

GROUND LEASING

MUTUAL EXPECTATIONS AND REQUIREMENTS

GROUND LEASING

- Why ground leasing?
- What are the purposes of the CLT ground lease?

CLT GROUND LEASE PURPOSES

1. Legally conveys to homeowner an exclusive right to use land
2. Stipulates expectations of both parties to transaction - i.e., the CLT and the homeowner

SMALL GROUP EXERCISE

CLT GROUND LEASE

Establishing a delicate balance between:

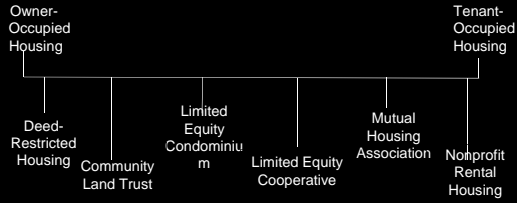
- Homeowner and CLT
- Current interests of existing homeowner and long-term interests of community
- Current homeowner and future homeowner

CLT GROUND LEASE

Trade-off for CLT homeowner:

- Opportunity to own a home s/he would not otherwise be able to afford
- Agree to restrictions on:
 - Use
 - Occupancy
 - Transfer

The Social Housing Continuum



MODEL CLT GROUND LEASE

Why a “model” CLT ground lease?

- Uniformity and consistency
- Reduced legal fees

CLT GROUND LEASE MAJOR DECISIONS

DISCLOSURE

Article 1: Homeowner needs to meet with attorney for explanation of benefits and responsibilities of CLT homeownership

- Additional layer of protection for CLT homeowner (and CLT)
- Additional 'hassle'
- Who pays?

USE & OCCUPANCY RESTRICTIONS

Article 4.1: Leasehold estate may be used only for residential purposes allowed by zoning

- Timing:
 - Zoning at time of purchase?
 - Zoning currently in place?
- Raise the bar?

USE & OCCUPANCY RESTRICTIONS

Articles 4.2 & 4.3:

- Homeowner must use home and leased land responsibly and in compliance with law
- Homeowner is responsible for use by others

USE & OCCUPANCY RESTRICTIONS

Article 4.4: Homeowner is required to occupy home as primary residence

- How to define 'owner-occupancy'?
- More time?
- Less time?

USE & OCCUPANCY RESTRICTIONS

Article 4.5: Homeowner is not allowed to sublet home (without CLT's permission)

- Under what conditions might CLT allow?
- Limits on rent charged to tenant?
- What about roommates, AirBnB, etc.?

USE & OCCUPANCY RESTRICTIONS

Article 4.6: CLT has right to inspect

- What can CLT inspect?
 - Leased land?
 - Improvements?
- Notice requirements?
- Privacy vs. assurance of compliance issues

USE & OCCUPANCY RESTRICTIONS

Article 7.3: Homeowner may not make capital improvements without prior approval of CLT

- What constitutes 'capital improvement'?
- Distinguish 'useful' and 'luxury' improvements?
- Compensation for homeowner at resale?

FEE REQUIREMENTS

Article 5.1: Homeowner must pay monthly Land Use Fee to CLT

- How much?
- Adjustments? How often? How much?
- Repair/Replacement Reserve fee also?

TRANSFER RESTRICTIONS

Article 10.2: Homeowner may transfer home only to CLT or to "income-qualified" persons

- CLT has preemptive option to purchase
- What constitutes "income-qualified"?

TRANSFER RESTRICTIONS

Article 10.3: Homeowner may transfer home to “certain” heirs

- Will CLT allow transfer to heirs?
- Only to “certain” heirs?
- Do heirs need to be “income-qualified”?

TRANSFER RESTRICTIONS

Article 10.3: Homeowner may not sell home for more than Purchase Option Price

- Purchase Option Price: the *lesser* of
 - Appraised value
 - Formula price
- See next class: “*Resale Formulas*” (after break)

QUESTIONS?
COMMENTS?

EVALUATIONS:
HOW DID WE DO?

THANK YOU

GROUND LEASING

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