
STANLEY MARTIN

HOMES

June 20, 2019

Gregg Warren
DHIC, Inc
113 S. Wilmington St.
Raleigh, NC 27601

Re: Washington Terrace – Phase 3, Raleigh, NC

Mr. Warren:

This letter will serve to outline the terms under which Stanley Martin Companies, LLC (“SMC”) will purchase and the record owner (the “Seller”) will sell that certain real property described below (the “Property”). This letter is not a binding purchase contract or agreement for purchase except that, by acceptance of this letter, the parties hereto agree to (a) deal and negotiate in good faith the provisions of a purchase and sale agreement for the Property (the “Contract”), and (b) the Seller shall refrain from actively marketing the Property for a period commencing on the date upon which Seller signs this letter and ending on the earlier to occur of (i) the date that is thirty (30) days from such signing, and (ii) the full execution of a Contract.

- **Project.** Washington Terrace was originally built in 1950 and is known as the first rental community constructed in Raleigh for African American middle-class families and professionals. Once home to local public figures and civic leaders, Washington Terrace is cherished and remembered for this history and sense of community. DHIC purchased this property in 2014 in order to preserve and diversify housing options for people with limited incomes.

Our goal in this project would be to build on this diversity by offering a for sale product that offers additional opportunities for current and new residents of Raleigh that are priced at or below the median sales price for new construction in Raleigh. This would allow many more working families an opportunity to own a home in the evolving Southern and Eastern Raleigh markets. This evolution has seen home prices in these markets spike to unprecedented levels that exclude many longtime Raleigh resident families and many incoming Raleigh residents from purchasing homes in the City.

Based on limited comp data for this type of product in this price range, we project an absorption rate of 36-48 sales per year and a total build-out time of approximately 3-years. We hope the introduction of this price point will accelerate absorption and shorten build-out duration.



- **The Property.** The Property refers to approximately 7.69 +/- acres(w/o proposed ROW) located in the City of Raleigh, Wake County, North Carolina. The Property is further identified by owners and Washington Terrace Master Plan as:
 - **College Park Collaborative LLC**
Washington Terrace Lot 4
PIN #1714404836 (Approx. 4.44ac)
 - **College Park Collaborative LLC**
Washington Terrace Lot 6
Part of PIN #1714309910 (Approx. 3.25ac)
- **Product.** We explored two options for product offerings, a combination of 4-story condos and 3-story townhomes, as well as an all townhome scenario:
 1. 16' rear-load TH product:
 - THs: 1600sf – 2100sf @ High \$200s to \$300s
 2. Combination of 2over2 condo and TH product:
 - 24' rear-load Condos(Lower): 1600sf @ High \$200's
 - 24' rear-load Condos(Upper): 2400sf @ High \$300s
 - THs: 1600sf – 2100sf @ High \$200s to \$300s
 - NOTE: This project will include establishing an HOA for common area maintenance, ARB, etc. Typical fees for our townhome projects, depending on amount of open space and level of maintenance, will vary from \$75-\$150/month.

Based on the existing zoning in the area, and the Future Land Use Map designation, we have elected to make an offer based on the 3-story townhome scenario to shorten the approval time and limit the risk involved with seeking the additional height. The rezoning option would deliver a 5-10% higher sales price for the project but this increase did not seem worth the risk at this time. If any 4-story rezoning cases were approved in this area, this option could be revisited.

This site currently has an approved demolition plan. We project that approvals to develop Phase 3 for our product would take one year. Site development and sign-off to allow us to submit for building permits will take an additional 6-8 months before closing conditions are met. This gives a projected closing date of February 2021.

This product also includes many environmentally sustainable features including:

- Energy Star Appliances & Lighting
- Attic insulation above code
- Double-pane windows with Argon
- Low VOC paint
- Low-flow plumbing fixtures
- Average townhome HER's Rating in the low to mid 60's



- **Purchase Price.** The Purchase Price for the Property shall be Nine Million Nine Hundred Ninety Thousand Dollars (\$9,990,000), or \$90,000 per lot if yield decreases below 111 units prior to closing.
- **Financing.** No financing contingency. Settlement will be all cash at closing.
- **Deposit.** A deposit (the “Deposit”) totaling Five Hundred Thousand Dollars (\$500,000) shall be deposited and held in escrow with Investors Title Company within three (3) business days

of the execution of the Contract. The Deposit shall be fully refundable during the Study Period (defined below). In the event that SMC does not elect to terminate the Contract on or before the expiration of the Study Period, the Deposit shall become non-refundable except for a failure of the conditions to closing set forth in the Contract and a Seller default. The Deposit will be credited to the purchase price at closing.

- **Study Period.** SMC will have a ninety (90) day study period from the date the Contract becomes fully executed and delivered to SMC (the “Study Period”) to conduct feasibility studies on the Property, including, but not limited to, examination of title, engineering and environmental studies. In the event that SMC, in its sole and absolute discretion, determines that it is dissatisfied with said tests, studies, analysis and/or investigations, or for no reason at all, then SMC may elect to terminate the Contract on or before the expiration of the Study Period and the Deposit shall be returned to SMC without further obligation on either party. Notwithstanding the foregoing, SMC will indemnify and hold Seller harmless from and against all costs, expenses and liabilities incurred by Seller in connection with the tests and studies conducted by SMC on the Property, and SMC’s indemnification obligations will survive any termination of the Contract.
- **Conditions to Closing.** DHIC will install all public infrastructure, roads, and service laterals per the approved plan. A rough grading plan for the lots will be included in the plan revision and will be completed by DHIC along with the required stabilization. All other lot work, permitting, and construction will be completed by Stanley Martin. Closing will be contingent upon the receipt of a Recorded Plat. Closing can occur in multiple phases to accelerate the first plat or as a bulk closing if Recorded Plat includes all lots.
- **Settlement.** Closing will be not later than 30 days after all conditions to closing are satisfied (or waived by SMC, in its absolute discretion). Seller shall deliver clear and marketable title to the Property.
- **Brokerage.** SMC has NOT engaged the services of a broker. If Seller engages a real estate broker or agent, Seller will pay this commission.
- **Confidentiality.** All information contained herein, including this letter, itself, will be confidential and will not be disclosed to any third party.



The foregoing sets forth the basic terms under which the parties hereto are prepared to proceed with the subject purchase and sale. If these terms are acceptable, kindly acknowledge your acceptance by signing this letter where indicated below. Upon receipt of such acknowledgment, SMC will prepare and deliver to Seller not more than fourteen (14) days following the date of such acknowledgment, an initial draft of the Contract upon the terms set forth herein and will contain such other terms as are customary for a transaction similar to the one set forth herein.


If this letter has not been acknowledged by the Seller by 5:00 p.m. on July 2, 2019 then the terms of this letter will expire.

Kindly acknowledge that the foregoing terms are acceptable by signing this letter where indicated below and returning it to George Weller, President-Raleigh Division, Stanley Martin Homes, 4020 Westchase Boulevard, Building One, Suite 470, Raleigh, NC 27607.

Very truly yours,

Stanley Martin Companies, LLC

By:


George W. Weller
President-Raleigh Division

HEREBY READ AND ACKNOWLEDGED:

DHIC LLC

By:

Gregg Warren, President

Date