

# Shared Equity Program Capital Improvement Credit Policy

## Champlain Housing Trust

Effective Date: September 2017

Revised:

This policy applies to all CHT Shared Equity home owners that have done improvements to their CHT home and are seeking Capital Improvement Credit (CIC) for those improvements. This policy is intended to help home owners understand how and when CICs are calculated and preserve the affordability of the home.

### CIC Eligibility

CICs are granted for work done to the home that increases the market value of the home and is above and beyond general maintenance or replacement of existing items of a home.

Examples:

Is a Capital Improvement	Is NOT a Capital Improvement
<ul style="list-style-type: none"><li>• Replacing wall to wall carpet with hardwood floors</li><li>• Adding a new garage to a home</li><li>• Finishing the basement</li><li>• Completely remodeling a kitchen</li><li>• Adding a fireplace</li><li>• Putting on a deck</li><li>• Adding a bedroom or bathroom</li></ul>	<ul style="list-style-type: none"><li>• Replacing wall to wall carpet with new carpet</li><li>• Replacing an existing garage door</li><li>• A fresh coat of paint</li><li>• Replacing appliances</li><li>• Repairing/replacing an existing heating system</li><li>• Replacing windows or a roof</li><li>• Replacing wiring or plumbing</li></ul>

### Major Capital Improvement Notification

Prior to undertaking construction or modification of any improvement for which the home owner desires to receive a CIC, and which the cost of the construction or modification will exceed \$10,000 (a “Major Capital Improvement”), the home owner must first speak with CHT regarding this construction or modification. The CIC will be determined at time of sale with any other smaller modification(s) to the home. If the home owner does not speak to CHT prior to the Major Capital Improvement, CHT has the right to deny CIC for this Major Capital Improvement.

A function of the Major Capital Improvement Notification process is to minimize the likelihood that Owner will make capital improvements to the home which would limit the pool of available purchasers, or which add such value to the home that it becomes no longer affordable to low and moderate income purchasers. However, the actual CIC, if any, cannot be determined by CHT until after an appraisal has been completed following the home owner’s notice of their desire to sell. Notifying CHT of a planned Major Capital Improvement does not guarantee that a CIC will be granted.

A notification form is available for this purpose.

### Procedure for Receiving CIC

When the home owner desires to sell the home, they will notify CHT and an appraisal will be ordered to determine the current value of the home. If a home owner desires to receive a CIC, they will need to provide the appraiser a list of all capital improvements completed on the home during their ownership. The appraiser will determine the increased value of the home attributable to the capital improvements. This amount will be used to calculate the final CIC that CHT will use in the Option Price calculation for the seller.

## Limitations on the Amount of CIC

Regardless of the value which the capital improvements have added to the home, the actual CIC allowed by CHT may be less, if the CIC in the full amount will result in a purchase price that is unaffordable to a typical income qualified person. In that event, CHT will determine what the Maximum CIC can be for the home and explain the reasoning to the home owner.

If a home owner would like to appeal the Maximum CIC that CHT is allowing, they can write a letter to our Homeownership Center Board Committee to have the CIC reviewed. The Board Committee's decision is final.

## Calculation of the Capital Improvement Credit

- 1) If the overall value of the home has depreciated during the time that the home owner has owned the home, the home owner will not be eligible for any CICs.
- 2) If the value of the home has appreciated during the time that the home owner has owned the home, the CIC shall be the LESSER of the following:
  - a) The market value added by the Capital Improvements as stated in the appraisal; OR
  - b) The total increase in value of the home; OR
  - c) The Maximum CIC as determined by CHT.