

## Dwelling Place Regional Community Land Trust Stewardship Guidelines and Procedures

Dwelling Place Regional Community Land Trust (DPCLT) is committed, on behalf of the community it serves, to long-term stewardship of the homes in its portfolio and to the households that own these homes. We have made – and will continue to make – substantial commitments to a range of constituents and stakeholders:

- To homeowners, we commit to monitor and enforce their compliance with the terms of the ground lease they signed; to stand behind them and assist their efforts to be successful; and to manage the resale of their home, should they ever choose to sell.
- To public and private funders, subsidy providers and lenders, we commit to preserve housing affordability forever; to protect and leverage affordability subsidies provided to create that affordability; and to assure that the quality of homes in our portfolio is maintained and the prospects for the success of our homeowners is enhanced.
- And to ourselves, we commit to remain true to our mission and purposes and to do our best to develop and maintain the capacity needed to manage these responsibilities effectively for a long, long time.

Stewardship is essential to our operations as a community land trust (CLT). Any nonprofit organization and/or municipal entity can create an affordable housing unit. What distinguishes DPCLT from other affordable housing efforts is our commitment to stay in the deal, *after* the homeowner moves in:

- ✦ To monitor and enforce homeowner compliance to the terms of the deal
- ✦ To provide or arrange for additional support to help homeowners remain successful as homeowners – and, to the extent possible, to achieve their personal goals
- ✦ To preserve and leverage the benefit of the subsidy resources that we have secured to create the initial affordability of each of your homes
- ✦ To preserve the quality and condition of each of the affordably priced homes in our portfolio as community assets, assuring each home is well kept and maintained, regardless of what happens to the homeowner
- ✦ To manage the resale of each home in the event the homeowner ever moves on, whether voluntarily or involuntarily
- ✦ To arrange for the resale of each of the homes in our portfolio at an affordable price to another local, limited-income family – and start the process all over again.

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### **A. The Stewardship of Homeownership Goals**

In general terms, DPCLT, like all other community land trusts, **has three major goals for the stewardship of our homeowners and the homes they occupy – namely, preserving housing affordability; promoting housing quality; and protecting housing security.** Accordingly, our homeownership stewardship program is committed to managing and coordinating the following basic duties:

**Preserving housing affordability** – The minimal duties of stewardship in this area include:

- Maintain a waiting list of income-eligible, potential buyers for the purchase of resale-restricted homes that come up for sale
- Inspect homes at time of resale
- Oversee any necessary rehabilitation and upgrades before sale to next buyer
- Calculate the formula-driven resale price
- Inform prospective buyers of the restrictions and conditions, as well as the benefits of buying, owning and selling a DPCLT home
- Oversee the transfer of homes, ensuring their purchase, at affordable prices, by income-qualified buyers

**Promoting housing quality** – The minimal duties of stewardship in this area include:

- Mandate the upfront installation of more durable materials and energy-efficient systems
- Prepare homeowners for the maintenance responsibilities of homeownership
- Inspect periodically the condition and repair of homes
- Maintain reserves for unexpected repairs and necessary replacements

**Protecting housing security** – The minimal duties of stewardship in this area include:

- Screen and approve all homebuyer/homeowner mortgage financing and refinancing, preventing predatory lending and/or overleveraged borrowing
- Prevent the attachment of liens
- Maintain adequate insurance coverage
- Secure equitable taxation of resale-restricted homes, preventing the displacement of homeowners unable to pay taxes on real estate profits they cannot claim as their own
- Monitor homeowner payment of taxes and insurance
- Regulate subletting
- Intervene, as needed, to cure mortgage defaults and prevent foreclosures

### **B. Stewardship Guidelines and Procedures**

As a community land trust, DPCLT is obliged to complete a number of stewardship tasks and activities. Attached as Exhibit A is a document labeled “Programmatic Requirements for Administering a Portfolio of Resale-Restricted, Owner-Occupied Homes”, which provides a general overview of the stewardship obligations to which DPCLT is committed.

In order to manage these stewardship responsibilities successfully, DPCLT has developed and adopted specific Guidelines, procedures and protocols, in areas ranging from communication to recordkeeping, from monitoring to enforcement. These stewardship Guidelines and procedures include:

**1. Communication and relationship building with homeowners**

It is likely easier to remind homeowners of use restrictions than to enforce them, as enforcement, if it gets to that point, is almost certain to require a significant commitment of time and human resources.

