

# Summary of the CCLT Restrictive Covenant

The Chicago Community Land Trust exists to expand access to homeownership opportunities for low-and moderate-income households, and to preserve the affordability of the home for generations to come.

The guidelines outlined in the restrictive covenant – and summarized here – exist to ensure that generations of homebuyers will have the same opportunity that you had to purchase a home.

However, we also want to be sure that you know what you're getting into! So we have prepared the following summary of the Restrictive Covenant to lay out – in plain English – the responsibilities and restrictions that you, as a CCLT homeowner, will be signing on for.

## How long will my unit be affordable?

The intent is that these units will be affordable for the life of the unit. The term of the restrictive covenant is 99 years – but this covenant is renewed every time the unit is resold.

## What is meant by “affordable”?

In most cases, purchasers of the City's affordable units cannot earn more than 100% of the Area Median Income (this number is calculated annually by the U.S. Department of Housing and Urban Development).

We also want to ensure that no affordable homebuyers will need to spend more than 30% of their gross income on total housing- related costs, including taxes, assessments, and mortgage insurance.

Given those two parameters (and assuming a 5% down payment), we calculate the maximum affordable price by estimating your total monthly housing payments, based on details specific to the property you are looking to purchase.



## What is the “covenant fee?”

As a CCLT homeowner, you will pay a monthly covenant fee to the Chicago Community Land Trust – currently \$25/month. These fees help to fund the CCLT staff to do things such as produce a newsletter, work with you to help secure reduced property taxes, and work with you to sell your home. The covenant fees may also fund other programs/opportunities for CCLT homeowners. The Board has the option to increase the monthly covenant fee every 5 years – but, to date, the fee has not been increased.

## CCLT Homeowner Responsibilities (Articles 4-7)

1. **Live in your home!** Your CCLT home must be used for residential purposes only, and it must be your primary residence – meaning it must be your home for at least 9 months of the year. CCLT Staff will require you to file an annual residency affidavit to track long-term residency. (Articles 4.1 and 4.4)

2. **Maintain your Home** in good, safe condition – and make any repairs or replacements necessary to keep it that way. (Article 4.2)

### 3. **Insure your Home**

- Maintain a homeowner’s insurance policy for the full replacement value of the home;
- The CCLT and the City of Chicago must be named as “additional insured and loss payee” on the insurance policy
- The insurance policy must include language that confirms that if the policy is canceled or modified, the CCLT should be notified in writing 30 days prior to the change.
- The CCLT will require that you provide proof of insurance each year.

### 4. **Pay your bills!**

- Pay your mortgage, property taxes, condo or association assessments, all utility bills, and any payments owed to contractors, etc., who do work on your home. (Article 6.1)
- As a CCLT homeowner, you will also pay a **monthly covenant fee** to the CCLT (currently \$25/month, with a 1-month discount if you pay in-full or authorize automatic withdrawals from your bank account) (Article 5.2)

### 5. **Get approval from the CCLT, in writing, for:**

- Any construction that requires a permit must be approved by the CCLT (Article 7.1) (See Attachment F)
- Any applications to refinance or modify your mortgage. If the loan will put the affordability of the unit at risk, the loan may not be approved. (Article 8.1)  
After receiving all required documentation for review of refinance amount and terms of new loan, the CCLT requires 15 business days for a consent or denial letter to be sent out.

We will work with you to get all the documents we need to approve a refinance – and typically our review takes around 3 days if we have all the paperwork we need.

## 6. Notify the CLT, in writing, if:

- **You get a notice of foreclosure** We will want to try to help you! So let us know within 3 business days if you get a notice of default on your loan.
- **Your home is damaged by fire or something else.** You will be required to repair or restore the home, unless it's determined that a repair is not economically feasible.
- **You transfer ownership of your home (or become co-owner with) a spouse or qualified domestic partner**
- **You want to list your home for sale.** We will calculate your unit's maximum affordable resale price

## 7. Sell Your Home, at an affordable price, to an income-qualified buyer

As a moderate-income homebuyer, you purchased your City-funded home for an affordable price. In exchange, you agree to do the same for the next buyer.

