

AMENDMENT TO GROUND LEASE
FOR CREDIT FOR
QUALIFIED CAPITAL IMPROVEMENTS

This Amendment to Ground Lease (“Amendment”) is between The City of Lakes Community Land Trust (“CLCLT”), and _____, (husband and wife/individual) (“Land Lessees”) and is effective as of the _____ day of _____, 200__.

WITNESSETH

WHEREAS, CLCLT and Land Lessee entered into that certain Ground Lease dated the _____ (“Ground Lease”); and

WHEREAS, the Ground Lease is a lease of certain property legally described on attached Exhibit A (“Premises”); and

WHEREAS, Land Lessee is the owner of the Improvements located on the Premises, as defined in Exhibit A of the Ground Lease; and

WHEREAS, Exhibit E of the Ground Lease provides a mechanism by which to establish the Formula Price in order to calculate the appreciation in the value of the Improvements from the date of its purchase by Land Lessee through the date of its sale by Land Lessee; and

WHEREAS, CLCLT desires to encourage Land Lessee to make capital improvements to the Improvements; and

WHEREAS, CLCLT desires to include in the Formula Price the value of Qualified Capital Improvements (as hereinafter defined);

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Definition of Qualified Capital Improvements: Qualified Capital Improvements means those certain improvements made to the Improvements on the Premises at Land Lessee’s expense which add significant value to the Improvements and which are capital in nature. Improvements which would qualify as Qualified Capital Improvements include, without limitation: the construction of additions, rooms, garages, bathrooms and kitchen remodeling. However, expenditures for maintenance, such as roof replacement, and the updating or replacement of appliances such as furnaces, water heaters and kitchen appliances, would not qualify as Qualified Capital Improvements herein. In order to qualify as Qualified Capital Improvements herein, Land Lessee must obtain the advance approval of CLCLT as described in Article 2 and Exhibit C herein.

1. Procedure for CLCLT Approval of Qualified Capital Improvements:

A. Land Lessee's Pre-Construction Submissions. Land Lessee shall submit to CLCLT for its approval, and at the expense of the Land Lessee, detailed plans, proposed financing and/or source of Qualified Capital Improvement funding and an itemization of the anticipated costs for the proposed Qualified Capital Improvements. Land Lessee, at Land Lessee's sole expense, shall also submit to CLCLT an appraisal of the Improvements prepared by a qualified appraiser, who has been approved in advance by CLCLT, showing the market value of the Improvements prior to construction of the proposed Qualified Capital Improvements and an estimate of the market value of the Improvements assuming the construction of the proposed Qualified Capital Improvements are completed in conformance with the submitted plans. Within 20 days of receiving the referenced plans, anticipated costs and the appraisal of the proposed Qualified Capital Improvements, CLCLT shall notify Land Lessee of its approval or disapproval of the construction of the proposed Qualified Capital Improvements. CLCLT's failure to respond to Land Lessee within the 20-day time period shall be deemed to constitute CLCLT's approval of construction of the proposed Qualified Capital Improvements. Land Lessee shall follow Capital Improvements Procedure Policy (attached as Exhibit C to this Amendment to Ground Lease).

B. Land Lessee Credit for Qualified Capital Improvements. Based upon CLCLT's approval and within 30 days after completion of the construction of the Qualified Capital Improvements, Land Lessee shall submit to CLCLT an appraisal showing the market value of the Improvements, which appraisal may be an update of the pre-construction appraisal prepared by the same appraiser discussed in Article 2(A) herein. Said appraisal shall also establish the difference in the market value of the Improvements based upon the value of the Improvements before construction of the Qualified Capital Improvements and after completion of the Qualified Capital Improvements, and that difference in the market values shall constitute the credit available to Land Lessee upon any sale by Land Lessee of the Improvements ("Land Lessee's Credit for Qualified Capital Improvements"). The entire amount of Land Lessee's Credit for Qualified Capital Improvements shall belong to Land Lessee upon any sale of the Improvements by Land Lessee, which amount shall be added to, and constitute a part of, the Formula Price, as that term is defined and calculated in Exhibit E of the Ground Lease. Qualified Capital Improvements are defined in the Capital Improvements Procedure Policy (attached as Exhibit C to this Amendment to Ground Lease).

C. Post-Construction Issues. If CLCLT objects to the appraisals or the value of the Qualified Capital Improvements as discussed in Article 2(B) herein within 20 days of CLCLT's receipt of the post-construction appraisal, and CLCLT and Land Lessee cannot thereafter agree as to the value of Land Lessee's Credit for Qualified Capital Improvements, then the dispute shall be resolved by arbitration as provided in Article 14 of the Ground Lease. CLCLT's failure to object within the required 20 day time period shall be deemed to constitute CLCLT's acceptance of the value of Land Lessee's Credit for Qualified Capital Improvements. The appraisals referenced herein and the calculation

of the value of Land Lessee's Credit for Qualified Capital Improvements shall be attached hereto as Exhibit B. Each and every time Land Lessee proposes to undertake a Qualified Capital Improvement, Land Lessee shall follow the procedures contained herein and all appraisals and calculations of the value of Land Lessee's Credit for Qualified Capital Improvements subsequent to the completion of the initial Qualified Capital Improvements shall be attached hereto as Exhibit B-1, B-2, B-3, etc., as the case may be.

