Example - Homeowner wishes to install hardwood floors in place of carpet in their 3 bedroom home.
Homeowner obtains quote for $5,000 for labor and materials.
Homeowner informs HRB that they wish to undertake this project and receive a Capital Systems Upgrade Credit.
HRB reviews the quote to ensure cost is reasonable and customary.
HRB provides owner with a draft Capital System Upgrade agreement describing the work to be done,
the cost of the project, and the amount of credit the Homeowner can claim.
Once work is completed, HRB will inspect the work, take copies of receipts for labor and materials from owner,
and provide a final Capital Systems Upgrade Agreement and record that Agreement as an amendment
to the Ground Lease.

Below is the process to ensure that home will still be affordable to a potential buyer with this credit:

Resale Price at time Upgrade is completed:

Original Price	$200,000.00	
# of years in home	5	
Resale Formula Calculation	$15,000.00	(1.5% * $200,000 * 5 years)
Resale Price	$215,000.00	
Capital Systems Upgrade	$5,000.00	
Resale Price with Upgrade Credit at time of project	$220,000.00	

Is this price affordable to a family at 80% AMI?

35% of Income for family of 4 at current AMI	$1,706.25
P&I on Mortgage of $220,000	$1,319.00
Insurance	$35.00
Taxes	$200.00
Ground Lease, Repair Res, HOA	$116.00
Total Housing	$1,670.00
Is Total Housing less than or equal to 35% of Income?	YES

The price with the Capital Upgrade Credit is affordable so the Homeowner can receive full credit for the upgrade.

All Capital Systems Upgrades follow a depreciation schedule:
Hardwood Floors provide a credit that depreciates over 20 years.

Amount of depreciation annually	$250.00	(original cost / 20 years)

Examples of Depreciation:
If Sale occurs 5 years after upgrade:

Value of Capital Systems Upgrade with Depreciation at that time	$3,750.00	5000- (250*5)
1.5% of that value over 5 years	$281.25	
Upgrade Credit to be added to sale price	$4,031.25	

If Sale occurs 10 years after upgrade:

Value of Capital Systems Upgrade with Depreciation at that time	$2,500.00
1.5% of that value over 10 years	$375.00
Upgrade Credit to be added to sale price	$2,875.00

If Sale occurs 15 years after upgrade:

Value of Capital Systems Upgrade with Depreciation at that time	$1,250.00
1.5% of that value over 15 years	$281.25
Upgrade Credit to be added to sale price	$1,531.25

If Sale occurs 20+ years after upgrade:

Value of Capital Systems Upgrade with Depreciation at that time	$0.00