

After Recording, Return to:  
Housing Resources Board  
PO Box 11391  
Bainbridge Island, WA 98110

## Housing Resources Board Ground Lease

THIS LEASE (“this Lease” or “the Lease”) is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between Housing Resources Board (“HRB”) and \_\_\_\_\_ (“Homeowner”).

### RECITALS

- A. HRB is organized exclusively for charitable purposes, including the purpose of providing homeownership opportunities for low and moderate income people who would otherwise be unable to afford homeownership.
- B. A goal of HRB is to preserve affordable homeownership opportunities through the long-term leasing of land under owner-occupied homes.
- C. The Leased Land described in this Lease has been acquired and is being leased by HRB in furtherance of this goal.
- D. The Homeowner shares the purposes of HRB and has agreed to enter into this Lease not only to obtain the benefits of homeownership, but also to further the charitable purposes of HRB.
- E. Homeowner and HRB recognize the special nature of the terms of this Lease, and each of them accepts these terms, including those terms that affect the marketing and resale price of the property now being purchased by the Homeowner.
- F. Homeowner and HRB agree that the terms of this Lease further their shared goals over an extended period of time and through a succession of owners.

**NOW THEREFORE**, Homeowner and HRB agree on all of the terms and conditions of this Lease as set forth below.

**DEFINITIONS:** Homeowner and HRB agree on the following definitions of key terms used in this Lease.

Leased Land: the parcel of land, described in Exhibit C: LEASED LAND, that is leased to the Homeowner.

Home: all structures, fixtures, and other permanent improvements located on the Leased Land and owned by the Homeowner, including both the original Home

described in Exhibit D: DEED, and all permanent improvements added thereafter by Homeowner at Homeowner's expense at any time during the term of this Lease.

Base Price: the total price that is paid for the Home by the Homeowner (including the amount provided by a first mortgage loan, and including amounts paid through contribution of sweat equity, but not including any subsidies in the form of deferred loans to the Homeowner or grants).

Purchase Option Price: the maximum price the Homeowner is allowed to receive for the sale of the Home and the Homeowner's right to possess, occupy and use the Leased Land, as defined in Article 10 of this Lease.

Lease Fee: The monthly fee that the Homeowner pays to HRB for the continuing use of the Leased Land and any and all additional amounts that HRB charges to the Homeowner for reasons permitted by this Lease.

Permitted Mortgage: A mortgage or deed of trust on the Home and the Homeowner's right to possess, occupy and use the Leased Land granted to a lender by the Homeowner with HRB's permission in accordance with the terms of this Lease. The Homeowner may not mortgage HRB's interest in the Leased Land, and may not grant any mortgage or deed of trust without HRB's permission.

Event of Default: Any violation of the terms of the Lease unless it has been corrected ("cured") by Homeowner or the holder of a Permitted Mortgage in the period of time specified in this Agreement after a written Notice of Default has been given by HRB.

**ARTICLE 1: Homeowner's Letter of Agreement and Attorney's Letter of Acknowledgment are Attached as Exhibits A.**

Attached as Exhibit A: HOMEOWNER'S LETTER OF AGREEMENT, ATTORNEY'S LETTER OF ACKNOWLEDGMENT, and STIPULATION LETTER, and made part of this Lease by reference, are a Letter of Agreement from the Homeowner describing the Homeowner's understanding and acceptance of this Lease (including the parts of the Lease that affect the resale of the Home), and a Letter of Acknowledgment from the Homeowner's attorney describing the attorney's review of the Lease with the Homeowner (or, in place of the Letter of Acknowledgement, a Stipulation Letter in the form attached hereto indicating that Homeowner elects not to consult an attorney). Simultaneously with execution of this Lease, Homeowner shall provide HRB with (i) a signed and completed Letter of Agreement, and (ii) a signed and completed Attorney's Letter of Acknowledgement (unless Homeowner indicates that it elects not to consult an attorney in a signed Stipulation Letter which must also be provided at the execution of this Lease).

**ARTICLE 2: Leasing of Rights to the Land**

2.1 HRB LEASES THE LAND TO HOMEOWNER: HRB hereby leases to the Homeowner, and Homeowner hereby accepts, the right to possess, occupy and use the Leased Land (described in the attached Exhibit C: LEASED LAND) in accordance with the terms of this Lease. HRB has furnished to Homeowner a copy of the most current

title report, if any, obtained by HRB for the Leased Land, and Homeowner accepts title to the Leased Land in its condition "as is" as of the signing of this Lease.

2.2 MINERAL RIGHTS NOT LEASED TO HOMEOWNER: HRB does not lease to Homeowner the right to remove from the Leased Land any minerals lying beneath the Leased Land's surface. Ownership of such minerals remains with HRB, but HRB shall not remove any such minerals from the Leased Land without the Homeowner's written permission.

**ARTICLE 3: Term of Lease, Change of Land Owner**

3.1 TERM OF LEASE IS 99 YEARS: This Lease shall remain in effect for 99 years, beginning on the \_\_\_ day of \_\_\_\_\_, 20\_\_, and ending on the \_\_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_\_, unless ended sooner or renewed as provided below.

3.2 HOMEOWNER CAN RENEW LEASE FOR ANOTHER 99 YEARS: Homeowner may renew this Lease for one additional period of 99 years. HRB may change the terms of the Lease for the renewal period prior to the beginning of the renewal period but only if these changes do not materially and adversely interfere with the rights possessed by Homeowner under the Lease. Not more than 365 nor less than 180 days before the last day of the first 99-year period, HRB shall give Homeowner a written notice that states the date of the expiration of the first 99-year period and the conditions for renewal as set forth in the following paragraph ("the Expiration Notice"). The Expiration Notice shall also describe any changes that HRB intends to make in the Lease for the renewal period as permitted above.

The Homeowner shall then have the right to renew the Lease only if the following conditions are met: (a) within 60 days of receipt of the Expiration Notice, the Homeowner shall give HRB written notice stating the Homeowner's desire to renew ("the Renewal Notice"); (b) this Lease shall be in effect on the last day of the original 99-year term, and (c) the Homeowner shall not be in default under this Lease or under any Permitted Mortgage on the last day of the original 99-year term.

When Homeowner has exercised the option to renew, Homeowner and HRB shall sign a memorandum stating that the option has been exercised. The memorandum shall comply with the requirements for a notice of lease as stated in Section 14.12 below. HRB shall record this memorandum in accordance with the requirements of law promptly after the beginning of the renewal period.

3.3 WHAT HAPPENS IF HRB DECIDES TO SELL THE LEASED LAND: HRB has the unconditional right to sell all or any interest in the Leased Land; provided that if ownership of the Leased Land is ever transferred by HRB (whether voluntarily or involuntarily) to any other person or institution, this Lease shall not cease, but shall remain binding on the new land-owner as well as the Homeowner. If HRB agrees to transfer the Leased Land to any person or institution other than a non-profit corporation, charitable trust, government agency or other similar institution sharing the goals described in the Recitals above, the Homeowner shall have a right of first refusal to

purchase the Leased Land. The details of this right shall be as stated in the attached Exhibit F: FIRST REFUSAL. Any sale or other transfer contrary to this Section 3.3 shall be null and void.

#### **ARTICLE 4: Use of Leased Land**

**4.1 HOMEOWNER MAY USE THE HOME ONLY FOR RESIDENTIAL AND RELATED PURPOSES:** Homeowner shall use, and allow others to use, the Home and Leased Land only for residential purposes and any activities related to residential use that were permitted by local zoning law when the Lease was signed, including all local zoning restrictions applicable to an R-3.5 zone under the City of Bainbridge Municipal Code Chapter 18.24, without regard to amendments thereto after the date of this Lease.

**4.2 HOMEOWNER MUST USE THE HOME AND LEASED LAND RESPONSIBLY AND IN COMPLIANCE WITH THE LAW:** Homeowner shall use the Home and Leased Land in a way that will not cause harm to others or create any public nuisance. Homeowner shall dispose of all waste in a safe and sanitary manner. Notwithstanding any terms herein to the contrary, Homeowner shall maintain all parts of the Home and Leased Land in safe, sound, sanitary, and habitable condition, in full compliance with all laws, regulations, and other applicable covenants and restrictions, in accordance with all standards and rules reasonably imposed by HRB in connection with maintenance and appearance of the Home, and in the condition that is required to maintain the insurance coverage required by Section 9.4 of this Lease.

**4.3 HOMEOWNER IS RESPONSIBLE FOR USE BY OTHERS:** Homeowner shall be responsible for the use of the Home and Leased Land by all residents and visitors and anyone else using the Leased Land with Homeowner's permission and shall make all such people aware of the restrictions on use set forth in this Lease.

**4.4 HOMEOWNER MUST OCCUPY THE HOME FOR AT LEAST NINE (9) MONTHS EACH YEAR:** Homeowner shall occupy the Home for at least nine (9) months of each year of this Lease, unless otherwise agreed by HRB. Occupancy by Homeowner's child, spouse, domestic partner, or other persons approved by HRB shall be considered occupancy by Homeowner. Neither compliance with the occupancy requirement nor HRB's permission for an extended period of non-occupancy constitutes permission to sublease the Leased Land and Home, which is addressed in Section 4.5 below.

**4.5 LEASED LAND MAY NOT BE SUBLEASED WITHOUT HRB'S PERMISSION.** Except as otherwise provided in Article 8 and Article 10, Homeowner shall not sublease, assign, sell or otherwise convey any of Homeowner's rights under this Lease, for any period of time, without the written permission of HRB. Homeowner agrees that HRB shall have the right to withhold such consent (in its sole discretion) in order to further the purposes of this Lease.

If permission for subleasing is granted, the sublease shall be subject to the following conditions.

- a) Any sublease shall be subject to all of the terms of this Lease.

b) The rental or occupancy fee charged the sub-lessee shall not be more than the amount of the Lease Fee charged the Homeowner by HRB, plus an amount approved by HRB to cover Homeowner's costs in owning the Home, including but not limited to the cost of taxes, insurance and mortgage interest.

**4.6 HRB HAS A RIGHT TO INSPECT THE LEASED LAND:** HRB may inspect any part of the Leased Land except the interiors of fully enclosed buildings, at any reasonable time, after notifying the Homeowner at least 24 hours before the planned inspection. No more than two (2) regular inspections may be carried out in a single year, except in the case of an emergency. In an emergency, HRB may inspect any part of the Leased Land except the interiors of fully enclosed buildings, after making reasonable efforts to inform the Homeowner before the inspection.

If HRB has received an Intent-To-Sell Notice (as described in Section 10.4 below), then HRB has the right to inspect the interiors of all fully enclosed buildings to determine their condition prior to the sale. HRB must notify the Homeowner at least 24 hours before carrying out such inspection.

**4.7 HOMEOWNER HAS A RIGHT TO QUIET ENJOYMENT:** Homeowner has the right to quiet enjoyment of the Leased Land, on the terms and conditions set forth herein, and subject to all matters of record. HRB has no desire or intention to interfere with the personal lives, associations, expressions, or actions of the Homeowner in any way not permitted by this Lease.

#### **ARTICLE 5: Lease Fee**

**5.1 AMOUNT OF LEASE FEE:** The Homeowner shall pay a monthly Lease Fee in an amount equal to the sum of (a) a Land Use Fee of \$50 to be paid in return for the continuing right to possess, occupy and use the Leased Land, plus (b) a Repair Reserve Fee of \$\_\_\_\_\_ to be held by HRB and used for the purpose of preserving the physical quality of the Home for the long term in accordance with Section 7.6 below.

**5.2 WHEN THE LEASE FEE IS TO BE PAID:** The Lease Fee shall be payable to HRB on the first day of each month for as long as this Lease remains in effect, unless the Lease Fee is to be escrowed and paid by a Permitted Mortgagee, in which case payment shall be made as directed by that Mortgagee.

