

Outline of MACLT Ground Lease (9/24/2002)

READ THIS FIRST! This is an outline of key provisions of the MACLT's ground lease. It is not a substitute for the ground lease, and is therefore not an "official" document. It is intended to make the terms of the ground lease more understandable to people who are not attorneys.

Article I – Letter of Acknowledgement/Attorney's Declaration

- When you purchase a house from the MACLT, we require that you meet with an attorney, who will thoroughly explain the ground lease, and go over all aspects of purchasing a land trust house. Your attorney will sign one document saying that s/he went over all this with you. You will sign a document saying that you understand exactly what is involved in purchasing a house from the land trust.

Article II – Transfer of Leased Land

- Under the land trust model, we sell only the house. We rent you the land.

Article III – Duration of the Lease

- The lease is for 98 years. The lessee (buyer) has the option to extend the lease for another 98 years, if certain conditions are met. When the house is resold, the lease stays in effect. If the MACLT sells the land, the lease will still remain in effect.

Article IV – Use of Land

- The housing and the land are for residential use only as permitted by applicable zoning law. The home owner shall occupy the house no less than 8 months per year. The MACLT may inspect any portion of the land (not the house) upon 24 hours notice.

Article V – Lease Fee

- The MACLT will charge the homeowner an annual ground rent equal to 5% of the assessed value of the land only, as determined annually by the City of Madison Assessor. Rent will be due in monthly payments equal to 1/12th of the annual ground lease fee. The lease fee will be adjusted annually, to reflect any changes to the assessed value of the land.

Article VI – Taxes and Assessments

- The home owner shall be responsible for paying property taxes on both the land and the house. All property taxes shall be escrowed by the home owner's mortgage lender. The home owner is also responsible for paying any assessments that are charged against the improvements.

Article VII – Improvements

- “Improvements” is defined as any and all buildings, structures, fixtures and other improvements purchased by the home owner. Improvements are owned by the home owner.
 - Any construction in connection with an existing or new improvement is subject to the following conditions:
 - All costs shall be borne and paid for by the Lessee (home owner);
 - All construction shall be performed in a workmanlike manner and shall comply with all applicable laws, ordinances and regulations, including the requirements of local and state public health authorities;
 - All exterior (including height) of such improvements shall not be increased or expanded, nor shall any additional improvements be constructed without the prior written consent of the MACLT;
 - The lessee (home owner) shall furnish to the MACLT a copy of any plans and building permits for such construction prior to commencing construction.
 - The lessee (home owner), at their sole expense, maintains the land and all improvements, in full compliance with all applicable laws.
 - The MACLT does not reimburse home owners for any improvements made to the property, other than what is reflected in the Purchase Option Price (see Article 10).

Article VIII – Leasehold Mortgage Financing

- This is a bunch of stuff to make your mortgage lender happy. It also contains language protecting the MACLT’s interests. It defines what is a “permitted mortgage”. Finally, it also requires the mortgage holder (lender) to notify the MACLT in the event of a default on the mortgage. In the event of foreclosure, the mortgage holder (lender) shall notify the MACLT, and the MACLT shall have the right, but not the obligation, to pay off the mortgage and retake possession of the house.

Article IX – Liability, Insurance, Damage and Destruction, Eminent Domain

- This is a legalese section, which says that the home owner (lessee) is responsible for anything that happens in their house or on the land that they are renting. The home owner (lessee) must carry casualty and liability insurance (at their own expense), described as follows:
 - Casualty: loss or damage by fire, in an amount that will cover the full replacement value of the improvements.
 - Liability:
 - \$300,000 for injury or death of any one person;
 - \$500,000 for injury or death to any number of persons in one occurrence;
 - \$300,000 for property damage.

Article X – Transfer, Sale or Disposition of Improvements

- This house must be sold (and resold) to a family at 80% or below county median income, as defined by the Department of Housing and Urban Development (HUD). This applies only at the time of purchase – so if you win the lottery two weeks after you buy a MACLT house, you can still stay as long as you like.
- When you die, you can leave your house to a family member, as long as they meet the above income restrictions.
- WHEN YOU WANT TO SELL YOUR HOUSE – VERY IMPORTANT
 - Provide a written letter of notice to the MACLT, with a current appraisal attached;
 - MACLT has 45 days to let you know if we want to buy your house or not. The MACLT has the right of first refusal to repurchase any land trust house – which means we have the option of repurchasing the house, but we are not required to. To date, the MACLT has repurchased the majority of houses that have come up for resale.
 - If the MACLT decides to repurchase your house, the MACLT has 60 days to exercise its option (i.e. actually buy the house).
 - Whether the MACLT repurchases your house or you sell it on your own, it must be sold to a household at 80% or below county median income.
 - IN ANY EVENT, THE PRICE THAT YOU CAN SELL YOUR HOUSE FOR IS SET. THIS IS CALLED THE PURCHASE OPTION PRICE. IT IS CALCULATED AS FOLLOWS:
 - The house can be sold for the lesser of
 - The current appraised value, or
 - The Purchase Option Price (as described below).
 - PURCHASE OPTION PRICE: (a) what you paid for the house when you first bought it; plus (b) 25% of the appreciation in value of the house, as determined by subtracting the appraised value when you originally purchased the house from the current appraised value.
 - EXAMPLE. You paid \$90,000 for your house – and it was appraised at \$105,000 when you bought it. When you want to sell it, the appraised value is now \$125,000 – an increased in appraised value of \$20,000. 25% of \$20,000 is \$5,000. The resale price is therefore \$90,000 plus \$5,000 for a total price of \$95,000.

Article XI – Assignment and Sublease

- This is not permitted, unless with written permission of the MACLT.

Article XII – Default

- This describes what happens if the home owner (lessee) defaults on the ground lease. It also describes what happens if the MACLT defaults on the terms of the ground lease.

Article XIII – Arbitration

- Should any grievance or dispute arise between the MACLT and the home owner (lessee) concerning the terms of the ground lease that cannot be resolved by normal interaction, the MACLT and lessee (home owner) shall submit the grievance or dispute to an agreed-upon third party for resolution. [The rest of this section provides the details of how this process will work.]

Article XIV – General Provisions

- The home owner (lessee) gets a free membership in the MACLT.
- The addresses for the MACLT and the home owner (lessee).
- If any sections of the lease are not enforceable under the law, they are considered taken out of the lease. This does not invalidate the rest of the lease.
- And a bunch of other miscellaneous details.