
Kulshan Community Land Trust
A Community Partner for Permanently Affordable Homeownership Solutions

**HOMEOWNERSHIP OPPORTUNITIES
COMPLETE INFORMATION PACKET**

2009



KulshanCLT
a community land trust

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INTRODUCTION TO KULSHANCLT

What is a Community Land Trust?

KulshanCLT is one of over one hundred community land trusts in the nation today. A community land trust is a nonprofit corporation that owns land and holds it “in trust” forever for the benefit of the community. KulshanCLT employs the CLT model to create a supplemental market of permanently affordable homes. CLT homeowners receive a reasonable rate of return on their investment and benefit from the security that comes with homeownership. The community at large benefits from the stability brought about by permanently affordable owner occupied homes. The majority of KulshanCLT’s work so far has been in single-family detached homes and condominiums. However CLT’s throughout the state and nation also provide housing through affordable rental properties, housing coops, and developing well-planned neighborhoods.

Who is KulshanCLT?

KulshanCLT is a democratically structured, membership based, community land trust, working to create healthy communities through permanently affordable homeownership. We promote affordable, ecologically sound land use for housing and working landscapes by offering financial and educational support to the residents of Whatcom County.

KulshanCLT has successfully assisted 94 households achieve their homeownership dreams. We provide prospective homebuyers four paths to affordable homeownership:

- **HomeBuyer Driven Program**-Shop for a home on the open market with downpayment assistance from KulshanCLT.
- **Affordable Condominium Program**-Purchase a new, well-located, permanently affordable condominium in Bellingham.
- **New Homes**-We have completed the construction of new homes at Matthei Place in the Happy Valley neighborhood and are planning to build additional affordable homes at Kulshan Commons in Ferndale.
- **KulshanCLT Resale**-Purchase a home from a current KulshanCLT homeowner. The resale formula, described below, ensures that the homes within our system remain permanently affordable. You must be a KulshanCLT applicant to be an eligible buyer in a KulshanCLT resale.

THE HOMEBUYER DRIVEN PROGRAM

How does the HomeBuyer Driven Program Work?

The HomeBuyer Driven Program lowers the cost of housing by separating ownership of the house from ownership of the land on which the house sits. KulshanCLT fills the financial gap between an affordable mortgage and the cost of home in Whatcom County. KulshanCLT homebuyers own their homes while the CLT retains ownership of the land. Residents then lease the land from KulshanCLT for ninety-nine years, with an option to renew for another ninety-nine years. Under the 99-year ground lease agreement homeowners have full rights and responsibilities to and for the land, but agree that when or if they sell their home they do so at a price that is affordable to the next household of modest means.

PERMANANETLY AFFORDABLE CONDOMINIUMS

How does Permanent Affordability work with Condos?

In exchange for significant downpayment assistance creating access to owning a condo unit you couldn't otherwise afford, you agree to keep your home permanently affordable to future KulshanCLT buyers. If or when you choose to sell you promise to do so at a price that is affordable to the next low to moderate income homebuyer. This obligation, along with the requirement to maintain this home as your permanent residence, and remain a member of KulshanCLT, is legally enforced by an affordability covenant that is part of your deed of ownership of the condominium unit.

OTHER HOMEOWNERSHIP OPPORTUNITIES

What does the future hold for you and KulshanCLT?

As KulshanCLT grows we add new and exciting homeownership opportunities. We have completed construction of 14 new homes at the corner of 15th Street and Harris Avenue in the Happy Valley neighborhood. These 'Matthei Place' homes have been built with the latest in green building technology. In addition, we are in the process of developing Kulshan Commons in Ferndale. This project, when finished, will be a 47 home mixed income neighborhood. KulshanCLT is always looking for new building opportunities. New housing projects are designed to provide affordable homes so that people can live close to where they work. Community building such as this helps to increase urban density and create strong neighborhoods.

KULSHANCLT RESALE PROGRAM

What happens if a KulshanCLT homeowner wants to sell their home?

A homeowner enters into an agreement with KulshanCLT when they purchase a home or condominium. This agreement takes several forms depending on the type of home purchased. Should a homeowner decide that they need to sell their home these agreements help ensure affordability for the next household. Homes within the KulshanCLT system can only be sold to another qualified KulshanCLT applicant.