**5.3 HOW THE AMOUNT OF THE LAND USE FEE HAS BEEN DETERMINED:** The amount of the Land Use Fee stated in Section 5.1 above has been determined as follows. First, the approximate monthly fair rental value of the Leased Land has been established, as of the beginning of the Lease term, recognizing that the fair rental value is reduced by certain restrictions imposed by the Lease on the use of the Land. Then the affordability of this monthly amount, plus the amount of the Repair Reserve Fee, for the Homeowner has been analyzed and, if necessary, the Land Use Fee has been reduced to an amount considered to be affordable for the Homeowner.

**5.4 HRB MAY REDUCE OR SUSPEND THE LEASE FEE TO IMPROVE AFFORDABILITY:** HRB (in its sole discretion) may (but is not obligated to) reduce or

suspend the total amount of the Lease Fee for a period of time of HRB's choosing for the purpose of improving the affordability of the Homeowner's monthly housing costs. Any such reduction or suspension must be in writing and signed by HRB.

**5.5 FEES MAY BE INCREASED FROM TIME TO TIME:** HRB may increase the amount of the Land Use Fee and/or the Repair Reserve Fee from time to time, but not more often than once in the 2 years from the date of this Ground Lease, and then once every 5 years subsequently. Each time such amounts are increased, the total percentage of increase since the date this Lease was signed (or the date of the previous increase in Fees, as the case may be) shall not be greater than the percentage of increase, over the same period of time, in the Consumer Price Index for urban wage earners and clerical workers for the Seattle-Tacoma-Bremerton urban area.

**5.6 LAND USE FEE WILL BE INCREASED IF RESTRICTIONS ARE REMOVED:** If, for any reason, the provisions of Article 10 regarding transfers of the Home or Sections 4.4 and 4.5 regarding occupancy and subleasing are suspended or invalidated for any period of time, then during that time the Land Use Fee shall be increased to an amount calculated by HRB to equal the fair rental value of the Leased Land for use not restricted by the suspended provisions, but initially an amount not exceeding \$250 dollars. Such increase shall become effective upon HRB's written notice to Homeowner. Thereafter, for so long as these restrictions are not reinstated in the Lease, HRB may, from time to time, further increase the amount of such Land Use Fee, provided that the amount of the Land Use Fee does not exceed the fair rental value of the property, and provided that such increases do not occur more often than once in every 3 years.

**5.7 IF PAYMENT IS LATE, LATE FEE CAN BE CHARGED:** If HRB has not received any monthly installment of the Lease Fee on or before the date on which such installment first becomes payable under this Lease (the "Due Date"), HRB may require Homeowner to pay a late fee. If payment is not received by the 5<sup>th</sup> of the month a late fee of \$25 will be due and added to the charges on the unpaid amount. If payment of Lease Fee and Late Fee is not received by the last day of the month interest on all sums due hereunder to HRB shall accrue default interest at the rate of twelve percent (12%) per annum until fully paid (the "Default Interest") in addition to the Late Fee and charges due on the unpaid amount. Such Default Interest shall be deemed additional Lease Fee and shall be paid by Homeowner to HRB upon demand.

**5.8 HRB CAN COLLECT UNPAID FEES WHEN HOME IS SOLD:** In the event that any amount of payable Lease Fee (or any interest, late charges or penalties thereon) remains unpaid when the Home is sold, the outstanding amount of payable Lease Fee, including any interest as provided above, shall be paid to HRB out of any proceeds from the sale that would otherwise be due to Homeowner. HRB shall have, and the Homeowner hereby consents to, a lien upon the Home for any unpaid Lease Fee. Such lien shall be prior to all other liens and encumbrances on the Home except (a) liens and encumbrances recorded before the recording of this Lease, (b) Permitted Mortgages as

defined in section 8.1 below; and (c) liens for real property taxes and other governmental assessments or charges against the Home. Notwithstanding the foregoing, at any time HRB may exercise all remedies available under law to collect any or all past due Lease Fees (and any interest, late charges or penalties thereon).

#### **ARTICLE 6: Taxes and Assessments**

6.1 HOMEOWNER IS RESPONSIBLE FOR PAYING ALL TAXES AND ASSESSMENTS: Homeowner shall pay directly, when due, all taxes and governmental assessments that relate to the Home and the Leased Land (including any taxes relating to HRB's interest in the Leased Land), as well as all penalties, interest and other charges relating thereto.

6.2 HRB WILL PASS ON ANY TAX BILLS IT RECEIVES TO HOMEOWNER: In the event that the local taxing authority bills HRB for any portion of the taxes on the Home or Leased Land, HRB shall pass the bill to Homeowner and Homeowner shall promptly pay this bill.

6.3 HOMEOWNER HAS A RIGHT TO CONTEST TAXES: Homeowner shall have the right to contest the amount or validity of any taxes relating to the Home and Leased Land. Upon receiving a reasonable request from Homeowner for assistance in this matter, HRB shall join in contesting such taxes. All costs of such proceedings shall be paid by Homeowner.

6.4 IF HOMEOWNER FAILS TO PAY TAXES, HRB MAY INCREASE LEASE FEE: In the event that Homeowner fails to pay the taxes or other charges described in Section 6.1 above, HRB may (but is not obligated to) increase Homeowner's Lease Fee to offset the amount of taxes and other charges owed by Homeowner. Upon collecting any such amount, HRB shall pay the amount collected to the taxing authority in a timely manner.

6.5 PARTY THAT PAYS TAXES MUST SHOW PROOF: When either party pays taxes relating to the Home or Leased Land, that party shall furnish satisfactory evidence of the payment to the other party. A photocopy of a receipt shall be the usual method of furnishing such evidence.

#### **ARTICLE 7: The Home**

7.1 HOMEOWNER OWNS THE HOUSE AND ALL OTHER IMPROVEMENTS ON THE LEASED LAND: The Home (as defined above) shall be property of the Homeowner. Title to the Home shall be and remain vested in the Homeowner. However, Homeowner's rights of ownership are limited by the provisions of this Lease, including provisions regarding the sale or leasing of the Home by the Homeowner and HRB's option to purchase the Home. In addition, Homeowner shall not remove any part of the Home from the Leased Land without HRB's prior written consent.

7.2 HOMEOWNER PURCHASES HOME WHEN SIGNING LEASE: Upon the signing of this Lease, Homeowner is simultaneously purchasing the Home located at that time on

the Leased Land, as described in the Deed, a copy of which is attached to this Lease as Exhibit D: DEED.

**7.3 CONSTRUCTION CARRIED OUT BY HOMEOWNER MUST COMPLY WITH CERTAIN REQUIREMENTS:** Any construction in connection with the Home is permitted only if the following requirements are met: (a) all costs shall be paid for promptly by the Homeowner when due; (b) all construction shall be performed in a professional manner and shall comply with all applicable laws and regulations; (c) all changes in the Home shall be consistent with the permitted uses described in Article 4; (d) the footprint, square-footage, or height of the house shall not be increased and new structures shall not be built or installed on the Leased Land without the prior written consent of HRB.

For all construction relating to the Home, all material improvements or alterations to the Home, and all additions of any structures, fixtures or other improvements to the Leased Land, Homeowner shall obtain HRB's prior written consent to such activities (given or denied in HRB's sole discretion). Prior to commencement of any such activities, Homeowner shall submit a written request to HRB, and such request shall include:

- a) a written statement of the reasons for undertaking the construction;
- b) a set of drawings (floor plan and elevations) showing the dimensions of the proposed construction;
- c) a list of the necessary materials, with quantities needed, and all customary specifications;
- d) a statement of who will do the work;

If HRB finds it needs additional information it shall request such information from Homeowner within two weeks of receipt of Homeowner's request. HRB then, within two weeks of receiving all necessary information (including any additional information it may have requested) shall give Homeowner either its written consent or a written statement of its reasons for not consenting. Before construction can begin, Homeowner shall provide HRB with copies of all necessary building permits, if not previously provided.

**7.4 HOMEOWNER MAY NOT ALLOW STATUTORY LIENS TO REMAIN AGAINST LEASED LAND OR HOME:** No lien of any type shall attach to HRB's title to the Leased Land. Homeowner shall not permit any statutory or similar lien to be filed against the Leased Land or the Home which remains more than 60 days after it has been filed. Homeowner shall take action to discharge such lien, whether by means of payment, deposit, bond, court order, or other means permitted by law, all at no cost to HRB. If Homeowner fails to discharge such lien within the 60-day period, then Homeowner shall immediately notify HRB of such failure. HRB shall have the right (but not the obligation) to discharge the lien by paying the amount in question. Homeowner may, at Homeowner's expense, contest the validity of any such asserted lien, provided Homeowner has furnished a bond or other acceptable surety in an amount sufficient to

release the Leased Land from such lien. Any amounts paid by HRB to discharge such liens shall be treated as an additional Lease Fee payable by Homeowner upon demand.

**7.5 HOMEOWNER IS RESPONSIBLE FOR SERVICES, MAINTENANCE AND REPAIRS:** Homeowner hereby assumes responsibility for furnishing and paying for all services or facilities on the Leased Land, including but not limited to heat, electricity, air conditioning, water, sewer, telephone, cable, and Internet. HRB shall not be required to furnish any services or facilities or to make any repairs to the Home. Notwithstanding any terms herein to the contrary, Homeowner shall repair, preserve, and maintain the Home and Leased Land as required by Section 4.2 above and shall see that all necessary repairs and replacements are accomplished when needed.

**7.6 A REPAIR RESERVE FUND IS ESTABLISHED TO SUPPORT FUTURE REPAIRS:** A repair reserve fund is established to support the following repairs: (1) Replacement of Roof every 30 years, and (2) Repainting and maintenance of exterior of home every 7 years, (3) Replacement of parts of exterior siding, if needed, every 20 years, (4) Replacement of 10 windows/exterior doors, if needed, every 20 years. Homeowner will pay \$41 per month (the "Repair Reserve Payments") in addition to the Lease Fee to HRB. HRB will hold all Repair Reserve Payments on behalf of Homeowner and maintain records of all Repair Reserve Payments received from Homeowner. The Repair Reserve Payments may be held in any account selected by HRB, under HRB's control, whether or not comingled with other funds. Homeowner will request reserve funding at the time repair is needed. Payment of reserve funds to Homeowner will be based upon HRB discretion and approval (in its sole discretion). Homeowner shall not be entitled to any interest earned on the Repair Reserve Payments (if any). Under no circumstances shall Homeowner be entitled to a refund of any Repair Reserve Payments, whether or not expended on or before Homeowner sells the Home. If Homeowner is not the original purchaser of the Home, HRB acknowledges that a total of \$\_\_\_\_\_ have been accumulated as Repair Reserve Payments from prior owners of the Home, all of which shall be applied to the above-referenced repairs as and when determined by HRB.

**7.7 WHEN LEASE ENDS, OWNERSHIP OF THE HOME REVERTS TO HRB, WHICH SHALL REIMBURSE HOMEOWNER:** Upon the expiration or termination of this Lease, unless extended per Article 3.2, ownership of the Home shall revert to HRB. Upon thus assuming title to the Home, HRB shall promptly pay Homeowner and Permitted Mortgagee(s), as follows:

FIRST, HRB shall pay any Permitted Mortgagee(s) the full amount owed to such mortgagee(s) by Homeowner;

SECOND, HRB shall pay the Homeowner the balance of the Purchase Option Price calculated in accordance with Article 10 below, as of the time of reversion of ownership, less the total amount of any unpaid Lease Fee and any other amounts owed to under the terms of this Lease. The Homeowner 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. If the Homeowner fails to clear such liens or charges, the

balance due the Homeowner shall also be reduced by the amount necessary to release such liens or charges, including reasonable attorneys' fees incurred by HRB.

