

PLAIN LANGUAGE SUMMARY OF TAPROOT  
COMMUNITY LAND TRUST  
GROUND LEASE



*THIS GUIDE TO READING THE GROUND LEASE AND PARTIAL SUMMARY IS NOT INTENDED TO SERVE AS A REPLACEMENT FOR THE ACTUAL TapRoot CLT GROUND LEASE. WE ADVISE YOU TO REVIEW THE ENTIRE GROUND LEASE WITH YOUR ATTORNEY.*

## **Plain Language Summary of TapRoot Community Land Trust Ground Lease**

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### **<sup>1</sup> WHAT IS A GROUND LEASE?**

The Ground Lease is a legally binding agreement that gives you the right to use the land. It describes in full what your rights and responsibilities are with regard to that land and what restrictions you accept in exchange for those rights. As a legal document, it tries to cover all possible events, no matter how unlikely, and is written in “legalese.” The Lease tries to balance your interests as a homeowner with TCLT’s interests.

### **WHAT IS THIS “PLAIN LANGUAGE SUMMARY”?**

This summary is meant to help you, as a potential homebuyer with TapRoot CLT, to understand the rights, responsibilities, and restrictions you will agree to when you sign the actual Ground Lease. This summary is not the lease and addresses only the most important elements of the lease. We hope that it explains the lease provisions in a clearer way than the legal language of the Ground Lease itself. The headings in this summary are the same as they are in the Ground Lease for purposes of reference and are sometimes also used as part of the summary here. You will receive get a copy of your lease for you to read and review before you sign it. If you would ‘d like a copy now, please ask for one. (NOTE: TapRoot CLT requires that you consult with an attorney before signing the actual lease. This is for your protection, so that you fully understand the unique features of TapRoot CLT homeownership before you buy your home.)

Each of the bold headings below is an ARTICLE or SUB-ARTICLE of the lease. The text under the heading is a plain language explanation of what that ARTICLE says.

### **RECITALS**

The Recitals (beginning with WHEREAS) state the goals and purposes of the lease. By signing, you and TapRoot Community Land Trust (TapRoot CLT) agree to these goals and purposes. The primary goal of the lease is to provide you with an opportunity for homeownership and to preserve the availability and affordability of this opportunity for other households of modest means in the future.

### **DEFINITIONS**

This defines key terms used throughout the Lease.  
(following page)

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<sup>1</sup> With permission, some sections of this summary are adapted from or copied directly from the “Plain Language Summary of Piedmont Community Land Trust Ground Lease” available at <https://piedmontclt.org/>.



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### Article 1. Homeowner's Letter of Agreement and Attorney's Letter of Acknowledgment

You will sign a Letter of Agreement which says that you understand the lease agreement including the parts that affect the resale of the Home. When you consult with an attorney (as required by TapRoot CLT) to further your understanding of the lease, your attorney will sign a Letter of Acknowledgement stating that he or she has reviewed the lease and related documents with you. These letters are meant to encourage you to fully understand the lease. They also protect TapRoot CLT from future disputes.

### Article 2. Leasing of Rights to the Land

[ .....enter edited paragraph here]

### Article 3. Term of Lease, Change of Land Owner

**3.1 TERM OF LEASE IS 99 YEARS:** The lease is for ninety-nine years, starting on the day you sign the lease. The lease is this long because TapRoot CLT wants you and your family to stay in your home as long as you want, just as if you owned the land.

**3.2 HOMEOWNER CAN RENEW LEASE FOR ANOTHER 99 YEARS:** After ninety-nine years, you or your heirs and/or successors (hereinafter "you") can renew the lease for another 99 years. First, TapRoot CLT will notifyadvise you of the end of the lease between one half and one year before the first 99 years are over with any changes they might make to the terms of the Lease in writing. This writing is called an "Expiration Notice" and will describe the changes TapRoot CLT will make to the Lease. These changes are permitted only if they do not it doesn't substantially and negatively affect your rights as per this lease. Second, if you still want to stay and renew the lease, you have to let TapRoot CLT know in writing within 60 days of receiving their "Expiration Notice." This writing is called the "Renewal Notice." To be eligible able to renew, the current lease needs to be in effect and you must have honored all the terms of this lease and any Permitted Mortgage, on the last day of the first 99 year term of the lease.

Third, if renewing the lease, you and TapRoot CLT and you will sign a memorandum stating that you are renewing, which will comply with the requirements for a notice of lease. Then TapRoot CLT will record this memorandum as required by law.

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**3.3 WHAT HAPPENS IF TapRoot CLT DECIDES TO SELL THE LEASED LAND.** If ownership of the Leased Land changes, the Lease will still be honored by the new owner and you. If TapRoot CLT agrees to sell the land to a person or organization that does not share the goals of this lease to preserve housing availability and affordability, you will have the “right of first refusal” to purchase the leased land, which is further detailed in Exhibit E. Any sale that does not meet these requirements will not be permitted.

[The Right of First Refusal as explained in Exhibit E requires that TapRoot CLT give written notice (Notice of Offer), of the purchase offer they received with all the details, including names, addresses, purchase price and terms and conditions. After they receive the Notice of Offer, you have 45 days to give their “Notice of Intent to Purchase” which has to be for the same price, terms and conditions. You then have 60 days to complete the purchase, or by the date of the closing in the Notice of Offer if it is later. If you do not elect to purchase the land, then TapRoot CLT has one year to sell the land on terms and conditions which are not materially more favorable to the purchaser than what was in the Notice of Offer.]