- a) DPCLT will maintain frequent communication and interaction with our homeowners to help minimize noncompliance issues. Types of communication and interactions we will use include:
  - i. Face-to-face meetings and informal conversations
  - ii. Informal correspondence – Newsletter with homeowner resources or home maintenance tips
  - iii. Formal correspondence – Annual letter reminding homeowner of their requirements and other details regarding their DPCLT homeownership responsibilities (i.e. approval necessary for home improvements or resale obligations)
- b) DPCLT will seek to provide or arrange for homeowner access to support, assistance, and services to help homeowners remain successful as homeowners. These resources could include:
  - i. Financial education – How to manage a household on a budget.
  - ii. Assistance with setting up neighborhood watch programs.
  - iii. Tax preparation information.
  - iv. Information on how to be successful homeowners (i.e. how to manage home for maximum energy efficiency)
  - v. Provide annual courtesy Fire and Life Safety Inspections in cooperation with the local fire department and health institutions.

**2. Use Restrictions**

DPCLT will monitor and enforce homeowners' responsible use of the homes they own and the land they lease, per the restrictions stipulated in the ground lease.

- a) Staff will monitor homeowner use requirements through annual drive-by visits, and inspections as warranted.
- b) Staff will respond to neighborhood complaints by return telephone; if warranted, face-to-face meetings will be arranged with neighbors expressing serious complaints.
- c) When there is suspicion of noncompliance with stipulated use requirements, staff will provide 48-hour notice to homeowner and will do walk-around of leased land.
- d) In events when there is reasonable suspicion of illegal activities taking place at the home, staff will immediately contact Police Department and/or Sheriff, as appropriate.
- e) If illegal activities are found to be taking place, staff will notify board of directors, requesting action to declare default on ground lease and force a resale, terminating the homeowner's right of ownership.

Repeated noncompliance constitutes grounds for declaring a default on the ground lease and beginning proceedings to remove the homeowner. DPCLT must give advance notice of – and the right to cure – to the mortgage lender, before declaring a homeowner in default for non-compliance.

**3. Owner-Occupancy**

The DPCLT ground lease (Article 4.4) requires owner occupancy, stipulating in its ground lease that homeowners must occupy their home as their primary residence. Specifically, each homeowner must not be absent for more than 90-day consecutively or 180 days in total every calendar year. Staff

will collect, record and file the following documentation from each homeowner to certify compliance with this occupancy requirement, and will do so once each calendar year:

- a) Copy of utility bill, showing address.
- b) Copy of tax bill, showing address

Additionally, staff will annually scan tax records for any evidence of tax delinquency by any homeowner, which will provide additional verification of occupancy.

Any suspicion or evidence that a homeowner is not meeting the occupancy requirement will automatically trigger an on-site physical inspection of the premises and call for a face-to-face meeting with the homeowner in question, to be held within three (3) business days. Should DPCLT discover that one of its homeowners is in noncompliance of the occupancy requirement, DPCLT shall notify the homeowner of the noncompliance by certified mail, providing a 30-day timeframe for correcting the deficiency. If the homeowner does not comply within this timeframe, DPCLT's board of directors will authorize staff to proceed to declare a default on the ground lease.

DPCLT will, on a case-by-case, as-needed basis, consider homeowner requests for temporary deviations from the residency requirement stipulated in the ground lease. DPCLT may determine to temporarily waive the occupancy requirement in order to accommodate hardship and other real-life circumstances for a particular homeowner. In the event that DPCLT permits a homeowner to take a *leave of absence* from the home, this decision will include a determination if the homeowner will be permitted to sublease the home during his/her absence. In the event that subleasing is allowed, provisions of Article 4.5 of the DPCLT Ground Lease will govern the sublease.

Repeated and/or egregious noncompliance constitutes grounds for declaring a default on the ground lease and beginning proceedings to remove the homeowner. DPCLT must give advance notice of – and the right to cure – to the mortgage lender, before declaring a homeowner in default for non-compliance.

#### **4. Renting and Subletting**

Like most CLTs, DPCLT requires that DPCLT homeowners may not sublet their homes (or portions thereof), except in very specific hardship situations and only with the advanced written approval of the board of directors.

