

## Portage Community Land Trust Qualified Capital Improvements Policy

The Portage Community Land Trust (PCLT) Qualified Capital Improvement Policy (QCI) intends to balance the goal of preserving the long-term affordability of quality housing while encouraging the maintenance and improvements of the homes. All homes should remain attractive and functional for future buyers. PCLT believes it is important to support homeowners in the upkeep of their homes as well as minimizing impediments to making capital improvements to the home. PCLT has developed this QCI Policy to provide clarity to homeowners about the process to make significant improvements to their homes.

### Approval Process

To be eligible for credit, a proposed capital improvement project must go through the following steps.

1. Application. Contact PCLT staff for the most up-to-date version of the PCLT Qualified Capital Improvement (QCI) Application (homeowners' responsibility). Complete QCI application in its entirety and submit with supporting documents, to the PCLT staff. Homeowners may request more than one QCI during homeownership. Each QCI will be evaluated and calculated separately to determine amount of credit. Submission instructions are included in the QCI application.
2. Staff Review: Approval or Denial. PCLT staff or another designee of the PCLT Manager(s) will review the QCI application and make a determination on whether credit will be awarded. Key considerations PCLT will evaluate when making a determination include: the scope of the proposed improvements, how the homeowner intends to pay for the improvements, and who will be performing the proposed improvements. The decision will be based on the QCI policy; however, no credit will be awarded to a proposed capital improvement that would adversely affect affordability for persons at or below 120% of Kalamazoo County area median income. PCLT will notify the submitting homeowner of the decision within 30 days of receiving the QCI application.

Appeals: In the event PCLT has denied the QCI application, in part or in whole, the homeowner may appeal the decision to the PCLT Manager(s). The homeowner must notify the PCLT in writing to appeal within 60 days of PCLT's notification to the homeowner of its initial decision. If the PCLT Manager(s) reverse(s) the PCLT staff decision, the homeowner may proceed with the next steps as follows. If the PCLT Manager(s) affirm(s) the PCLT staff decision, the process is final, and the credit will not be awarded. The homeowner may not re-apply for the same proposed improvements. However, PCLT may, but is not obligated to, permit the improvement to be made, irrespective of the credit decision. If the homeowner will be making the improvement without credit, the homeowner must still follow sections 3, 4 and 5, below.

3. Pre-Construction Walk-Through

If PCLT approves the QCI application, PCLT may elect to schedule a walk-through of the home within 15 business days of approval. The homeowner agrees to take “before” and “after” photos of the condition of the home and proposed project and share with the PCLT.

4. Commencement and Completion of QCI

After letter of receipt confirming the approved QCI, the homeowner may commence the QCI project, which must be completed within one year of the date of the approval letter. On a case-by-case basis the PCLT may extend this timeline. Homeowners must notify PCLT promptly of, and PCLT approval must be obtained for any changes to the timeline or scope of work. The homeowner will retain and share with PCLT as necessary all documents related to the construction, such as, but not limited to, construction contracts, drawings, site plans, specifications, blueprints, building or other permits. The homeowner must also provide all expenses such as construction invoices, receipts of supplies, and out-of-pocket expenses.

5. Notifying PCLT of Completion and Scheduling Walk-Through

Within 15 business days of completing the QCI, the homeowner must notify the PCLT that the QCI is completed. PCLT may elect to schedule a walk-through of the home to review the completed work.

6. Claiming Credit

Credit is only eligible to be claimed at the time of the homeowner’s sale of the home as outlined in the ground lease governing the resale process. At the time of resale, the credit will be added into the resale formula price detailed in the ground lease to reach the final purchase price, which is the maximum price at which the homeowner may sell their home. No credit will be given for work completed through grant-funded programs or forgivable loans or liens. For QCI that involve tax credits or rebates (e.g., for solar panels) only the net cost will count for the QCI credit, and the homeowner must provide the PCLT documentation of the rebates or tax credits.

7. Amount of Credit

Credits are only eligible to be claimed at the time of the homeowner’s sale of the home as outlined in the ground lease. At the time of proposed resale, for Track A, 50% of the actual dollar amount is used to determine the value of the QCI. 50% of the approved cost improvement will be added to the Purchase Option Price as outlined in the ground lease (see example below). For Track B, if you sell your home within 5 years of the work being performed, you will receive 25% of the actual dollar amount paid for the QCI. If the home is sold after five years (from the date of completion of the improvement), no credit will be provided for that QCI.

