**Summary of CLT Ground Lease**

Guadalupe Neighborhood Development Corporation (“GNDC”) has created its Community Land Trust (“CLT”) housing program to expand access to affordable homeownership for low-and moderate-income households, to preserve the quality and character of the neighborhoods the organization serves, and to maintain the affordability of homes for generations to come.

The provisions set forth in the Ground Lease – and summarized here – exist to ensure that generations of homebuyers will have the same opportunity that the original homebuyers had to purchase a home.

The purpose of this summary is to explain what the CLT homeowner is getting when they purchase a CLT home. We have prepared the following summary of the Ground Lease explaining in plain English the responsibilities and restrictions that a CLT homeowner will be signing up for. While this summary is intended to inform the CLT homeowner’s understanding of the Ground Lease, it is not intended to be a substitute for a careful review of the Ground Lease. The Ground Lease contains the definitive provisions of this transaction regardless of any information in the summary below.

1. **Who is Eligible to Purchase CLT Homes? What does “affordable” mean? (Article 9)**

Generally, purchasers of CLT homes cannot earn more than 80% of the Austin Area Median Family Income for the number of people in their household. This number is calculated annually by the U.S. Department of Housing and Urban Development.

GNDC will strive to ensure that CLT homeowners spend no more than 30% of their gross income (and in no case more than 35% of their gross income) on total housing costs, including mortgage payments, taxes, insurance, and utilities. CLT homeownership is more affordable than market homeownership because the homeowner is purchasing the home only and not also the land. In addition, the property taxes on the home and the land are lower than the market value because of the resale restrictions on the home and the low ground lease fee on the land.

1. **How do I finance the purchase of my CLT home? (Article 7)**

CLT homeowners typically obtain a mortgage from a bank to finance the purchase of the CLT home. The terms of the mortgage must be approved by GNDC, and GNDC will assist the homeowner in applying for and qualifying for the mortgage. The specific requirements for the mortgage are set forth in Article 7 of the Ground Lease and Exhibit 7.1. Any future refinancing of the mortgage is also subject to Article 7 and the provisions in Exhibit 7.1.

1. **Are there any fees associated with the CLT program? (Articles 5 and 6)**

One-time, Lease Initiation Fee: At the time of the initial purchase of the CLT home, the CLT homeowners must pay GNDC a one-time, lease initiation fee equal to 3% of the CLT home’s purchase price to compensate GNDC for its activities performed in connection with the sale of the home. This 3% lease initiation fee is paid at closing and is typically financed as part of the mortgage.

Ground Lease Fee: In exchange for use of the land underneath the home, the CLT homeowners pay GNDC a monthly ground lease fee due on the first day of each month. This fee is typically in the range of $25-30 and will be set forth in the Ground Lease in Section 5.1. The ground lease fee may be adjusted by GNDC every two years. The monthly ground lease fee is much lower than the fair market value of the land.

Stewardship Fee: To preserve the physical condition of the major systems in the home, the CLT homeowners will pay GNDC a monthly stewardship fee, which will be saved in a reserve fund specific to that home. Stewardship Fee reserve funds will be used to maintain and repair major capital systems, including the HVAC System, water heater, roof, floor finishes, exterior siding and trim, and to provide for services like routine termite inspections. For a full list of services and repairs that the Stewardship Fee reserves will be used for, see Exhibit 6.7. Stewardship Fee payments are due on the first day of each month, and payment amounts may be adjusted each year based on the age and condition of the major systems in the home. At the time that the home is sold, any amounts remaining in the Stewardship reserve fund are kept by GNDC.

1. **Who pays the property taxes on the land and the home? (Article 8)**

Because the CLT homeowners enjoy the benefit of the land and the community (schools, roads, etc.), they are responsible for the payment of all property taxes on both the home and the land. CLT property is appraised on a different model than market homeownership, making the property taxes significantly more affordable. The land is taxed based on a formula related to the monthly ground lease fee, rather than the fair market value of the land. The home is taxed based on the resale formula for the home (see Exhibit 9.10 and discussion below about resale restrictions).

1. **Do I have to maintain insurance on my home? (Article 13)**

CLT homeowners must maintain adequate insurance as outlined in Section 13.4 of the Ground Lease and Exhibit 13.4. CLT homeowners are required to carry an all-risk property insurance policy for 100% of the full replacement value of the CLT Home, covering damage resulting from fire, wind, hail, theft, vandalism, and malicious mischief. Additionally, CLT homeowners are required to carry a liability insurance policy of $500,000 covering the CLT home and the land underneath it. GNDC must be named as an additional insured on all insurance policies.

1. **What are the CLT homeowner’s responsibilities? (Article 4)**
* The home must be used primarily for residential purposes.
* The home must be the homeowner’s primary residence and homestead.
* The home must be occupied for 9 months out of the year by the homeowner or the homeowner’s qualifying family members.
	+ Qualifying family members include the homeowner’s spouse, parents, children, and grandchildren.
* Homeowners must not create any nuisance or actual harm to others.
* Homeowners must dispose of waste in safe and sanitary manner.
* Homeowners must maintain the home and property in good, safe, and habitable condition.
* Homeowners must follow all applicable laws, regulations, and any insurance requirements.
* Homeowner is responsible for the actions of any family, friends, or visitors on the leased premises.
1. **What are the CLT homeowner’s obligations to maintain the CLT home? (Article 6)**

Homeowners must maintain the CLT home and the land underneath it in good, safe, and habitable condition. As part of this requirement, homeowners are required to ensure that all necessary maintenance, repairs, and replacements are performed when needed. It is solely the homeowner’s responsibility to maintain the home and pay for the costs of repairs.

Homeowners are responsible for the costs of all utilities related to the home, including water, gas, and electricity.

