

**Homestead Community Land Trust**  
**SINGLE-FAMILY GROUND LEASE AGREEMENT**

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## **PREAMBLE**

THIS GROUND LEASE (“this Lease” or “the Lease”) made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between HOMESTEAD COMMUNITY LAND TRUST (“HCLT”), as Lessor, and \_\_\_\_\_, as Lessee(s).

WHEREAS, HCLT is organized exclusively for charitable purposes, including: the development and preservation of decent, affordable housing and the creation of homeownership opportunities for low and moderate income people who otherwise would be denied such opportunities because of limited financial resources; and

WHEREAS, a goal of HCLT is to stimulate the conveyance of decent, affordable housing among low and moderate income people by providing access to housing for such persons at affordable prices through the long-term leasing of land under said housing; and

WHEREAS, the Leased Premises described in this Lease have been acquired and are being leased by HCLT in furtherance of these charitable purposes; and

WHEREAS, the Lessee shares the purposes and goals of HCLT and has agreed to enter into this Lease not only to obtain those benefits to which Lessee is entitled under this Lease, but also to further the charitable purposes of the Lessor; and

WHEREAS, Lessor and Lessee recognize the special nature of the terms and conditions of this Lease, and each of them, with or without the independent and informed advice of legal counsel, freely accepts these terms and conditions, including those terms and conditions that may affect the marketing and resale price of any Improvements on the Leased Premises; and

WHEREAS, it is mutually understood and accepted by Lessor and Lessee that the terms and conditions of this Lease further their shared goals over an extended period of time and through a succession of owners;

NOW THEREFORE, in consideration of the foregoing recitals, of mutual promises of Lessor and Lessee, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

## **ARTICLE I: Letters of Stipulation and Acknowledgement**

Attached as Exhibit A and made part of this Lease by reference is a Letter of Stipulation of Lessee. Additionally,

\_\_\_\_\_ Lessee(s) have consulted with legal counsel and have attached Exhibit(s) B: Letter of Acknowledgement of Lessee’s Attorney to this Lease.

\_\_\_\_\_ Lessee(s) have chosen not to consult with legal counsel.

Exhibit(s) A (and B) set forth Lessee’(s’) review and understanding of this ground lease (in particular, Article X hereof), the terms and conditions contained herein, and related documents for this transaction.

## **ARTICLE II: Demise of Leased Premises**

2.1 PREMISES: The Lessor, in consideration of the rents reserved and the terms and conditions of this Lease, does hereby demise and lease unto Lessee, and Lessee does hereby take and hire from Lessor, the land (referred to in this Lease as the “Leased Premises”) described in the attached Exhibit C PREMISES. Lessor has furnished to Lessee a copy of the most current, if any, title report previously obtained by Lessor for the Leased Premises, and Lessee accepts title to the Leased Premises in their condition “as is” as of the execution of this Lease.

2.2 RESERVATION OF MINERAL RIGHTS: Lessor reserves to itself all the minerals and other extractive resources, located on or under the Leased Premises. This reservation shall not diminish the right of the Lessee under this Lease to occupy and freely use the Leased Premises. Any eventual extraction by the Lessor of minerals or other extractive resources shall be carried out with as little disruption to the Lessee as is reasonably possible. In instances requiring a material disruption of the Lessee’s right of use and occupancy of the Leased Premises, the Lessor shall not make such extraction without the written consent of the Lessee.

## **ARTICLE III: Duration of Lease**

3.1 PRINCIPAL TERM: The term of this Lease shall be 99 years, commencing on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, and terminating on the \_\_\_\_\_ day of \_\_\_\_\_, 21\_\_\_\_, unless terminated sooner or extended as provided below.

3.2 LESSEE’S OPTION TO EXTEND: Lessee may extend the principal term of this Lease for one (1) additional period of 99 years, subject to all of the provisions of this Lease; provided that Lessor may make changes to the terms of the Lease for the renewal period prior to the beginning of such renewal period but only if these changes do not materially harm Lessee’s rights under this Lease. Not more than 365 days nor less than 180 days before the last day of the initial term, Lessor shall give Lessee written notice, stating the date of expiration, describing any changes that Lessor intends to make to the terms of this Lease as permitted above, and reiterating the conditions for renewal as set forth immediately below.