When you are ready to sell your home, you must contact the CLT and follow the steps outlined in Article 10 of the Restrictive Covenant and summarized below.

## Steps to Sell Your CCLT Unit

1. **Submit a copy of the “Notice of Intent to Sell” to the CCLT at least 4 months** before you would like to sell the unit. The CCLT has the first right to purchase the unit – and while we have never exercised that option, we need to formally waive the right before you proceed to sell.

### 2. **Determining the Maximum Resale Price:**

1) Within ten business days of receiving your Notice of Intent to Sell (attached here), we will commission an appraisal of your home to determine its current market value.

The cost of the appraisal (currently \$375) will be deducted from the proceeds of your sale. If you decide not to sell your unit after the appraisal has been done, you will need to reimburse the CCLT for the cost of the appraisal.

2) Within ten business days of receiving the appraisal, the CCLT will inform you of the Maximum Resale Price of the unit, as well as the income requirements that your buyer must meet.

### 3. **The CCLT's Purchase Option**

The CCLT has 30 days after receiving the appraisal to exercise or waive its right to purchase your home for the maximum resale price. During this “Option Period,” the CCLT may conduct or commission a home inspection.

If the CCLT decides to purchase the unit (or assign its purchase option to a qualified household), it must do so within the longer of: a) 60 days after the Option period expires; or b) 120 days after receiving the “Notice of Intent to Sell”.

If the CCLT purchases the unit, the homeowner must pay a fee consisting of 3% of the Base Price of the unit to the CCLT to cover the costs the CCLT incurs in the sale of the unit. The fee will be paid out of the closing proceeds.

Note that the CCLT does not currently have a budget to purchase CLT units – and has never done so in the past. However, we will do everything we can to help you identify a qualified buyer to purchase the unit.

#### **4. Waiving the Purchase Option**

If the CCLT waives its purchase option, you may sell your home to any Qualified Household for the Maximum Resale Price, as provided by the CLT.

#### **5. Revival of the Purchase Option**

IF your home does not sell within 1 year of the expiration of the Option period, the CCLT's purchase option shall be reinstated.

6. Any Contract with a buyer of a CCLT unit must include a signed copy of the Purchase Contract Rider – which verifies that the buyer is aware that this is a CCLT unit.

#### **7. Marketing Your Unit**

As you show your unit, you must distribute the “Acknowledgement of Affordability Restrictions” (attached here) and any other documents the CCLT requires to all prospective buyers.

#### **8. Qualifying Your Buyer**

Once you have identified an income-qualified buyer for your unit, you must submit income information on your buyer to the CCLT. Within ten days of receiving all the buyer's information, as well as a copy of the contract including the purchase contract rider, the CCLT will issue either:

- 1) a Certificate of Resale Compliance, which is good for 6 months; or
- 2) a notice of noncompliance, including detailed reasons

#### **Other things to Note**

- Any **broker** fees will be the sole responsibility of the homeowner (Article 14.2)
- Remember that – just like any other home – there is no guarantee that you will be able to sell your unit for the Maximum Resale Price. (Article 10.11)

## CCLT Rights

1. CCLT may charge a late fee for covenant fees not paid by the 10<sup>th</sup> of the month.
2. CCLT may waive or delay covenant fees for homeowners who have encountered financial difficulty.
3. CCLT may increase the covenant fee every 5 years (next increase could not happen before 2015).
4. CCLT may pay unpaid property taxes on behalf of a property owner – but homeowner must reimburse the CCLT within 10 business days after a written demand from the CCLT.

### **5. Homeowner's Insurance (Section 9.4)**

- Homeowner insurance policies must name the CCLT and the City as additional insured and loss payees, and shall contain endorsements that they cannot be canceled, coverage reduced, or modified without 30 days written notice to the CCLT
- CCLT may request copies of homeowner's insurance policies,
- If the homeowner fails to obtain insurance coverage, the CCLT may obtain it on their behalf – and the homeowner must reimburse the City within 10 days of receiving notice

### **6. Inspection of a unit**

The CCLT may inspect the interior of your home **only** if:

- a) the CCLT provides written notice to the Homeowner of at least 3 business days, **and**
- b) a material default has occurred; or
- c) upon resale, during the Option Period.