1. **What if I want to make changes to my home? (Article 6)**

Any modifications to the home that cost over $2,000 require GNDC’s prior written approval. Homeowners may apply for approval by submitting a written request to GNDC. Homeowners are expected to cover all the costs of their proposed modifications. Furthermore, all construction or alteration must be performed in a professional manner and in compliance with applicable laws, ordinances, and regulations. It should also be noted that homeowners may not make modifications that affect the footprint, square-footage, and height of the home. Furthermore, any improvements made by the homeowners will not be reflected in the future sales price of the home (the sales price of the home is discussed below on Page 5 of this summary and more thoroughly detailed in Article 9 of the Ground Lease and Exhibit 9.10).

1. **What restrictions are placed on the CLT homeowner?** **(Article 4)**
* Homeowners cannot assign, lease, sublease, sell or otherwise convey any rights to the home without GNDC’s permission or without following the guidelines set forth in the Ground Lease.
* Because a mortgage would involve the transfer of an interest in the home, the homeowners may also not mortgage the home or refinance their mortgage on the home without GNDC’s written permission. GNDC can inspect any portion of the land and the exterior of the home at any reasonable time, with 24-hour notice to the homeowner. In the event of an emergency, GNDC may inspect any portion of the land and the exterior of the land without notice.
* If homeowner intends to sell, GNDC can inspect the interior of the home, with notice.
1. **What happens if the homeowners fail to comply with the Ground Lease? (Article 11)**

A failure by the CLT homeowners to make a payment due under the Ground Lease is a violation of the Ground Lease that could result in termination of the Ground Lease by GNDC. The homeowners have 30 days after the notice of failure to pay to make at least 2/3rds of the payment owed to GNDC. If homeowners comply with this 2/3rds payment requirement, they can receive an additional 30 days to make good on the entire debt. Any non-monetary violation of the Ground Lease by the homeowners is given a 60-day period to be fixed.

1. **What if I have a dispute with GNDC? (Article 12)**

Homeowners agree to engage in good-faith attempts to resolve any problems with GNDC. In the event that this doesn’t work, GNDC and the homeowners will take their dispute to mediation. The costs of the mediation will be split equally among the parties. If the dispute is not resolved in mediation, the issue will be submitted to binding arbitration.

1. **How much can I sell my home for? (Article 9)**

The maximum price that the CLT homeowners can sell the home for is restricted to a fixed rate of increase per year (typically 2%) above the initial sale price (typically capped at 30 years). The cap on the home’s sales price allows the home to maintain its long-term affordability. The specific resale price for each CLT home is set forth in Article 9.9 and 9.10 of the Ground Lease and also in Exhibit 9.10.

1. **What happens if I want to sell my home? (Article 9)**

GNDC’s goal is to maintain the availability of affordable housing and this is reflected in the sales process as follows:

* Who can I sell to?
	+ In general, homeowners may only sell their home to GNDC or an income-qualified person. An income-qualified person is a person whose gross annual household income is less-than or equal to 80% of the median household income in the area. Upon being made aware of the homeowner’s intent to sell, GNDC will have the option to purchase the home before the homeowner can sell directly to a buyer. If GNDC’s purchase option expires and the homeowner finds a buyer for the home, GNDC must confirm in writing that the buyer is an income-qualified person and provide written approval of the terms of the sale.
* Who approves the sale?
	+ All sales or transfers must be approved by GNDC
* Can I transfer my home to my heirs?
	+ Homeowners can transfer their home to their heirs under the conditions of **Article 9**. Article 9 provides that, unless for good cause shown, GNDC will allow a homeowner’s spouse, parents, children, or grandchildren to inherit and occupy the CLT home regardless of whether they are income-qualified. All other heirs must be income-qualified in order to inherit and occupy the home. Additionally, any heir (including family members described above) who wishes to inherit the home must go through the process of entering into a new ground lease with GNDC and provide GNDC with the proper forms and paperwork as set forth in Article 9.
* How do I sell my home?
	+ Provide GNDC with a Notice of Intent to Sell (see Exhibit 9.4)
	+ GNDC may exercise its Purchase Option on the home ,which is basically the right to buy the home or assign the purchase to an income-qualified buyer.

If GNDC does not exercise its Purchase Option, the homeowners can sell their home to any income-qualified buyer at the resale price in Exhibit 9.10.

1. **What costs will the homeowner pay when selling the CLT home? (Article 9)**

In the likely event that GNDC exercises its option to purchase the home, the homeowner will pay all closing costs related to the purchase, any costs of curing title objections made by GNDC, all outstanding Ground Lease and Stewardship Fees, any other sums owed by the homeowners under the Ground Lease, and any amounts necessary to discharge any liens against the home.

1. **What happens if GNDC sells or transfers the land my home is on? (Article 3.2)**

GNDC does not intend to sell or transfer the land underneath the CLT homes. In the unlikely event that it did, the homeowners’ lease on the land would continue for the remainder of its term. In addition, the homeowner will have a right of first refusal to purchase the land underneath the home if it is transferred to an entity other than a nonprofit corporation, a charitable trust, government agency, or an organization with goals similar to those of GNDC.

1. **How long will the CLT home be affordable? (Article 3)**

The intent is that CLT homes will be affordable forever. The term of the lease is 99 years. Any subsequent occupant of the home, either through purchase or inheritance, will receive a new 99-year lease. Living in the CLT home will be affordable to the homeowner because the homeowner does not have to purchase the land and does not have to pay market value to lease the land, and because the CLT property is appraised on a different model than traditional home-ownership, making the taxes more affordable. To ensure that the CLT home will also remain affordable to future buyers, the Ground Lease caps the CLT home’s resale value according to a formula set forth in Article 9.9 and 9.10 of the Ground Lease and also in Exhibit 9.10.