

**KulshanCLT Resale Procedure**  
*(Taken from KulshanCLT Ground Lease)*

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**ARTICLE 10: Transfer of the Home**

10.1 INTENT OF THIS ARTICLE IS TO PRESERVE AFFORDABILITY: Homeowner and KulshanCLT agree that the provisions of this Article 10 are intended to preserve the affordability of the Home for lower income households and expand access to homeownership opportunities for such households.

10.2 HOMEOWNER MAY TRANSFER HOME ONLY TO KULSHANCLT OR QUALIFIED PERSONS: a) Homeowner may transfer the Home only to the KULSHANCLT or an Income-Qualified Person as defined below or otherwise only as explicitly permitted by the provisions of this Article 10. All such transfers are to be completed only in strict compliance with this Article 10. Any purported transfer that does not follow the procedures set forth below, except in the case of a transfer to a Permitted Mortgagee in lieu of foreclosure, shall be null and void.

b) "Income-Qualified Person" shall mean a person or group of persons whose household income does not exceed eighty percent (80%) of the median household income for the applicable Standard Metropolitan Statistical Area or County as calculated and adjusted for household size from time to time by the U.S. Department of Housing and Urban Development (HUD) or any successor.

10.3 THE HOME MAY BE TRANSFERRED TO CERTAIN HEIRS OF HOMEOWNER: If Homeowner dies (or if the last surviving co-owner of the Home dies), the executor or personal representative of Homeowner's estate shall notify KulshanCLT within ninety (90) days of the date of the death. Upon receiving such notice KulshanCLT shall consent to a transfer of the Home and Homeowner's rights to the Leased Land to one or more of the possible heirs of Homeowner listed below as "a," "b," or "c," provided that a Letter of Agreement and a Letter of Attorney's Acknowledgment (as described in Article 1 above) are submitted to KulshanCLT to be attached to the Lease when it is transferred to the heirs.

- a) the spouse of the Homeowner; or
- b) the natural or adopted child or children of the Homeowner; or
- c) member(s) of the Homeowner's household who have resided in the Home for at least one year immediately prior to Homeowner's death.

Any other heirs, legatees or devisees of Homeowner, in addition to submitting Letters of Agreement and Attorney's Acknowledgment as provided above, must demonstrate to KulshanCLT's satisfaction that they are Income-Qualified Persons as defined above. If they cannot demonstrate that they are Income-Qualified Persons, they shall not be entitled to possession of the Home but must transfer the Home in accordance with the provisions of this Article.

10.4 HOMEOWNER MUST GIVE NOTICE OF INTENT TO SELL: In the event that Homeowner wishes to sell Homeowner's Property, Homeowner shall notify KulshanCLT, in writing, of such wish (the Intent-to-Sell Notice). This Notice shall include a statement as to whether Homeowner wishes to recommend a prospective buyer as of the date of the Notice.

10.5 UPON RECEIVING NOTICE, KULSHANCLT HAS AN OPTION TO PURCHASE THE HOME. a) Upon receipt of an Intent-to-Sell Notice from Homeowner, KulshanCLT shall have the option to purchase the Home at the Purchase Option Price calculated as set forth below. The Purchase Option Price is designed to further the purpose of preserving the affordability of the Home for succeeding Income-Qualified Persons while taking fair account of the investment by the Homeowner.

b) If KulshanCLT elects to purchase the Home, KulshanCLT shall exercise the Purchase Option by notifying Homeowner, in writing, of such election (the Notice of Exercise of Option) within forty-five (45) days of the receipt of the Intent-to-Sell Notice, or the Option shall expire. Having given such notice, KulshanCLT may either proceed to purchase the Home directly or may assign the Purchase Option to an Income-Qualified Person.

c) The purchase (by KulshanCLT or KulshanCLT's assignee) must be completed within sixty (60) days of KulshanCLT's Notice of Exercise of Option, or Homeowner may sell the Home and Homeowner's rights to the Leased Land as provided in Section 10.7 below. The time permitted for the completion of the purchase may be extended by mutual agreement of KulshanCLT and Homeowner.

d) Homeowner may recommend to KulshanCLT a prospective buyer who is an Income-Qualified Person and is prepared to submit Letters of Agreement and Attorney's Acknowledgment indicating informed acceptance of the terms of this Lease. KulshanCLT shall make reasonable efforts to arrange for the assignment of the Purchase

Option to such person, unless KulshanCLT determines that its charitable mission is better served by retaining the Home for another purpose or transferring the Home to another party.