### **7. Waivers**

The CCLT may grant a waiver to terms of the Restrictive Covenant, but such waivers must be in writing and signed by the CCLT before being effective. In most cases, waivers of provisions included in the restrictive covenant will require Board approval.

## CCLT Responsibilities

1. Any changes to a restrictive covenant that has already been filed must be approved by the Senior Lender

### Resale

2. After receiving a copy of the Homeowner's Notice of Intent to sell, the CCLT has:
  - Ten business days to order an appraisal
  - Once the appraisal is received, ten business days to deliver a Notice to the Homeowner specifying the maximum resale price and maximum income of a qualified household;
  - Once the appraisal is received, 30 days to exercise or waive its right to purchase (or assign rights to purchase) the unit (ie the "Option Period")
  - 30 days (within the Option period) to inspect the Home
  - 60 days after the Option period expires – or 120 days after receiving the Notice of Intent to Sell – whichever is longer – to complete the purchase of the home
  - If the home does not sell within one year after the expiration of the Option period, the Purchase Option is revived for a 30-day Purchase Option period
  - The CCLT must exercise or waive its right to purchase the unit within 30 days after the 1-year revival period is triggered.

- Any notice of default sent to a homeowner must also be sent to the Senior Lender

## Enforcement of the Covenant (Article 12)

If a CCLT homeowner violates the restrictive covenant – including failing to maintain the unit, selling the unit in violation of the CCLT's resale requirements, or failing to occupy the unit as a primary residence – this constitutes a **Default** by the CCLT homeowner.

In the case of default, the CCLT's options to cure the default include the following, as detailed in Article 12 of the Covenant:

- 1) cure the default and charge the cost to the homeowner;
- 2) seek injunctive relief to prevent or remedy any threatened or actual violation, or to recover damages, or both;
- 3) rescind or void any sale or transfer, or recoup any funds from such sale;
- 4) void any rental agreement;
- 5) appoint a receiver to take control of the home.

Any waiver of any provision of the Restrictive Covenant by the CCLT must be in writing (Article 14.6)

## Mediation and Arbitration (Article 13)

If a dispute regarding the restrictive covenant cannot be resolved internally, either the Homeowner or CCLT may initiate mediation proceedings, to be conducted by a mutually agreed mediator. The mediation shall be completed within 30 days after a request. Both parties must participate in good faith

If mediation cannot resolve the issue, dispute resolution can proceed to Arbitration. Arbitration must proceed under the fast-track procedures as defined/governed by the American Arbitration Association. Details of the arbitration procedures are outlined in Section 13.2

## Special Situations

### Foreclosure (Article 8.3)

- Unless the foreclosure is initiated and completed by the Condo Association, if the following conditions are met, all affordability restrictions are erased following a foreclosure, or a deed in lieu of foreclosure. Those conditions that need to be met are:
  1. The Senior Lender has given written notice to the CCLT of a default under the Senior Mortgage;
  2. The CCLT has not cured the default under the opportunity to acquire the home;
  3. The Senior Lender has given the CCLT the opportunity to acquire the home; and
  4. If the CCLT does not acquire the home, any proceeds from any subsequent sale of the Home by the senior Lender or an affiliate are distributed as follows:
    - a. First, to amounts owed to Senior Lender under Sr. Mortgage
    - b. Second, to pay amounts owed to IHDA;
    - c. Third, to the City to recapture the purchase Price write-down
    - d. Fourth, to any Jr. Lender previously approved by the CCLT

- e. Fifth, to cover any unpaid assessments owed to the Condo association;
- f. Sixth, to the homeowner, to pay the difference between the Maximum resale price at the time of foreclosure or sale in lieu of foreclosure and any amounts owing as set forth above; and
- g. Seventh, the balance to the CCLT

### **Inheritance of a CCLT Unit** (Section 10.3)

Within 30 days of the homeowner's death, the administrator of the Homeowners estate, or the inheritor of the home, must give written notice to the CCLT of the death.

A "Living Trust" in which the homeowner is the beneficiary is permissible under the CCLT deed restriction. (Section 10.3 (b) ), provided the homeowner shall provide written notice of all such transfers to the CCLT, and the homeowner continues to reside in the home as the principal residence. In addition, no Trust documents may conflict with the CCLT Restrictive covenant.