Lessee’s right to exercise the option to extend is subject to the following conditions: (a) within 60 days of receipt of Lessor’s notice of impending expiration, Lessee shall give Lessor written notice, irrevocably exercising the option to extend; (b) this Lease shall be in effect at the time notice of intent to extend is given and on the last day of the initial term, and (c) there shall not then be an Event of Default by Lessee under this Lease or under any loan documents between Lessee and any Permitted Mortgagee.

When Lessee has rightfully exercised the option to extend, each party shall execute a memorandum, in mutually agreeable recordable form, acknowledging the fact that the option has been exercised, and otherwise complying with the requirements of law for an effective memorandum or notice of lease.

3.3 CHANGE OF LESSOR; LESSEE’S RIGHT TO PURCHASE: In the event that ownership of the land of which the Leased Premises is comprised (the “Land”) is conveyed or transferred (whether voluntarily or involuntarily) by Lessor to any other person or entity, this Lease shall not cease, but shall remain binding and unaffected. However, in the event Lessor desires or attempts

to convey the Land to any person or entity other than a non-profit corporation, charitable trust, governmental agency or other similar entity sharing the goals described in the Recitals above (or as security for a mortgage loan), the Lessee shall have a right of first refusal to purchase the Land. This right shall be as specified in the attached Exhibit D FIRST REFUSAL. Any sale or other transfer of the Land contrary to this Section shall be null and void.

#### **ARTICLE IV: Use of Leased Premises**

4.1 RESIDENTIAL USE ONLY: Lessee shall use, and shall cause all occupants to use, the Leased Premises and Improvements only for residential purposes and any incidental activities related to residential use that are currently permitted by applicable zoning law related to residential use. [In addition, use of the Leased Premises shall be further limited by the restrictions set forth in that attached Exhibit F, Restrictions.]

4.2 RESPONSIBLE USE: Lessee shall use the Leased Premises in a manner so as not to cause actual harm to others or create any nuisances, public or private; and shall dispose of any and all waste in a safe and sanitary manner.

4.3 RESPONSIBLE FOR OTHERS: Lessee shall be responsible for the use of the Leased Premises by all residents and their families, friends and visitors and anyone else using the Leased Premises with Lessee's consent, and shall make all such people aware of the spirit, intent and appropriate terms of this Lease.

4.4 OCCUPANCY: Lessee shall occupy the Leased Premises for at least nine months of each year of this Lease, unless otherwise agreed by Lessor. Occupancy by children or other immediate family members or dependents of Lessee shall be considered occupancy by Lessee.

4.5 INSPECTION: Lessor may inspect any portion of the Leased Premises at any reasonable time, and in any reasonable manner, upon at least 24 hours written or oral notice to Lessee. In the event of emergency, Lessor may inspect any portion of the Leased Premises without notice provided the Lessor shall have made reasonable efforts to give advance notice to Lessee.

4.6 LESSEE'S RIGHT TO PEACEFUL ENJOYMENT: Lessee has the right to undisturbed enjoyment of the Leased Premises, and Lessor has no desire or intention to interfere with the personal lives, associations, expressions, or actions of Lessee, subject to the provisions of this Lease.

4.7 CONDITION OF LEASED PREMISES; COMPLIANCE WITH LAW: Lessee shall, at its cost and expense, maintain the Leased Premises and Improvements in good, safe, and habitable condition in all respects except for normal wear and tear, and in full compliance with all applicable laws and regulations of any governmental authority with jurisdiction over matters concerning the condition of the Leased Premises and Improvements.

#### **ARTICLE V: Lease Fee**

5.1 LEASE FEE: In consideration of the possession, continued use and occupancy of the Leased Premises, Lessee shall pay to Lessor a monthly Lease Fee (the "Lease Fee") of thirty-five dollars (\$35).

**5.2 PAYMENT OF LEASE FEE:** The Lease Fee shall be payable to Lessor, at the address specified in this Lease as Lessor's address, on the first day of each month for as long as this Lease remains in effect, unless, with Lessor's consent, the Lease Fee is to be escrowed by a mortgagee, in which case payment shall be made as specified by that mortgagee. If this Lease commences on a day other than the first of the month, a pro-rata portion of the Lease Fee shall be paid for the balance of the month at the time this Lease is executed.

In the event that any amount of Lease Fee remains unpaid when the Improvements are sold and the leasehold estate is transferred to another party, the amount of unpaid Lease Fee shall be paid to Lessor out of any proceeds of sale otherwise due to Lessee at the time of sale.