### **Article 4: Use of Leased Land and Home**

**4.1 HOMEOWNER MAY USE THE HOME ONLY FOR RESIDENTIAL PURPOSES.** You may only use and allow others to use the Home and Leased Land for residential purposes and related activities permitted by local zoning laws when the Lease was signed.

**4.2 HOMEOWNER MUST USE THE HOME AND LEASED LAND RESPONSIBLY AND IN COMPLIANCE WITH THE LAW.** You must use the land without creating public or private nuisances, you will dispose of waste safely, and you will maintain the land and your home in good, safe, and habitable condition. You must make sure, in addition, that you do nothing to jeopardize the chances that the land and any buildings located upon it can be covered by insurance. (You are required to carry adequate hazard and liability insurance under ARTICLE 9.4). You shall keep the home and leased land free of any accumulation of rubbish, snow and ice. You acknowledge that TapRoot CLT is not required to maintain, repair, clean, alter or improve the Home and Leased Land or provide any services.

**4.3 HOMEOWNER IS RESPONSIBLE FOR USE BY OTHERS.** You are in charge of and responsible for the house and the land it is on. You must tell anyone who lives in the house or visits it about the rules that they must follow in order to uphold the lease. If anyone is doing something on or to the property that they are not allowed to do, you have to stop them. You can use the law to stop them if their behavior violates the lease.



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### **4.4 HOMEOWNER MUST OCCUPY THE HOME AS THEIR PRIMARY RESIDENCE FOR 270 DAYS EACH YEAR.**

You or your family (including domestic partners) must live in your home at least 270 days a year, unless otherwise agreed to by TapRoot CLT. This is meant to make sure that the home is your primary residence. It also prevents people from renting out their homes. There are, of course, permissible reasons to leave your home for periods of time, such vacations, caring for a sick relative, or leaving your home for medical or educational reasons and this is permissible.

### **4.5 LEASED LAND AND HOME MAY NOT BE SUBLEASED WITHOUT TapRoot CLT'S PERMISSION.**

You may not sublease, assign or sell any rights under the Lease, except as otherwise permitted in Articles 8 and 10, without prior written permission of both TapRoot CLT and the Mortgagee so as to further the goals of housing availability and affordability. You are prohibited from subletting or using AirBnB, VRBO or other such websites or programs, regardless of local laws. Advertising for vacation rentals or use of the Home to vacation or short-term guests violates this Lease.

If permission for subleasing is granted, the sublease must be subject to all the terms of this Lease, and the rental fee must not be more than the cost of the Lease Fee charged by TCLT, plus an amount approved by TCLT to cover your costs including but not limited to principal, taxes, insurance and mortgage interest.

**4.6 TCLT HAS A RIGHT TO INSPECT THE LEASED LAND.** TCLT has the right to inspect the land it leases to you. However, the inspection is limited to an agreed upon number of times a year, and you must be given 24 hours notice. If there is an emergency, TCLT may inspect the leased land except inside buildings after reasonable efforts to inform the Homeowner in advance. If TCLT has received an Intent-to-Sell Notice, as per Section 10.4, TapRoot has the right to give 24 hours' notice and inspect the interiors of all buildings to determine their condition prior to sale.

**4.7 HOMEOWNER HAS A RIGHT TO QUIET ENJOYMENT.** You have the right to undisturbed use of the land. TCLT won't interfere with your associations, visitors, or personal life, unless they violate the lease.

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### ARTICLE 5: Lease Fee

**5.1 AMOUNT OF LEASE FEE.** You will pay a monthly fee as specified in the lease to the TCLT for use of the land underlying your home.

**5.2 PAYMENT OF GROUND LEASE FEE.** You will pay the first Lease Fee upon executing this contract. Thereafter, all payments are due on the 1st of each month. Payments are made to TCLT or to the private lender who holds your mortgage. If Lease Fees are owed to TCLT when you resell your home, they will be taken out of the equity you would otherwise have earned on the sale.

**5.3 HOW THE AMOUNT OF THE LEASE FEE HAS BEEN DETERMINED.** This section explains how the monthly fee of \$50.00 has been calculated, starting with the fair rental value of the leased land, reduced by the restrictions on use and considering affordability and other fees such as Homeowner Reserve Fee, taxes and insurance premiums.

**5.4 TCLT MAY REDUCE OR SUSPEND THE LEASE FEE TO IMPROVE AFFORDABILITY.** A reduction or suspension of the Lease Fee must be documented in writing and signed by TCLT.

**5.5 LEASE FEE MAY BE INCREASED FROM TIME TO TIME.** Once a year, after the first year, and with 90 days' written notice to both you and the Permitted Mortgagee, TCLT may increase the Lease Fee. This increase may not be more than 3% or the Consumer Price Index for New York-New Jersey, whichever is less.