What's in it for the seller?

KulshanCLT wants to allow the homeowner a reasonable rate of return on her investment while still maintaining our goal of permanent affordability. The resale formula allows us to provide the homeowner with that return and to create a new homeownership opportunity for a household of modest means without need for additional public subsidy.

When a KulshanCLT homeowner wants to sell their home they can sell it to another income qualified household for a maximum price of: their downpayment amount plus, their mortgage amount, plus 1.5% of their downpayment and mortgage amount, compounded annually, plus the value of any eligible improvements minus the value of any deferred maintenance.

This resale formula in action looks like this -

- You and KulshanCLT buy a house and land or a condo unit for **\$195,000** with a mortgage of **\$141,500** a downpayment of 1% or **\$1,950** and assistance from KulshanCLT of approximately **\$62,000**.
- Your “purchase price” is what you paid for your home or **\$143,450**. (Your mortgage plus your downpayment). Through the resale formula the value of your home increases by 1.5% each year.
- In ten years you would sell your home for **\$166,480** (\$143,450 + 1.5% of \$143,450 compounded annually).
- Depending on your interest rate you realize roughly **\$55,000** in equity due to the 1.5% increase and the amount of your mortgage that you have paid off over those ten years.

ELIGIBILITY REQUIREMENTS

You are eligible for KulshanCLT’s various programs if you meet the following six criteria:

1. Minimum residency: You must currently live in and have lived or worked in Whatcom County for at least one year.

2. Income: You must earn enough to pay the monthly mortgage, taxes, utility costs, and insurance. However, your household income may not exceed 80% of the median income for Whatcom County for your household size. As of March 2009 the maximum gross income by family size is shown in the table below. These figures are gross income, before taxes are withheld. Proof of income is required as part of the application to KulshanCLT. Household size is based on the number of full-time household occupants regardless of age and income. All non-borrowing co-habitants should be included if they are living with you currently and plan to live with you in the future.

Income Table

Household size	1	2	3	4	5	6	7	8+
<u>Income Limit</u>	\$36,050	\$41,250	\$46,350	51,500	\$55,600	\$59,750	\$63,850	\$68,000

3. The Ability to get a mortgage:

- **Credit Rating:** You must have a good credit rating showing no significant delinquencies in the past year and no bankruptcy in the past three years.
- **Debt:** At the time you apply for a mortgage, your total monthly debt payments should be roughly no more than 5% of your gross monthly income. Debt includes any long-term obligations (a repayment period of more than 6 months), such as automobile payments, child support and student loans, plus the minimum monthly payment for all credit card debts. Your loan officer will determine whether or not high debt is an obstacle for you during your pre-qualification appointment.
- **Employment and ability for homeownership:** You must have proof of steady employment or income for at least one year. Sources of income include all wages, overtime and tips; interest and dividends; social security, annuities, pensions; unemployment, disability and severance compensation; alimony and child support; and most forms of public assistance. Self-employed individuals must demonstrate proof of earnings with tax returns for the past three fiscal years.

4. Assets: If you have net assets exceeding \$5,000 in value, they must be used toward housing. Assets include savings, **land**, mobile homes, recreational vehicles, boats, art collections or similar items. Not included in the calculation of asset value are household possessions, cars, tools, Individual Retirement Accounts (IRA's) or pensions.

5. First Time HomeBuyer: You must not currently own a home nor have owned a home in the past three years.

6. Capital Requirement: You must be able to contribute, at the time of closing, at least 1% of the purchase price.

KULSHANCLT APPLICATION AND PURCHASE PROCESS CHECKLIST

What does it mean to apply to KulshanCLT?

As a part of the KulshanCLT applicant pool a future homebuyer can have access to unforeseen and fortuitous homeownership opportunities and to counseling services with KulshanCLT staff. The application fee includes membership to KulshanCLT. We are a democratically run, non-profit organization in which members play an important role in deciding the direction of the organization most notable by nominating and voting for our Board of Trustees.

This section outlines the process prospective homeowners must follow to apply for and purchase a home through KulshanCLT's programs. All steps in Phase I must be completed before an applicant is eligible to move to Phase II.

