



Community Land Trust Program Guidelines January 2006

1. Program Goals:

The objective of the Cannon River Community Land Trust (CRCLT) is to provide opportunities for low- and moderate-income people to secure decent and affordable homeownership. The CRCLT's secondary goal is to maintain the long-term affordability of the units from owner to owner, thereby providing affordable housing opportunities for all future CRCLT homeowners.

2. Definitions:

CRCLT:	Cannon River Community Land Trust
Lessee:	Person(s) that purchases a CLT unit
Lessor:	Cannon River Community Land Trust
Mortgagee:	Financial institution holding the mortgage against the CLT unit
“the City”:	The City of Northfield

3. Program Summary:

The CRCLT is a non-profit organization created to hold land for the benefit of the Northfield area and the individuals within the community. The CRCLT acquires land, either with or without a house on it. If the land is vacant, the CRCLT may have housing constructed or may allow an income-eligible purchaser to build a house on the property. The CRCLT then sells the house to the income-qualified buyer, but retains ownership of the land. The CRCLT leases the land to the buyer for a monthly fee of \$25.00. For example, by removing the cost of the land from the purchase of the house, a buyer can save between \$30,000 - \$40,000 (average lot cost in Northfield) in the purchase of the unit.

In exchange for the opportunity to purchase a house at such an affordable price, the ground lease contains restrictions on the resale of the house, in order to maintain the affordability for future buyers. Upon resale of the house, it must be sold to an income-qualified buyer, and the percentage of appreciation that can be captured upon resale is limited to 30%. The main components of the ground lease are:

Term: The lease is for a 99-year term, providing long-term security and access for the lessee. The lease is also renewable by the lessee – or his/her heirs – for an additional 99-year term.

Responsible Use: The lessee can only use the land for residential purposes as permitted by the building and land use codes of the jurisdiction in which it is located. The lessee is responsible for responsible use of the land and the improvements located thereon – and for responsible behavior of any person who uses the premises – in accordance with applicable laws and regulations.

Owner Occupancy: The lessee must live in his/her home at least nine months of every calendar year.

Inspection: The CRCLT reserves the right to inspect the leased premises or the improvements in a reasonable manner, with adequate notice given.

Lease Fee: The lessee pays a modest monthly ground lease fee of \$25.00 per month to the CRCLT in exchange for access to and use of the leased premises.

Taxes and Assessments: The lessee is responsible for the payment of all real estate taxes on the land and the improvements.

Improvements: The lessee owns and maintains all buildings, structures, fixtures and any other improvements (such as landscaping) on the land. The CRCLT, however, controls the use and sale of these improvements.

Construction and Alteration: The lessee is allowed to build or change the Improvements only with the written permission of the CRCLT and if it meets the following conditions:

- a) all costs are borne by the lessee
- b) work must be accomplished in a “workmanlike” manner and comply with all applicable laws, ordinances and regulations of the governing authority
- c) the work must be for a use consistent with those permitted by the lease
- d) all plans and permits must be submitted to the CRCLT prior to initiating any construction

Financing: There is a provision in the lease that describes the permitted mortgages which include those from federally regulated institutional lenders. These provisions deal specifically with foreclosure proceedings designed to protect the interest of the lender, the borrower and the land owner.

No Subletting: Lessees are not allowed to assign the lease or rent their improvements without prior written permission of the CRCLT.

Transfer to Heirs: The lessee may leave, give or see their home to designated heirs, including:

- a) spouse
- b) child or children
- c) member(s) of the lessee’s household who have resided upon the Premises for at least one year prior to the Lessee’s death

Transfer to Income-Qualified Buyers: The Lessee may sell or transfer their improvements. However, the home (improvements) can only be sold to the CRCLT or an income-qualified buyer – defined for the CRCLT as at or below 110% of the Dakota County median income adjusted for family size – and not for more than a price that is capped by the specified “resale formula”. It should be noted

that the CRCLT will primarily try to target income-qualified buyers at or below 80% of the Dakota County median income adjusted for family size.

CRCLT's Preemptive Option: Community land trusts typically stipulate in the ground lease their preemptive option to purchase the property in the event that the lessee/homeowner elects to sell their improvements. The CRCLT's ground lease stipulates the CRCLT's preemptive option to purchase the improvements in the event that the lessee/homeowner elects to sell.

The above ground lease summary is not to be construed as a substitute for reading and understanding the entire ground lease. If an applicant is accepted to the program, a copy of the entire ground lease will be provided, and the applicant must certify that they have read and understood the ground lease in its entirety.

4. Program Administration:

A. Eligibility Requirements

The applicants for the CRCLT program shall meet the following criteria upon submittal of their application:

- (1) The program primarily targets income-qualified buyers whose gross family income is at or below 80% of the Dakota County area median income level, as adjusted for family size, however the program can accept some families whose gross family income is above 80% but shall not exceed 110% of the Dakota County area median income level. **See Exhibit A** for the CRCLT income limits and Section 4A(2) for explanation of income limit restrictions.

Verification of income shall be valid for 120 days from the date approval is issued by the CRCLT.

