

**MADISON AREA COMMUNITY LAND TRUST  
CAPITAL IMPROVEMENTS POLICY**

**I. ABOUT THIS CAPITAL IMPROVEMENTS POLICY**

The Madison Area Community Land Trust (MACLT) was founded to ensure that there will always be high-quality, energy-efficient, durable homes in Madison that remain affordable to households with incomes at or below 80% of Dane County median income, as set by U.S. Department of Housing and Urban Development from time to time. Since MACLT was founded in 1990, MACLT has been preserving affordability by purchasing land, which MACLT then rents to Homeowners (defined below) or condominium associations, as applicable. The Homeowners, in turn, own buildings, structures, condominium units, or other improvements (each a "Home" and two or more, the "Homes") located on MACLT's land. When the Homeowner elects to sell its Home, the Homeowner is required to comply with various requirements in an effort to retain affordability in perpetuity. Specifically, each of the Homeowners agrees its appreciation in the Home is limited to a specified percentage of the appreciation in the value of the Home, all of which is specified in the declaration of restrictive covenants (for Troy Gardens), a letter of acknowledgement to an offer to purchase (for Anniversary Court), or a ground lease (for all other properties), and such formula is referred to herein as the "Formula."

In addition to preserving the affordability of homes in Madison, MACLT also works to support our current homeowners (such persons owning buildings, structures, condominium units, or other improvements from time to time located on land owned by MACLT referred to herein as "Homeowners"). MACLT recognizes that some Homeowners would like to -- and do -- make capital improvements to their Homes. Prior to the implementation of this Capital Improvements Policy (this "Policy"), Homeowners could only capture a portion of the expense of those capital improvements upon the sale of Homes. This Policy is designed to reduce the disincentive for Homeowners to make capital improvements to their Homes. Specifically, this Policy intends to balance MACLT's goals of preserving the long-term affordability of quality housing while encouraging the maintenance and improvement of the Homes, so that they remain attractive and functional for future qualified homebuyers. However, **this Policy is not intended to guarantee any particular gain or recapture of expenses by a Homeowner related to completed capital improvements on the Homeowner's Home.**

**II. DEFINITION OF QUALIFIED CAPITAL IMPROVEMENTS**

As used herein, "Qualified Capital Improvements" or "QCI" means those certain improvements approved by MACLT, in its sole discretion, strictly following the process outlined in Section III of this Policy, which are made to a Home at the respective Homeowner's expense. Of course, there is no guaranty that a Home's fair market value will increase as a direct or indirect consequence of the completion of QCI.

Below are general categories and specific examples of capital improvements that are likely to be approved or not approved as QCI, which will be recognized by an adjustment to the Formula (referred to herein as "Credit"). These are examples only; approval of any proposed improvement is at the sole discretion of MACLT. MACLT homeowners are encouraged to

contact MACLT staff early in the process to discuss the scope of proposed work.

General Categories of proposed capital improvements likely to be approved:

- Improvements that accommodate the changing needs of the household, such as increasing family size
- Improvement of accessibility or usability for handicapped persons
- Improvements that increase efficient use of energy and resources
- Certain general maintenance improvements

Examples of proposed capital improvements likely to be approved:

- Finishing basement or attic, or additions that include bedroom(s) and/or a bathroom
- Adding a garage, carport, or paved off-street parking space
- Wheelchair ramp
- Adding wall/ceiling insulation
- Upgrading to more efficient windows
- Furnace or water heater upgrades (when increasing energy efficiency)
- Central air conditioning
- Deck, porch
- Gut-remodel

Examples of proposed capital improvements NOT likely to be approved:

- Any addition or alteration that would significantly adversely affect long-term affordability
- Improvements that are solely cosmetic in nature, such as some wall painting
- Swimming pool, hot tub
- Luxury items

### **III. APPROVAL PROCESS / CHECKLIST OF STEPS**

This section outlines a step-by-step process that Homeowners must follow to qualify for Credit, as described in Section IV.

MACLT will be deemed to have automatically rejected any request for Credit if (i) the Homeowner commences construction or other work prior to obtaining approval from MACLT in accordance with this Section III; or (ii) the Homeowner fails to strictly comply with these steps. Even if MACLT issues a final determination of Credit (described below), if MACLT later discovers the Homeowner violated either of the provisions of this paragraph, MACLT will be deemed to have rejected the request for Credit.

*\*SPECIAL NOTE for Anniversary Court and Troy Gardens homeowners: Your condominium bylaws require Condominium Association Board of Directors approval for certain improvements. It is the homeowner's responsibility to get such approval and submit it with your Qualified Capital Improvement Application.*

To be eligible for Credit, a proposed capital improvement project must go through the following steps:

1. Apply. Contact MACLT staff for the most up-to-date version of the MACLT Qualified Capital Improvement (QCI) Application (homeowner responsibility). As of the date of this Policy, the most current QCI Application is attached hereto. Complete QCI Application in its entirety and submit it, with supporting documentation, to MACLT staff. Submission instructions are included on the QCI Application.
2. Staff Review: Approval or Denial. MACLT Manager and the Common Wealth Development, Inc Executive Director, or another designee of the Board of Directors, will review the QCI Application and make a determination on whether Credit will be awarded. The decision will be based on the spirit of this Policy; however, no Credit will be awarded to a proposed capital improvement that would adversely affect the balance between affordability for persons at or below 80% of Dane County median income, on the one hand, and safe, decent, and quality housing options, on the other hand. MACLT will notify the submitting Homeowner within 30 days of receiving the QCI Application. In the event MACLT has rejected the QCI Application, in part or in whole, the Homeowner may appeal the decision to the MACLT Board of Directors. The Homeowner must notify MACLT in writing of its decision to appeal within 60 days of MACLT notifying the Homeowner of its initial decision. If the MACLT Board of Directors reverses the MACLT staff decision, the Homeowner may proceed with the steps as follows. If the MACLT Board of Directors affirms the MACLT staff decision, the process is final and the Credit will not be awarded. The Homeowner may not re-apply for the same proposed improvements. However, subject to other restrictions on the Home, the Homeowner may be permitted to complete the proposed improvement, irrespective of the Credit decision.
3. Pre-Construction Walk-Through. If MACLT approves the QCI Application, the Homeowner must schedule a walk-through of the Home within 30 days of receiving the notice that the QCI Application was approved. Within 10 days following pre-construction walk-through, MACLT will issue a letter to the Homeowner indicating whether the proposed project is or is not a QCI. If after the walk-through, MACLT determines that the QCI Application should not have been approved and the Homeowner disagrees, the Homeowner may use the appeals process set forth in the Section above.
4. Commence and Complete QCI. After receipt of a letter confirming the proposed project is a QCI (the "**Initial Confirmation Letter**"), the Homeowner may commence the improvements of the QCIs, which must be completed within one year of the date of the Initial Confirmation Letter. On a case-by-case basis, MACLT will extend this timeline. However, the Homeowner must notify MACLT promptly of, and MACLT approval must be obtained for, any changes to the timeline or scope of the work. The Homeowner is advised to take pictures of the "before" condition of the Home and retain indefinitely (or until sale of the Home) all of the "before" pictures, documents related to the construction (construction contracts, drawings, plans and specifications, blueprints, building or other permits), and evidence of expenses (constructions invoices, receipts of supplies).

5. Notify MACLT of Completion & Schedule Walk-Through. Within 7 days of completing the QCI, Homeowner must notify MACLT that the QCI is/are completed. Homeowner must schedule a walk-through with MACLT at a mutually agreeable time but in any event within 30 days of the completion of the QCI.
  
6. Final Determination of Credit Availability. Within 10 days of post-construction walk-through, MACLT will send to Homeowner either (a) a letter confirming the QCI is eligible for Credit at the time of resale of the Home (a "**Final Determination of Credit Letter**"); or (b) a revocation letter, indicating that the QCI is ineligible for Credit at the time of resale. A revocation letter under this section will be sent only if the improvements completed do not reflect the QCI approved in the QCI Application.
  
7. Claiming Credit. Credit is only eligible to be claimed at the time of the Homeowner's sale of the Home, which must progress as outlined in the ground lease and/or other documents governing the resale process of the Home. The amount of the Credit, if any, will be determined at the time of resale, as outlined in Section IV.

**IV. AMOUNT OF CREDIT**

At the time of a proposed resale, an appraiser is hired to conduct an appraisal of the Home. If the Homeowner received a Final Determination of Credit Letter from MACLT, the Homeowner must instruct the appraiser to give an "as is" opinion of value, together with an opinion of value assuming the hypothetical condition of the Home without the QCI. To the extent the "as is" value is higher than the hypothetical value, the difference between the two prices will be added, on a dollar-for-dollar basis to the maximum resale price as described below. **Increasing the maximum resale price does not guarantee a homeowner will be able to sell at the higher price.** See below for sample calculations.

<u>EXAMPLE</u>	
Initial purchase price:	\$100,000
Appraised value at the time of initial purchase:	\$150,000
Appraised value at time of resale (assuming no QCI):	\$170,000
Appraised value at time of resale (including QCI credit):	\$178,000
Owner's share of appreciation from MACLT resale formula	
= (\$170,000 - \$150,000) x 25% = \$5,000	
QCI credit = (\$178,000 - \$170,000) = \$8,000	
Maximum resale price = (\$100,000 + \$5,000 + \$8,000) = \$113,000	

**MADISON AREA COMMUNITY LAND TRUST  
QUALIFIED CAPITAL IMPROVEMENT (QCI) APPLICATION**

Name: \_\_\_\_\_ Date: \_\_\_\_\_

Address: \_\_\_\_\_

Contact Phone: \_\_\_\_\_ Email: \_\_\_\_\_

Scope / Description of Proposed Improvement: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Who will be doing the work (contractor, homeowner, etc.)? \_\_\_\_\_

Estimated Work Start Date: \_\_\_\_\_

Estimated Work Completion Date: \_\_\_\_\_

**BUILDING PERMITS:** Building permits are required by law for many home improvements. Permits are applied for in person at the City of Madison Building Inspection Office located in the Madison Municipal Building at 215 Martin Luther King Jr. Blvd., Suite LL 100, Madison, WI 53703. If you have permit-related questions, call the City at (608) 266-4551.

**Permit(s) applied for:** \_\_\_\_\_ **Permit(s) received:** \_\_\_\_\_  
(DATE) (DATE)

*Items needed to begin application process (please attach):*

MACLT staff will review your QCI application once all of the below items are received.

\_\_\_\_ Copy of Homeowners Association's Letter of Approval (if required)

\_\_\_\_ Detailed Improvement Plans

*Items needed after preliminary approval and before work begins:*

If your project is approved by MACLT and all of the items below are complete, MACLT will issue you a Initial Confirmation Letter.

\_\_\_\_ Building Permit (If required by local government)

\_\_\_\_ MACLT walk-through (Contact MACLT staff at (608)280-0131 to schedule a walk-through)

**\*\*\*Please note, if you begin work before receiving approval from MACLT,  
you will not receive QCI credit for your improvement.\*\*\***

**To submit this QCI Application, you may mail, hand deliver, or e-mail the fully completed version to:**

**MACLT  
1501 WILLIAMSON STREET  
MADISON, WI 53703  
madisonareaclt@gmail.com**