## **ARTICLE 8: Financing**

8.1 HOMEOWNER CANNOT MORTGAGE THE HOME WITHOUT HRB'S PERMISSION: The Homeowner may mortgage the Home only with the written permission of HRB (which permission may be withheld, delayed or conditioned by HRB, in its sole discretion, except as otherwise set forth herein). Any mortgage or deed of trust permitted in writing by HRB is defined as a Permitted Mortgage, and the holder of such a mortgage or deed of trust is defined as a Permitted Mortgagee.

8.2 BY SIGNING LEASE, HRB GIVES PERMISSION FOR ORIGINAL MORTGAGE. By signing this Lease, HRB gives written permission for any mortgage or deed of trust signed by the Homeowner effective on the day this Lease is signed for the purpose of financing Homeowner's purchase of the Home.

8.3 HRB PERMISSION IS REQUIRED FOR REFINANCING OR OTHER SUBSEQUENT MORTGAGES. If, at any time subsequent to the purchase of the Home and signing of the Lease, the Homeowner seeks a loan that is to be secured by a mortgage on the Home (to refinance an existing Permitted Mortgage or to finance home repairs or for any other purpose), Homeowner must inform HRB, in writing, of the proposed terms and conditions of such mortgage loan at least 15 business days prior to the expected closing of the loan. The information to be provided to HRB must include:

- a. the name of the proposed lender;
- b. Homeowner's reason for requesting the loan;
- c. the principal amount of the proposed loan and the total mortgage debt that will result from the combination of the loan and existing mortgage debt, if any;
- d. expected closing costs;
- e. the rate of interest;
- f. the repayment schedule; and
- g. a copy of the appraisal commissioned in connection with the loan request.

HRB may also require Homeowner to submit additional information. HRB will not permit such a mortgage loan if the loan increases Homeowner's total mortgage debt to an amount greater than 80% of the then current Purchase Option Price, calculated in accordance with Article 10 below, or if the terms of the transaction otherwise threaten the interests of either the Homeowner or HRB (as determined by HRB in its sole discretion) .

8.4 HRB IS REQUIRED TO PERMIT A "STANDARD PERMITTED MORTGAGE." HRB shall be required to permit any mortgage for which the mortgagee has signed a "Standard Permitted Mortgage Agreement" as set forth in "Exhibit A: Permitted Mortgages, Part C," and for which the loan secured thereby does not (and will not during the term of the financing) increase Homeowner's total mortgage debt to an

amount greater than 80% of the then current Purchase Option Price, calculated in accordance with Article 10 below.

8.5 A PERMITTED MORTGAGEE HAS CERTAIN OBLIGATIONS UNDER THE LEASE. Any Permitted Mortgagee shall be bound by each of the requirements stated in "Exhibit E: Permitted Mortgages, Part A, Obligations of Permitted Mortgagee," which is made a part of this Lease by reference, unless the particular requirement is removed, contradicted or modified by a Rider to this Lease signed by the Homeowner and HRB to modify the terms of the Lease during the term of the Permitted Mortgage.

8.6 A PERMITTED MORTGAGEE HAS CERTAIN RIGHTS UNDER THE LEASE. Any Permitted Mortgagee shall have all of the rights and protections stated in "Exhibit E: Permitted Mortgages, Part B, Rights of Permitted Mortgagee," which is made a part of this Lease by reference.

8.7 IN THE EVENT OF FORECLOSURE, ANY PROCEEDS IN EXCESS OF THE PURCHASE OPTION PRICE WILL GO TO HRB. Homeowner and HRB recognize that it would be contrary to the purposes of this agreement if Homeowner could receive more than the Purchase Option Price as the result of the foreclosure of a mortgage. Therefore, Homeowner hereby irrevocably assigns to HRB all net proceeds of sale of the Home that would otherwise have been payable to Homeowner and that exceed the amount of net proceeds that Homeowner would have received if the property had been sold for the Purchase Option Price, calculated as described in Section 10.10 below. Homeowner hereby irrevocably authorizes and instructs the Permitted Mortgagee, or any party conducting any sale in connection with foreclosure of a Permitted Mortgage, to pay such excess amount directly to HRB. If, for any reason, such excess amount is paid to Homeowner, Homeowner hereby agrees to promptly pay such amount to HRB.

#### **ARTICLE 9: Liability, Insurance, Damage and Destruction, Eminent Domain**

9.1 HOMEOWNER ASSUMES ALL LIABILITY. Homeowner assumes all responsibility and liability related to Homeowner's possession, occupancy and use of the Leased Land.

9.2 HOMEOWNER MUST INDEMNIFY AND DEFEND HRB AGAINST ALL CLAIMS OF LIABILITY. Homeowner shall defend, indemnify and hold HRB harmless against all liability and claims of liability for injury or damage to person or property from any cause on or about the Leased Land (including without limitation all attorneys' fees and other costs incurred by HRB). Homeowner waives all claims against HRB for injury or damage on or about the Leased Land. However, HRB shall remain liable for injury or damage due to the grossly negligent or intentional acts or omissions of HRB or HRB's agents or employees.

9.3 HOMEOWNER MUST REIMBURSE HRB. In the event HRB shall be required to pay any sum that is the Homeowner's responsibility or liability, the Homeowner shall reimburse HRB for such payment and for reasonable expenses caused thereby.

9.4 HOMEOWNER MUST INSURE THE HOME AGAINST LOSS AND MUST MAINTAIN LIABILITY INSURANCE ON HOME AND LEASED LAND. Homeowner shall, at Homeowner's expense, keep the Home continuously insured against "all risks" of physical loss, using Insurance Services Office (ISO) Form HO 00 03, or its equivalent, for the full replacement value of the Home, and in any event in an amount that will not incur a coinsurance penalty (including earthquake and other additional coverages required by HRB in its sole discretion). All insurance policies required under this Lease shall be issued by a carrier rated as "A" or better by the A.M. Best Company. The amount of such insured replacement value must be approved by HRB prior to the commencement of the Lease. Thereafter, if HRB determines that the replacement value to be insured should be increased, HRB shall inform the Homeowner of such required increase at least 30 days prior to the next date on which the insurance policy is to be renewed, and the Homeowner shall assure that the renewal includes such change. If Homeowner wishes to decrease the amount of replacement value to be insured, Homeowner shall inform HRB of the proposed change at least 30 days prior to the time such change would take effect. The change shall not take effect without HRB's prior written approval.

Should the Home lie in a flood hazard zone as defined by the National Flood Insurance Plan, the Homeowner shall keep in full force and effect flood insurance in the maximum amount available.

The Homeowner shall also, at its sole expense, maintain in full force and effect public liability insurance using ISO Form HO 00 03 or its equivalent in the amount of \$500,000 per occurrence and in the aggregate. HRB shall be named as an additional insured using ISO Form HO 04 41 or its equivalent, and certificates of insurance shall be delivered to HRB prior to the commencement of the Lease and at each anniversary date thereof.

The dollar amounts of such coverage may be increased from time to time at HRB's request but not more often than once in any one-year period. HRB shall inform the Homeowner of such required increase in coverage at least 30 days prior to the next date on which the insurance policy is to be renewed, and the Homeowner shall assure that the renewal includes such change. The amount of such increase in coverage shall be based on current trends in homeowner's liability insurance coverage in the area in which the Home is located.

9.5 WHAT HAPPENS IF HOME IS DAMAGED OR DESTROYED. Except as provided below, in the event of fire or other damage to the Home, Homeowner shall take all steps necessary to assure the repair of such damage and the restoration of the Home to its condition immediately prior to the damage. All such repairs and restoration shall be completed as promptly as possible. Homeowner shall also promptly take all steps necessary to assure that the Leased Land is safe and that the damaged Home does not constitute a danger to persons or property.

If Homeowner, based on professional estimates, determines either (a) that full repair and restoration is physically impossible, or (b) that the available insurance proceeds will pay for less than the full cost of necessary repairs and that Homeowner cannot otherwise afford to cover the balance of the cost of repairs, then Homeowner shall notify HRB of this problem, and HRB may (but is not obligated to) then help to resolve the problem. Methods used to resolve the problem may include efforts to increase the available insurance proceeds, efforts to reduce the cost of necessary repairs, efforts to arrange affordable financing covering the costs of repair not covered by insurance proceeds, and any other methods agreed upon by both Homeowner and HRB.

If Homeowner and HRB cannot agree on a way of restoring the Home in the absence of adequate insurance proceeds, then Homeowner may give HRB written notice of intent to terminate the Lease. The date of actual termination shall be no less than 60 days after the date of Homeowner's notice of intent to terminate. Upon termination, any insurance proceeds payable to Homeowner for damage to the Home shall be paid as follows.

FIRST, to the expenses of their collection;

SECOND, to any Permitted Mortgagee(s), to the extent required by the Permitted Mortgage(s);

THIRD, to the expenses of enclosing or razing the remains of the Home and clearing debris;

FOURTH, to HRB for any amounts owed under this Lease;

FIFTH, to the Homeowner, up to an amount equal to the Purchase Option Price, as of the day prior to the loss, less any amounts paid with respect to the second, third, and fourth clauses above;

SIXTH, the balance, if any, to HRB.

**9.6 WHAT HAPPENS IF SOME OR ALL OF THE LAND IS TAKEN FOR PUBLIC USE.** If all of the Leased Land is taken by eminent domain or otherwise for public purposes, or if so much of the Leased Land is taken that the Home is lost or damaged beyond repair, the Lease shall terminate as of the date when Homeowner is required to give up possession of the Leased Land. Upon such termination, the entire amount of any award(s) paid shall be allocated in the way described in Section 9.5 above for insurance proceeds.

In the event of a taking of a portion of the Leased Land that does not result in damage to the Home or significant reduction in the usefulness or desirability of the Leased Land for residential purposes, then any monetary compensation for such taking shall be allocated and paid entirely to HRB.

In the event of a taking of a portion of the Leased Land that results in damage to the Home only to such an extent that the Home can reasonably be restored to a residential use consistent with this Lease, then the damage shall be treated as damage is treated

in Section 9.5 above, and monetary compensation shall be allocated as insurance proceeds are to be allocated under Section 9.5.

9.7 IF PART OF THE LAND IS TAKEN, THE LEASE FEE MAY BE REDUCED. In the event of any taking that reduces the size of the Leased Land but does not result in the termination of the Lease, HRB shall reassess the fair rental value of the remaining Land and shall adjust the Lease Fee if necessary to assure that the monthly fee does not exceed the monthly fair rental value of the Land for use as restricted by the Lease.

## **ARTICLE 10: Transfer of the Home**

10.1 INTENT OF THIS ARTICLE IS TO PRESERVE AFFORDABILITY: Homeowner and HRB agree that the provisions of this Article 10 are intended to preserve the affordability of the Home for lower income households and expand access to homeownership opportunities for such households.

10.2 HOMEOWNER MAY TRANSFER HOME ONLY TO HRB OR INCOME-QUALIFIED PERSONS: Homeowner may transfer the Home only to HRB or an Income-Qualified Person as defined below or otherwise only as explicitly permitted by the provisions of this Article 10. All such transfers are to be completed only in strict compliance with this Article 10. Any purported transfer that does not follow the procedures set forth below, except in the case of a transfer to a Permitted Mortgagee through foreclosure or in lieu of foreclosure, shall be null and void.

“Income-Qualified Person” shall mean a person or group of persons whose household income does not exceed \_\_\_\_\_ percent (\_\_\_%) of the median household income for the applicable Standard Metropolitan Statistical Area or County as calculated and adjusted for household size from time to time by the U.S. Department of Housing and Urban Development (HUD) or any successor.

10.3 THE HOME MAY BE TRANSFERRED TO CERTAIN HEIRS OF HOMEOWNER: If Homeowner dies (or if the last surviving co-owner of the Home dies), the executor or personal representative of Homeowner’s estate shall notify HRB within ninety (90) days of the date of the death. Upon receiving such notice HRB shall consent to a transfer of the Home and Homeowner’s rights to the Leased Land to one or more of the possible heirs of Homeowner listed below as “a” or “b,” provided that a Letter of Agreement, and a Letter of Attorney’s Acknowledgment (or Stipulation Letter) as described in Article 1 above, are submitted to HRB to be attached to the Lease when it is transferred to the heirs.