**10.6 IF PURCHASE OPTION EXPIRES, HOMEOWNER MAY SELL ON CERTAIN TERMS:** If the Purchase Option has expired or if KulshanCLT has failed to complete the purchase within the sixty-day period allowed by Section 10.5 above, Homeowner may sell the Home to any Income-Qualified Person for not more than the then applicable Purchase Option Price. If Homeowner has made diligent efforts to sell the Home for at least six months after the expiration of the Purchase Option (or six months after the expiration of such sixty-day period) and the Home still has not been sold, Homeowner may then sell the Home, for a price no greater than the then applicable Purchase Option Price plus an amount allowing for repayment of the principal and accrued interest, if any, of all indebtedness owed to the City of Bellingham and the Federal Home Loan Bank, to any party regardless of whether that party is an Income-Qualified Person.

**10.7 AFTER ONE YEAR KULSHANCLT SHALL HAVE POWER OF ATTORNEY TO CONDUCT SALE:** If KulshanCLT does not exercise its option and complete the purchase of Homeowner's Property as described above, and if Homeowner (a) is not then residing in the Home and (b) continues to hold Homeowner's Property out for sale but is unable to locate a buyer and execute a binding purchase and sale agreement within one year of the date of the Intent to Sell Notice, Homeowner does hereby irrevocably appoint KulshanCLT its attorney in fact to seek a buyer, negotiate a reasonable price that furthers the purposes of this Lease, sell the property, and pay to the Homeowner the proceeds of sale, minus KulshanCLT's costs of sale and any other sums owed KulshanCLT by Homeowner. Such appointment and power of attorney shall be effective as of the date one year (365 days) after the date of the Intent to Sell Notice. If the power of Attorney granted by this section becomes effective, it shall divest Homeowner of the power to sell the Home.

**10.8 PURCHASE OPTION PRICE EQUALS LESSER OF APPRAISED VALUE OF HOMEOWNER'S OWNERSHIP INTEREST OR FORMULA PRICE:** In no event may the Home be sold for a price that exceeds the Purchase Option Price. The Purchase Option Price shall be the lesser of (a) the Appraised Value of Homeowner's Ownership Interest at Resale calculated in accordance with Section 10.9 below or (b) the Formula Price calculated in accordance with Section 10.10 below plus an amount allowing for repayment of the principal and accrued interest, if any, of all indebtedness owed to the City of Bellingham and the Federal Home Loan Bank. If KulshanCLT does not choose to commission an appraisal to determine the appraised value of Homeowner's Ownership Interest, then the Purchase Option Price shall be the Formula Price plus an amount allowing for repayment of the principal and accrued interest, if any, of all indebtedness owed to the City of Bellingham and the Federal Home Loan Bank.

**10.9 HOW THE VALUE OF HOMEOWNER'S OWNERSHIP INTEREST IS DETERMINED:** a) If KulshanCLT believes that the value of Homeowner's Ownership Interest at Resale may be less than the Formula Price, KulshanCLT may, within 10 days of receiving Homeowner's Notice of Intent to Sell, commission a market valuation of the Leased Land and the Home to be performed by a duly licensed appraiser acceptable to KulshanCLT and Homeowner. KulshanCLT shall pay the cost of such Appraisal. The Appraisal shall be conducted by analysis and comparison of comparable properties as though title to Land and Home were held in fee simple absolute by a single party, disregarding all of the restrictions of this Lease on the use, occupancy and transfer of the property. Copies of the Appraisal are to be provided to both KulshanCLT and Homeowner.

