2362-4A7A-A8E7-F0E3EC81F28B&ID=4955855&Options=&Search=>](https://chapelhill.legistar.com/LegislationDetail.aspx?GUID=3FF66E07-2362-4A7A-A8E7-F0E3EC81F28B&ID=4955855&Options=&Search=>), the Council approved the Conditional Zoning of the 2200 Homestead Rd project; and

WHEREAS, on [October 13, 2021 <https://chapelhill.legistar.com/View.ashx?M=F&ID=9888217&GUID=2552987C-E84D-44EB-A8AE-CD196B0D7C0B>](https://chapelhill.legistar.com/View.ashx?M=F&ID=9888217&GUID=2552987C-E84D-44EB-A8AE-CD196B0D7C0B), the Council authorized the Town Manager to execute a site development agreement with Self-Help Ventures Fund for the 2200 Homestead Rd site; and

WHEREAS, on [November 16, 2022 <https://chapelhill.legistar.com/View.ashx?M=F&ID=11464749&GUID=FE3F7401-18E1-45AB-8291-3FC898ED0FB7>](https://chapelhill.legistar.com/View.ashx?M=F&ID=11464749&GUID=FE3F7401-18E1-45AB-8291-3FC898ED0FB7), the Council approved \$3,028,839 in affordable housing funding for the 2200 Homestead Rd project.

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill that the Council authorizes the Town Manager to execute option to ground lease agreements with CASA, Habitat for Humanity of Orange County, and Community Home Trust for the Town-owned 2200 Homestead Rd site.

This the 14th day of June, 2023.

The Agenda will reflect the text below and/or the motion text will be used during the meeting.

By adopting the resolution, the Council authorizes the Town Manager to execute option to ground lease agreements with CASA, Habitat for Humanity, and Community Home Trust to construct and operate affordable housing at the Town-owned 2200 Homestead Rd site.