If more than 120 days has elapsed between verification date and the loan closing date, then the information shall be re-verified prior to the loan closing to confirm that the applicant(s) are still eligible. The applicant(s) must remain eligible until the purchase of the real estate has been completed.

- (2) In addition to the CRCLT's income restrictions, the Internal Revenue Service (IRS) has additional, more restrictive income thresholds for a certain percentage of CLT units. Applications will be evaluated in compliance with Fair Housing Standards, and based on the following criteria. However, simply meeting the following criteria is not a guarantee or indication of subsequent approval:

- Date and time application is received
- Compliance with CLT maximum income limits
- Compliance with IRS maximum income limits
- Ability to service the anticipated debt
- Credit history
- Understanding of, and willingness to accept the terms of the CLT ground lease and resale restrictions

- (3) Homes must be located within the boundaries of Northfield Independent School District #659.
- (4) Applicant(s) must be able to obtain a home loan from a financial institution to participate in the program.

B. Application Process:

- (1) The CRCLT reviews completed applications shall be reviewed in the order in which they are received.
- (2) Applicant(s) shall be required to review and consent to the terms and conditions outlined in the Program Guidelines.
- (3) Applicant(s) shall be required to complete the Application form.
- (4) Applicant(s) and all other adult persons intending to reside in the residence shall be required to provide copies of their last year's income tax returns along with an income verification form or pay stubs for the last three (3) months.
- (5) Applicant(s) and all other adult persons intending to reside in the residence may be required to submit copies of marriage licenses (if applicable), driver's licenses, birth certificates, divorce decrees or separation decrees (if applicable).
- (6) A twenty-five dollar (\$25) application fee is required at the time the application is submitted. If approved for the CRCLT program, a lease issuance fee of \$250 will be charged as part of the closing costs associated with the purchase of the unit.
- (7) A commitment letter shall be written to the applicant(s) if eligibility is met, subject to receipt of a copy of the applicant's credit report from the lender. A notice shall also be issued if eligibility is not met or the application is incomplete. Every effort will be made to notify the applicant(s) within ten (10) working days of receipt of the application form.
- (8) Priority will also be given to those applicants with less than \$50,000 in net assets. However, having assets above \$50,000 does not disqualify an applicant from participating in the CRCLT program.
- (9) Letters of commitment shall expire six (6) months from the date of issuance, unless prior to said expiration date an executed purchase agreement and letter of commitment for financing has been received by the Program Administrator, or a building permit has been obtained by the applicant. Any reapplication shall be placed on the list of other applications, in the order of receipt by the CRCLT.

5. Execution of Ground Lease/Closing Procedure

- (1) If approved for participation in the program, the applicant must meet with the CRCLT board of directors or applicant selection committee to review the program.

- (2) Prior to execution of the ground lease, an approved buyer must submit a Letter of Understanding from Lessee and a Letter of Advice from Lessee's Attorney, as shown in Exhibit B. The CRCLT will pay for attorney's time associated with this requirement

ACKNOWLEDGMENT AND ACCEPTANCE OF TERMS AND GUIDELINES DESCRIBED HEREIN:

Applicant

Date

Co-Applicant

Date

For FINANCIAL INSTITUTION:

Do you plan on selling this mortgage on the secondary market?	Yes	No
If yes, would you like to use our standard Fannie Mae rider?	Yes	No

Financial Institution

By: _____

Its: _____
Date _____

How did you learn about this program?

___ Newspaper

___ Radio

___ Flyer

___ Bank/Lender _____ (please identify)

___ Real Estate Agency _____ (please identify)

___ Other _____ (please identify)

If you have any questions regarding these guidelines, please contact:

Joel B. West, President
Cannon River Community Land Trust, Inc.
1520 Lindberg Court
Northfield, MN 55057
Phone: (507) 663-0725
Cell: 612-756-2571

TARGET INCOMES

Household Size	Primary Target 80 % Dakota Cty. Median*	Maximum Allowable 110% Dakota Cty. Median*
1	\$40,600	\$55,825
2	\$46,400	\$63,800
3	\$52,200	\$71,775
4	\$58,000	\$79,750
5	\$62,640	\$86,130
6	\$67,280	\$92,510
7	\$71,920	\$98,890
8	\$76,560	\$105,270

*Incomes must be at or below figures listed above



Cannon River Community Land Trust

A Foundation for Home Ownership Serving the Northfield Area

APPROVED COMMUNITY LAND TRUST LENDERS

The following is a list of lenders that have been approved to provide financing for the Cannon River Community Land Trust Program. Only applications utilizing approved lenders will be accepted.

Bankers Mortgage

Contact: Mary Dack

350 W. Burnsville Parkway

Suite 650

Burnsville, MN 55337

Phone: (952) 746-4800

First United Bank of Faribault

430 4th Street NW, Faribault, MN 55021

Contact: Debbie Nelson

Phone: 507-334-2201

Wells Fargo Home Mortgage of Northfield

Champ Program

700 Water Street South,

Northfield, MN 55057

Contact: Ken Geiger

Phone: 507-663-7328

Chase Manhattan Mortgage

Contact:

Phone: 952-892-9443