

Outline of MACLT Ground Lease

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

- MACLT requires homebuyers to meet with an attorney, who will thoroughly explain the ground lease, and go over all aspects of purchasing a Land Trust home. The buyer's attorney signs a document saying that they described the ground lease and other Land Trust documents with the buyer. The buyers sign a document that says they understand exactly what's involved in purchasing a home from the Land Trust.

Article II – Transfer of Leased Land

- MACLT sells the house but rents the land to the homebuyer.

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 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 and they are bounded by applicable zoning law. The homeowner shall occupy the house no fewer than 8 months per year. The MACLT may inspect any portion of the land, but not the house, upon 24 hours notice.

Article V – Lease Fee

- The MACLT will charge the homeowner an annual ground rent of \$75/month for a single-family home or duplex, and \$50/month for a condominium unit. Ground rent fees shall be due the 1st of each month.

Article VI – Taxes and Assessments

- The homeowner shall be responsible for paying property taxes on both the land and the house. The homeowner's mortgage lender shall escrow all property taxes. The homeowner is also responsible for paying any assessments that are charged against the improvements.

Article VII – Improvements

- “Improvements” are defined as any and all buildings, structures, fixtures and other improvements purchased by the homeowner. *Improvements are owned by the homeowner.*
 - 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 (homeowner);
 - 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 (homeowner), 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 language intended for your mortgage lender. 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 section says that the homeowner (lessee) is responsible for anything that happens in their house or on the land that they are renting. The homeowner (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 up to the time of purchase, after which the homebuyer’s income may increase without scrutiny or penalty.
- If an MACLT homeowner dies while owning the home, they can leave the house to a family member, as long as they meet the above income restrictions.
- SELLING YOUR LAND TRUST HOME – VERY IMPORTANT
 - A. Owner orders a market appraisal of their home.
 - B. Owner provides a written letter of notice to the MACLT, with the current appraisal attached.
 - C. MACLT has the “right of first refusal” to repurchase any Land Trust house. The “right of first refusal” means MACLT has the option to repurchase the house, but is not obligated to. MACLT has 45 days to respond whether it intends to buy the home or not.
 - D. If MACLT decides to repurchase the home, MACLT has 60 days to exercise its option (i.e. to actually buy the house).
 - E. Whether the MACLT repurchases the home and resells it, or whether the owners sell it themselves, the home must be sold to a household that earns 80% or below county median income.
 - F. IN ANY EVENT, RESALE PRICES ARE SET. THIS IS CALLED THE “PURCHASE OPTION PRICE,” AND IT’S CALCULATED AS FOLLOWS:
 - The house can be sold for the *greater* of:
 - The original purchase price; *or*,
 - The Purchase Option Price (as described below).
 - PURCHASE OPTION PRICE: (a) Owner’s original *purchase price*; plus (b) 25% of the increase of the *market value* of the home, from the time it was bought to the time it was sold, and as determined by appraisal.
 - EXAMPLE: Buyer originally pays \$90,000 for a home that was appraised at \$105,000 when it was bought. Six years later, the owner wants to sell, and the appraised value is \$125,000, or an increase in appraised value of \$20,000. 25% of \$20,000 is \$5,000. The resale price is therefore the original \$90,000 plus \$5,000, for a total price of \$95,000.

Article XI – Assignment and Sublease

- Assignments and subleases are permitted with the written permission of MACLT.

Article XII – Default

- This describes what happens if either the homeowner (lessee) or MACLT defaults on 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 mailing 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.
- Other miscellaneous details.