- a) the spouse or domestic partner of the Homeowner; or
- b) the child or children of the Homeowner (adopted or biological).

Any other heirs, legatees or devisees of Homeowner (whether under a will or the laws of intestacy), in addition to submitting Letters of Agreement and Attorney’s Acknowledgment (or Stipulation Letter) as provided above, must demonstrate to HRB’s satisfaction that they are Income-Qualified Persons as defined above. If they cannot

demonstrate that they are Income-Qualified Persons, they shall not be entitled to possession of or title to the Home but must transfer the Home in accordance with the provisions of this Article 10.

**10.4 HOMEOWNER MUST GIVE NOTICE OF INTENT TO SELL:** In the event that Homeowner wishes to sell Homeowner's Property, Homeowner shall notify HRB, in writing, of such wish (the Intent-to-Sell Notice). The Intent-to-Sell Notice shall include a statement as to whether Homeowner wishes to recommend a prospective buyer as of the date of the Intent-to-Sell Notice.

**10.5 UPON RECEIVING NOTICE, HRB HAS AN OPTION TO PURCHASE THE HOME.** Upon receipt of an Intent-to-Sell Notice from Homeowner, HRB shall have the option to purchase the Home at the Purchase Option Price calculated as set forth below (the "Purchase Option"). The Purchase Option is designed to further the purpose of preserving the affordability of the Home for succeeding Income-Qualified Persons while taking fair account of the investment by the Homeowner.

If HRB elects to purchase the Home, HRB shall exercise the Purchase Option by notifying Homeowner, in writing, of such election (the "Notice of Exercise of Option") within forty-five (45) days after the receipt by HRB of the Intent-to-Sell Notice, or the Option shall expire. Having given a Notice of Exercise of Option, HRB may either proceed to purchase the Home directly or may assign the Purchase Option to an Income-Qualified Person.

The purchase (by HRB or HRB's assignee) must be completed within ninety (90) days of HRB's Notice of Exercise of Option, or Homeowner may sell the Home and Homeowner's rights to the Leased Land as provided in Section 10.7 below. The time permitted for the completion of the purchase may be extended by mutual agreement of HRB and Homeowner.

Homeowner may recommend to HRB a prospective buyer who is an Income-Qualified Person and is prepared to submit a Letter of Agreement, and a Letter of Attorney's Acknowledgement (or Stipulation Letter), indicating informed acceptance of the terms of this Lease. HRB shall make reasonable efforts to arrange for the assignment of the Purchase Option to such person, unless HRB determines (in its sole judgment and discretion) that its charitable mission is better served by retaining the Home for another purpose or transferring the Home to another party.

**10.6 IF PURCHASE OPTION EXPIRES, HOMEOWNER MAY SELL ON CERTAIN TERMS:** If the Purchase Option has expired without exercise by HRB, or if HRB has failed to close the purchase within the ninety-day period allowed by Section 10.5 above, Homeowner may sell the Home to any Income-Qualified Person for not more than the then applicable Purchase Option Price.

**10.7 AFTER ONE YEAR HRB SHALL HAVE POWER OF ATTORNEY TO CONDUCT SALE:** If HRB does not exercise its option and complete the purchase of Homeowner's Property as described above, and if Homeowner (a) is not then residing in the Home

and (b) continues to hold Homeowner's Property out for sale but is unable to locate a buyer and execute a binding purchase and sale agreement within one year of the date of the Intent-to-Sell Notice, Homeowner does hereby appoint HRB its attorney in fact (coupled with an interest) to seek a buyer, negotiate a price that HRB determines to further the purposes of this Lease (whether or not lower than the Purchase Option Price), sell the Home, and the proceeds of sale shall be paid as follows:

FIRST, to the expenses of sale (including excise taxes title insurance charges and real estate commissions);

SECOND, to any Permitted Mortgagee(s), to the extent required by the Permitted Mortgage(s);

THIRD, to HRB for any amounts owed under this Lease;

FOURTH, to the Homeowner, up to an amount equal to the Purchase Option Price, as of the closing date; and

FIFTH, the balance, if any, to HRB.

**10.8 PURCHASE OPTION PRICE EQUALS LESSER OF APPRAISED VALUE OF HOMEOWNER'S OWNERSHIP INTEREST OR FORMULA PRICE:** Notwithstanding any other terms in this Agreement to the contrary, in no event may the Home be sold for a price that exceeds the Purchase Option Price. The Purchase Option Price shall be the lesser of (a) the "Appraised Value of Homeowner's Ownership Interest at Resale" (as defined and calculated in accordance with Section 10.9 below) or (b) the "Formula Price" (as defined calculated in accordance with Section 10.10 below). If HRB does not choose to commission an appraisal to determine the appraised value of Homeowner's Ownership Interest, then the Purchase Option Price shall be the Formula Price.

**10.9 HOW THE VALUE OF HOMEOWNER'S OWNERSHIP INTEREST IS DETERMINED:** If HRB believes that the value of Homeowner's Ownership Interest at Resale may be less than the Formula Price, HRB may, within 30 days of receiving Homeowner's Intent-to-Sell Notice, commission an appraisal of the Leased Land and the Home to be performed by a duly licensed MAI appraiser reasonably acceptable to HRB and Homeowner. HRB shall pay the cost of such Appraisal. The Appraisal shall be conducted by analysis and comparison of comparable properties as though title to Land and Home were held in fee simple absolute by a single party, disregarding all of the restrictions of this Lease on the use, occupancy and transfer of the property, but subject to all other covenants and restrictions recorded against title to the Home. Copies of the Appraisal are to be provided to both HRB and Homeowner. The total value determined by such Appraisal shall be defined herein as the "Appraised Value of the Home and Leased Land"

HRB and Homeowner agree that, at the time when Homeowner purchased the Home and executed the Lease with HRB, the fair market value of the Home and Leased Land was \$\_\_\_\_\_ (the "Initial Value"), as documented by the appraiser's report attached to this Lease as Exhibit G: INITIAL APPRAISAL. HRB and Homeowner further

agree that Homeowner's Base Price was \$ \_\_\_\_\_, and that this amount equals \_\_\_% of the Initial Value (the "Ratio of Base Price to Initial Value")

The Appraised Value of Homeowner's Ownership Interest at Resale then equals the appraised Value of the Home and Leased Land multiplied by the Ratio of Base Price to Initial Value (collectively, the "Appraised Value of Homeowner's Ownership Interest at Resale").

10.10 HOW THE FORMULA PRICE IS CALCULATED: The Formula Price shall be equal to the amount of Homeowner's Base Price (as set forth in this Section 10.9) plus interest at an annual rate of 1.5% compounded annually.

10.11 QUALIFIED PURCHASER SHALL RECEIVE NEW LEASE: Upon the Closing of any sale under this Section 10, the term of this Lease shall automatically expire and this Lease shall terminate; provided that (notwithstanding any terms herein to the contrary), as a condition of any such closing, HRB and the new purchaser shall enter into a new lease that is consistent with the goals and purposes of this Lease (as determined by HRB in its sole discretion).

10.12 PURCHASER MAY BE CHARGED A TRANSFER FEE. In the event that Homeowner sells the home to a party other than the HRB (whether directly to such party or as a result of HRB's assignment of its Purchase Option to such party), the price to be paid by such purchaser shall include in addition to the Purchase Option Price, at the discretion of the HRB, a transfer fee to compensate the HRB for carrying out its responsibilities with regard to the transaction. The amount of the transfer fee shall be no more than 1% of the Purchase Option Price.

10.13 HOMEOWNER REQUIRED TO MAKE NECESSARY REPAIRS AT TRANSFER: Notwithstanding any of the foregoing, the Homeowner is required to make necessary repairs to the Home as follows prior to the closing of any voluntarily transfers of the Home by the Homeowner:

(a) The Homeowner and HRB shall require that any prospective purchaser of the Home (each a "Buyer") shall, prior to purchasing the Home, hire at his or her sole expense a building inspector with a current Home Inspector license from the State of Washington to assess the condition of the Home and prepare a written report of the condition ("Inspection Report"). The Homeowner shall cooperate fully with the inspection.

(b) The Buyer shall be required to provide a copy of the Inspection Report to Buyer's lender (if any), the Homeowner, and HRB within 10 days after receiving the Inspection Report.

(c) Homeowner shall repair specific reported defects or conditions necessary to bring the Home into full compliance with Sections 4.2 and 7.5 above prior to transferring the Home, as determined by HRB in its sole discretion.

(d) Homeowner shall bear the full cost of the necessary repairs and replacements. However, upon Homeowner's written request, the HRB may allow the

Homeowner to pay all or a portion of the repair costs after transfer, from Homeowner's proceeds of sale, if Homeowner cannot afford to pay such costs prior to the transfer. In such event, either (i) 150% of the unpaid estimated cost of repairs or (ii) 100% of the unpaid cost of completed repairs shall be withheld from Homeowner's proceeds of sale and delivered to HRB and held in an HRB-approved escrow account for dispersion as necessary to make all such required repairs. The unused excess of any such escrowed funds shall be disbursed to the parties after completion of such repairs in accordance with the terms of this Agreement.

Also, upon Homeowner's written request, HRB may, at its discretion, agree to release some or all of the Repair Reserve Payments held by HRB to cover some or all of the cost of such repairs, provided that such use of the Reserve is in full compliance with Section 7.6 above.

(e) Homeowner shall allow HRB, Buyer, and Buyer's building inspector and lender's representative to inspect the repairs prior to closing to determine that the repairs have been satisfactorily completed.

(f) Upon sale or other transfer, Homeowner shall either (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.

10.14 COSTS ON SALE. In connection with any sale of the Home permitted hereunder, HRB may (in its discretion) require Homeowner to additionally pay all real estate excise taxes, and the premium of a standard owner's policy of title insurance, at the closing of the sale.

## **ARTICLE 11: RESERVED**

## **ARTICLE 12: DEFAULT**

12.1 WHAT HAPPENS IF HOMEOWNER FAILS TO MAKE PAYMENTS TO HRB THAT ARE REQUIRED BY THE LEASE: It shall be an Event of Default if Homeowner fails to pay the Lease Fee or other charges required by the terms of this Lease and such failure is not cured by Homeowner or a Permitted Mortgagee within thirty (30) days after notice of such failure is given by HRB to Homeowner and Permitted Mortgagee. However, if Homeowner makes a good faith partial payment of at least two-thirds (2/3) of the amount owed during the 30-day cure period, then the cure period shall be extended by an additional 30 days.

12.2 WHAT HAPPENS IF HOMEOWNER VIOLATES OTHER (NONMONETARY) TERMS OF THE LEASE: It shall be an Event of Default if Homeowner fails to abide by any other requirement or restriction stated in this Lease, and such failure is not cured by Homeowner or a Permitted Mortgagee within sixty (60) days after notice of such failure is given by HRB to Homeowner and Permitted Mortgagee. However, if Homeowner or Permitted Mortgagee has begun to cure such default within the 60-day cure period and

is continuing such cure with due diligence but cannot complete the cure within the 60-day cure period, the cure period shall be extended for as much additional time as may be reasonably required to complete the cure.

**12.3 WHAT HAPPENS IF HOMEOWNER DEFAULTS AS A RESULT OF JUDICIAL PROCESS:** It shall be an Event of Default if the estate hereby created is taken on execution or by other process of law, or if Homeowner is judicially declared bankrupt or insolvent according to law, or if any assignment is made of the property of Homeowner for the benefit of creditors, or if a receiver, trustee in involuntary bankruptcy or other similar officer is appointed to take charge of any substantial part of the Home or Homeowner's interest in the Leased Land by a court of competent jurisdiction, or if a petition is filed for the reorganization of Homeowner under any provisions of the Bankruptcy Act now or hereafter enacted, or if Homeowner files a petition for such reorganization, or for arrangements under any provision of the Bankruptcy Act now or hereafter enacted and providing a plan for a debtor to settle, satisfy or extend the time for payment of debts.