DPCLT will intervene if a homeowner has illegally sublet his/her home. In these situations, DPCLT options include:

- a) Charging a fine to the noncompliant homeowner/leaseholder until owner-occupancy is reestablished.
- b) Evicting the tenant and declare a default on the ground lease, beginning proceedings to remove the homeowner from the home and arrange the sale to another qualified household.

Repeated noncompliance constitutes grounds for declaring a default on the ground lease and beginning proceedings to remove the homeowner. DPCLT must give advance notice of – and the right to cure – to the mortgage lender, before declaring a homeowner in default for noncompliance.

## 5. Payment of Home Loans

### a) Working with Homeowners

DPCLT will ensure that no mortgage securing a loan borrowed by the homeowners is tied to the DPCLT's fee interest in the land by executing its rights under the ground lease to review and approve (and disapprove, as needed) all home loans borrowed by its homeowners – including initial home purchase, first-position mortgage loans; refinancing; home equity loans and lines of credit. Per the Ground Lease, DPCLT may consider filing a performance deed, if appropriate, to assure that the non-negotiable, lease-stipulated right of the DPCLT to approve all mortgage financing will always surface in a title search.

Additionally, staff will communicate regularly with DPCLT homeowners regarding their mortgage payments, to remind homeowners of the ground lease-stipulated requirement (Article 8.3) that they must notify DPCLT by written correspondence – and receive approval from DPCLT – before they change their original home purchase financing (whether for refinancing or for home equity, 2<sup>nd</sup> mortgage loans).

Noncompliance with this requirement constitutes grounds for DPCLT to declare a default on the ground lease and begin proceedings for removal of the homeowner. DPCLT must give advance notice of – and the right to cure – to the mortgage lender, before declaring a homeowner in default for non-compliance.

### b) Working with Lenders and Loan Servicers

DPCLT's interests in the home are in jeopardy if a homeowner fails to make his or her mortgage payments.

It is important for DPCLT to know if an individual's loan payments are late, but not necessarily yet in default – particularly in the event that the homeowner does not notify DPCLT that she/he is delinquent in payments. For this reason, DPCLT has developed and implemented a "Standard Permitted Mortgage Agreement" [referenced in Article 8.4 of the DPCLT ground lease and found in Exhibit: "Permitted Mortgage", Part C of the DPCLT ground lease] that is to be signed by the Mortgagee and the homeowner. This "Standard Permitted Mortgage Agreement", among other terms and conditions, gives DPCLT permission to communicate directly with the lender and requires the lender (and/or its servicer) to notify DPCLT in the event the homeowner is in mortgage default.

### c) Dealing with Arrearages

In the event that one of its homeowners is found in arrears on his/her mortgage financing, DPCLT may take one or more of the following actions, depending on the situation and circumstances:

- i. Work with the homeowner to help bring the loan payments current.
- ii. Work with the loan servicer and/or lender to see if a workout plan is possible.
- iii. Exercise the lease-stipulated right to stall the foreclosure process for 120 days, in order to give DPCLT and the homeowner time to try to work out the default and bring payments current.
- iv. Work with the homeowner to resell the home, at the Purchase Option Price, to an eligible buyer and use the proceeds of sale to repay the outstanding balance. The CLT may exercise its option to purchase back the home, per Article 12.4 of the Ground Lease.

- v. In very rare circumstances, make a payment on behalf of the homeowner and collect the amount by adding a *pro rata* payment to the monthly Land Use Fee and/or by placing a lien on the home for the amount paid and reduce the Purchase Option Price by this amount at the time of resale.

In order to minimize the possibilities and risks of foreclosure, actions that DPCLT is prepared to take include:

- i. Determine other resources available that may be of assistance to DPCLT homeowners to help them avoid foreclosure – and make these available to DPCLT homeowners through education and referral.
- ii. Arrange access to specialized legal counsel to help explore options and to work through the process of dealing with a homeowner in default and/or a foreclosed home.

d) *Additional Liens*

Article 7.4 of the DPCLT ground lease stipulates that a DPCLT homeowner cannot permit a lien of any type to attach to DPCLT's title to the Leased Land – and any lien that is filed against the homeowner's home or the land leased from DPCLT must be discharged by actions of the homeowner within sixty (60) days after it has been filed.