2. Limitations and Restrictions on Land Lessee's Credit for Qualified Capital Improvements:

A. Nothing in this Amendment shall relieve Land Lessee from the restrictions on the transfer, sale or disposition of the Improvements contained in the Ground Lease (see, specifically, Article 11). More specifically, in no event shall the Credit for Qualified Capital Improvements raise the resale price of the Improvements so that the Improvements are no longer affordable to an Income Qualified Buyer (as that term is defined in Article 11.2 of the Ground Lease) which means, generally, a household whose combined income does not exceed eighty percent (80%) of the median household income for the Twin Cities Standard Metropolitan Statistical Area.

B. If CLCLT reasonably believes that the value of Land Lessee's Credit for Qualified Improvements at the time of Land Lessee's proposal to sell the Improvements is less than the value of same at the time of the completion of construction of the Qualified Capital Improvements, CLCLT, at its expense, may obtain a new appraisal of the Improvements at the time of the proposed sale by Land Lessee of the Improvements. If this appraisal does, in fact, show that the value of the Land Lessee's Credit for Qualified Capital Improvements as computed herein is less than the value of same at the time of the proposed sale of the Improvements by Land Lessee vis-a-vis the time of completion of the Qualified Capital Improvements (due to, for example, deterioration, obsolescence, etc.), the value of Land Lessee's Credit for Qualified Capital Improvements as contained in the new appraisal shall be used for purposes of determining the Formula Price. Any disagreements in this regard that cannot be settled by negotiation between the parties shall be submitted to arbitration as provided in Article 14 of the Ground Lease.

3. Calculation of Amended Formula Price: The Amended Formula Price, which also constitutes the price at which CLCLT may purchase the Improvements pursuant to its option contained in the Ground Lease, shall be determined by adding Land Lessee's Share of Appreciation in Market Value of the Improvements (as calculated pursuant to Exhibit E of the Ground Lease) to Land Lessee's Purchase Price for the Improvements and Land Lessee's Credit for Qualified Capital Improvements. Following is a table for calculating the Amended Formula Price:

Formula Price (as determined pursuant to Exhibit E of the Ground Lease)	\$ _____
Plus Land Lessee's Credit for Qualified Capital Improvements	+ \$ _____

EXHIBIT A
(Legal Description)

EXHIBIT B

(Appraisal)

EXHIBIT C

City of Lakes Community Land Trust Qualified Capital Improvements Procedure Policy

Qualified Capital Improvements

Qualified Capital Improvements means those certain improvements made to the Improvements on the Premises at Land Lessee's expense which add significant value to the Improvements and which are capital in nature. However, expenditures for maintenance, such as roof replacement, and the updating or replacement of appliances such as furnaces, water heaters and kitchen appliances, would not qualify as Qualified Capital Improvements herein. The CLCLT has the right to approve/disapprove any proposed Capital Improvement. As a general rule, the CLCLT will approve proposed Capital Improvements provided the Homeowner follows the process outlined in this Exhibit, proposed funding of project is reasonable, and the proposed work does NOT significantly impact the future affordability of the property or be perceived as a luxury item.

Examples of generally accepted Qualified Capital Improvements:

- Kitchen remodel
- Bathroom remodel
- Build-out or conversion of a basement/attic to living space
- Garage
- Small addition to an existing home

Examples of proposed Qualified Capital Improvements not likely to be approved:

- Swimming pool, hot tub
- Deck/porch
- Major addition or alteration that would impact affordability
- Alterations to the structure that would reduce the number of bedrooms

Land Lessee Qualified Capital Improvement Steps

1. Submit the following pre-construction estimates to the CLCLT Project Director:
 - a. Detailed plans of Capital Improvement(s) to property per contractor scope(s) and inclusive of detailed drawings.
 - b. Budget of projected costs.
 - c. Source(s) and amounts of Capital Improvement funding. If through a loan, CLCLT will want evidence that loan will amortize over fixed period of time with a defined end-date (MHFA Fix-up Fund, NRP Loans, etc.). The CLCLT reserves the right to require additional reserve funds of Homeowner.
 - d. List of required City of Minneapolis permits to be requested.
 - e. Name(s) of proposed contractor(s).
 - f. If, in the event, licensed contractors are not required, the Homeowner will need to

- demonstrate knowledge and experience of proposed Capital Improvement.
- g. A pre- and post Capital Improvements appraisal conducted by a mutually accepted (Homeowner and CLCLT) Appraiser. The appraisal will be paid for by the Homeowner.
2. Once all items are submitted to the CLCLT Director, he/she will evaluate materials and make recommendation(s) to the CLCLT Project Development Committee.
 3. The CLCLT Project Development Committee will respond within 20 days (from time that all requested items were received) of Homeowner Capital Improvement request.
 - a. If approved, the Homeowner, CLCLT Project Director, and contractor(s) will meet to define timeline and process. Homeowner can move forward with the next steps.
 - b. If not approved, the Homeowner has the option to appeal the CLCLT Board of Directors.
 4. Homeowner can begin Qualified Capital Improvement construction.
 - a. The CLCLT Project Director or designee will review work and progress on Capital Improvement work at agreed upon intervals of construction.
 - b. Homeowner will be responsible for documenting all Qualified Capital Improvement work (invoices, scope of work, permits, approvals, etc.) and ensuring copies are made for CLCLT files.
 5. The Homeowner will notify the CLCLT once Qualified Capital Improvement work is complete. All Qualified Capital Improvement work must be completed within one year of CLCLT approval.