**12.4 AN EVENT OF DEFAULT GIVES HRB THE RIGHT TO TERMINATE THE LEASE OR EXERCISE ITS PURCHASE OPTION:**

a) **TERMINATION:** In the case of any of the Events of Default described above, HRB may terminate this lease and initiate summary proceedings under applicable law against Homeowner, and HRB shall have all the rights and remedies consistent with such laws and resulting court orders to enter the Leased Land and Home and repossess the entire Leased Land and Home, and expel Homeowner and those claiming rights through Homeowner. In addition, HRB shall have such additional rights and remedies as are permitted by law to recover from Homeowner arrears of rent and damages from any preceding breach of any covenant of this Lease. If this Lease is terminated by HRB pursuant to an Event of Default, then, as provided in Section 7.7 above, upon thus assuming title to the Home, HRB shall pay to Homeowner and any Permitted Mortgagee an amount equal to the Purchase Option Price calculated in accordance with Section 10.9 above, as of the time of reversion of ownership, less the total amount of any unpaid Lease Fee and any other amounts owed to HRB under the terms of this Lease and all reasonable costs (including reasonable attorneys' fees) incurred by HRB in pursuit of its remedies under this Lease.

If HRB elects to terminate the Lease, then the Permitted Mortgagee shall have the right (subject to Article 8 above and the attached Exhibit E: Permitted Mortgages) to postpone and extend the specified date for the termination of the Lease for a period sufficient to enable the Permitted Mortgagee or its designee to acquire Homeowner's interest in the Home and the Leased Land by foreclosure of its mortgage or otherwise.

b) **EXERCISE OF OPTION:** In the case of any of the Events of Default described above, Homeowner hereby grants to HRB (or its assignee) the option to purchase the Home for the Purchase Option Price as such price is defined in Article 10 above. Within thirty (30) days after the expiration of any applicable cure period as established in

Sections 12.1 or 12.2 above or within 30 days after any of the events constituting an Event of Default under Section 12.3 above (if such event has not been reversed, dismissed or cured), HRB may (but is not obligated to) notify the Homeowner and the Permitted Mortgagee(s) of its decision to exercise its option to purchase under this Section 12.4(b). Not later than ninety (90) days after HRB gives notice to the Homeowner of HRB's intent to exercise its option under this Section 12.4(b), HRB or its assignee shall purchase the Home for the Purchase Option Price.

12.5 WHAT HAPPENS IF HRB DEFAULTS: HRB shall in no event be in default in the performance of any of its obligations under the Lease unless and until HRB has failed to perform such obligations within sixty (60) days, or such additional time as is reasonably required to correct any default, after written notice is given by Homeowner to HRB properly specifying HRB's failure to perform any such obligation.

### **ARTICLE 13: MEDIATION AND ARBITRATION**

13.1 MEDIATION OR ARBITRATION CAN BE UTILIZED: Nothing in this Lease shall be construed as preventing the parties from utilizing any process of mediation or arbitration for the purpose of resolving a dispute, provided the parties agree to engage in such processes.

13.2 COST OF MEDIATION OR ARBITRATION SHALL BE SHARED. Homeowner and HRB shall each pay one half (50%) of any costs incurred in carrying out mediation or arbitration in which the parties have agreed to engage.

### **ARTICLE 14: GENERAL PROVISIONS**

14.1 HOMEOWNER'S MEMBERSHIP IN HRB: The Homeowner under this Lease shall automatically be a regular voting member of HRB.

14.2 NOTICES: Whenever this Lease requires either party to give notice to the other, the notice shall be given in writing and delivered in person or mailed, by certified or registered mail, return receipt requested, to the party at the address set forth below, or such other address designated by like written notice:

If to HRB: Housing Resources Board, 250 Madrona Way, Ste 110B, PO Box 11391, Bainbridge Island, WA 98110

with a copy to: \_\_\_\_\_ (HRB's attorney).

If to Homeowner: \_\_\_\_\_ (name and address of Homeowner).

All notices, demands and requests shall be effective upon being deposited in the United States Mail or, in the case of personal delivery, upon actual receipt.

14.3 NO BROKERAGE: Homeowner warrants that it has not dealt with any real estate broker other than \_\_\_\_\_ in connection with the purchase of the Home. If any claim is made against HRB regarding dealings with brokers other than \_\_\_\_\_, to the extent such claims arose from or relate to any acts of Homeowner or Homeowner's agents, Homeowner shall defend HRB against such claim

with counsel of HRB's selection and shall reimburse HRB for any loss, cost or damage which may result from such claim.

14.4 SEVERABILITY AND DURATION OF LEASE: If any part of this Lease is unenforceable or invalid, such material shall be read out of this Lease and shall not affect the validity of any other part of this Lease or give rise to any cause of action of Homeowner or HRB against the other, and the remainder of this Lease shall be valid and enforced to the fullest extent permitted by law. It is the intention of the parties that HRB's option to purchase and all other rights of both parties under this Lease shall continue in effect for the full term of this Lease and any renewal thereof, and shall be considered to be coupled with an interest. In the event any such option or right shall be construed to be subject to any rule of law limiting the duration of such option or right, the time period for the exercising of such option or right shall be construed to expire twenty (20) years after the death of the last survivor of the currently living descendants of all current HRB board members.

14.5 RIGHT OF FIRST REFUSAL IN LIEU OF OPTION: If the provisions of the purchase option set forth in Article 10 of this Lease shall, for any reason, become unenforceable (though the parties irrevocably covenant to use their best efforts at all time to uphold, comply with and not challenge the provisions of this Lease), HRB shall nevertheless have a right of first refusal to purchase the Home at the highest documented bona fide purchase price offer made to Homeowner. Such right shall be as specified in Exhibit F: FIRST REFUSAL. Any sale or transfer contrary to this Section, when applicable, shall be null and void.

14.6 WAIVER: The waiver by HRB at any time of any requirement or restriction in this Lease, or the failure of HRB to take action with respect to any breach of any such requirement or restriction, shall not be deemed to be a waiver of such requirement or restriction with regard to any subsequent breach of such requirement or restriction, or of any other requirement or restriction in the Lease. HRB may grant waivers in the terms of this Lease, but such waivers must be in writing and signed by HRB before being effective.

The subsequent acceptance of Lease Fee payments by HRB shall not be deemed to be a waiver of any preceding breach by Homeowner of any requirement or restriction in this Lease, other than the failure of the Homeowner to pay the particular Lease Fee so accepted, regardless of HRB's knowledge of such preceding breach at the time of acceptance of such Lease Fee payment.

14.7 HRB'S RIGHT TO PROSECUTE OR DEFEND: HRB shall have the right, but shall have no obligation, to prosecute or defend, in its own or the Homeowner's name, any actions or proceedings appropriate to the protection of its own or Homeowner's interest in the Leased Land. Whenever requested by HRB, Homeowner shall give HRB all reasonable aid in any such action or proceeding.

14.8 CONSTRUCTION: Whenever in this Lease a pronoun is used it shall be construed to represent either the singular or the plural, masculine or feminine, as the case shall demand.

14.9 HEADINGS AND TABLE OF CONTENTS: The headings, subheadings and table of contents appearing in this Lease are for convenience only, and are not a part of this Lease and do not in any way limit or amplify the terms or conditions of this Lease.

14.10 PARTIES BOUND: This Lease sets forth the entire agreement between HRB and Homeowner with respect to the leasing of the Land; it is binding upon and inures to the benefit of these parties and, in accordance with the provisions of this Lease, their respective successors in interest. This Lease may be altered or amended only by written notice executed by HRB and Homeowner or their legal representatives or, in accordance with the provisions of this Lease, their successors in interest.

14.11 GOVERNING LAW: This Lease shall be interpreted in accordance with and governed by the laws of the State of Washington. The language in all parts of this Lease shall be, in all cases, construed according to its fair meaning and not strictly for or against HRB or Homeowner.

14.12 RECORDING: The parties agree, as an alternative to the recording of this Lease, to execute a so-called Notice of Lease or Short Form Lease in form recordable and complying with applicable law and reasonably satisfactory to HRB's attorneys. In no event shall such document state the rent or other charges payable by Homeowner under this Lease; and any such document shall expressly state that it is executed pursuant to the provisions contained in this Lease, and is not intended to vary the terms and conditions of this Lease.

This Ground Lease is subject to and controlled by the attached Rider hereto.

IN WITNESS WHEREOF, the parties have executed this Lease in Bainbridge Island, Washington, on the day and year first above written.

**HOMEOWNER:**

\_\_\_\_\_  
Name: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_

**HRB:**

HOUSING RESOURCES BOARD,  
a Washington non-profit corporation

By: \_\_\_\_\_  
Mark Blatter, Executive Director

STATE OF WASHINGTON        )  
  )ss.  
COUNTY OF KITSAP         )

ON THIS DAY before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared MARK BLATTER, known to me to be the individual in and who executed the within and foregoing instrument as the Executive Director of THE HOUSING RESOURCES BOARD, and acknowledged that he signed the same as the free and voluntary act and deed of such entity, for the uses and purposes therein mentioned.

DATED as of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Notary Public in and for the State of  
Washington, residing in \_\_\_\_\_  
My appointment expires: \_\_\_\_\_

STATE OF WASHINGTON        )  
  )ss.  
COUNTY OF KITSAP         )

ON THIS DAY before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared \_\_\_\_\_ and \_\_\_\_\_, known to me to be the individual(s) in and who executed the within and foregoing instrument and acknowledged it as his/her/their free and voluntary act and deed, for the uses and purposes therein mentioned.

DATED as of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Notary Public in and for the State of  
Washington, residing in \_\_\_\_\_  
My appointment expires: \_\_\_\_\_

## Community Land Trust Ground Lease Rider

THIS COMMUNITY LAND TRUST GROUND LEASE RIDER (the "Rider") is made this \_\_\_\_\_, and amends and supplements a certain ground lease (referred to herein as "the CLT Ground Lease") dated \_\_\_\_\_ that is by and between Housing Resources Board as lessor (herein referred to as "the "Lessor" but may otherwise be referred to in the CLT Ground Lease as the "CLT") and \_\_\_\_\_, as lessee (herein referred to as "the "Lessee" but may otherwise be referred to in the CLT Ground Lease as "Homeowner"). This Rider shall be deemed incorporated into the CLT Ground Lease, and the CLT Ground Lease as amended by this Rider, shall hereafter be referred to as the "Lease," unless otherwise indicated.

The CLT Ground Lease is a long-term lease of the Lessor's fee interest in the land located at \_\_\_\_\_ referred to herein as the "Leased Land," as improved by a residential structure or unit, referred to herein as the "Improvements." The Leased Land and the Improvements are collectively referred to herein as the "Leased Premises."

This Rider amends the CLT Ground Lease for the purpose of enabling the Lessee to obtain Fannie Mae financing in the form of a mortgage or deed of trust given this \_\_\_\_\_, by Lessee \_\_\_\_\_ (the "Specified Mortgage"), and the interest of the Specified Mortgagee in the Leased Premises as secured by such mortgage or deed of trust may be referred to herein as the "Leasehold Estate." The Specified Mortgage is recognized by Lessor as a "Permitted Mortgage" (or as such concept is otherwise defined) under the CLT Ground Lease, and the holder of the Specified Mortgage (the "Specified Mortgagee") is recognized as a "Permitted Mortgagee" (or as such concept is otherwise defined) under the CLT Ground Lease.