**5.6 LEASE FEE WILL BE INCREASED IF RESTRICTIONS ARE REMOVED.** If you do not comply with the restrictions, TCLT will give notice and increase the Lease Fee to the fair market rental value of the Leased Land and Home for as long as the violations continue. The restrictions include primary homeownership occupation in Section 4.4, subleasing restrictions in Section 4.5 and the restrictions on who the home will be sold to in Section 10. The increases can continue up to once a year up to the fair market value.

**5.7 LATE PAYMENT.** If the monthly payment is late, interest can be charged on what is owed from the due date through the date such payment is received by TCLT, at a rate not to exceed .04% compounded daily. If payment is made by the 30th day after the due date, TCLT will waive this additional fee.



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**5.8 TCLT CAN COLLECT UNPAID FEES WHEN THE HOME IS SOLD.** If there are unpaid amounts when the home is sold, you agree to give TCLT a security interest on the home and consent to a lien, or a legal hold, on the proceeds of the sale to pay them the amounts owed. This lien will have priority over all others except those that were recorded before the Lease, Permitted Mortgages and real property tax liens or other governmental charges.

**5.9 LEASE FEE SHALL BE NET TO TCLT.** The Lease Fee and other charges shall be paid at the amount stated, and TCLT will not incur any expenses or liability with respect to the Home and Leased Land except as provided in the lease.

### **Article 6: Taxes and Assessments**

#### **6.1 HOMEOWNER IS RESPONSIBLE FOR PAYING ALL TAXES AND ASSESSMENTS.**

You must pay the property taxes on both your home and the underlying land, (including any taxes relating to TCLT's interest in the Leased Land). If permitted by the Mortgagee, these tax payments will be included in your monthly mortgage payment. If the government assesses the land for service improvements, like utility lines or new roads, you'll be responsible for paying them too.

**6.2 TCLT WILL PASS ON ANY TAX BILLS IT RECEIVES TO HOMEOWNER.** If TCLT receives any tax bills to the homeowner it will pass them on to you.

**6.3 HOMEOWNER HAS A RIGHT TO CONTEST TAXES.** The homeowner has the right to contest taxes related to the land and home, and TCLT will help if a reasonable request is made, with you paying the costs.

**6.4 PARTY THAT PAYS TAXES MUST SHOW PROOF** Whoever pays taxes must show proof of payment to the other party, usually by a copy of the receipt.

### **Article 7: The Home**

**7.1 HOMEOWNER OWNS THE HOUSE AND ALL OTHER IMPROVEMENTS ON THE LEASED LAND.** You own all of the buildings, structures, fixtures (such as utility connections), and other improvements (such as landscaping) on the land. If you later add any of these things to the property, they belong to you as well. Although you own the improvements, the Ground Lease has provisions that limit their use, leasing and sale. None of these improvements may be removed from the land without prior written consent from TCLT and any Permitted Mortgagees.





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### **7.2 HOMEOWNER MAINTAINS OWNERSHIP OF HOME WHEN SIGNING LEASE.**

When you sign this ground lease, you also simultaneously purchase the home located on the Leased Land as described in the Homeowner's Letter of Agreement, in Exhibit C.

**7.3 CONSTRUCTION CARRIED OUT BY HOMEOWNER MUST COMPLY WITH CERTAIN REQUIREMENTS.** After signing the lease, you are allowed to change your improvements or to build new ones, as long as the proposed work meets four conditions and TCLT provides its approval:

1. You must pay all costs of the work. (If you have the skills, you can do the work yourself.)
2. The work must be done in a professional manner and must comply with all applicable laws, ordinances, and regulations.
3. The work must be for a use that is permitted by the lease as described in Article 4.
4. You can't increase the size or height of the building or add any new buildings without the prior written consent of TCLT. You must also give TCLT and the Permitted Mortgagee a copy of the written request for any plans for work before beginning it. The written request must explain a) the reason for the construction, b) a copy of any applications for building permits with scope of work and specifications, if applicable, and c) a statement of the contractor with names of subcontractors.

If TCLT needs more information, they can request it within two weeks of receiving the written request. Copies of required building permits must be provided to TCLT before construction begins.

### **7.4 HOMEOWNER MAY NOT ALLOW STATUTORY LIENS TO REMAIN AGAINST LEASED LAND OR HOME.**

No liens except a mortgage may be put on the land. If someone puts a lien on your home (or on the land) because of your actions, you must pay it off within 60 days. If you don't, TCLT can pay it off and add the cost of paying off the lien to your Lease Fee. You may contest any liens at your own cost.

### **7.5 HOMEOWNER IS RESPONSIBLE FOR SERVICES, MAINTENANCE AND REPAIRS.**

You are completely responsible for all maintenance of the land and improvements. You must keep both in good condition as per Section 4.2. TCLT is not required to make repairs or to provide such services as electricity, water, heat or air conditioning.



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### **7.6 WHEN LEASE ENDS, THE PARTIES ENTER INTO A NEW LEASE OR OWNERSHIP REVERTS TO TCLT, WHICH SHALL REIMBURSE THE HOMEOWNER.**

If ownership reverts to TCLT, TCLT shall 1) pay the Permitted Mortgagee the remaining amount of the mortgage, and 2) shall pay the balance of the Purchase Option Price calculated as in Article 10 below, less the amount paid to any Permitted Mortgagee(s) and less the total amount of any unpaid Lease Fee and any other amounts owed TCLT.