Spouses on title – or Income-qualified heirs – may continue to reside in the home. Surviving spouses – as long as they are on title – do not need to be income qualified. Other heirs, if they can demonstrate to the CCLT that they meet the income definitions of a "qualified household," may continue to reside in the home. If no such heirs exist, the heirs have one year to reside in the unit, if they choose. After one year, they must sell the Unit, for the maximum resale price, to a qualified household, and according to the steps spelled out in the Restrictive Covenant (and outlined in this summary).

### **Refinancing** (Article 8)

The CCLT must approve all refinances. To Refinance your unit – you must submit copies of every document to be recorded in connection with the refinancing for review by CCLT.

CCLT homeowners are not eligible to use their homes as collateral– which means that home equity loans, debt consolidation loans, car loans, and other similar loans are prohibited.

The CCLT's First Mortgage and Refinancing guidelines are attached here.

**Renting Your Unit** is, in most cases, not permitted. In the cases where it is permitted, the unit must be rented to an income-qualified household. CCLT's Rental Policy and Guidelines are attached here.

### **Getting married or divorced**

In the case of a marriage, you may add your spouse to the title of your home without obtaining the permission of the CCLT. However, you must provide written notice to the CCLT that this transfer has occurred – and must continue to follow the requirements of the restrictive covenant, including residing in the unit as your primary residence.

If the property is transferred to a spouse due to divorce, the transferee (the person who inherits the home) is required to occupy the home as the principal residence – and must sign a "Subsequent Homeowner Declaration". The spouse receiving the home must be an Income-qualified household.



### **Construction or Alterations to Your Unit (Article 7)**

Homeowners **may** make many changes or improvements to their unit – and, in fact, agree to maintain the unit (Article 4.2) – which, eventually, will likely involve doing construction in the unit.

However, there are several things to consider:

1. All costs must be covered by the homeowner;
2. All construction must meet building, zoning and condo association requirements – and, if applicable, requires a building permit from the City
3. Changes to your home that do not require a permit do not require the permission of CCLT staff.
4. Any work that requires a building permit requires written permission from the CCLT to proceed. If work is done without this permission, the value of the work will be deducted from the “current fair market value” used to calculate the maximum resale price.

Certain improvements/repairs will typically be approved – others will typically NOT be approved.

The CCLT’s Construction and Alterations Request policy is attached as Attachment F.

## Attachment A

### NOTICE OF INTENT TO SELL

**TO:** Chicago Community Land Trust ("CCLT")

**ADDRESS:** \_\_\_\_\_

Please be notified that I/we intend to transfer my/our home at the address listed above. The following information is provided pursuant to Section 10.4 of the Restrictive Covenant:

1. Date I/we purchased the home: \_\_\_\_\_  
\_\_\_\_\_
2. Purchase Price I/we paid for the home: \$ \_\_\_\_\_  
\_\_\_\_\_
3. I/we wish to vacate the home on: \_\_\_\_\_  
\_\_\_\_\_ (Date)

Name and phone number of contact person to schedule inspection:

\_\_\_\_\_ and \_\_\_\_\_  
(Name) (Telephone Number)

I/we have not yet listed the home for sale with a multiple listing service, or hired a real estate agent or broker. I/we agree to prepare the home for sale by:

1. allowing the CCLT (or its assignee) to inspect the home within thirty (30) days after the CCLT's receipt of an appraisal pursuant to Section 10.5 of the Restrictive Covenant , and allowing a licensed home inspector or other engineering or construction specialist to inspect the home following or in-lieu of the CCLT's (or its assignee's) inspection;
2. allowing an appraiser to inspect the home for the purpose of determining its fair market value;
3. maintaining utility connections until the home is transferred; and
4. permitting a walk-through by the CCLT (or its assignee) prior to the transfer.

I/we hereby certify that the above information is true and correct.

