

**KulshanCLT Capital Improvement Credit Policy**  
(Taken from KulshanCLT Ground Lease)

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**ARTICLE 10: Transfer of the Home**

**10.10 HOW THE FORMULA PRICE IS CALCULATED:**

b) *Credit for Qualified Capital Improvements:* For the purpose of obtaining credit under this section, only the addition of livable space (bedroom, bathroom, finished basement, finished attic space, porch or deck, the addition of a garage (either attached or detached)) shall be considered a Qualified Capital Improvement. In order to receive credit for a Qualified Capital Improvement, and prior to commencing construction, Homeowner must submit to KulshanCLT a) detailed plans for the proposed construction, b) an itemization of the expected costs for the proposed construction and c) copies of any permits required by law for the proposed construction. An agreement must be reached between the Homeowner and KulshanCLT regarding the scope of the proposed construction and a reasonable timeframe within which construction should be completed. The final decision regarding this agreement will be made by the KulshanCLT Board of Trustees or its designee. In reaching the decision, KulshanCLT will consider, among other issues, the future affordability of the improvements. Said agreement must be signed, duly notarized and shall become a legal attachment to the lease. Except for Capital Systems Replacement, all other construction shall be considered maintenance rather than capital improvement and the cost of such other construction shall not be eligible for credit under this section. Provided all conditions of this paragraph and the agreement between KulshanCLT and Homeowner described herein are met, 50% of the cost of the qualified Capital Improvement, as agreed upon by the KulshanCLT and Homeowner, not including any costs which were or could have been paid with insurance proceeds, shall qualify for the Capital Improvement Credit.

c) *Credit for Capital Systems Replacement:* For the purpose of qualifying as a Capital Systems Replacement the roof, plumbing (excluding fixtures), foundation, electrical (excluding fixtures), heating, sewer line, insulation, or windows, shall be considered Capital Systems if at least fifty percent (50%) of the Capital System is replaced and the new Capital System must have an expected life-span of at least 30 (thirty) years. The addition of alternative energy production system(s) shall qualify for credit under this passage. In order to receive a credit for Capital Systems Replacement, Homeowner must consult with KulshanCLT prior to replacing a Capital System and agreement must be reached between Homeowner and KulshanCLT regarding the scope and cost of the proposed Replacement. The intention of this credit is to encourage and create incentives for homeowners to maintain the functionality of these systems and to increase the quality of energy efficiency, durability and ease of maintenance over time while simultaneously maintaining affordability. Provided all conditions of this paragraph and the agreement between KulshanCLT and Homeowner described herein are met, the following payment schedule shall apply:

	# of Years Between Capital System Replacement & Sale		
	<10 Years	Between 10 – 20 Years	More than 20 Years
% of Cost to be Credited	100%	50%	0%

Any costs that were or could have been paid with insurance proceeds, shall not qualify for the Capital Improvement Credit. The final decision regarding this agreement will be made by the KulshanCLT Board of Trustees or its designee. Homeowner shall be responsible for obtaining any permits required by law for a proposed Replacement and furnish such permits to the KulshanCLT. Said agreement must be signed, duly notarized and shall become a legal attachment to the lease.

Replacement of less than fifty percent (50%) of any Capital System will be considered repair and the cost of such a repair will not be eligible for credit under this section.

*Consideration for Durable and Green Materials:* In determining the amount of both credit for Capital Improvements and for Capital Systems Replacement special consideration will be made for materials that may cost more but offer longer durability and/or for “green” building materials in recognition that these materials extend the life of the house and save valuable resources. The meaning of “durable” or “green” will be determined by the KulshanCLT.