You shall be responsible for any costs necessary to clear any additional liens or other charges related to the Home which may be assessed against the Home. (A lien is a legal hold on your property by a creditor which will be released once you pay them back.)

## **Article 8 Financing**

**8.1 HOMEOWNER CANNOT MORTGAGE THE HOME OR ENCUMBER THIS LEASE WITHOUT TCLT'S PERMISSION.** You may mortgage the Home and/or the Leased Land only with prior written permission of TCLT.

**8.2 BY SIGNING THIS LEASE, TCLT GIVES PERMISSION FOR THE ORIGINAL MORTGAGE.** For purposes of financing the refinancing of an existing mortgage, TCLT gives written permission to the existing mortgage by the signing of this lease. A mortgagee will look only to you for repayment of the debt. The mortgage cannot make TCLT responsible for repaying the loan or any of its costs.

**8.3 HOMEOWNER MUST GET SPECIFIC PERMISSION FOR REFINANCING, OTHER SUBSEQUENT MORTGAGES OR HOME EQUITY LINES OF CREDIT.** You must inform TCLT of the terms and conditions of any additional mortgage applied for on the home, in writing, within 15 days of the expected closing date with the specific details of the mortgage [as listed in the Lease], or additional information as TCLT requires. TCLT may prohibit this mortgage if it increases your total debt above 80% of the current Purchase Option Price as per Article 10 or if it threatens your or TCLT's interests.

**8.4 TCLT IS REQUIRED TO PERMIT A "STANDARD PERMITTED MORTGAGE."** TCLT shall permit "a standard permitted mortgage" which contains the language in Part C of Exhibit F "Permitted Mortgages," as long as it does not increase your total debt above 80% of the Current Option Price as calculated in Article 10.

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### **8.5 A PERMITTED MORTGAGEE HAS CERTAIN OBLIGATIONS UNDER THE LEASE.**

These obligations are listed in Part A of Exhibit F “Permitted Mortgages” and are made a part of the Lease, unless otherwise changed in writing. This Lease shall have priority over any preexisting or new mortgage encumbering the Leased Land or Home, unless otherwise consented to by TCLT.

**8.6 A PERMITTED MORTGAGEE HAS CERTAIN RIGHTS UNDER THE LEASE.** These rights are listed in Part B of Exhibit F “Permitted Mortgages” and are made a part of the Lease.

**8.7 IN THE EVENT OF FORECLOSURE, ANY PROCEEDS IN EXCESS OF THE PURCHASE OPTION PRICE WILL GO TO TCLT.** In the event of foreclosure, you agree that any amount in excess of the “Purchase Option Price” as calculated in Section 10.10 will be given to TCLT. If the proceeds are given directly to you instead, you agree to give the excess to TCLT promptly.

## **Article 9 – Liability, Insurance, Damage, Destruction, Eminent Domain**

**9.1 HOMEOWNER ASSUMES ALL LIABILITY.** You, not TCLT, are responsible and liable for whatever happens on the land.

**9.2 HOMEOWNER MUST DEFEND TCLT AGAINST ALL CLAIMS OF LIABILITY.** You agree to defend TCLT if someone tries to claim TCLT is liable for something that happened on the land including paying penalties, fines and reasonable attorneys’ fees. TCLT remains liable for its own negligence or intentional acts.

**9.3 HOMEOWNER MUST REIMBURSE TCLT.** If for some reason TCLT is required to pay for any amount that is your responsibility or liability, you will reimburse TCLT this sum along with any related expenses.

**9.4 HOMEOWNER MUST INSURE THE HOME AGAINST LOSS AND MUST MAINTAIN LIABILITY INSURANCE ON HOME AND LEASED LAND.** You are required to keep hazard and liability insurance as in this section. Every two years, the amount may be reviewed and adjusted if needed, upon TCLT’s demand with 30 days’ notice. The insurance must also cover and name TCLT, the lender and their affiliates. TCLT may also obtain the required insurance just to protect themselves, and the cost may be part of the Lease Fee and reimbursed by the homeowner upon demand.



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TCLT must also be notified if your insurance is going to be canceled or reduced with 30 days' notice. TCLT is allowed to participate with you on any insurance claim. These provisions ensure that both your, and the TCLT's investments are protected.

**9.5 WHAT HAPPENS IF HOME IS DAMAGED OR DESTROYED.** If your home is damaged or destroyed, you must repair or rebuild as promptly as possible for safety and to prevent hazards to people or property. If a professional estimate provided to TCLT shows the repair is impossible or the insurance wouldn't cover the full expense and you cannot afford it, you shall notify TCLT and the lender. TCLT may then help either by attempting to increase insurance proceeds, reduce costs, securing affordable financing for what insurance won't cover, or other means. Insurance proceeds payable to you for the damage to the Home shall be paid out as prioritized; 1) to expenses of collection; 2) to the Permitted Mortgagee if required by the Mortgage; 3) to expenses of clearing debris; 4) to TCLT for amounts owed under this Lease; 5) to you up to the Purchase Option Price, less what was paid out through items 1 – 4 above, and 6) the balance, if any, to TCLT. If you and TCLT cannot find a way to repair the home you can terminate the Ground Lease in writing within 60 days.