**ADDITIONAL COVENANTS.** Notwithstanding anything to the contrary contained in the CLT Ground Lease, and in addition to the covenants and agreements made in the CLT Ground Lease, the Lessor and the Lessee further covenant and agree, so long (but only so long) as the Specified Mortgagee, its successors and assigns shall have an interest in the Leased Premises, as a holder of the Specified Mortgage or as an owner of the Lessee's interest pursuant to any sale after or in lieu of foreclosure, the following provisions shall apply to the CLT Ground Lease as modifications thereof:

**A. No Assignment or Transfer.** The making of the Specified Mortgage shall not be deemed to constitute an assignment or transfer of the Lease or Leasehold Estate so as to require the Specified Mortgagee to assume the performance of any of the Lessee's obligations under the Lease.

**B. Status of the Fee Estate.** The Lessor represents and warrants that there is no existing mortgage on the fee estate, and so long as the Specified Mortgage shall remain on the Leased Premises, the Lessor and the Lessee shall not subordinate the Lease to any mortgage or lien that may hereafter be placed on the fee estate. Notwithstanding the foregoing, a state- or local-government entity ("Government Entity") may hold a prior recorded interest (represented by recorded covenants, a mortgage or deed of trust, other lien) on the fee estate **if** the Government Entity has agreed that in the event it (including its successors and assigns) succeeds to the interest of the Lessor under the Lease by any remedy available to the Government Entity by law or pursuant to its lien, the Government Entity shall recognize all the terms of the Lease and this Rider as though the Government Entity were acting as the Lessor. Such recognition must include, but is not limited to, the provisions of this Rider whereby all provisions of the Lease regarding (a) occupancy of the Leased Premises as a primary residence by the Lessee, (b) limitation on assignment of, or sublease under, the Lease, (c) the price at which the Leasehold Estate may be transferred, and (d) the income of successive transferees, assignees or successors, shall, in the

event of foreclosure or assignment in lieu of foreclosure of the Specified Mortgage, be of no further force or effect with respect to such Specified Mortgagee or its successive transferees, assignees or successors. Further, in such event of the Government Entity succeeding to the interests of the Lessor, the Lessee hereby agrees to recognize the Government Entity as exercising all rights and privileges of the Government Entity as lessor under the Lease and this Rider.

Such agreement by the Government Entity may be evidenced by the agreement between the Government Entity and the Lessor under which the Government Entity's prior recorded interest is derived, or by use of a recognition agreement derived from a sample the Specified Mortgagee may obtain from Fannie Mae. Irrespective of any interest by a Government Entity, the Specified Mortgage shall constitute a first leasehold lien on the Leased Premises, and shall have priority over the Lessor's reversionary interest. If the Lessor conveys title to the Leased Land while the Specified Mortgage remains on the Leased Premises, the Lease shall remain in effect with the same priority thereto.

**C. Termination, Forfeiture and Modification of Lease.** There shall be no termination, forfeiture, or modification of the Lease, except as provided in this Rider, without the prior written consent of the Specified Mortgagee. The Lessor and Lessee shall amend the Lease from time to time as reasonably requested by the Specified Mortgagee, as long as the requested changes do not change the periodic fee, charge or payment due the Lessor for the rights accorded the Lessee under the Lease (the "Ground Lease Fee"), and do not materially or adversely affect the rights of Lessor or Lessee or their respective interests in the Leased Premises. An adjustment of the Ground Lease Fee may be made by the Lessor as provided in the Lease, without prior approval of the Specified Mortgagee, so long as written notice has been delivered to the Specified Mortgagee at least 60 days prior to the effective date of such adjustment with respect to adjustments other than those (i) that were scheduled at the time the Specified Mortgage was given, and (ii) reflecting routine, periodic updates to variable expenses such as property taxes and liability insurance premiums; provided, however, that the Specified Mortgagee shall have the right to arbitrate (as provided herein) any dispute as to an adjustment of the Ground Lease Fee.

**D. New Lease.** In the event the Lessee's interest in the Lease has been terminated, forfeited, or surrendered as provided in the Lease, and the Specified Mortgage remains outstanding, a new Lease shall automatically be created between the Lessor and the Specified Mortgagee, which Lease shall be for the remainder of the term of the Lease, with the same priority thereto, and shall be subject to the same terms of the Lease as would be applicable pursuant to Section E.1. below where the Specified Mortgagee had accelerated its note, foreclosed on the Specified Mortgage, taken an assignment in lieu of foreclosure, or exercised its other remedies for default.

**E. Mortgage Default or Foreclosure.** Subject to the following, upon the occurrence of an event of default under the Specified Mortgage (as determined by the Specified Mortgagee—an "Event of Default"), and without the consent of the Lessor, the Specified Mortgagee shall be permitted to accelerate its note, foreclose on the Specified Mortgage, take an assignment in lieu of foreclosure, or exercise its other remedies for default.

Further:

1. Upon the occurrence of an Event of Default under the Specified Mortgage, the Lessee shall immediately notify the Lessor of such Event of Default and shall submit to Lessor copies of all notices the Lessee received from the Specified Mortgagee relating thereto. The Specified Mortgagee and the Lessor shall endeavor to communicate and cooperate in efforts to deal with the circumstances of the Event of Default and the actions the parties may take relating thereto; provided,

however, the Specified Mortgagee shall have no obligation to give formal legal notice of the Event of Default to the Lessor.

2. The Lessee and the Specified Mortgagee agree that the Lessor shall have the right, but not the obligation, to cure an Event of Default in the Lessee's name and on the Lessee's behalf. If such cure is not effective and continuing, nothing herein shall be construed to prevent or delay the Specified Mortgagee from its pursuit of foreclosure and any other available remedies. The Lessee shall be responsible to the Lessor for all payments made, and expenses incurred, by the Lessor in curing such default.

3. Should the Lessor not choose to cure an Event of Default as specified above, the Lessor shall nevertheless have the option to purchase from the Specified Mortgagee its interest in the – Leasehold Estate on the Leased Premises for the full amount owing to the Specified Mortgagee under the Specified Mortgage as of the date of closing of the purchase, upon written notice given by the Specified Mortgagee (the "Mortgagee Option Notice") not later than 60 days following acquisition of title to the Leasehold Estate by the Specified Mortgagee by foreclosure or by an assignment in lieu of foreclosure; provided, however, the Specified Mortgagee may give such written notice following the occurrence of an Event of Default under the Specified Mortgage and prior to the completion of foreclosure proceedings. If the Lessor elects to exercise such option to purchase, the Lessor shall give written notice to the Specified Mortgagee of the Lessor's intent to purchase the Leasehold Estate (the "Lessor Option Notice") within 45 days following the Specified Mortgagee's giving of the Mortgagee Option Notice; provided, however, at the option of the Lessor, in the event the Mortgagee Option Notice is given prior to the completion of foreclosure proceedings by the Specified Mortgagee, the Lessor shall, within such 45-day period, be able to give a written notice to the Specified Mortgagee that it will delay giving the Lessor Option Notice until a date that is not later than 30 days following written notice from the Specified Mortgagee of its acquisition of title to its interest in the Leasehold Estate on the Leased Premises. The Lessor shall complete the purchase of the Specified Mortgagee's interest in the Leasehold Estate within 60 days of giving the Lessor Option Notice. If the Lessor does not complete the purchase within the allotted 60 days, the Specified Mortgagee shall be free to sell its interest to another person or entity. Further, if the Lessor does not complete the purchase within the allotted 60 days, the Lessor agrees to pay to the Specified Mortgagee its costs of holding its interest in the Leasehold Estate from the date of the Lessor Option Notice until the expiration of such 60-day period. If the Lessor does not purchase the Specified Mortgagee's interest in the Leasehold Estate as described herein, the Leasehold Estate may be transferred, mortgaged and sublet an unlimited number of times, and the Lessor shall not require a credit review or impose other qualifying criteria on any such transferee, mortgagee or sublessee.

4. In the event of foreclosure or assignment in lieu of foreclosure, which results in the conveyance of the Leasehold Estate on the Leased Premises from the Lessee, any adjustment of the Ground Lease Fee to reflect then current fair market rental value as provided in the Lease, shall be subject to the approval of the Specified Mortgagee. The Specified Mortgagee and the Lessor shall attempt to resolve any dispute concerning such adjustment of the Ground Lease Fee, through the normal interaction of the parties, or through formal mediation as the case may warrant. If the dispute remains unresolved, the Specified Mortgagee and the Lessor shall submit the dispute as to the fair market rental value to binding arbitration.

5. In the event the Specified Mortgagee acquires title to the Leasehold Estate on the Leased Premises through foreclosure or assignment in lieu of foreclosure of the Specified Mortgage, all provisions of the Lease regarding (a) occupancy of the Leased Premises as a primary residence by the Lessee, (b) any limitation on the assignment of, or sublease under, the Lease, (c) any obligation to target certain populations in marketing the Leasehold Estate to potential transferees, (d) the price

at which the Leasehold Estate on the Leased Premises may be transferred, and (e) the income of successive transferees, and their successors and assigns, shall be of no further force or effect with respect to such Specified Mortgagee or its successive transferees, assignees or successors. The foregoing sentence shall not be construed to invalidate other Lease provisions regarding permitted use of the Leased Premises. Any transfer or assignment of the Leasehold Estate encumbered by the Specified Mortgage as provided for in this paragraph shall be deemed a permitted sale, transfer or assignment of the Lease and the Leasehold Estate. Further, in such event, the Leasehold Estate may be transferred, mortgaged and sublet an unlimited number of times, and the Lessor shall not require a credit review or impose other qualifying criteria on any such transferee, mortgagee or sublessee.

**F. Lease Default.** There shall be no forfeiture or termination of the Lease except for (i) the nonpayment of amounts due under the Lease, and (ii) violation of one or more provisions of the Lease addressing the following: (a) prohibition or restrictions on the sale or transfer of the Lessee's interest (however, non-sale transfers resulting from marriage, divorce, death of a spouse, or a transfer otherwise permitted by applicable federal law, may not constitute a basis for default under the Lease, though the Lessor may require such transferee to agree to assume the transferor's obligations under the Lease), and (b) requirement that the Lessee occupy the Leased Premises as primary residence. Provided, however, such forfeiture or termination shall be subject to the Specified Mortgagee's right to cure a monetary default, or otherwise foreclose or take an assignment of the Leasehold Estate in lieu of foreclosure with respect to the Lessee's monetary or non-monetary default. Notwithstanding the foregoing, nothing herein shall be construed to require the Specified Mortgagee to cure any non-monetary default. Further, the Specified Mortgagee shall become subrogated to any and all rights of the Lessee with respect to such curing of a default. If the Lessee's default shall be cured as provided in the Lease, and the Specified Mortgagee shall discontinue its foreclosure or assignment in lieu of foreclosure proceedings, the Lease shall continue in full force and effect as if the Lessee had not defaulted. A default by the Lessee under the Lease shall constitute a default under the Specified Mortgage.

**G. Lease Default Notice.** Notwithstanding the notice requirements provided in the Lease, no default notice by the Lessor shall be deemed to have been given unless and until a copy thereof shall have been so given to the Specified Mortgagee.

**H. Insurance.** All insurance policies covering the Improvements shall by endorsement name the Specified Mortgagee as an additional insured and loss payee, and provide the Specified Mortgagee with 30 days' cancellation notice.

**I. Casualty and Condemnation.** If the Leased Premises are destroyed or taken to such an extent that the Lease is to be terminated, the insurance proceeds or condemnation award, as the case may be, shall be applied first in an amount sufficient to satisfy the Specified Mortgage. Upon the termination of the Lease as a result of a partial destruction or a condemnation of less than the entire Leased Premises, the total insurance proceeds or condemnation award, as the case may be, shall be paid to an appointed trustee, who shall first apply such insurance proceeds or condemnation award in accordance with the Specified Mortgage for restoration of the Improvements (if such trustee determines that the Improvements may reasonably be restored to a residential use consistent with the Lease), with the balance of such insurance proceeds or condemnation award to be allocated between the Lessor and Lessee as otherwise provided in the Lease. The Specified Mortgagee shall be entitled to participate in (i) the adjustment of all casualty losses and (ii) all condemnation proceedings and settlement discussions. Any insurance proceeds or condemnation award shall be applied in accordance with the Specified Mortgage. The Specified Mortgagee shall also be entitled to participate in the adjustment of the Ground Lease Fee as a result of a partial destruction or taking.

