



Summary of Developers Agreement

The Capkov Ventures Inc. is the applicant of the Annexation and Master Plan application for the Waterstone South community. As part of that application Capkov Ventures Inc. has agreed to make certain commitments that shall be memorialized in a Developers Agreement as is permitted by the Land Use Ordinance. A formal Contract will be drafted by Capkov Ventures Inc.'s attorney of record at such time as the specific terms have been agreed to by the Hillsborough Commissioners and the Hillsborough Town Attorney. As part of the initial application, we have summarized below the commitments that are envisioned at this time.

- 1. Affordable Housing.** The Applicant will, through a Developers Agreement, commit to a robust affordable housing program that will provide 15% of the total market rate homes as affordable homes. Affordable homes shall be defined as available to those earning an average of 80% or less of the median income for the geographic statistical area Hillsborough is located within according to the U.S Department of Housing and Urban Development. The commitment will apply to both the multi-family apartment homes and the town homes. The townhomes will be integrated withing the broader townhome community and the exterior finishes shall make them indistinguishable from the market rate homes. The Applicant will work with the Town of Hillsborough to determine whether integration or a stand-alone project is more beneficial to the Town for the multi-family apartment homes and make a commitment accordingly. While integration is initially attractive, lower income ratios can be achieved with stand alone affordable apartment home projects as they are eligible for tax credit funding through North Carolina Housing Finance Agency.

2. Contributing to Hillsborough’s Utility Infrastructure. The Applicant will, through a developers Agreement, commit to the following financial contributions to upgrading Hillsborough’s sewer infrastructure.

1. Direct Construction of Improvements. Capkov Ventures Inc. has proposed constructing the following improvement to improve the existing Hillsborough sewer utility infrastructure. The estimated cost of the improvements is 3.3 million.

a. Demolish the old Nazarene lift station and construct a new lift station with significantly higher capacity. The new lift station will have the capacity to allow inflows from areas not currently being served along the I-86 corridor.

b. Eliminate the existing Woods Edge South lift station on Alice Loop Drive and construct a new gravity sewer line. The Woods Edge South lift station is an antiquated lift station constructed to serve the Woods Edge Mobile Home community and was not constructed to municipal standards. The elimination of the lift station and conversion to gravity flow sewer will save Hillsborough significant maintenance and replacement cost in the future.

c. Run a new larger diameter forced main line from the Nazarene lift station to the Cates Creek Outfall, along Highway I-86 South and Waterstone Drive. This will allow more potential capacity from the public schools to the south and other potential future users.

2. Accelerating System Development Fees. Hillsborough needs to upgrade several elements of their existing system to handle the existing and committed sewer flows, and to add capacity for future development. Capkov Ventures proposes accelerating the System Development Fees for each townhome or apartment in the proposed community upon approval of each phase. This will provide immediate funding for the essential improvements.

2023 Sewer System Development Fee Per Unit \$3,243.

2023 Water System Development Fee Per Unit \$3,864.

Phase I 205 Residential Units. Accelerated Sewer and Water Fees \$1,456,935.

Phase II 225 Residential Units. Accelerated Sewer and Water Fees \$1,599,075.

Phase III 225 Residential Units. Accelerated Sewer and Water Fees \$1,599,075.

Total Accelerated Development Fees	\$4,655,085
Total Direct Construction of Improvements	\$3,300,000

Total Proposed Contribution

\$7,955,085

- 3. Phasing Plan.** The proposed Waterstone South community has been designed to be developed in three phases. The three phases pertain to the residential component of the development and not the commercial components. The applicant recognizes the sewer capacity constraints that Hillsborough is currently experiencing and has proposed roughly 8 million dollars in accelerated system development fees, and direct improvements to improve capacity for the Waterstone South community and future development in the southern portion of Hillsborough. Because the residential component of Waterstone South is the primary consumer of sewer capacity, the residential component of the proposed mixed-use community is being proposed as phased development. The residential component has been divided into three phases to allow the necessary time for the proposed sewer improvements to be made in a logical and orderly manner. The commercial component of the community located along Waterstone Drive has been designed to encourage medical outpatient services and medical office to facilitate the growing medical complex anchored by UNC Health. We don't believe phasing of the medical uses is advisable as they will be developed as the UNC Health facility grows and the demand for the medical outpatient services and offices grow along with it. This is anticipated to occur over a 10-year time frame. Similarly, the neighborhood commercial along Highway 86 South at the entrance to the residential portion of the community will grow as the residential component of the community grows and the health care related jobs base expands. Uses such as day care facilities, coffee shops and restaurants, are anticipated in this neighborhood commercial area.

The phasing of the residential portion of the Waterstone South community shall occur starting at the front of the residential portion of the community along Highway 86 South and proceed westward towards I-40. As such, the townhomes and the neighborhood commercial will be constructed before the two phases of multi-family.

The three phases shall be structured as follows.

PHASE I: Phase I shall include 205 townhomes and approximately 10,000 square feet of the neighborhood commercial. Infrastructure development shall conclude and building construction to start in June 2026 with the first townhomes being completed in January 2027. Phase I should be completed by January 2030. No sewer would be needed before January of 2027 and gradually added through 2030.

PHASE II: 225 apartments and approximately 10,000 square feet of neighborhood commercial. Infrastructure development shall conclude and building construction to start in January of 2028 with the first apartment being completed in January 2029. Phase II should be completed by January 2030. No sewer would be needed before January of 2029 and gradually added through 2030.

PHASE III: 225 apartments and approximately 20,000 square feet of neighborhood commercial. Infrastructure development shall conclude and building construction to start in January 2029 with the first apartment being completed in January of 2030. Phase III should be completed by January 2031. No sewer would be needed before January 2030 and gradually added through 2031.

As intended the sewer usage allows a substantial amount of time for the necessary improvements to be completed with the initial usage not starting for three and a half years while the infrastructure and building occurs and increasing gradually over the next seven years. We think this is a well thought out phasing plan that allows for a logical growth pattern to be aligned with increases in sewer capacity.