

Thistle Community Land Trust (CLT) Qualified Capital Improvement (QCI) Policy

The Thistle Community Land Trust (CLT) program was founded to develop and preserve long-term affordable home ownership for people of limited resources and to serve the needs of current CLT owners. These two concepts of preserving long-term affordability and serving current owners present a challenge of balancing return to current owners versus maintaining an affordable price for future buyers.

In order to help maintain a fair and equitable CLT program, all applicants for a Qualified Capital Improvement (QCI) should have a primary goal to improve or expand livable space, rather than one solely to make an investment or monetary gain on their CLT property.

QCIs, as defined by the Thistle Land Lease are as follows: the addition of bedrooms and/or bathrooms, improvement of accessibility or usability for handicapped persons, and improvement of home energy efficiency. Qualified improvements must have an appraised value greater than \$2000, with minimum expenditures of \$2,000. All improvements must be approved prior to construction.

The policy for determining the value of qualified capital improvements made, as outlined in the Land Lease, has been divided into two procedures: the value of improvements that increase finished square footage that include a bedroom and/or a bathroom will be determined by an appraisal, and the value of improvements for accessibility and energy efficiency will be valued using a contractor method. The reason for this difference is that accessibility and energy efficiency improvements do not typically increase value in an appraisal.

A. Increased Finished Square Footage:

The CLT owner must complete the QCI Application and approval process before work is started. This includes getting the homeowners association's approval prior to receiving full CLT approval. A pre-construction walk-through by a Thistle staff person is required prior to the start date of any construction. Any approved QCI that results in increasing finished square footage (per the definition in the Land Lease, adding a bedroom and/or adding a bathroom) requires a single post-construction fee simple appraisal (market-rate appraisal of home and land) after the work is complete. This appraisal is to be done by a mutually agreed upon appraiser that meets the requirements of both Thistle and the homeowner. This appraiser is hired by the homeowner. In this appraisal, the QCI is called out as a separate line item to determine the value of the QCI. At the time of refinancing or resale, this approved improvement will become part of the refinancing or resale formula in the land lease. If the scope or timeline for the project changes, Thistle must be notified immediately. In such cases, re-processing of the QCI application may be necessary.

Summary of Steps to receive the QCI Credit

1. Contact Thistle CLT staff for the most up-to-date version of the Thistle QCI Application **(homeowner's responsibility)**.
2. Complete QCI Application **(homeowner's responsibility)**.
3. Turn QCI Application in to Thistle with all supporting documentation, including a project schedule. **(homeowner's responsibility)**.

4. Once Application and ALL documents are turned in, Thistle reviews and determines eligibility within 20 days of submission to Thistle **(Thistle responsibility)**.
5. If eligible for QCI credit, complete pre-construction walk-through to make final determination of eligibility **(homeowner/Thistle responsibility)**.
6. If eligible, Thistle issues start letter to owner confirming timing and valuation method **(Thistle responsibility)**.
7. Work must be started and completed within 6 months. If the scope or timing of the work changes, the homeowner must contact Thistle immediately. Re-processing of the QCI application may be necessary **(homeowner responsibility)**.
8. Notify Thistle immediately when work is complete **(homeowner responsibility)**.
9. A mutually agreed upon appraiser may be selected during or immediately after construction. The homeowner pays for this appraisal. After the work is complete, this appraiser does a fee simple appraisal (market value of home and land), with the improvement as a separate line item **(homeowner responsibility)**.
10. Obtain completed appraisal and deliver it to Thistle **(homeowner responsibility)**.
11. Complete post-construction walk-through **(homeowner/Thistle responsibility)**.
12. Review appraisal and write Final Valuation letter to homeowner **(Thistle responsibility)**.
13. Upon refinance or sale, add the improvement's appraised value to the homeowner's Limited Resale Formula **(Thistle responsibility)**.

B. Improved Energy Efficiency and/or Accessibility:

The CLT owner must complete the QCI Application and approval process before work is started. This includes getting the homeowners association's approval prior to receiving full CLT approval. A pre-construction walk-through by a Thistle staff person is required prior to the start date of any construction. All other approved QCIs (per the definition in the Land Lease, improved energy efficiency and/or accessibility) will require bids from two contractors to estimate the cost of the QCI. The homeowner must select a contractor from those bids and submit this contract to Thistle. In order to assure that a test of reasonableness is met, TCH staff will review the project and projected cost, evaluating the reasonableness of cost given the scope of work. The homeowner will receive 50% of the chosen contractor's amount as the value to be added to the Limited Resale Price or Limited Refinancing Price, given that a test of reasonableness is met. If the scope or timeline for the project changes, Thistle must be notified immediately. The dollar amount used to calculate the value of the QCI will be the lesser of the chosen contractor's estimate or actual costs.

Summary of Steps to receive the QCI Credit

1. Contact Thistle CLT staff for the most up-to-date version of the Thistle QCI Application **(homeowner's responsibility)**.
2. Get bids from two contractors **(homeowner's responsibility)** to estimate the cost of the QCI. The homeowner must select a contractor from these bids and submit to Thistle a copy of the contract (homeowner's responsibility).
3. Complete QCI Application **(homeowner's responsibility)**.
4. Turn Application in to Thistle with all supporting documentation, including the contract **(homeowner's responsibility)**.

Thistle Community Housing
 1845 Folsom Street, Boulder, CO 80302
 Phone: (303) 443-0007 Fax: (303) 443-0098
www.thistlehousing.org



5. Once Application and ALL documents are turned in, Thistle reviews and determines eligibility within 20 days of submission to Thistle **(Thistle responsibility)**.
6. If eligible for QCI credit, pre-construction walk-through is completed to make final determination of eligibility **(homeowner/Thistle responsibility)**.
7. If eligible, Thistle issues start letter to owner confirming timing and valuation method **(Thistle responsibility)**.
8. Work must be started and completed within 6 months. If the scope or timing of the work changes, the homeowner must contact Thistle immediately. Re-processing of the QCI application may be necessary **(homeowner responsibility)**.
9. Post-construction walk-through is completed **(homeowner/Thistle responsibility)**.
10. Turn in copies of all invoices to Thistle **(homeowner/Thistle responsibility)**.
11. Thistle reviews invoices and writes Final Valuation letter to homeowner. The dollar amount used to calculate the value of the QCI will be the lesser of the chosen contractor's estimate or actual costs (invoices) **(Thistle responsibility)**.
12. Upon refinance or sale, Thistle adds this value to the homeowner's Limited Resale Formula. **(Thistle responsibility)**.

General Information:

Any QCI that involves work that includes a combination of both Sections A and B above, the default is to Section A process (e.g.: adding insulation to a new bedroom, it will fall under increasing square footage, not increasing energy efficiency).

If a homeowner is not satisfied with the process or valuation of their improvement, they may petition staff to bring it forward to the CLT Committee to address their concern.

Thistle Community Housing
1845 Folsom Street, Boulder, CO 80302
Phone: (303) 443-0007 Fax: (303) 443-0098
www.thistlehousing.org



This document was created with Win2PDF available at <http://www.win2pdf.com>.
The unregistered version of Win2PDF is for evaluation or non-commercial use only.
This page will not be added after purchasing Win2PDF.