DPCLT will ensure that no additional liens are placed on the property by reviewing title reports for any additional liens. These title reviews will be conducted by staff on each of the home in the DPCLT portfolio annually.

Repeated noncompliance constitutes grounds for declaring a default on the ground lease and beginning proceedings to remove the homeowner. DPCLT must give advance notice of – and the right to cure – to the mortgage lender, before declaring a homeowner in default for non-compliance.

e) *Payment of Taxes*

Because DPCLT has a long-term interest in each of the homes in its portfolio, this interest, as well as its investments, are at risk in the event a homeowner ever fails to pay the real estate taxes on his or her home. Consequently, it is imperative that DPCLT ensure that taxes are paid on time. To assure timely payment, DPCLT will, whenever possible, ask lenders providing home purchase financing to require escrow payment of property taxes, as part of a homeowner's monthly mortgage payment.

Additionally, staff will monitor tax payments by its homeowners by through on-line verification. Real estate taxes are due in accordance with Michigan law every calendar year. Staff will do an on-line search of the status of tax payments for each of the DPCLT homeowners within thirty (30) days of the posting of this information on-line.

DPCLT staff will act if these taxes are not paid. In the event that staff discovers that one of DPCLT's homeowners owes back taxes, the following enforcement steps will be taken:

- i. Staff will contact the homeowner to check on how she/he is doing and to determine why taxes have not been paid.
- ii. If, ten (10) days after this meeting, the taxes have not been paid, staff will arrange a face-to-face meeting with the homeowner, during which an action plan – identifying

reasonable steps to be taken to bring the payments current and stipulating an end date for full compliance – will be negotiated. This plan will be written and signed by both parties.

- iii. If the taxes are not paid by the homeowner by the date stipulated in the agreement, DPCLT may elect to pay the taxes owed and place a lien on the home for the amount paid and reduce the Purchase Option Price by this amount at the time of resale.

Repeated noncompliance constitutes grounds for declaring a default on the ground lease and beginning proceedings to remove the homeowner. DPCLT must give advance notice of – and the right to cure – to the homeowner, before declaring a homeowner in default for non-compliance.

f) Payment of Insurance

DPCLT must make sure that the homeowner is covered for liability claims, that DPCLT is named as an additional insured, and that the coverage for each homeowner – for both liability and fire and hazard – is sufficient per limits outlined in Article 9.4 of the Ground Lease. DPCLT cannot afford to risk losing a home, due to an insurance claim nor does it want any of its homeowners – or DPCLT – to be exposed to undue liability.

Accordingly, DPCLT will monitor continuity or sufficiency of homeowner insurance coverage by:

1. DPCLT will require that it be listed as an additional insured on each of its homeowners' Policies and, as a result, will receive direct notification from the insurance company of each homeowner's coverage.
2. Provide notice of any change in insurance company or coverage.
3. Additionally, DPCLT will require that homeowners provide DPCLT with a copy of their policy, each year on its renewal date. Once received, DPCLT will review the policy, record compliance with compliance with this requirement, and file the policy in its records.

In the event that DPCLT discovers that insurance coverage for any of its homeowner's is inadequate or has lapsed, staff will take the following actions:

1. Contact the homeowner to remind him/her of the requirement to correct the problem and to establish a short-term deadline for doing so.
2. If needed – and as able – pay the insurance owed and collect the amount by adding a *pro rata* payment to the monthly Land Use Fee or by placing a lien on the home for the amount paid and reduce the Purchase Option Price by this amount at the time of resale.

Repeated noncompliance constitutes grounds for declaring a default on the ground lease and beginning proceedings to remove the homeowner. DPCLT must give advance notice of – and the right to cure – to the homeowner, before declaring a homeowner in default for non-compliance.

g) Payment of Monthly Lease Fee

DPCLT requires homeowners to pay a monthly Lease Fee to the organization. These monthly fees provide revenue to help cover DPCLT's ongoing operating costs. Additionally, DPCLT can rely on the payment (or non-payment) of these fees as the basis for an ongoing relationship with the homeowner – in a *support* capacity to remind homeowners that DPCLT continues to be involved in the homeownership experience and in a *monitoring* capacity as nonpayment of the fee can indicate a financial problem. To cement the gravity of its role not only as housing sponsor but also as homeowner advocate, DPCLT has developed the following procedures to ensure its monthly fee is paid by each homeowner in full and on time.



