

Program Requirements for Administering a CLT Portfolio of Resale-restricted, Owner-occupied Homes

	Programmatic Issues	Legal Requirements	Operational Requirements
Pre-purchase Responsibilities	Pricing of homes	Baseline price is sometimes inserted into the ground lease, depending on resale formula that is adopted	<ul style="list-style-type: none"> • Ensure a significant gap between the price of resale-restricted homes and the price of other publicly assisted homes with no restrictions on resale • Ensure a significant gap between the “affordable price” for which the homes are sold and the maximum “eligible income” of the targeted buyers
	Marketing of homes	Market homes in compliance with fair housing laws	<ul style="list-style-type: none"> • Marketing plan • Marketing materials • Market study
	Preparation of prospective buyers		<ul style="list-style-type: none"> • Homebuyer counseling (general) • Orientation of homebuyers to special restrictions and obligations of shared equity homeownership
	Selection of prospective buyers	Select buyers in compliance with fair housing laws	<ul style="list-style-type: none"> • Selection policy and procedure • Grievance/appeals policy for applicants who object to <i>not</i> being selected
	Disclosures to prospective buyers	Copy of deed, ground lease, and other documents provided to prospective buyers prior to closing.	<ul style="list-style-type: none"> • Disclosure document, summarizing special terms and conditions • Letter of agreement signed by homebuyer prior to closing
	Legal counsel for prospective buyers		<ul style="list-style-type: none"> • Letter of acknowledgement signed by homebuyer’s attorney prior to closing
Financing	Restrictions on financing and re-financing	Provision in ground lease pertaining to financing and re-financing of homes.	<ul style="list-style-type: none"> • Policy on financing and re-financing
	Conditions in mortgage	Provision in <i>ground lease</i> requiring CLT to consent to mortgages that contain three lender obligations in default situations: <ul style="list-style-type: none"> • Notification of default • Opportunity to cure default • Opportunity to buy foreclosed property Provision in <i>mortgage</i> imposing these three obligations on the mortgagee	<ul style="list-style-type: none"> • Outreach, education, and cultivation of local mortgage lenders and state housing finance agency to ensure the availability of mortgages for resale-restricted homes • Release form from homeowner, allowing lender to disclose information to the CLT • Policy and procedure for handling home-owner requests for re-financing
	Default and foreclosure	Provision in ground lease for removing resale restrictions and occupancy requirements in the event of foreclosure	<ul style="list-style-type: none"> • Policy and procedure for intervening in defaults and foreclosures

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Occupancy & Use	Occupancy requirements	Provision in ground lease requiring owner to occupy home as “primary residence” for certain number of months each year	<ul style="list-style-type: none"> • Policy and procedures for monitoring occupancy requirement
	Subletting of homes	Provision in ground lease allowing, regulating, or prohibiting the subletting of the home	<ul style="list-style-type: none"> • Policy and procedure for approving and monitoring subletting
	Residential uses	Provision in ground lease restricting vehicles, pets, etc. even if allowed by zoning	<ul style="list-style-type: none"> • Policy and procedures for monitoring residential use restrictions (if any)
	Non-residential uses	Provision in ground lease allowing, regulating, or prohibiting non-residential uses like home businesses, even if allowed by zoning	<ul style="list-style-type: none"> • If non-residential uses allowed (beyond zoning and building codes), policy and procedure for approving and monitoring non-residential uses
	Maintenance of homes	Provision in ground lease setting the standard of maintenance for the home	<ul style="list-style-type: none"> • Incentives that encourage sound maintenance • Penalties that discourage bad maintenance
	Inspection of homes	Provision in ground lease allowing the CLT to inspect the home	<ul style="list-style-type: none"> • Policy and procedure for inspections
Resales	Resale price: what is the resale formula?	Resale formula embedded in the ground lease that determines the price for which the home will be resold	<ul style="list-style-type: none"> • Procedure for calculating the resale price upon receipt of Notice of Intent to Sell
	Resale eligibility: what is the allowable income of the buyers of resold homes?	Eligibility criteria embedded in the ground lease that determines the maximum income of any household who can buy the home, if sold directly by the present owner	<ul style="list-style-type: none"> • Ensure significant gap between the “affordable price” and “eligible income” • Policy and procedure for certifying income of prospective buyers
	Resale process: CLT’s repurchase vs. oversight of seller-to-buyer transaction?	Resale process specified in the ground lease that specifies: <ul style="list-style-type: none"> • notification of intent to sell • responsibility for appraisal • right of CLT to inspect • timeline for CLT to exercise its option • right of owner to sell directly, if option is not exercised by the CLT 	<ul style="list-style-type: none"> • Policy and procedure for managing resales • Waiting list of income-eligible, mortgage-ready buyers • Policy and procedure for making (and paying for) necessary repairs at resale
	Resale contingency: what is Plan B if homes do not immediately resell?	Provision in ground lease allowing the CLT to market the home on the homeowner’s behalf if a buyer has not been found right away	<ul style="list-style-type: none"> • Policy and procedure for marketing homes on the owner’s behalf in cases where the CLT does not repurchase
	Resale fees: will the CLT collect a marketing fee or transfer fee at resale?	Provision in ground lease specifying any fees that the CLT expects the <i>seller</i> to pay at the time of resale	<ul style="list-style-type: none"> • Policy and procedure for collecting fees at resale and on using those fees once they are collected