By: \_\_\_\_\_  
Homeowner

# Attachment B

## PURCHASE CONTRACT RIDER

Rider to Purchase and Sale Agreement dated as of \_\_\_\_\_, relating to real property commonly known as \_\_\_\_\_, Chicago, Illinois (the "Property") between \_\_\_\_\_ "Seller" and \_\_\_\_\_ "Buyer" (the "Purchase Contract")

1. Seller hereby notifies Buyer that the sale of the Property is subject to certain affordability restrictions that are enforceable by the Chicago Community Land Trust (the "CCLT"). Such restrictions include, among other things, limits as to the maximum resale price of the Property and the maximum income of Buyer, all as expressed in the **AFFORDABLE HOUSING RESTRICTIVE COVENANT AND AGREEMENT, INCLUDING RESALE, REFINANCING AND LEASING COVENANTS, CONDITIONS AND RESTRICTIONS, AND PURCHASE OPTION RIGHTS** (the "Affordable Housing Covenant") as recorded with the Cook County Recorder of Deeds on \_\_\_\_\_, as Document No. \_\_\_\_\_, a copy of which is attached hereto as Exhibit A. The parties acknowledge and agree that the obligation of Seller to sell the Property to Buyer and of Buyer to buy the Property from Seller is contingent upon Buyer meeting the income eligibility requirements set forth in the Affordable Housing Covenant. Buyer agrees to provide to Seller (or directly to the CCLT, if so requested by Seller) all information reasonably required by the CCLT to make such determination, including, without limitation: (a) the Fannie Mae request for verification of employment; (b) copies of pay stubs for the preceding one (1) month, (c) copies of any and all W-2 tax forms for the preceding two (2) years; (d) copies of federal income tax returns for the preceding two (2) years; and (e) an affidavit regarding household size. Seller shall treat all information provided by Buyer in connection with such determination as confidential. If Buyer fails to provide all information reasonably required by the CCLT within five (5) business days after request for such information, then Seller may terminate the Purchase Contract by notice to Buyer, whereupon the Earnest Money shall be forfeited to Seller. If the CCLT determines that Buyer is not income-qualified or that the proposed sale does not otherwise comply with the requirements of the Affordable Housing Covenant, then the Purchase Contract shall terminate without further action by either party, and the Earnest Money shall be returned to Buyer.

2. Buyer acknowledges that, should Buyer acquire the Property, the Property will remain subject to the Affordable Housing Covenant. Buyer must execute and return with the Purchase Contract an "Acknowledgment of Affordability Restrictions" in the form attached hereto as Exhibit B, confirming Buyer's review and understanding of the terms and conditions of the Affordable Housing Covenant. At closing, Buyer shall also be required to execute a "Subsequent Homeowner Declaration" in substantially the form attached hereto as Exhibit C, agreeing to be bound by the Affordable Housing Covenant.

3. Buyer agrees that on the closing date, Buyer shall reimburse the CCLT and the City for the CCLT and the City's third party closing costs. These closing costs include, without limitation, the legal fees and expenses of any outside attorney retained by the CCLT and the City to assist in preparing the Subsequent Homeowner Declaration, the City Mortgage and any other closing documents. In no event, however, shall Buyer be required to reimburse the CCLT for no more than \$750 in such costs.

4. Capitalized terms not otherwise defined in this Rider shall have the same meanings given to such terms in the Purchase Contract. Unless otherwise modified by the terms and provisions of this Rider, all of the terms and provisions of the Purchase Contract shall be binding on the parties. In the event of a conflict or inconsistency between the terms and provisions of the Purchase Contract and this Rider, the terms and provisions of this Rider shall, in all instances, control and prevail.

I/we acknowledge and accept the Rider as a part of and modifying the Purchase Contract.

Seller	Buyer
_____	_____
_____	_____
Date: _____	Date: _____

## Attachment C

### **HOMEOWNER'S ACKNOWLEDGMENT OF AFFORDABILITY RESTRICTIONS**

**TO:** Chicago Community Land Trust ("CCLT")

**DATE:** \_\_\_\_\_

I am giving this letter to the CCLT to be made an exhibit to an Affordable Housing Restrictive Covenant and Agreement ("Restrictive Covenant") between the CCLT and me. I am buying the condominium unit located at \_\_\_\_\_, Unit \_\_\_\_\_, which will be subject to the Restrictive Covenant.