b) KulshanCLT and Homeowner agree that, at the time when Homeowner purchased the Home and executed the Lease with the KulshanCLT, the appraised market value of the Home and Leased Land was \$\_\_\_\_\_ (the "Initial Value), as documented by the appraiser's report attached to this Lease as Exhibit INITIAL APPRAISAL. KulshanCLT and Homeowner further agree that Homeowner's Base Price was \$ \_\_\_\_\_, and that this amount equals \_\_\_% of the Initial Value (the Ratio of Base Price to Initial Value)

**10.10 HOW THE FORMULA PRICE IS CALCULATED:** a) The Formula Price shall be equal to the amount of Homeowner's Base Price (which KulshanCLT and Homeowner agree is \$\_\_\_\_\_) plus 1.50% simple interest annually, plus a credit for Qualified Capital Improvements, as stated below, if applicable, plus a credit for Capital Systems Replacement, as stated below, if applicable, minus Excessive Damage Value, as defined in Section 4.2, if applicable, minus deferred maintenance and neglect value, if applicable. The Formula Price is not a guarantee of the actual sales price. The Formula Price only caps the amount the Home can be sold for.

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.

10.11 **QUALIFIED PURCHASER SHALL RECEIVE NEW LEASE:** The KulshanCLT shall issue a new lease to any person who purchases the Home in accordance with the terms of this Article 10. The terms of such lease shall be the same as those of new leases issued to homebuyers at that time for land not previously leased by the KulshanCLT.

10.12 **PURCHASER MAY BE CHARGED A TRANSFER FEE.** In the event that Homeowner sells the home to a party other than the KulshanCLT (whether directly to such party or as a result of KulshanCLT’s assignment of its Purchase Option to such party), the price to be paid by such purchaser shall include in addition to the Purchase Option Price, at the discretion of the KulshanCLT, a transfer fee to compensate the KULSHANCLT for carrying out its responsibilities with regard to the transaction. The amount of the transfer fee shall be no more than 6% of the Purchase Option Price.

10.13 HOMEOWNER REQUIRED TO MAKE NECESSARY REPAIRS AT TRANSFER. The Homeowner is required to make necessary repairs when she voluntarily transfers the Home as follows:

- a) The person purchasing the Home ("Buyer") shall, prior to purchasing the Home, hire at her sole expense a building inspector with a current Home Inspector license from the American Society of Home Inspectors [licensing agency] to assess the condition of the Home and prepare a written report of the condition ("Inspection Report"). The Homeowner shall cooperate fully with the inspection.
- b) The Buyer shall provide a copy of the Inspection Report to Buyer's lender (if any), the Homeowner, and the KulshanCLT within 10 days after receiving the Inspection Report.
- c) Homeowner shall repair specific reported defects or conditions necessary to bring the Home into full compliance with Sections 4.2 and 7.5 above prior to transferring the Home.
- d) Homeowner shall bear the full cost of the necessary repairs and replacements. However, upon Homeowner's written request, the KulshanCLT may allow the Homeowner to pay all or a portion of the repair costs at or after transfer, from Homeowner's proceeds of sale, if Homeowner cannot afford to pay such costs prior to the transfer. If repairs are to be completed after closing, 150% of the unpaid estimated cost of repairs shall be withheld from Homeowner's proceeds of sale in a KulshanCLT -approved escrow account. Homeowner shall allow KulshanCLT, Buyer, and Buyer's building inspector and lender's representative to inspect the repairs when complete to determine that the repairs have been satisfactorily completed, at which time the funds in escrow for these repairs shall be released to KulshanCLT in order to pay contractors. Escrowed moneys beyond that needed to pay contractors for these repairs shall be released by KulshanCLT to the former Homeowner.
- e) Upon sale or other transfer, Homeowner shall either (i) transfer the Home with all originally purchased appliances or replacements in the Home in good working order or (ii) reduce the Purchase Option Price by the market value of any such appliances that are not left with the Home in good working order.