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Improvements	<i>Capital improvements allowed</i>	<i>Provision in ground lease allowing, regulating, or prohibiting post-purchase capital improvements</i>	<ul style="list-style-type: none"> • <i>Policy and procedure for reviewing and approving proposed improvements</i>
	<i>Capital improvements valued</i>	<i>Provision in ground lease (as part of the resale formula) specifying which capital improvements may qualify for a capital improvements credit on resale and how those improvements will be valued</i>	<ul style="list-style-type: none"> • <i>Published list of capital improvements that may be eligible for a credit?</i> • <i>Policy and procedure for valuing capital improvements</i>
Miscellaneous	<i>Enforcement plan</i>	<ul style="list-style-type: none"> • <i>Backstop ground lease with deed of trust?</i> • <i>Provision in ground lease for notifying owners when they are not in compliance</i> • <i>Provision in ground lease for probationary period, allowing owners to correct violations</i> • <i>Provision in ground lease for sanctioning owners who do not correct violations</i> • <i>Provision in ground lease for removing violators from homes</i> • <i>Provision in ground lease for mediation and arbitration</i> 	<ul style="list-style-type: none"> • <i>Policy and procedures for dealing with homeowners who fail to comply with restrictions and requirements</i> • <i>Budget, internal staff, and attorney on call to deal with compliance issues</i>
	<i>Lease fee/stewardship fee</i>	<ul style="list-style-type: none"> • <i>Provision in ground lease requiring payment of a monthly fee to the CLT</i> 	<ul style="list-style-type: none"> • <i>Policy and procedure for collecting fees and sanctioning nonpayment</i>
	<i>Partnership agreements</i>	<i>Memorandum of Understanding, Letter of Agreement, or Contract for Services between the CLT and each partner</i>	<ul style="list-style-type: none"> • <i>Procedures for staffing, billing, reporting, and coordinating among the partners</i>
	<i>Homeowner engagement</i>	<i>Provision in the CLT's bylaws, reserving a block of seats on the CLT's board for homeowner/lease-holder representatives and allowing for nomination and election of those seats by the CLT's homeowners/leaseholders</i>	<ul style="list-style-type: none"> • <i>Policy, procedures, and activities for keeping homeowners informed and engaged</i>
	<i>Taxation of resale-restricted homes</i>		<ul style="list-style-type: none"> • <i>Negotiation with local tax assessor to ensure that taxation of resale-restricted homes takes into account their durable restrictions on use, price, and resale</i>
	<i>Performance evaluation</i>		<ul style="list-style-type: none"> • <i>Establish procedure for collecting entry and exit data on the CLT's beneficiaries in order to evaluate the CLT's performance</i>
	<i>Public education</i>		<ul style="list-style-type: none"> • <i>Outreach, organizing, public relations, and documentation of success to win popular understanding and acceptance</i>