**J. Force Majeure.** The Lessee shall not be in default where performance is delayed or prevented by "Acts of God," war, civil commotion, strikes, labor disputes or the like.

**K. Easements and Alterations.** Additions to and alternations in the Improvements may be made as provided in the Lease, as long as the value of the Leased Premises is not diminished. The Lessor, as owner of the fee interest in the Leased Land, shall join in all easements, permits and applications necessary for such development of the Leased Premises as is permitted under the Lease, provided that the Lessor shall have no liability or obligation under such easement, permit or application.

**L. Arbitration.** The Specified Mortgagee shall have the right to participate in any arbitration or legal proceedings between the Lessor and the Lessee. Any arbitration proceedings shall be conducted in accordance with arbitration statutes applicable in the state where the Leased Premises are located.

**M. Merger.** If the estates of the Lessor and Lessee are at any time owned by the same person, so long as the Specified Mortgagee has any interest in the security or in the Specified Mortgage, such person shall take all necessary steps to ensure that the Specified Mortgage constitutes a first lien on the combined estate.

**N. Sublease.** There shall be no modification, cancellation, or surrender of any subleases, or prepayment of rent thereunder without the consent of the Specified Mortgagee. If the Specified Mortgagee forecloses on the Leased Premises, or takes an assignment in lieu of foreclosure, all subtenants shall attorn to such Specified Mortgagee or its assignee.

**O. Estoppel Certificate.** The Lessor shall, from time to time, with 10 days written notice from the Specified Mortgagee, certify by written instrument, duly executed and acknowledged, to such Specified Mortgagee that the Lease has not been amended, the Lease is in full force and effect, that neither party is in default thereunder, and shall certify as to the existence of any offsets, counterclaims or defenses on the part of the Lessee.

**P. Conflict.** In the event of a conflict between the terms and provisions of this Rider and the terms and provisions of the Lease, the terms and provisions of this Rider shall control.

BY SIGNING BELOW, the Lessor and the Lessee accept and agree to the terms and conditions of this Rider.

IN WITNESS WHEREOF, the parties have executed this Rider at Seattle, Washington, on the day and year first written above.

LESSOR: Housing Resources Board

By: \_\_\_\_\_

Title: Mark Blatter, Executive Director

LESSEE:

\_\_\_\_\_

**EXHIBIT A**  
**Letters Of Agreement And**  
**Attorney's Acknowledgment**

**Letter of Agreement**

To Housing Resources Board ("HRB")

Date: \_\_\_\_\_

This letter is given to HRB to become an exhibit to a Lease between HRB and me. I will be leasing a parcel of land from HRB and will be buying the home that sits on that parcel of land. I will therefore become what is described in the Lease as a "the Homeowner."

My legal counsel, \_\_\_\_\_, has explained to me the terms and conditions of the Lease and other legal documents that are part of this transaction. I understand the way these terms and conditions will affect my rights as a HRB homeowner, now and in the future.

In particular (without limiting or affecting the terms of meaning of the Lease) I understand and agree with the following points.

One of the goals of HRB is to keep HRB homes affordable for lower income households from one HRB homeowner to the next. I support this goal as a HRB homeowner and as a member of HRB.

The terms and conditions of my Lease will keep my home affordable for future "Income-Qualified Persons" (as defined in the Lease). If and when I want to sell my home, the Lease requires (with certain limited exceptions) that I sell it either to HRB or to another income-qualified person. The terms and conditions of the lease also limit the price for which I can sell the home, in order to keep it affordable for such Income-Qualified Persons.

It is also a goal of HRB to promote resident ownership of HRB homes. For this reason, my Lease requires that, if I and my family move out of our home permanently, we must sell it. We cannot continue to own it as absentee owners.

I understand that I can leave my home to my spouse, domestic partner, and/or child or children, and that, after my death, they can own the home for as long as they want to live in it and abide by the terms of the Lease, or they can sell it on the terms permitted by the Lease.

As a HRB homeowner and a member of HRB, it is my desire to see the terms of the Lease and related documents honored. I consider these terms fair to me and others.

**NOTWITHSTANDING THE FOREGOING, WE RECOGNIZE AND AGREE THAT THE ABOVE SUMMARY OF THE TERMS OF THE GROUND LEASE IS ENTIRELY NON-BINDING ON HRB, AND IN ALL EVENTS THE RELATIONSHIP BETWEEN ME AND HRB SHALL BE GOVERNED BY THE ACTUAL TERMS OF THE GROUND LEASE, AND NOT THIS LETTER.**

Sincerely, (*signed and dated by all Homeowner(s)*)

---

Homeowner (Date)

---

Homeowner (Date)

**Letter of Attorney’s Acknowledgment**

I, \_\_\_\_\_, have been independently employed by \_\_\_\_\_ (hereinafter “the Client”) who intends to purchase a house (the “Home”) on land to be leased from Housing Resources Board (“HRB”). The house and land are located at \_\_\_\_\_.

In connection with the contemplated purchase of the Home and the leasing of the land, I reviewed with the Client the following documents:

- a) this Letter of Attorney’s Acknowledgment and a Letter of Agreement from the Client;
- b) a proposed Deed conveying the Home to the Client;
- c) a proposed Ground Lease conveying a tenant’s interest in the “Leased Land” to the Client;
- d) other written materials provided by HRB.

The Client has received full and complete information and advice regarding this conveyance and the foregoing documents. In my review of these documents my purpose has been to reasonably inform the Client of the present and foreseeable risks and legal consequences of the contemplated transaction.

The Client is entering the aforesaid transaction in reliance on his or her own judgment and upon his or her investigation of the facts. The advice and information provided by me was an integral element of such investigation.

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Firm Name and Address:  
\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT B**  
**Letter of Stipulation**

[Sample] To Housing Resources Board ("HRB")  
\_\_\_\_\_

Date:

This letter is given to HRB, in the form required and attached as an exhibit to that certain Housing Resources Board Ground Lease, between HRB and the undersigned, dated \_\_\_\_\_, 20\_\_ (the "the Ground Lease"). I will be receiving financial assistance from HRB to buy a home and will subsequently become an HRB Homeowner(s).

I understand that HRB recommends, but does not require, that I consult independent qualified legal counsel to review the Ground Lease and other legal documents that describe my purchase of a home from HRB.

Check one: \_\_\_\_\_ I have consulted with legal counsel and have attached an Attorney's Letter of Acknowledgement, in the form provided by HRB.

\_\_\_\_\_ I have chosen not to consult with legal counsel.

Whether or not I elect to consult with counsel, I admit and agree that I have been given ample and fair opportunity to consult with independent qualified legal counsel, and I am fully familiar and satisfied with the terms and conditions of the Ground Lease and other legal documents that are part of this transaction. I understand the way these terms and conditions will affect my rights as a HRB Homeowner(s), now and in the future.

In particular, but without modifying any terms and conditions of the Ground Lease, I understand and agree with the following:

One of the goals of HRB is to keep HRB homes affordable for lower income households during the sale from one HRB Homeowner to the next. I support this goal as a HRB Homeowner(s) and as a member(s) of HRB.

The terms and conditions of the Ground Lease will keep my home affordable for future "Income-Qualified Persons" (as defined in the Ground Lease). If and when I want to sell my home, the Ground Lease requires that I sell it either to HRB or to another Income-Qualified Person. The terms and conditions of the Ground Lease also limit the price for which I can sell the home, in order to keep it affordable for such Income-Qualified Persons.

It is also a goal of HRB to promote resident ownership of HRB homes. For this reason, the Ground Lease requires that, if I and my family move out of our home permanently, we must sell it. We cannot continue to own it as absentee owners.

I understand that I can leave my home to my spouse, domestic partner, or child or children, and that, after my death, they can own the home for as long as they want to live in it provided they can comply with and abide by the terms of the Ground Lease (which terms include without limitation certain repurchase rights of HRB pursuant to Article 10 of the Ground Lease), or they can sell it on the terms permitted by the Ground Lease.

I agree to uphold this Ground Lease even in the event the ownership of the land is transferred to another entity.

As a HRB Homeowner(s) and a member(s) of HRB, it is my desire to see the terms of the Ground Lease and related documents honored. I consider these terms fair to me and others.

NOTWITHSTANDING THE FOREGOING, WE RECOGNIZE AND AGREE THAT THE ABOVE SUMMARY OF THE TERMS OF THE GROUND LEASE IS ENTIRELY NON-BINDING ON HRB, AND IN ALL EVENTS THE RELATIONSHIP BETWEEN ME AND HRB SHALL BE GOVERNED BY THE ACTUAL TERMS OF THE GROUND LEASE, AND NOT THIS LETTER.

Sincerely, (*signed and dated by all Homeowner(s)*)

\_\_\_\_\_  
Homeowner (Date)

\_\_\_\_\_  
Homeowner (Date)

**EXHIBIT C**  
**Leased Land**

[This exhibit should present the full legal description of the leased land, exactly as it is described in the deed held by HRB.]





## **EXHIBIT E**

### **Permitted Mortgages**

The rights and provisions set forth in this Exhibit shall be understood to be provisions of Section 8.2 of the Lease. All terminology used in this Exhibit shall have the meaning assigned to it in the Lease.

**A. OBLIGATIONS OF PERMITTED MORTGAGEE.** Any Permitted Mortgagee shall be bound by each of the following requirements unless the particular requirement is removed, contradicted or modified by a rider to this Lease signed by the Homeowner and HRB to modify the terms of the Lease during the term of the Permitted Mortgage.

1. If Permitted Mortgagee sends a notice of default to the Homeowner because the Homeowner has failed to comply with the terms of the Permitted Mortgage, the Permitted Mortgagee shall, at the same time, send a copy of that notice to HRB. Upon receiving a copy of the notice of default and within that period of time in which the Homeowner has a right to cure such default (the "cure period"), HRB shall have the right to cure the default on the Homeowner's behalf, provided that all current payments due the Permitted Mortgagee since the notice of default was given are made to the Permitted Mortgagee.

2. If, after the cure period has expired, the Permitted Mortgagee intends to accelerate the note secured by the Permitted Mortgage or begin foreclosure proceedings under the Permitted Mortgage, the Permitted Mortgagee shall first notify HRB of its intention to do so, and HRB shall then have the right, upon notifying the Permitted Mortgagee within thirty (30) days of receipt of such notice, to acquire the Permitted Mortgage by paying off the debt secured by the Permitted Mortgage.

3. If the Permitted Mortgagee acquires title to the Home through foreclosure or acceptance of a deed in lieu of foreclosure, the Permitted Mortgagee shall give HRB written notice of such acquisition and HRB shall then have an option to purchase the Home from the Permitted Mortgagee for the full amount owing to the Permitted Mortgagee under the Permitted Mortgage. To exercise this option to purchase, HRB must give written notice to the Permitted Mortgagee of HRB's intent to purchase the Home within thirty (30) days following HRB's receipt of the Permitted Mortgagee's notice. HRB must then complete the purchase of the Home within sixty (60) days of having given written notice of its intent to purchase. If HRB does not complete the purchase within this 60-day period, the Permitted Mortgagee shall be free to sell the Home to another person subject to the terms of the Lease; provided that, at the election of the Permitted Mortgagee, the provisions of Article 10, Sections 10.1 through 10.11 of the Lease shall be deleted and thereupon shall be of no further force or effect.

4. Nothing in the Permitted Mortgage or related documents shall be construed as giving Permitted Mortgagee a claim on HRB's interest in the Leased Land, or as assigning any

form of liability to HRB with regard to the Leased Land, the Home, or the Permitted Mortgage.

