

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Special Applications Center
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 Chicago, Illinois 60604-3507
 Phone: (312) 886-9754 Fax: (312) 886-6413

OFFICE OF PUBLIC HOUSING

MAR 23 2007

Mr. Harrison Shannon
 Executive Director
 City of Durham HA
 Post Office Box 1726
 330 East Main Street
 Durham, North Carolina 27702

OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL		# of pages ▶ 3
To ERIC PRISTELL	From AINARS	
Dept./Agency	Phone #	
Fax #	Fax #	
NSN 7540-01-317-7368		5099-101 GENERAL SERVICES ADMINISTRATION

Dear Mr. Shannon

On October 23, 2002, the department approved the Durham Housing Authority's (DHA) request to demolish and dispose of 168 units in 43 dwelling buildings and 1 non-dwelling buildings, on 19.827 acres at Fayetteville Street, NC19P013005.

On September 19, 2006, the Special Applications Center (SAC) received a request from the DHA to modify the approval to reflect changes brought on in your redevelopment plans due to certain setbacks, as described in your amendment request.

On October 19, 2006, the SAC approved your request as noted below:

Fayetteville Street, NC19P013005 Buildings 44, Units: 168, Acres: 19.827			
Total Units to be Redeveloped: 168	Less than 80% of Area Median Income		
	ACC	Non-ACC	Market Rate
For Sale		168	
Acquiring Entity	Campus Investment, LLC		
Method of Sale	Negotiated Sale at less than FMV General Warranty Deed for \$1		
Sale Price	\$5,100,000		
Purpose	Acquisition and Rehabilitation of units for low- income families.		

On November 3, 2006, in a telephone conversation with you, you pointed out some errors in the revised approval that necessitated a further revision, as noted below:

Fayetteville Street, NC190P013005 Buildings 44, Units: 168, Acres: 19.827			
Total Units to be Redeveloped: At least 168	Less than 80% of Area Median Income		
	ACC	Non-ACC	Market Rate
For Sale		168	
Acquiring Entity	Campus Investment, LLC		
Method of Sale	Negotiated Sale at less than FMV		
Sale Price	\$4,000,000		
Purpose	Mixed Use Development		

In your September 19, 2006, submittal you also asked for two waivers;

1. An exemption from 24 CFR 85.36, as to the selection of the developer
2. A waiver of the outstanding debt on the property.

According to 24 CFR 970.2(a): "...The rules and procedures contained in 24 CFR 85 are inapplicable" to actions undertaken under Section 18 of the housing Act of 1937, so a waiver is not required.

It is not possible to waive the debt on the property, but it is possible to waive the requirement to use the net proceeds to pay off the debt. Your proposed use of net proceeds:

1. To retire the outstanding debt noted in the HUD Office of Inspector General's audit finding, and;
2. To rehabilitate the rest of your ACC housing stock

Is conditionally approved, pending our determination of how much debt there is at this time, and waiver by the Assistant Secretary to use net proceeds to retire that debt, if any. Until you hear formally from the SAC, you must escrow the net proceeds, and understand you may need to use the funds to retire the debt, if the Assistant Secretary does not waive the repayment requirement.

The closing documents must include a reversion clause to insure Campus Investments constructs and manages at least 168 units for low-income individuals. If they fail to do so, the property must revert to DHA.

In a recent telephone conversation, you requested that I amend the November 3, 2006 approval, based on final negotiations between DHA and Campus Investments, LLC. I am pleased to approve your request as noted below:

PURPOSE/END USE:

The Property shall be developed by Campus Investments, LLC or a related entity ("Campus") for mixed-use purposes, including but not limited to university-related housing and general

commercial uses. The Property must include the construction, acquisition and equipping of either (a) a student housing facility which includes no less than 168 beds set aside exclusively for rental by either admitted and enrolled North Carolina Central University students designated and qualified as deserving of need based on criteria established by North Carolina Central University or (b) a housing facility which will include no less than 168 beds set aside exclusively for rental by other persons otherwise qualified as low-income persons ("Low-Income Units"). No less than ten (10) of the Low-Income Units shall be made available, free of charge, to North Carolina Central University students designated and qualified as deserving of need based on criteria established by North Carolina Central University ("Scholarship Units"). The Low-Income Units and Scholarship Units shall be maintained by Campus for no less than ten (10) years from the date of acquisition of the Property by Campus. Additionally, Campus shall use or cause third parties hired by Campus (in connection with the development of the Property) to use commercially reasonable efforts to: (a) recruit and utilize, in good faith, a percentage or number (to be verified by Campus) of qualified local minority-owned businesses in connection with the development of the Property; and (b) recruit and employ, in good faith, a percentage or number (to be verified by Campus) of qualified individuals, from the neighborhood in which the Property is located and the City of Durham, in connection with the development of the Property.

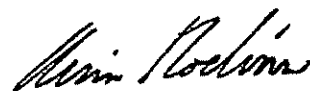
RESTRICTIONS:

The closing documents must include a legal mechanism (through reversion, repurchase or other legal rights negotiated by DHA and Campus) that allows DHA the right to own the Property should the Purpose/End Use not be carried in the manner prescribed herein.

All other provisions of the disposition approvals of November 6, 2006 and October 23, 2002 that are inconsistent herewith shall be null and void and of no further force and effect. All other provisions of the October 23, 2002 disposition approval, not amended hereunder, shall remain in full force and effect. The Greensboro Field Office has been informed of this final revised approval and its staff is available to provide any technical assistance necessary for DHA to proceed with the disposition.

As you continue the process of implementation, I urge you to maintain an open dialogue with your residents and local officials. If you have to modify your plans, the Greensboro Field Office stands ready to assist you. Thank you for your patience.

Sincerely,



Ainars Rodins, P.E.
Director