**5.3 CALCULATION OF LEASE FEE:** The Lease Fee specified in Section 5.1 above has been calculated as follows. First, an amount approximating the monthly fair rental value of the Land has been established, current as of the commencement of the Lease term, recognizing that use of the Land is restricted by some of the provisions of this Lease. Then the affordability of this monthly amount for the Lessee has been analyzed and reduced to yield the amount stated in Section 5.1 above, which has been determined to be affordable for Lessee. Maximum increases to the amount stated in Section 5.1 above, if the provisions of Article X or Article XI regarding transfers of the Improvements and the Leasehold Estate remain in effect, shall be equal to the percentage of change (positive or negative), over the period in question, of the Consumer Price Index for urban wage earners and clerical workers for the city of Seattle, Washington (the "Index"). Such Index is maintained by the Office of Prices and Living Conditions of the Bureau of Labor Statistics, of the U.S. Department of Labor. If the Index is discontinued, Lessor shall select a comparable index for this purpose. Adjustments shall be otherwise be in accordance with Sections 5.4 and 5.5 below.

**5.4 REDUCTION, DELAY OR WAIVER OF LEASE FEE:** Lessor may reduce, delay or waive entirely the Lease Fee at any time and from time to time for the purpose of assuring affordable monthly housing costs for the Lessee. Any such reduction, delay or waiver must be in writing and signed by Lessor before being effective.

**5.5 ADJUSTMENT OF LEASE FEE:** The Lease Fee stated in Section 5.1 above shall be applicable during the term of this Lease, as adjusted in the way provided below. However, in the event that, for any reason, the provisions of Article X or Article XI regarding transfers of the Improvements and the Leasehold Estate are suspended or invalidated for any period of time, then during that time, the Lease Fee shall be increased to an amount calculated by Lessor to equal the fair rental value of the Land for use not restricted by the provisions of Article X or Article XI, but initially an amount not to exceed \$400 per month as of commencement of this Lease. Such increases to this initial amount shall be equal to the percentage of change (positive or negative), over the period in question, of the Consumer Price Index for urban wage earners and clerical workers for the city of Seattle, Washington (the "Index"). Such Index is maintained by the Office of Prices and Living Conditions of the Bureau of Labor Statistics, of the U.S. Department of Labor. If the Index is discontinued, Lessor shall select a comparable index for this purpose. In such event, Lessor shall notify Lessee of the amount calculated in this way, and the Lease Fee shall then be this amount.

In order to keep the Lease Fee reasonably current, the amount specified in Section 5.1, and the maximum initial amount specified in the preceding paragraph, shall be recalculated during 2010 and every 5th year thereafter, during the term of this Lease. At each such interval, the Lease Fee shall be recalculated, based upon the standards set forth in Sections 5.3 and 5.4 above. Lessor shall notify Lessee promptly upon recalculation of the new Lease Fee amount, and if Lessee does not state objections to the recalculated amount within thirty (30) days after receipt of this notice, the Lease Fee shall then be as stated by Lessor in the notice. If Lessee does state objections to the recalculated Lease Fee, and Lessor and Lessee are then unable to agree on a recalculated Lease Fee within fifteen (15) days of Lessor's receipt of Lessee's objection, the dispute shall be resolved according to the arbitration process set forth in Article XIII below, except that the arbitrators chosen by each party shall be ones with experience in the valuation of real estate. Upon the final determination of the recalculated Lease Fee in accordance with the terms of this section, Lessor shall maintain in its file a notarized certification of the amount of such recalculated Lease Fee and the process by which it was determined.

## **ARTICLE VI: Taxes and Assessments**

6.1 TAXES AND ASSESSMENTS Lessee shall be responsible for payment of all taxes and assessments that relate to the Improvements and the Leased Premises on or before the dates such payments are due. Lessee shall also pay directly, when due, all other service bills, utilities charges, or other governmental assessments charged against the Leased Premises or Improvements.

6.2 TAXES ON LEASED PREMISES: In the event that the local taxing authority bills Lessor for the taxes on the Leased Premises, Lessor shall pass the responsibility for this expense to Lessee and Lessee shall promptly pay this bill.

6.3 LESSEE'S RIGHT TO CONTEST: Lessee shall have the right to contest the amount or validity of any taxes relating to the Improvements and Leased Premises. Lessor shall, upon written request by Lessee, join in any such proceedings if Lessee reasonably determines that it is necessary or convenient for Lessor to do so. All other costs and expenses of such proceedings shall be paid by Lessee.