The road to home ownership is generally long, challenging, and risky. Reaching that goal under the community land trust model is no exception. There are no guarantees until you have signed the final closing documents and moved in to your home. KulshanCLT advises all prospective homeowners to read this document carefully and to meet with our staff to discuss your situation and your homeownership options.

Phase I: The Application Process

- Determine your eligibility and willingness for commitment:** You are eligible if you meet the six criteria listed on page 4 and 5. KulshanCLT advises you to read through this entire information packet and application to determine your willingness to complete all steps, including taking the homebuyer education classes and paying all fees. (See the Fee Schedule section of this packet).
- Attend a Homebuyer Education Class:** KulshanCLT offers a 6-hour homebuyer education class (see www.KCLT.org or call (360)671-5600 for a class description and schedule). This class will give you the basic tools to move through the homebuying process with knowledge and comfort.
- Submit application and review with KulshanCLT staff:** Complete and submit an application (and all necessary documentation) with a membership fee (if you are not already a member) and an application fee (see Appendix B for the schedule of fees). Applications are reviewed on a first-come, first-served basis.
- KulshanCLT initiate a credit check:** The cost of pulling your credit report is included in your application fee. KulshanCLT staff will review your credit report and score with you and provide counseling and resources if you have credit issues.
- Receive the HomeBuyer's Manual-** This manual provides details on all of the steps toward homeownership and how the process with KulshanCLT is unique and helpful.

Phase II: Obtaining Financing

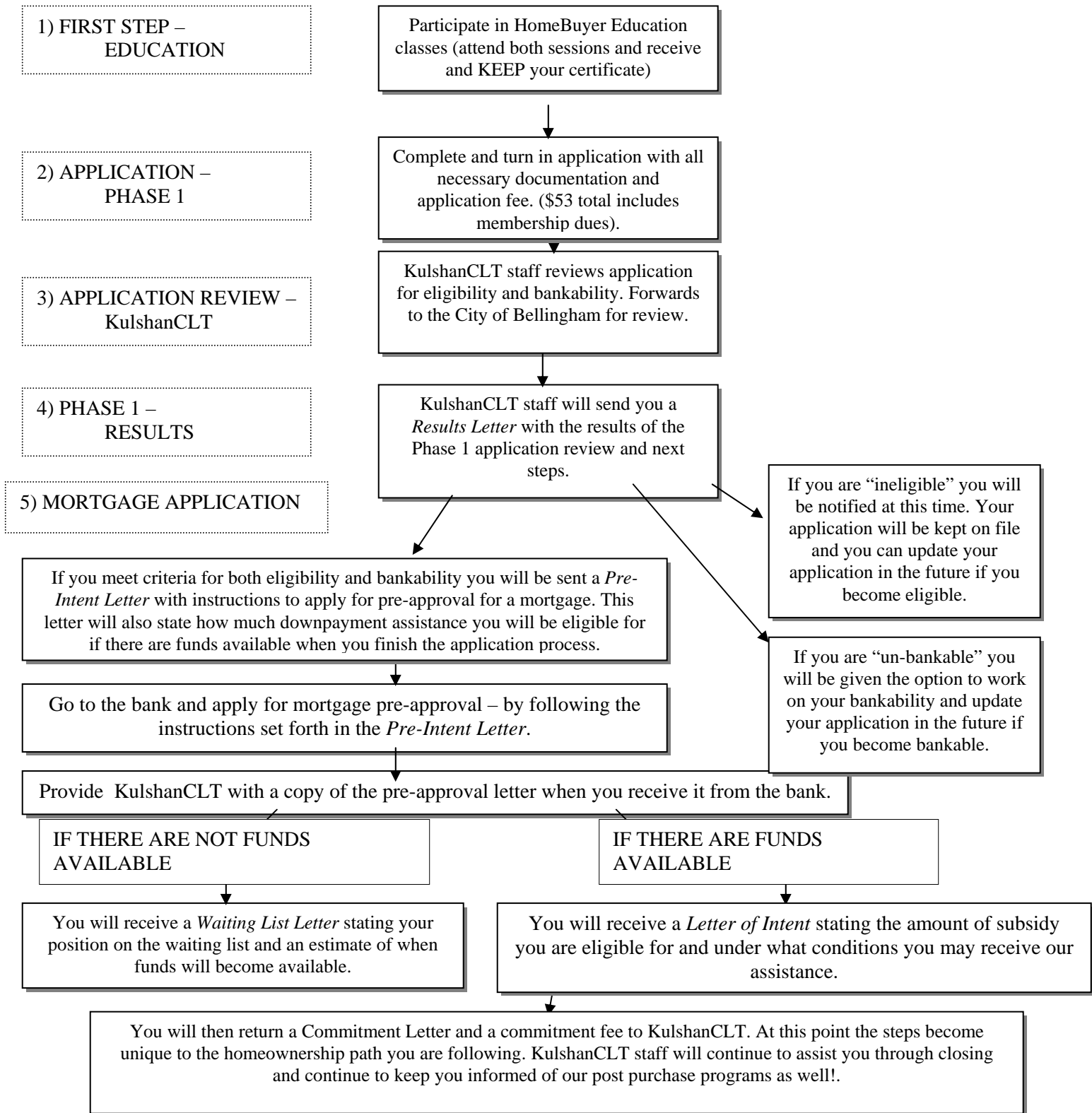
- Mortgage Pre-approval:** Meet with participating lenders to have pre-qualification conversations, decided which bank you will make application with and receive pre-approval for a mortgage. Applicant then submits a copy of the pre-approval letter from a participating lender.
- Approval of Applicant:** Application and pre-approval letter is reviewed by KulshanCLT staff.
- Receive and acknowledge receipt of a *Letter of Intent* from KulshanCLT:** This letter is a statement of understanding and a declaration of KulshanCLT's commitment to work with you. This