I understand how the terms and conditions of the Restrictive Covenant affect my rights as a homeowner, now and in the future. In particular, I understand and agree that:

- Permanent Affordability. The purpose of the Restrictive Covenant is to keep housing affordable for future generations of low- and moderate-income households. I support this goal.
- Resale Restrictions. The CCLT controls the resale of my home. If I want to sell my home, I must sell it to another income-eligible buyer (or to the CCLT) for a restricted resale price determined in accordance with the resale formula in the Restrictive Covenant. If I violate the resale restrictions, the Restrictive Covenant gives the CCLT the right, among other remedies, to sue for damages or terminate the Restrictive Covenant and recover any sale proceeds. I realize this limits my ability to resell my home (a "restraint on alienation") but I agree that this limitation is reasonable under the circumstances set forth in the Restrictive Covenant.
- Refinancing Restrictions. The Restrictive Covenant may keep me from obtaining a home equity loan, debt consolidation loan, car loan or a similar loan that would use the home as collateral. I acknowledge that this constitutes a restraint on alienation, but likewise agree that it is a reasonable restraint under the circumstances of the Restrictive Covenant.
- Principal Residence. I must occupy and use my home as a principal residence. I cannot lease it, and if I move out, I must sell it. I cannot continue to own the home as an absentee owner.
- Heirs. I can leave my home to certain members of my household and, after my death, they can own the home for as long as they want to live in it and comply with the Restrictive Covenant, including, without limitation, the Affordability Restrictions expressed in the Restrictive Covenant, or they can sell it on the terms permitted by the Restrictive Covenant.

I will honor the terms of the Restrictive Covenant. I consider these terms fair to me and others.

By: \_\_\_\_\_

By: \_\_\_\_\_

# Attachment D

## Chicago Community Land Trust FIRST MORTGAGE & REFINANCING GUIDELINES April 5, 2007

**Purpose of Guidelines:** To provide guidelines for lenders, homebuyers, homeowners and housing counseling agencies about the types of mortgages generally allowed and the circumstances under which refinancing is allowed. The goal is to protect homebuyers and homeowners from predatory mortgage products and to ensure that they are making educated decisions about the debt they incur.

### **First Mortgage Product Guidelines:**

1. Loan Term:
  - a. Fixed-rate mortgages (FRM): fully amortizing, no minimum loan term, 30-year maximum loan term
  - b. Adjustable-rate mortgages (ARM): minimum 5/1 term (first adjustment after 5 years, adjusts no more than annually thereafter).
2. Interest Rate:
  - a. FRM: maximum 150 BPS above the standard Fannie Mae / Freddie Mac 30-year fixed rate.
  - b. ARM: maximum initial rate 2 BPS below the standard Fannie Mae / Freddie Mac 30-year fixed rate; maximum 2% annual increase and 6% lifetime increase; rate must be able to decrease.
3. The following loan types are not allowed:
  - a. Interest only
  - b. Negative amortization
  - c. Option ARMs
  - d. Subprime loans
  - e. Boutique / exotic loans
4. Ratios: Maximum 33% front-end (income / housing costs); maximum 45% back-end (income / total debt). If ratios are higher the buyer should be referred to the CCLT for additional counseling.

### **Refinancing Guidelines:**

1. Refinancing No Equity Out: Owners may refinance their first mortgage principal at any time, with the CCLT's prior written consent, based on first mortgage guidelines.
2. Refinancing with an Equity Out or Home Equity Loan: After 3 years of ownership, Homeowners may take out up to 80% of the equity they are entitled to under the resale formula. Homeowner must pay for the appraisal fee incurred by the CCLT in determining the maximum equity amount.
3. Additional housing counseling is required prior to any refinancing.
4. City's Purchase Price Assistance must be repaid if the Homeowner takes out equity or a home equity loan. City can waive this requirement on a case-by-case basis.