### **9.6 WHAT HAPPENS IF SOME OR ALL OF THE LAND IS TAKEN FOR PUBLIC USE.**

As long as it provides compensation, sometimes a governmental authority is allowed to take property for its own purposes if it is considered to be for the public good, called a "taking." A taking can be all or just part of someone's property. The Lease terminates when you are required to give up possession of the Leased Land. Upon such termination, the entire amount of any compensation paid shall be allocated in the way described in Section 9.5 above for insurance proceeds. If the taking does not damage the home or usefulness of the Leased Land for residential purposes, then the entire amount of monetary compensation shall be given to TCLT rather than the homeowner. If the taking results in partial damage and repair is possible, monetary compensation shall be allocated as in Section 9.5.

**9.7 IF PART OF THE LAND IS TAKEN, THE LEASE FEE MAY BE REDUCED.** If the taking reduces the size of the land, TCLT shall reassess the fair rental value of the land and adjust the lease fee as necessary as long as the monthly fee does not exceed the monthly fair rental value of the Land.

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**9.8 IF LEASE IS TERMINATED BY DAMAGE, DESTRUCTION OR TAKING, TCLT WILL TRY TO HELP THE HOMEOWNER BUY ANOTHER TCLT HOME.** If you purchase such a home if it is available, you agree to apply any proceeds or award received by you to the purchase of the new home after all amounts due to Permitted Mortgagee are paid. You will not have a claim against TCLT if no such new home is available.

### **Article 10: Transfer of Home**

**10.1 INTENT OF THIS ARTICLE IS TO PRESERVE AFFORDABILITY.** The rules outlined in Article 10 impose resale restrictions on your home. By participating in this lease and by abiding by these rules, both you and TCLT declare your intent to keep your home affordable to lower-income households.

**10.2 HOMEOWNER MAY TRANSFER HOME ONLY TO TCLT OR PRE-APPROVED QUALIFIED PERSONS.** You may only sell or transfer your home to TCLT or a Pre-Approved Qualified Person or income qualified person (defined as households earning less than 80% of the area median income). Any other sale or transfer, except to a lender in foreclosure, is not permitted. This is what keeps the home affordable for future buyers.

**"Pre-Approved Qualified Person"** has been approved by TCLT as meeting these program requirements, which are further detailed in Exhibit I and the "TCLT HOMEBUYER QUALIFICATION POLICY."

**10.3. THE HOME MAY BE TRANSFERRED TO CERTAIN HEIRS OF HOMEOWNER.** In the case of death, you may leave your home to your spouse, children, or member of your household who had been living with you in the two years before your death, unless they are a senior citizen or disabled in which case only one year of cohabitation is required, and lastly, non-resident heirs whose income does not exceed 80% of the area median income. These heirs may inherit the home and assume the current land lease (or enter into a new one) even if they are not Income-Qualified. This provides housing security to your family. If you leave the home to an heir other than the three listed above, that heir must be Income-Qualified or they will be required to sell the home as per the requirements of this Lease and using the resale formula in this Article. The administrator of the Estate must notify TCLT of your death within 90 days. The heirs must provide a Letter of Agreement and a Letter of Attorney's Acknowledgement (as described in Article 1 above) and submit it to TCLT to be attached to the Lease when it is transferred.

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**10.4 HOMEOWNER MUST GIVE NOTICE OF INTENT TO SELL.** When you intend to sell your home, you must notify TCLT in writing. You can suggest someone who would like to buy it as long as they are prepared to submit Letters of Agreement and Attorney's Acknowledgement indicating informed acceptance of the terms of this Lease.

**10.5 UPON RECEIVING NOTICE, TCLT HAS AN OPTION TO PURCHASE THE HOME OTHERWISE KNOWN AS RIGHT OF REFUSAL.** TCLT may purchase the home at the Purchase Option Price, a calculation which is intended to both preserve affordability for Pre-Approved Qualified Persons and take into fair account your investment as Homeowner.

TCLT must then notify you that it plans to buy the home within 45 days of receiving your notice of intent to sell. TapRoot may either buy the home directly or give the right to buy it to a Pre-Approved Qualified Person. This purchase must occur within 60 days, or you may sell it as the lease allows, unless both you and TCLT extend the time for the purchase.

**10.6 IF PURCHASE OPTION EXPIRES, HOMEOWNER MAY SELL ON CERTAIN TERMS.** If TCLT does not buy your home per its Option, then you may sell your home yourself at not more than the Purchase Option Price to any Pre-Approved Qualified Person.

**10.7 AFTER ONE YEAR TCLT SHALL HAVE POWER OF ATTORNEY TO CONDUCT SALE.** If TCLT does not buy your home and you have been unable to sell your home for a year, and you have moved out of your home, then TCLT may seek a buyer and negotiate a sale at a reasonable price in furthering the purposes of this Lease. This is meant to prevent the home from being vacant and unmaintained for a long period of time.

**10.8 PURCHASE OPTION PRICE EQUALS THE LESSER OF APPRAISED VALUE OF HOMEOWNER'S OWNERSHIP INTEREST OR FORMULA PRICE PLUS CAPITAL IMPROVEMENT CREDITS.** The home may not be sold for more than the Purchase Option Price, except in cases involving foreclosures. If the appraised market value of your home (and other improvements) is less than the formula price, the price at which your home must be sold (the Purchase Option Price) will be the appraised market value. If the formula price is less than the appraised market price of your home, then your home must be sold for the formula price.