5. Nothing in the Permitted Mortgage or related documents shall be construed as rendering HRB or any subsequent Mortgagee of HRB's interest in this Lease, or their respective heirs, executors, successors or assigns, personally liable for the payment of the debt secured by the Permitted Mortgage or any part thereof.

6. The Permitted Mortgagee shall not look to HRB or HRB's interest in the Leased Land, but will look solely to Homeowner, Homeowner's interest in the Leased Land, and the Home for the payment of the debt secured thereby or any part thereof. (It is the intention of the parties hereto that HRB's consent to Permitted Mortgage shall be without any liability on the part of HRB for any deficiency judgment.)

7. In the event any part of the Security is taken in condemnation or by right of eminent domain, the proceeds of the award shall be paid over to the Permitted Mortgagee in accordance with the provisions of ARTICLE 9 hereof.

8. HRB shall not be obligated to execute an assignment of the Lease Fee or other rent payable by Homeowner under the terms of this Lease.

**B. RIGHTS OF PERMITTED MORTGAGEE.** The rights of a Permitted Mortgagee as referenced under Section 8.6 of the Lease to which this Exhibit is attached shall be as set forth below.

1. Any Permitted Mortgagee shall, without further consent by HRB, have the right to (a) cure any default under this Lease, and perform any obligation required under this Lease, such cure or performance being effective as if it had been performed by Homeowner; (b) acquire and convey, assign, transfer and exercise any right, remedy or privilege granted to Homeowner by this Lease or otherwise by law, subject to the provisions, if any, in the Permitted Mortgage, which may limit any exercise of any such right, remedy or privilege; and (c) rely upon and enforce any provisions of the Lease to the extent that such provisions are for the benefit of a Permitted Mortgagee.

2. A Permitted Mortgagee shall not be required, as a condition to the exercise of its rights under the Lease, to assume personal liability for the payment and performance of the obligations of the Homeowner under the Lease. Any such payment or performance or other act by Permitted Mortgagee under the Lease shall not be construed as an agreement by Permitted Mortgagee to assume such personal liability except to the extent Permitted Mortgagee actually takes possession of the Home and Leased Land. In the event Permitted Mortgagee does take possession of the Home and Leased Land and thereupon transfers such property, any such transferee shall be required to enter into a written agreement assuming such personal liability and upon any such assumption the Permitted Mortgagee shall automatically be released from personal liability under the Lease.

- 3.** In the event that title to the estates of both HRB and Homeowner are acquired at any time by the same person or persons, no merger of these estates shall occur without the prior written declaration of merger by Permitted Mortgagee, so long as Permitted Mortgagee owns any interest in the Security or in a Permitted Mortgage.
- 4.** If the Lease is terminated for any reason, or in the event of the rejection or disaffirmance of the Lease pursuant to bankruptcy law or other law affecting creditors' rights, HRB shall enter into a new lease for the Leased Land with the Permitted Mortgagee (or with any party designated by the Permitted Mortgagee, subject to HRB's approval, which approval shall not be unreasonably withheld), not more than thirty (30) days after the request of the Permitted Mortgagee. Such lease shall be for the remainder of the term of the Lease, effective as of the date of such termination, rejection or disaffirmance, and upon all the terms and provisions contained in the Lease. However, the Permitted Mortgagee shall make a written request to HRB for such new lease within sixty (60) days after the effective date of such termination, rejection or disaffirmance, as the case may be. Such written request shall be accompanied by a copy of such new lease, duly executed and acknowledged by the Permitted Mortgagee or the party designated by the Permitted Mortgagee to be the lessee thereunder. Any new lease made pursuant to this Section shall have the same priority with respect to other interests in the Land as the Lease. The provisions of this Section shall survive the termination, rejection or disaffirmance of the Lease and shall continue in full effect thereafter to the same extent as if this Section were independent and an independent contract made by HRB, Homeowner and the Permitted Mortgagee.
- 5.** HRB shall have no right to terminate the Lease during such time as the Permitted Mortgagee has commenced foreclosure in accordance with the provisions of the Lease and is diligently pursuing the same.
- 6.** In the event that HRB sends a notice of default under the Lease to Homeowner, HRB shall also send a notice of Homeowner's default to Permitted Mortgagee. Such notice shall be given in the manner set forth in Section 14.2 of the Lease to the Permitted Mortgagee at the address which has been given by the Permitted Mortgagee to HRB by a written notice to HRB sent in the manner set forth in said Section 14.2 of the Lease.
- 7.** In the event of foreclosure sale by a Permitted Mortgagee or the delivery of a deed to a Permitted Mortgagee in lieu of foreclosure in accordance with the provisions of the Lease, at the election of the Permitted Mortgagee the provisions of Article 10, Sections 10.1 through 10.11 shall be deleted and thereupon shall be of no further force or effect as to only so much of the Security so foreclosed upon or transferred.
- 8.** Before becoming effective, any amendments to this Lease must be approved in writing by Permitted Mortgagee, which approval shall not be unreasonably withheld. If Permitted Mortgagee has neither approved nor rejected a proposed amendment within 60 days of its submission to Permitted Mortgagee, then the proposed amendment shall be deemed to be approved.

**C. STANDARD PERMITTED MORTGAGE AGREEMENT.** A Standard Permitted Mortgage Agreement, as identified in Section 8.4 of this Lease, shall be written substantially as follows, and shall be signed by Mortgagee and Homeowner.

This Agreement is made by and among:

\_\_\_\_\_ (Mortgagee) and  
\_\_\_\_\_ (“Homeowner”),

**Whereas:**

- a) Housing Resources Board (“HRB”) and Homeowner have entered, or are entering, into a ground lease (“the Lease”), conveying to Homeowner a leasehold interest in the Land located at \_\_\_\_\_ (“the Leased Land”); and Homeowner has purchased, or is purchasing, the Home located on the Leased Land (“the Home”).
- b) The Mortgagee has been asked to provide certain financing to the Homeowner, and is being granted concurrently herewith a mortgage and security interest (the “Mortgage”) in the Leased Land and Home, all as more particularly set forth in the Mortgage, attached hereto as Schedule A.
- c) The Ground Lease states that the Homeowner may mortgage the Leased Land only with the written consent of HRB. The Ground Lease further provides that HRB is required to give such consent only if the Mortgagee signs this Standard Permitted Mortgage Agreement and thereby agrees to certain conditions that are stipulated herein (“the Stipulated Conditions”).

**Now, therefore,** the Homeowner/Mortgagor and the Mortgagee hereby agree that the terms and conditions of the Mortgage shall include the Stipulated Conditions stated below.

**Stipulated Conditions:**

1) If Mortgagee sends a notice of default to the Homeowner because the Homeowner has failed to comply with the terms of the Mortgage, the Mortgagee shall, at the same time, send a copy of that notice to HRB. Upon receiving a copy of the notice of default and within that period of time in which the Homeowner has a right to cure such default (the “cure period”), HRB shall have the right to cure the default on the Homeowner’s behalf, provided that all current payments due the Permitted Mortgagee since the notice of default was given are made to the Mortgagee.

2) If, after such cure period, the Mortgagee intends to accelerate the note secured by the Mortgage or initiate foreclosure proceedings under the Mortgage, in accordance with the provisions of the Lease, the Mortgagee shall first notify HRB of its intention to do so and HRB shall have the right, but not the obligation, upon notifying the Mortgagee

within thirty (30) days of receipt of said notice, to purchase the Mortgagee loans and to take assignment of the Mortgage.

3) If the Mortgagee acquires title to the Home and Homeowner's interest in the Leased Land through foreclosure or acceptance of a deed in lieu of foreclosure, the Mortgagee shall give HRB written notice of such acquisition and HRB shall have an option to purchase the Home and Homeowner's interest in the Leased Land from the Mortgagee for the full amount owing to the Mortgagee; provided, however, that HRB notifies the Mortgagee in writing of HRB's intent to make such purchase within thirty (30) days following HRB's receipt of the Mortgagee's notice of such acquisition of the Home and Homeowner's interest in the Leased Land; further provided that HRB shall complete such purchase within sixty (60) days of having given written notice of its intent to purchase; and provided that, if HRB does not complete the purchase within such period, the Mortgagee shall be free to sell the Home and Homeowner's interest in the Leased Land to another person subject to the provisions of the Lease; provided that, at the election of the Permitted Mortgagee, the provisions of Article 10, Sections 10.1 through 10.11 of the Lease shall be deleted and thereupon shall be of no further force or effect.

4) Nothing in the Mortgage or related documents shall be construed as giving the Mortgagee a claim on HRB's interest in the Leased Land, or as assigning any form of liability to HRB with regard to the Leased Land, the Home, or the Mortgage.

5) Nothing in the Mortgage shall be construed as rendering HRB or any subsequent holder of HRB's interest in and to the Lease, or their respective heirs, executors, successors or assigns, personally liable for the payment of the debt evidenced by such note and such Mortgage or any part thereof.

6) The Mortgagee shall not look to HRB or HRB's interest in the Leased Land, but will look solely to Homeowner and Homeowner's interest in the Leased Land and the Home for the payment of the debt secured by the Mortgage. (It is the intention of the parties hereto that HRB's consent to the Mortgage shall be without any liability on the part of HRB for any deficiency judgment.)

7) In the event that any part of the Leased Land is taken in condemnation or by right of eminent domain, the proceeds of the award shall be paid over to the Mortgagee in accordance with the provisions of Article 9 of the Lease.

8) Nothing in the Mortgage shall obligate HRB to execute an assignment of the Lease Fee or other rent payable by Homeowner under the terms of this Lease.

Dated as of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_ for Mortgagee                      Date: \_\_\_\_\_

\_\_\_\_\_ for Homeowner/Mortgagor      Date: \_\_\_\_\_

## **EXHIBIT F**

### **First Refusal**

Whenever any party under the Lease shall have a right of first refusal as to certain property (the "Holder"), the following procedures shall apply (which rights shall be in addition to and not in place of any other options or purchase rights set forth in the foregoing Lease). If the owner of the property offering it for sale ("Offering Party") shall within the term of the Lease receive a bona fide third party offer to purchase the property which such Offering Party is willing to accept, the holder of the right of first refusal (the "Holder") shall have the following rights:

a) Offering Party shall give written notice of such offer ("the Notice of Offer") to Holder setting forth (a) the name and address of the prospective purchaser of the property, (b) the purchase price offered by the prospective purchaser and (c) all other terms and conditions of the sale (together with copies of documents relating to the proposed sale). Holder shall have a period of forty-five (45) days after the receipt of the Notice of Offer ("the Election Period") within which to exercise the right of first refusal by giving notice of intent to purchase the property ("the Notice of Intent to Purchase") for the same price and on the same terms and conditions set forth in the Notice of Offer. Such Notice of Intent to Purchase shall be given in writing to the Offering Party within the Election Period.

b) If Holder exercises the right to purchase the property, such purchase shall be completed within sixty (60) days after the Notice of Intent to Purchase is given by Holder (or if the Notice of Offer shall specify a later date for closing, such date) by performance of the terms and conditions of the Notice of Offer, including payment of the purchase price provided therein.

c) Should Holder fail to exercise the right of first refusal within the Election Period, then the Offering Party shall have the right (subject to any other applicable restrictions in the Lease) to go forward with the sale which the Offering Party desires to accept, and to sell the property within one (1) year following the expiration of the Election Period on terms and conditions which are not materially more favorable to the purchaser than those set forth in the Notice. If the sale is not consummated within such one-year period, the Offering Party's right so to sell shall end, and all of the foregoing provisions of this section shall be applied again to any future offer, all as aforesaid. If a sale is consummated within such one-year period, the purchaser shall purchase subject to the Holder having a renewed right of first refusal in said property.

**EXHIBIT G**  
**Initial Appraisal**