LAND BANK/LAND TRUST PROGRAM

Statutory Authority: CGS § 8-214b thru 8-214e

OVERVIEW:

The Land Bank/Land Trust (LB/LT) Program establishes a fund, the proceeds of which are held in trust and used for the purpose of encouraging the development of decent and affordable housing for low and moderate income families. It accomplishes this by providing grants-in-aid to nonprofit corporations to acquire, hold and manage real property upon which such affordable housing is to be developed. A benefit of the LB/LT Program is that it keeps housing affordable by excluding the cost of the underlying land from the original and subsequent sales of the housing units constructed thereon.

RESTRICTIVECOVENANTS:

With its focus on affordable housing, the LB/LT Program mandates restrictions on the sale and use of housing properties in the form of Restrictive Covenants that are included in all property deeds for which LB/LT funding is provided. These restrictions include: income limits established and determined from time to time by the Connecticut Housing Finance Authority's (CHFA) home mortgage program: maximum resale price ceilings as calculated by a formula established by the State of Connecticut Department of Housing; and occupancy requirements in maintaining a subject premises as the owner's primary place of residence. At the time of the sale of an LB/LT funded property, the owner/seller must document to the Department of Housing that all conditions set forth in the Restrictive Covenants have been met.

RESALE PRICE CALCULATIONS:

When calculating the maximum resale price for an LB/LT property, all appraisals completed for resale must include one or more comparable(s) of properties located within the same complex as the subject property. This affords a more consistent price comparison and ultimately a more accurate valuation determination. The Department of Housing must approve all resale pricing, and all said properties must be sold to an income eligible family that meets LB/LT Program requirements as determined by the Department of Housing.

RESTRICTION ON THE SALE OR USE OF THE PROPERTY:

- Restrictive covenants shall be included in all deeds for property for which the State has provided financial assistance. The property has been developed or used for purposes to provide housing to benefit low- and moderate-income families. Owner will meet conditions set forth in the Restrictive Covenants for sale of the property by providing evidence to the Department of Housing that the sales price of the premises does not exceed the Maximum Resale Price value as calculated by formula set forth in the program restriction.

- Homeownership income limits shall not exceed those established and determined from time to time by the Connecticut Housing Finance Authority's Home Mortgage program.
- For rental properties, income limits shall not exceed those established from time to time under the Department's Moderate Rental Program.

MAXIMUM RESALE PRICE CALCULATION:

To calculate a maximum resale price for properties in LB/LT program, all appraisal completed for resale must include comparable of properties within the same complex as the subject property.

The subject unit(s) is part of a State program designed to benefit low to moderate income families, and as the current owners intend to list this property for sale, it will therefore be sold to an income eligible family to meet those requirements to this program. For this reason, the resale stipulations of these properties should have been considered in determination of the value of the subject property. One such consideration would have been to include in the appraisal report one or more of the recent sales of similar properties from the same complex that are subject to the same resale stipulations. As the Connecticut Department of Housing must approve the resale price of these properties, the appraisal report must have rendered a more consistent property comparison and ultimately a more accurate valuation determination.

CAPITAL IMPROVEMENT GUIDELINES:

A Capital Improvement is defined as any addition or alteration to real property that:
- Substantially adds to the value of real property.
- Appreciably prolongs its useful life; (or)
- Adapts said real property to a new use.

Capital Improvements are generally characterized in that they:
- Must last for more than one year.
- Are most often affixed to the real property so that their removal could result in material damage to the property; (and)
- Are typically intended to be permanent installations to the real property.

Capital Improvements are to be distinguished from routine maintenance and common repairs made to real property, in that:

- Maintenance and repairs are intended to keep the property habitable and in proper working condition.
- Maintenance and Repairs do not *increase the utility* of real property, but rather serve to *preserve the existing utility* of real property, restoring the property to its previous condition.
- Maintenance and Repairs focus on avoiding *loss in value* to the real property that would result from a failure to properly care for the real property.
- Capital Improvements *enhance the value* of real property and contribute to its long-term appreciation in value.

As these definitions are broad in scope, specific examples of each are cited below to help facilitate a greater understanding of their meaning. These examples are not intended to be all inclusive. Please contact your DOH representative to discuss any questions regarding their differences.

CAPITAL IMPROVEMENT EXAMPLES:

- Additions to real property, such as *adding* a new room, porch, or patio.
- Renovating an existing space, such as remodeling a kitchen or bathroom, or finishing a basement.
- Replacing items that enhance the structural integrity of real property, such as replacing the roof, siding or windows.
- System upgrades that improve the energy efficiency or utility of real property, such as installing a central air conditioning system, a home security system, a septic system, new insulation, a new heating system, or replacing a furnace or hot water heater (furnaces and hot water heaters are considered major property components, and new units are typically upgrades over replaced units).
- Landscaping upgrades, such as installing a lawn sprinkler system, a new driveway (or adding pavement over a dirt driveway), an in-ground pool or a fence.
- Renovations required from disaster occurrence, such as rebuilding existing portions of real property after damage from fire, flood, tree falls, etc.

MAINTENANCE AND REPAIR EXAMPLES:

- Replacing chipped tiles, worn carpet or damaged floor planks.
- Replacing damaged or missing roofing shingles.
- Resealing driveway cracks.
- Painting rooms or cabinet doors (though repainting as part of an overall room renovation or repairs from loss resulting from fire, etc., would be part of an overall capital improvement).
- Replacing parts, i.e. to furnace or hot water heater, kitchen cabinet knobs or handles, or broken pipes.
- Resealing wooden floors
- Replacing broken windowpanes or reglazing existing wooden window frames.
- Replacing kitchen cabinets (though if cabinets are replaced in full as part of an overall remodeling / modernization of the kitchen space, the replacing of cabinets can be considered a capital improvement).
- Replacing a storm door or garage door (though adding a storm door where one did not previously exist, or replacing a garage door with an upgraded door that includes new framework, new springs and a new motor may qualify as capital improvements).

Once again, these examples are intended to serve only as a guide for informational purposes and are not all inclusive. Specific actual circumstances will require input and approval from your DOH representative.

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