# **Attachment E**

## **Chicago Community Land Trust RENTAL POLICY AND GUIDELINES Adopted February 4, 2010**

### **Occupancy Language from CCLT Deed Restriction**

Sec. 4.4 Principal Residence Requirement: The Homeowner shall occupy the Home [or, in the case of a two-flat building, the Homeowner-Occupied Unit] for at least nine (9) full months of every twelve (12) consecutive calendar months, unless the CCLT agrees otherwise. The Homeowner shall deliver any certifications or other information as the CCLT may reasonably request to confirm that the Homeowner is using the Home as the Homeowner's principal residence. Occupancy by the Homeowner's dependents shall be considered occupancy by the Homeowner.

Article 11 Leasing Prohibited: The Homeowner may not lease the Home without the CCLT's prior written consent, which shall be in the CCLT's sole and absolute discretion. Any rents, profits, or proceeds from any prohibited lease or other occupancy agreement shall be paid to and be the property of the CCLT.

### **Rental Policy**

- Allow renting for homeowners who need to be at least 50 miles away from Chicago on a temporary basis due to temporary job, educational opportunity, illness requiring hospitalization or other medical care outside the home, need to provide live-in care for a sick relative or military service. Temporary renting may also be allowed in a case of loss of household income due to joblessness when there is an eminent risk of mortgage default. Homeowner must intend to return within 12 months. A longer period of absence can be approved for military service.
- Allow renting when current market conditions and long market times create a hardship for homeowners that need to move permanently because of a job transfer, illness long-term medical care outside the home, need to provide live-in care for a sick relative, loss of household income due to joblessness when there is an eminent risk of mortgage default, or military service. This is allowable only after units have been marketed for at least 6 months, homeowner has exhausted all marketing and sale options, including listing the unit with a realtor, and no buyer has been found. A shorter marketing period may be approved on a case-by-case basis for special situations (e.g. a job transfer that starts immediately, loss of income / risk of mortgage default). Owner must provide reasonable proof of hardship, as determined by the CCLT. Owner must continue marketing the unit while it is being rented, but cannot close until the any rental lease has expired (unless the renter is the purchaser). Owner must apply annually for continued approval to rent and must show that he/she continues to diligently market the unit and that the hardship condition still exists.
- CCLT homeowners who are also governed by HOME and/or IHDA regulations cannot be permitted to rent, except in the case of military service. (A homeowner may repay HOME and/or IHDA funds.)

### **Rental Guidelines for Approved Units**

- Income of the renter should be restricted to 100% AMI (unless there is some other subsidy source that requires a lower income). Renter will be required to provide documents to CCLT for income approval.

- The rent should be capped at the lower of a rent affordable to a household earning 100% AMI or an amount equal to the mortgage payment (including mortgage insurance, property taxes and homeowner's insurance), plus condo assessments and CCLT covenant fee. Owner may accept a lower rent, and pay excess housing costs out-of-pocket. Owner will need to provide CCLT with proof of mortgage and condo assessments costs and rent to be charged.

**HUD 2011 Rent Limits\* for Households at 100% AMI**

<b># Bedrooms</b>	<b>Max Monthly Rent Range (Depending on utilities paid by tenant)</b>
0	\$1,242 - 1,310
1	\$1,320 - 1,404
2	\$1,586 - 1,685
3	\$1,830 - 1,945
4	\$2,033 - 2,170

\*subject to adjustment as necessary

- Any out-of-pocket costs incurred by the CCLT in conjunction with reviewing or monitoring the request to rent the unit will be reimbursed by the Homeowner.
- Homeowner must sign a lease with the renter.
- Renting that meets the above guidelines may be approved by staff, who will inform the board.
- As part of the initial request to CCLT to rent a unit, owners must verify that they are allowed to rent their unit in accordance with the rules and regulations of the condominium association and under the terms of their first mortgage
- Homeowner must attend landlord training with a HUD-certified housing counseling agency.
- Renters must sign a lease addendum stating that they have read & will comply with the relevant sections of the CCLT Deed Restriction. (CCLT will develop & provide the form of such addendum).
- Covenant fees must continue to be paid by homeowner and remain current during the rental period.
- Homeowner must provide a copy of the executed lease, homeowner's new contact information and renter's contact information.
- Homeowner will be informed that they are solely responsible for finding and monitoring their renter and for up-keep and maintenance of their unit/property while it is being rented.