Article 5 of the DPCLT ground lease stipulates that the Lease Fee is \$100.00. A Home Repair and Replacement Reserve Fee of \$\_\_\_, as reference in Section 7.6 of the DPCLT ground lease and Item #7 below, is payable to DPCLT and due of the first (1<sup>st</sup>) day of every month. It shall be an event of default per Article 12.1 of the Ground Lease, if the Homeowner fails to pay the Lease Fee or other charges required by the terms of this Lease, and such failure is not cured by Homeowner or a Permitted Mortgagee within thirty (30) days after notice of such failure is given by CLT to Homeowner and Permitted Mortgagee. However, if Homeowner makes a good faith partial payment of at least two-thirds (2/3) of the amount owed during the 30-day cure period, then the cure period shall be extended by an additional 30 days.

Repeated noncompliance constitutes grounds for declaring a default on the ground lease and beginning proceedings to remove the homeowner. DPCLT must give advance notice of – and the right to cure – to the mortgage lender, before declaring a homeowner in default for non-compliance.

#### **6. Condition of the Home**

As a community land trust, DPCLT must ensure that the homes in its portfolio remain affordable over the long term. Its monitoring needs to ensure that protection of affordability must go hand-in-glove with preservation of each home's structural integrity. Steps DPCLT will take to ensure its DPCLT home remains in good condition include:

- a. DPCLT will monitor the condition of each home in the portfolio via a drive-by or a site inspection at least once annually. Additionally, certain events may trigger an on-site inspection as allowed in Section 4.6 of the DPCLT ground lease. These include:
  - i. Receipt of Homeowner's Notice of Intent to Sell;
  - ii. Notification of unusual or illegal activity at the home;
  - iii. Notice that the homeowner is refinancing;
  - iv. Notice of default from lender;
  - v. Default under the ground lease;
  - vi. Paper audit identifies potential lack of compliance with occupancy requirements.
- b. DPCLT will support its goals for preservation, maintenance and upkeep of the homes in the CLT's portfolio in a number of ways, including providing supporting information about maintenance and upkeep to your homeowners. Also, DPCLT will require homeowners to set aside reserve funds for maintenance and upkeep. Additionally, to the extent possible, and as appropriate, will seek to secure additional financial resources to support homeowner-provided home maintenance.
- c. DPCLT may wish to compel a homeowner to address deferred maintenance and repair needs prior to resale. In order to do so, DPCLT you will need to be able to document the condition of the home at initial purchase and prove that it has not been properly maintained. This will be done using DPCLTs Exhibit B: INITIAL CONDITIONS CHECKLIST.
- d. In the event that the home has not been maintained and there is deferred maintenance, DPCLT options include:
  - i. Provide financial support for maintenance expenses in the form of a loan.
  - ii. Let the market correct for the poor condition of the home (i.e. the home returns less value to the homeowner/seller at resale)
  - iii. Rely upon lender requirements – i.e., an incoming homebuyer cannot finance the home purchase unless certain components are fixed. In these situations, DPCLT may

pay for the cost of the required repairs/deferred maintenance, prior to resale and deduct this amount from sale proceeds of seller.

The ground lease (Article 10.13) stipulates that DPCLT may inspect the home upon receiving notice of intent to sell and hire a home inspector to assess the condition of the home. In turn, the homeowner is required to make (and pay for) necessary repairs before the home can be made available for sale.

**7. *Dwelling Place Regional CLT Home Repair and Replacement Reserve Fund Policy***

A Monthly Home Repair and Replacement Reserve Fund is established at the commencement of the DPCLT Ground Lease and will be funded by the monthly Home Repair and Replacement Reserve Fund stipulated in Article 5.1 and 7.6 and collected by DPCLT. Per Article 7.6 of the Ground Lease:

- a) The parties acknowledge that the Homeowner is responsible for all maintenance and repair of the Home, as set forth in this Lease. As an additional assurance that all Homeowners are able to comply with their maintenance and repair obligations, CLT and Homeowner agree that a Repair and Replacement Reserve Fee will be collected from each Homeowner as part of the Fee, as provided in Section 5.1(b) and held as a reserve by CLT for any significant required maintenance and approved features of the Home.
- b) The Repair and Replacement Reserve Fee shall be accounted for separately by the CLT for each Home and shall only be released by CLT at its sole discretion for each individual property for which the Repair and Replacement Reserve Fee was paid. Homeowner may request release of the funds, and CLT shall release funds at its sole discretion, if the requested use is found to be necessary and in accordance with the fund's intended use. CLT may reasonably withhold Repair and Replacement Reserve Fee funds if the requested use is for purely aesthetic exterior alterations or to repair items damaged by neglect.
- c) Homeowner acknowledges that the Repair and Replacement Reserve Fund is intended for, and shall remain with, the Home and not the Homeowner. In the event the Home is sold or transferred by Homeowner, the unused Repair and Replacement Reserve funds will be retained in the fund by CLT for future maintenance and repair needs to the Home and will not be recoverable by or returned to Homeowner for any purpose other than those described in Article 7.6(a). It is the Homeowner's responsibility to fund from Homeowner's resources all required maintenance and repair needs of the Home that are not, or cannot be, covered by the Repair & Replacement Reserve funds held by CLT.

No later than September 30<sup>th</sup> of each year, the DPCLT will make available, upon the Homeowner's request, a detailed report of Home Repair and Replacement Reserve transactions for the prior fiscal year. Capital items that are specifically the responsibility of a homeowner or condominium association are explicitly excluded from coverage under the Home Repair and Replacement Reserves.

**C. Capital Improvements Policy**

Article 7.3 of the DPCLT ground lease allows homeowners to make capital improvements to their homes only with prior written approval from DPCLT – and subject to the following conditions.

- a) Capital Improvements are defined as 1) any post-purchase construction or rehabilitation activity that requires a building permit, 2) any construction or rehabilitation activity that increases the utility of gross built interior living space of the Property (whether or not a building permit is required) including but not limited to finishing previously unfinished attic and basement spaces and heating previously unheated building additions or other improvements located on the Land, and 3) any capital system replacement or upgrade (whether or not a building permit is required).
- b) A Capital System Replacement or Upgrade is defined as replacement (or upgrade for safety or energy efficiency) of a major operating system or component of the Home, meaning that the replacement or upgrade is intended to increase the home's safety, efficiency or durability. Generally, and by way of example, maintenance and replacement of systems such as roofs; exterior and interior painting; fixtures; flooring, floor coverings and other finishes; interior carpentry or masonry; and any other item that may be expressly listed by DPCLT are excluded from approved Capital Systems Replacement. Replacement or upgrade will cost more than \$1000.00.
- c) All Capital Improvements shall be subject to the following requirements:
  1. all costs shall be borne and paid for by the Homeowner
  2. all work shall be performed in a good and professional manner and shall also comply with all homeowner or condominium association requirements, and applicable laws, codes, and requirements
  3. all work shall be consistent with the permitted uses set forth in this Lease; and
  4. no work shall be undertaken without a written request to and written consent from the CLT
- (d) Homeowner shall provide:
  1. a written request to the CLT stating the reasons for undertaking the capital improvements;
  2. a set of drawings (floor plans and elevations), if requested by the CLT, showing the dimensions of and depicting the scope of the proposed work;
  3. a list of the necessary materials, with the quantities needed and a statement of who will do the work;
  4. evidence of the Homeowner's ability to pay for the proposed work; and
  5. such additional information as required by the CLT.

After all, required information has been provided, the CLT will review all of the information and will send the Homeowner a letter approving, approving with conditions, or denying Homeowner's proposal. No work shall commence without the prior written consent of the CLT Director.

- e) If the Homeowner's proposal is approved in writing, the Homeowner may commence the work after providing the CLT with copies of all required permits and approvals. During the work and after its completion, the CLT may inspect the work. The homeowner shall also obtain all required inspections and provide evidence of the inspection to the CLT.

DPCLT may place limits on the amount of improvements a homeowner can put in his or her home. Decisions by DPCLT to disallow or to limit the amount of improvements allowed to be made may be made at DPCLT's sole discretion – and generally out of an interest in ensuring the quality and affordability of the home for future, eligible homebuyers.