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### **10.9 HOW THE VALUE OF HOMEOWNER'S OWNERSHIP INTEREST IS**

**DETERMINED.** TCLT may pay for a professional appraisal, acceptable to both you and TCLT, if they believe your ownership interest at resale is less than the Formula price. The appraisal shall be conducted as if the Land and Home were owned conventionally, without TCLT and any of the lease restrictions, and shall itemize the improvements made to the Land and Home separately.

**10.10 HOW THE FORMULA PRICE IS CALCULATED.** The "Formula Price" shall be equal to (a) the amount of Homeowner's Base Price (which TCLT and you agree is \$[\_\_\_\_\_]) plus (b) a simple annual interest rate of 2% with annual compounding, as further set forth in Exhibit H.

**10.11 QUALIFIED CAPITAL IMPROVEMENTS ARE GIVEN CREDIT ON THE RESALE PRICE** TCLT's approval of capital improvements is required in order to receive a Capital Improvement Credit at point of resale.

**10.12 QUALIFIED PURCHASER SHALL RECEIVE NEW LEASE.** Whoever buys your home must enter into a new ground lease with TCLT, starting a whole new 99-year lease period.

**10.13 PURCHASER MAY BE CHARGED A TRANSFER FEE.** If you sell the home to someone other than TCLT, TCLT may charge you a transfer fee up to 6% of the Purchase Option Price.

**10.14 THE HOMEOWNER IS REQUIRED TO MAKE NECESSARY REPAIRS AT TRANSFER** as follows: a) The Buyer hires a licensed home inspector to assess the condition of the house and cooperate with the inspection. b) The Buyer provides a copy of the Inspection Report to the their lender, you, and TCLT within ten days. c) You shall repair reported defects necessary to bring the home in compliance with the Lease to maintain and keep it in good condition, d) You will pay for the costs, except upon written request, TCLT may allow the Homeowner to pay all or a portion of the cost of repairs after the sale of the home if they cannot pay prior. In such a case, i) 150% of estimated cost of repairs, or ii) 100% of unpaid cost of repairs shall be withheld from the sale proceeds in an escrow account approved of by TCLT, e) You shall allow TCLT, Buyer, or Buyer's building inspector and lender's representative to inspect the repairs prior to closing to determine they are complete, and f) Upon sale or transfer, you shall either -

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(i) transfer the Home with all originally purchased appliances or replacements in the Home in good working order or (ii) reduce the Purchase Option Price by the market value of any such appliances that are not left with the Home in good working order.

### Article 11: Default

**11.1 WHAT HAPPENS IF HOMEOWNER FAILS TO MAKE PAYMENTS TO TCLT THAT ARE REQUIRED BY THE LEASE.** You default on the Lease if you do not pay the Lease Fee or other required charges within 30 days of written notice by TCLT to you and Permitted Mortgagee. If you make a good faith partial payment of at least 2/3 of the Lease Fee and other required charges during the 30 days, then an additional 30 days extension will be granted to complete payment, but not more than twice in any six-month period.

**11.2 WHAT HAPPENS IF HOMEOWNER VIOLATES OTHER (NON-MONETARY) TERMS OF THE LEASE.** If TCLT notifies you that you are breaking some other lease provision – that is, one that does not involve the payment of money to TCLT—then you have 60 days to fix the problem or to make a good-faith effort to do so. If you make a good faith effort within the 60 days, the time to fix the problem may be reasonably extended.

**11.3 DEFAULT AS A RESULT OF JUDICIAL PROCESS.** You default on the lease if you lose your home through a judicial process such as if you are bankrupt and are forced by a judicial process to give your home to your creditors.

**11.4 A DEFAULT (UNCURED VIOLATION) GIVES TCLT THE RIGHT TO TERMINATE THE LEASE OR EXERCISE ITS PURCHASE OPTION.** TCLT may initiate legal proceedings against you if you default on the Lease, and repossess the entire Leased Land and Home. TCLT shall pay to you and any Permitted Mortgagee an amount equal to the Purchase Option Price calculated as per Section 10.9 above, less the total amount of any unpaid Lease Fee and any other amounts owed to TCLT under the terms of this Lease and all reasonable costs (including reasonable attorneys' fees) incurred by TCLT in pursuing its legal remedies. If you holdover and remain in possession of the property after the expiration or termination of the Lease, without TapRoot's written consent, you must still pay the Lease fee.

If TCLT elects to terminate this Lease, then the Permitted Mortgagee has the right to delay the date for termination of the Lease so that they may acquire your interest through foreclosure or other means.



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In the case of default, you grant TCLT the option to purchase the home at the Purchase Option Price. Within 30 days after the allowable time for extensions to fix the problem, TCLT will notify you of its decision to exercise this option. Within 90 days, TCLT must purchase the home.