## Attachment F

### Chicago Community Land Trust INTERNAL POLICIES FOR REVIEWING CONSTRUCTION & ALTERATION REQUESTS Approved March 1, 2007

#### Overview

These policies have been developed as a guideline for staff and Board in implementing Section 7.1 of the Ground Lease / Restrictive Covenant. The section reads as follows:

7.1 Construction and Alteration. Any post-purchase construction on the Land requiring issuance of a permit, including addition of a new building, expansion of an existing building, or alterations to the Home, is subject to the following conditions: (a) all costs shall be borne and paid for by the Homeowner; (b) all construction shall be performed in a good and workerlike manner and shall comply with all applicable Laws; (c) all construction shall be consistent with the permitted uses set forth in Article 4; (d) Homeowner shall furnish to the CCLT a copy of any plans and all permits and governmental approvals necessary for such construction prior to commencing construction; and (e) such construction shall not commence without the prior written consent of the CCLT. During construction and upon completion of any such construction, any duly authorized representative of the CCLT may inspect the Home to ensure the work is being done in accordance with the terms of this Lease.

#### Policy

As per the Ground Lease / Restrictive Covenant, the CCLT must approve in advance any construction or alteration requiring a permit.

Below is a list of typical permits from the Dept of Construction & Permits (DCAP). For each item the CCLT must review and approve, however some items can be approved essentially automatically, some can be disapprove automatically and the rest are reviewed on a case-by-case basis.

***Likely to Approve:*** Typical home repairs that do not add significant value, but add to the maintenance and up-keep of the home. Homeowners requesting to make these repairs will be approved, without an in-depth review. These repairs can be approved by staff.

***Disapprove:*** Home repairs that may add significant cost value without adding usability or that significantly alter the structure. These repairs will automatically be disapproved by CCLT staff.

***Case-by-Case:*** Home repairs and alterations that may add cost value, but may also significantly increase the livability and / or accessibility of the home. These repairs will be reviewed on a case-by-case basis by staff and staff will make a recommendation to the Corporate Committee. As these reviews are conducted, the CCLT will use the decisions made to develop more specific policies.

The CCLT will strive to respond within 10 business days for repairs that are automatically approved or disapproved and within 60 business days for those that need to be reviewed on a case-by-case basis. The approval process may be expedited for emergency situations.



<b>Work Requiring Permit</b>	<b>Likely to Approve</b>	<b>Disapprove</b>	<b>Case-by-Case</b>
Additions – room, upper floor, expansion			X
Attic – renovate	X		X
Attic – finish			
Basement – renovate	X		
Basement – finish			X
Bathroom remodeling			X
Boiler – install, replace	X		
Carport – install, replace	X		
Chimneys – replace, erect	X		
Chimneys – erect / Install fireplace		X	
Conversion of units – single to multiple		X	
Deck – build, replace	X		
Deconversion of units – multiple to single		X	
Demolition – home, building		X	
Demolition – garage			X
Dormers – installation			X
Driveways – installation	X		
Electrical system – alteration, expansion	X		
Fence – over 5', on landmark property	X		
Furnace – install, replace	X		
Garage – build attached, detached	X		
Gut rehab – complete modernization			X
Hot Water Heater – install, replace	X		
Kitchen remodeling			X
Masonry – replace	X		
Masonry – install face brick			X
Natural light and ventilation – skylight	X		
Plumbing system – alteration	X		
Plumbing system – construct			X
Porch – build, replace, renovate	X		
Porch – enclose			X
Security Alarm – installation	X		
Roof – slope less than 5-in-12	X		
Ventilation system – mechanical, supply	X		

**Penalties for Non-Compliance**

Improvements made without prior CCLT approval or without a permit would be deducted from the appraised value of the home at resale. Homeowners will not receive any appreciation for these improvements.

**Communication with Homeowners**

As part of their pre-purchase counseling, homeowners will be informed of their responsibility to seek advanced approval for any work that requires a permit. Homeowners will be informed what types of construction / alteration are not allowed. They will also receive a list of typical repairs that require a permit along with information on DCAP's homeowner permit centers.

Additionally, the CCLT will try to provide an annual workshop on permits and selecting a contractor.