EXHIBIT A

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

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

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

Programmatic Issues	Legal Requirements	Operational Requirements
Improvements Capital improvements <i>allowed</i>	Provision in covenant allowing, regulating, or prohibiting post-purchase capital improvements	<ul style="list-style-type: none"> <li>• Policy and procedure for reviewing and approving proposed improvements</li> </ul>
Capital improvements <i>valued</i>	Provision in covenant (as part of resale formula) specifying <i>which</i> capital improvements may qualify for a capital improvements credit on resale and <i>how</i> those improvements will be valued	<ul style="list-style-type: none"> <li>• Published list of capital improvements that are eligible for a capital improvements credit?</li> <li>• Policy and procedure for valuing capital improvements</li> </ul>
Enforcement plan	<ul style="list-style-type: none"> <li>• Backstop covenant with deed of trust</li> <li>• Provision in covenant for notifying owners who are not in compliance</li> <li>• Provision in covenant for probationary period so owners can correct violations</li> <li>• Provision in covenant for fining owners who do not correct violations</li> <li>• Provision in covenant for removing violators from homes</li> <li>• Provision in covenant for mediation and arbitration</li> </ul>	<ul style="list-style-type: none"> <li>• Policy and procedures for dealing with homeowners who fail to comply with restrictions and requirements</li> <li>• Budget, staff, and attorney to deal with compliance issues</li> </ul>
Covenant fee/stewardship fee	<ul style="list-style-type: none"> <li>• Provision in covenant requiring payment of a monthly fee to the steward</li> </ul>	<ul style="list-style-type: none"> <li>• Policy and procedure for collecting fees and sanctioning non-payment</li> </ul>
Partnerships	Memorandum of Understanding, Letter of Agreement, or Contract for Services between the steward and each partner	<ul style="list-style-type: none"> <li>• Procedures for staffing, billing, reporting, and coordinating among the partners</li> </ul>
Homeowner involvement in governance or advisory committee of the steward?	Provision in the steward's bylaws, if homeowner involvement takes the form of representation on the steward's board of directors or participation in selection of the board	<ul style="list-style-type: none"> <li>• Policy, procedures, and activities for keeping homeowners informed and engaged</li> </ul>
Taxation of resale-restricted homes		<ul style="list-style-type: none"> <li>• Negotiation with local tax assessor to ensure that taxation of resale-restricted homes takes into account their durable restrictions on use, price, and resale</li> </ul>
Public education		<ul style="list-style-type: none"> <li>• Outreach, organizing, public relations, and documentation of success to win popular understanding and acceptance of an unfamiliar model of housing tenure</li> </ul>
<b>Miscellaneous</b>		

## EXHIBIT B

### Initial Conditions Checklist

The following documents establish condition and value of the property when it is first assisted through the program. Not every document will be pertinent; for example, previously undeveloped property will not include a sewer scope; a single urban lot previously used for residential uses and contemplated for rehab of a single building is unlikely to require an environmental assessment. Baseline documents that have an asterisk (\*) should be retained.

DOCUMENT	CONDITIONS ESTABLISHED	RETAINED ON FILE?
Home Inspection Report *	<p><i>Condition of interior building systems</i></p> <p><i>Condition of exterior envelope</i></p> <p><i>Pest and Dry Rot Report</i></p>	<input type="checkbox"/> YES <input type="checkbox"/> NO
Appraisal *	<i>Market value of property and basis for that determination</i>	<input type="checkbox"/> YES <input type="checkbox"/> NO
Title Report *	<i>Establishes clear title and identifies any liens on the property</i>	<input type="checkbox"/> YES <input type="checkbox"/> NO
Purchase and Sale Agreement, including seller disclosures *	<p><i>Any personal property sold with the property (such as appliances or window coverings)</i></p> <p><i>Seller's Disclosure Completed</i></p>	<input type="checkbox"/> YES <input type="checkbox"/> NO
Insurance Binder	<i>Hazard insurance (may be included in homeowner file instead of property file, or both)</i>	<input type="checkbox"/> YES <input type="checkbox"/> NO
Housing Quality Standards Inspection (when applicable)	<i>Life safety hazards</i>	<input type="checkbox"/> YES <input type="checkbox"/> NO



Lead Inspection	<i>Lead hazard (for disclosure and/or abatement) for structures prior to 1978 Lead Based Paint Disclosure Completed</i>	<input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> N/A
Site Survey	<i>Property boundaries / lot lines Nonconforming uses or locations of improvements</i>	<input type="checkbox"/> YES <input type="checkbox"/> NO