**11.5 WHAT HAPPENS IF TCLT DEFAULTS.** TCLT will not be in default unless 60 days have passed (or reasonable time to correct) since its failure to perform any of its obligations under this Lease, and you have provided written notice to TapRoot of their failure to perform its obligations. You agree only to look at TCLT's equity interest, or ownership, of the Leased Land if it wins in any lawsuit against TCLT. You specifically agree not to hold TCLT, its board of directors and officers, including the founding member organizations named in the Certificate of Incorporation, or beneficiary of a trust administered by a trustee who also happens to own an interest in TCLT personally liable (for money). TCLT will not be liable to punitive damages or other kinds of special damages under the law, unless there was gross negligence, or a serious failure to take responsibility for its obligations.

### **Article 12: Mediation and Arbitration**

If you and TCLT can't resolve a dispute on your own, you can pick a mediator or arbitrator to help, and each pay half the expenses.

### **Article 13: General Provisions**

**13.1 HOMEOWNER MEMBERSHIP IN TCLT.** You automatically become a voting member of TCLT as set forth in its by-laws by leasing from TCLT.

**13.2 NOTICES.** Whenever notices are required in writing under this Lease, it shall either be delivered in person, by certified or registered mail with return receipt requested or by recognized overnight delivery, to the addresses listed in the Ground Lease. If there was a failed delivery because you never notified TCLT of a change in address or refused to accept the delivery, then the delivery is still considered to have occurred on that date of failed delivery.

**13.3 NO BROKERAGE.** You guarantee that no real estate brokers were involved in the purchase of the Home. If any claim is made against TCLT regarding dealings with brokers, you shall defend TCLT with an attorney of their choosing, and reimburse them for any losses.



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**13.4 SEVERABILITY AND DURATION OF LEASE.** If any one part of the lease becomes unenforceable or invalid, that material will be removed from the lease and it will not affect the validity of any other part of the lease. Also, it cannot be used in any legal cause of action between you and TCLT. Both parties agree that options to purchase and all other rights continue for the entire duration of this lease including any renewal. If any law limits the duration of any of the options or rights in this Lease, the time period for choosing to exercise your option or right shall be 20 years after the death of the last survivor of your children.

**13.5 RIGHT OF FIRST REFUSAL IN LIEU OF OPTION.** If the purchase option in Article 10 becomes unenforceable, TCLT nonetheless has a right of first refusal at the highest documented purchase price offer that is made to you, as specified in Exhibit E Right of First Refusal.

**13.6 WAIVER.** If TCLT waives any of the requirements or chooses not to enforce any part of this lease at a certain point in time, this does not mean that these requirements are also waived in the future. Waivers must be granted in writing. TCLT's acceptance of Lease Fee payments does not mean that violations of the Lease are forgiven.

**13.7 TCLT'S RIGHT TO PROSECUTE OR DEFEND.** In any action or proceeding, TCLT has the right to defend or prosecute on its own or on your behalf to protect your interest in the Leased Land and you shall help pay the costs if requested.

**13.8 CONSTRUCTION.** Any pronoun used in this lease is either female, male, nonbinary, single or plural as needed.

**13.9 HEADINGS AND TABLE OF CONTENTS.** Headings and table of contents are not to be read as a meaningful part of the lease, but rather, only for convenience in reading the Lease. This lease may be signed one party at a time, using electronic signature such as Docusign.

**13.10 PARTIES BOUND.** This Lease is the entire agreement between you and TCLT and also applies to your heirs or successors. It may only be amended in a signed written agreement.

**13.11 GOVERNING LAW.** The Lease is subject to the laws of New York.

**13.12 RECORDING** A shorter version of this lease will be recorded with the County.



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**13.13 ESTOPPEL CERTIFICATES.** Each party will, if requested, but not more than twice in a year, document the Lease and its status in such a certificate to state whether there were any amendments and what they were, or whether there were defaults, or to clarify anything so reasonably requested. This document may be relied on if necessary.

**13.14 ENVIRONMENTAL.** . You are responsible for protecting, defending, and reimbursing TCLT and any authorized lender upon demand from any liabilities, claims, damages, or expenses related to environmental issues, such as waste management; spills, discharges, or other such violations of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. § 9601, as amended, or any other similar law requiring notification of the appropriate authority; spills or discharges to rivers or streams or groundwater; exposure to known toxic substances; violations of environmental laws concerning water pollution, groundwater protection, air pollution, solid wastes, hazardous wastes, toxic or hazardous substances, the transportation, spill or release or any of the aforementioned substances, or materials or wastes, and any violations of local, state or Federal laws or regulations or any common law with respect to worker health and safety or harm to individuals caused by environmental hazards on the property during the lease term. However, TCLT remains liable for any harm caused by their own gross negligence or intentional actions made by itself or others it permits on the leased land.

**13.15 FORCE MAJEURE.** In situations where TCLT may be unable to perform their obligations due to circumstances beyond their control such as a pandemic, strikes, government regulations, or other similar events, TCLT will not be held liable for the delay, and the time for performance will be extended to accommodate the delay caused by these events.

**13.16 NO DUTY TO MITIGATE.** If you breach the lease agreement, TCLT is not obligated to find a new tenant for the property. Even if they do find a new tenant and are unable to collect rent from them, it does not release you from their responsibilities under the lease agreement.

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**13.17 ARBITRATION PROCESS (AND WAIVER OF RIGHT TO JURY TRIAL).** Any dispute related to the lease agreement will be resolved through arbitration by the American Arbitration Association (AAA). You and TCLT will agree to one arbitrator within twenty (20) days of the request. If no selection is made, AAA will appoint an arbitrator. The decision made by the arbitrator(s) will be final and can be upheld by a court in New York. You and TCLT agree to the arbitrator's decision and will not appeal.