letter includes a statement of the subsidy amount that you are eligible for through KulshanCLT. You will pay a commitment fee when you return your letter of receipt. Once we have returned your Letter of Acknowledgement funds are considered “obligated” to you. ****Because assistance funds are limited, you have 120-days from the time KulshanCLT receives your commitment fee to come to mutual agreement on an offer to purchase a home. Please stay in close contact with KulshanCLT’s HomeOwnership Coordinator during this process. ****

Phase III: Purchasing a home

The steps toward purchasing your home will be unique depending on which of the paths you choose. KulshanCLT has Site Criteria, distinctive Lease Agreements, and specific documents that will be involved in your transaction. These items are outlined in the HomeBuyer’s Manual and will be shared with you by KulshanCLT staff.

APPLICATION PROCESS FLOW CHART



FEE SCHEDULE FOR PROSPECTIVE HOMEOWNERS

KulshanCLT Annual Membership: \$10 per household per year.

- Dues must be paid at the time of application if not before.
- Non-refundable.
- *Supports KulshanCLT's operations.*

Application fee: \$43 per household.

- Due with application to KulshanCLT.
- Pays for a tri-merge credit report
- Non-refundable.
- *Supports staff time to process your application and pays for a credit report.*

Commitment fee: \$100 per household.

- The timing of this fee varies depending on the path to homeownership.
- *Supports project costs, and establishes committed relationship.*

Earnest Money Payment: \$1000 (roughly--depends on path)

- Total due when making an offer to buy a home.
- This is part of the purchase and sale contract, which is negotiable.
- *This payment will be credited toward the required 1% downpayment.*

Home Inspection: \$200 - \$600

- KulshanCLT requires a full home inspection by an ASHI certified inspector.
- KulshanCLT will provide you with a list of certified home inspectors.
- This amount is *in addition* to your required 1% downpayment

Mortgage Application Fees: \$450 - \$600

- To be determined by the mortgage bank.
- *This payment will be credited toward the required 1% downpayment.*

Closing costs: These costs will be paid out of KulshanCLT's subsidy

- These costs include: half of escrow fees, title insurance, first year's property taxes and homeowner's insurance, appraisal, and recording fees.

Ground Lease Fee or Affordability Covenant: \$35/month once you move into your home

- Due on a monthly basis (includes KulshanCLT membership)
- Paid to KulshanCLT before the fifth of each month.
- *Helps to defray the cost of administering the program.*

Also, be aware of the other costs associated with moving in to your own home.