**Track A - Eligible Improvements:****50% of the actual cost**

| Item             | Details   |
|------------------|---|
| Kitchen Remodel  | Total Kitchen Remodel – New cabinets, sinks, floors, appliances, lighting, back splash, countertops and ventilation systems |
| Bathroom Remodel | Wet area – New countertops, faucets, plumbing, toilets, flooring, light fixtures, shower/tub and ventilation systems.       |
| Irrigation       | Adding irrigation to the front or back lawn   |

**Track B - Eligible Improvements:****25% of the actual cost if completed within 5 years before resale-Cost based****Major system replacement or upgrades (not repairs/maintenance)**

| Item                             | Details   |
|----------------------------------|---|
| Solar Installation               | Installation of solar panels on roofs and structures, maintaining solar panels to ensure safe and efficient wiring systems. |
| Siding Replacement               | Stucco, vinyl, stone, brick   |
| Flooring Replacement             | Carpet to hardwood or ceramic tile  |
| Window Replacement               | Star compliant upgrades from original style   |
| Full Roof Replacement            | Full replacement, not patches or repairs  |
| Water Heater/Furnace Replacement | Upgrading or replacing a new water heater or furnace.   |
| Water Line                       | Replace or reline main water system such as sewer main or water line  |
| Fences                           | Installation of new fencing   |

**Ineligible for Qualified Capital Improvements**

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| Replacing carpet   |
| Garage doors, Front/Exit doors, Interior doors.                                    |
| Sheds  |
| Decks  |
| Cosmetic Designs – new paint, water filtration systems                             |
| Landscaping  |
| Minor Kitchen or Bathroom upgrades- replacing only appliances, or bathroom toilets |
| Insulation – spray foam or loose fill attics                                       |
| Smart Home Technology  |
| Swimming pool or Hot tubs  |
| Major additions that would impact the affordability                                |
| Alterations reducing the structure footage   |
|  |

**The example below assumes Track A, 50% of actual cost for Bathroom Remodel**

|  |  |
|--|--|
| Initial CLT purchase price:                  | \$245,855  |
| Family Area Median Income (AMI):             | \$91,700 (Family of 4 @ 100% AMI, 2023)                                |
| Family Median Income at the time of Sale:    | $\$100,800 / \$91,700 = 1.0992$  |
| New Purchase Option with NO QCI Credit:      | $\$245,855 * 1.0992 = \$270,243.81$                                    |
| Capital Improvement: <b>Bathroom Remodel</b> | $\$23,000 * 50\% = \$11,500$<br>(Cost of improvement * Track A at 50%) |
| New Purchase Option with QCI credit          | $\$270,243.81 + \$11,500 = \$281,743.81$                               |

**The example below assumes Track B, 25% of actual cost for Siding Replacement**

|  |   |
|--|---|
| Initial CLT purchase price                     | \$245,855   |
| Family Area Median Income (AMI):               | \$91,700 (Family of 4 @ 100% AMI, 2023)                                   |
| Family Median Income at the time of Sale:      | $\$100,800 / \$91,700 = 1.0992$   |
| New Purchase Option with NO QCI Credit:        | $\$245,855 * 1.0992 = \$270,243.81$                                       |
| Capital Improvement: <b>Siding replacement</b> | $\$19,000 * 25\% = \$4,750$<br>(Cost of the improvement * Track B at 25%) |
| New Purchase Option with QCI credit            | $\$270,243.81 + \$4,750 = \$274,993.81$                                   |

## Qualified Capital Improvements Application

Name: \_\_\_\_\_ Application Date: \_\_\_\_\_

Address: \_\_\_\_\_

Contact Number: \_\_\_\_\_ Email: \_\_\_\_\_

Scope / Description of Proposed Improvement: (attach separate sheet if needed)

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Estimated Work Start Date: \_\_\_\_\_

Estimated Work Completion Date: \_\_\_\_\_

**BUILDING PERMITS:** Building permits are required by law for many home improvements. Permits are applied for through the City of Portage.

*Items needed to begin the application process (please attach)*

\_\_\_\_\_ Detailed Improvement Plans (including a list of permits required for proposed QCI)

\_\_\_\_\_ Detailed Budget (including sources of how the homeowner will pay for proposed QCI and any construction estimates or bids)

\_\_\_\_\_ Credentials and/or construction experience of who will be performing the proposed work

I acknowledge and agree this signed qualified capital improvement application will be for the work described above:

\_\_\_\_\_  
Homeowner Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Homeowner Signature

\_\_\_\_\_  
Date

**\*\*\* Please note, if you begin work before receiving approval from the Portage Community Land Trust, you will not receive QCI credit for your improvement\*\*\***

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To submit a QCI Application, you may mail, hand deliver, or email a fully completed application with supporting documentation to: **Portage City Hall C/O - Portage Community Land Trust, Community Development Dept. 7900 S Westnedge, Portage MI 49002** or Email to: **ajohnson@portagemi.gov**