**13.18 COOPERATION FOR TAX EXEMPTION OR OTHER ASSISTANCE.** If a government agency offers a tax exemption or assistance that requires changes to the ground lease, both you and TCLT must work together with the agency to amend the lease accordingly. If any terms of the ground lease conflict with a regulatory agreement needed to secure the tax exemption or assistance, the terms of the regulatory agreement will take precedence over the lease terms.

### **COMMUNITY LAND TRUST GROUND LEASE RIDER**

This Rider amends the CLT Ground Lease for the purpose of enabling the Lessee to obtain Fannie Mae or other pre-approved conventional financing (lender) in the form of a mortgage or deed of trust to purchase a home. Some of the provisions are the same as those in the main body of the Lease. This Rider is subject to review and amendments after review by the Lender's attorney. The following is a summary of some of the more important provisions, but not all of them.

This Rider protects the interests of Fannie Mae or other lender, by for example, not requiring them to undertake your obligations under the Lease, not placing another mortgage on the home, and requiring their written consent if the Lease shall be terminated or modified. It also protects their interests in the event that a Governmental Entity will take over the operations of TCLT in the future by some legal action by for example, requiring that the income of any successors NOT be considered in the event of foreclosure.

Most importantly to you as a Homeowner borrower in this program, it requires that in the event of default on the Mortgage, you notify TCLT with copies of the lender's notices of default. TCLT and the lender will then attempt to cooperate in dealing with the circumstances of the Default as long as you have notified TCLT promptly. It allows TCLT to step in and fix the problem causing your default on the Mortgage. It also provides an option to TCLT to purchase the home after foreclosure has already occurred.



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However, if the lender acquires the property through foreclosure, then this ends the restrictions of the Ground Lease as to subleasing, assignments, focus on marketing to certain populations who may benefit from the program, income eligibility and price of the home for sale.

It also restricts how termination of the Lease may occur, only occurring in cases of nonpayment under the Lease and violations of the restrictions on the sale of the home and that it be your primary residence. It requires TCLT to provide copies of any Default Notices to the lender. It states you are not in default in the event of delay caused by "Acts of God," war, civil commotion, strikes, labor disputes or the like.

It goes on to protect the interests of the Lender by for example, naming them as an additional insured, satisfying the mortgage in the event of casualty and insurance payout or condemnation taking, requiring TCLT to participate in improvements and ensure they are not devaluing the land, requiring their consent in the event of a permitted sublease, and so on.

In the event of a conflict between this Rider and the Ground Lease, the Rider takes precedent.

### **EXHIBITS**

**Exhibit A – LEASED LAND** - Will contain the legal description of the leased land.

**Exhibit B - BARGAIN AND SALE DEED WITHOUT COVENANT AGAINST GRANTOR'S ACTS** – This document allows TCLT to sell only the buildings and improvements on the land while TCLT will continue to own the land. It acknowledges the Ground Lease you will sign at the same time, a memo of which will be recorded with this Bargain and Sale Deed with the County. You will then own the buildings and improvements, and also a leasehold interest in the land, but not the land.

**Exhibit C – FORM OF HOMEOWNER'S LETTER OF AGREEMENT** – This document describes the homeownership arrangement while leasing TCLT land, with mutual goals of affordability, agreeing that the terms of the Lease are fair, agreeing to sell the home if the Homeowner has decided to no longer reside there or is no longer able to do so, and agreeing to sell it to someone approved by TCLT. TCLT approves of "Pre-Approved Qualified Persons" as defined in Section 10 and Exhibit I, or someone who meets their program requirements. The requirements are specified in Exhibit I and include income and asset eligibility and participating in pre-purchase housing counseling.



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**Exhibit D – FORM OF ATTORNEY’S LETTER OF ACKNOWLEDGEMENT** – The attorney you will hire to represent you during the purchase of your home with TCLT will go over the documents in this Ground Lease with Exhibits and ensure that the Homeowner understands the contents of this agreement. They will attest that they reviewed all of its provisions with you and have provided advice to you as to risks and legal consequences entailed by the purchase of your home.

**Exhibit E – RIGHT OF FIRST REFUSAL** - Explains the process required for the Homeowner to exercise its right of first refusal to purchase the land if TapRoot CLT agrees to sell the land to an organization that does not share the goals of this lease to preserve housing availability and affordability.

**Exhibit F – PERMITTED MORTGAGES** – This document describes the rights and obligations of the Permitted Mortgagee, or lender, and provides a template for use by the lender, called a “Standard Permitted Mortgage Agreement.” Its terms and provisions may be subject to review and amendments by the bank’s or lender’s attorney.

**Exhibit G – INITIAL APPRAISAL** - This will contain the professional appraisal of your property.

**Exhibit H – RESALE CHART** - This provides the resale formula.

**Exhibit I – PRE-APPROVED QUALIFIED PERSON** - This document specifies what a “Pre-Approved Qualified Persons” is, or someone who meets the TCLT program requirements. The requirements specified in Exhibit I include income and asset eligibility, participating in pre-purchase housing counseling, and providing documentation of the listed income.