6.4 PAYMENTS IN EVENT OF DELINQUENCY: In the event that Lessee fails to pay the taxes or other charges specified in Section 6.1 above, Lessor may increase, but shall not be obligated to increase, Lessee's Lease Fee in an amount that will offset the cost of any delinquent and current taxes or other charges relating to the Improvements and Leased Premises. Upon collecting any such amount, Lessor shall pay the amount collected to the taxing authority in a timely manner.

6.5 PROOF OF COMPLIANCE: Concurrently with the payment of any taxes, assessments, and charges required or permitted by the provisions of this Lease, each party shall furnish evidence satisfactory to the other documenting the payment. A photocopy of a paid receipt for such charges showing payment prior to the due date shall be the usual method of furnishing such evidence.

## **ARTICLE VII: Improvements**

**7.1 OWNERSHIP:** It is agreed that all buildings, structures, fixtures, and other Improvements purchased by the Lessee or constructed or placed by the Lessee on any part of the Leased Premises at any time during the term of this Lease (the "Improvements") shall be property of the Lessee. During the term of this Lease, title to such Improvements shall be and remain vested in the Lessee. However, Lessee's exercise of the rights of ownership is subject to the provisions of this Lease, including but not limited to provisions regarding the disposition of Improvements by the Lessee as set forth in Section 7.6 and the Lessor's option to purchase the Improvements. In addition, Lessee shall not sever, move, or demolish the Improvements on or from the Land.

**7.2 PURCHASE OF IMPROVEMENTS BY LESSEE:** Lessee is simultaneously purchasing the Improvements now located on the Leased Premises and described in the Deed, the form of which is annexed to this Lease as Exhibit E.

**7.3 CONSTRUCTION AND ALTERATION:** Any construction in connection with an existing or new Improvement is subject to the following conditions: (a) all costs shall be borne and paid for by the Lessee; (b) all construction shall be performed in a workerlike manner and shall comply with all applicable laws and regulations; (c) all construction shall be consistent with the permitted uses set forth in Article IV; (d) the exterior (including height) of such Improvements shall not be increased or expanded, or decreased, and new Improvements shall not be constructed without the prior written consent of Lessor, which may be withheld for any reason whatsoever; and (e) Lessee shall furnish to Lessor a copy of any plans and all building permits for such construction prior to commencing construction.

**7.4 PROHIBITION OF LIENS:** No lien for services, labor or materials resulting from Lessee's construction shall attach to the Lessor's title to the Land or to Lessor's interest in the Leased Premises or to any other property owned by the Lessor. Lessee shall not permit any statutory or similar lien to be filed against the Leased Premises, the Improvements, or any interest of Lessor or Lessee which remains more than sixty (60) days after it has been filed. Lessee shall cause any such lien to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or as otherwise permitted by law. If Lessee fails to cause such lien to be discharged within the sixty-day period, then, in addition to any other right or remedy, Lessor may, but shall not be obligated to, discharge the lien by paying the amount in question. Lessee may, at Lessee's expense, contest the validity of any such asserted lien, provided Lessee has furnished a bond in an amount sufficient to release the Leased Premises from such lien. Any amounts paid by Lessor to discharge such liens shall be deemed to be an additional Lease Fee payable by Lessee upon demand.

**7.5 MAINTENANCE AND SERVICES:** Lessee shall, at Lessee's sole expense, maintain the Leased Premises and all Improvements as required by Section 4.7 above. Lessor shall not be required to furnish any services or facilities, including but not limited to heat, electricity, air conditioning or water, or to make any repairs to the Leased Premises or Improvements, and Lessee hereby assumes the sole responsibility for furnishing all services or facilities.

**7.6 DISPOSITION OF IMPROVEMENTS UPON EXPIRATION OF LEASE TERM:** Upon the expiration of the term of this Lease as such term may be extended or sooner terminated in

accordance with this Lease, Lessee shall surrender the Improvements together with the Leased Premises to the Lessor. Ownership of the Improvements shall thereupon revert to Lessor, provided, however, that Lessor shall promptly pay to Lessee as consideration for the Improvements an amount equal to Lessor's Purchase Option Price calculated in accordance with Article X below, as of the time of reversion of ownership, less the total amount of any unpaid Lease Fee including any charges that may have been added to the lease fee in accordance with this Lease.

**7.7 DEVELOPMENT RIGHTS:** Lessee shall not undertake development of the Leased Premises or attempt to assign or transfer development rights of any kind associated with the Leased Premises, except in connection to existing Improvements as noted in Section 7.3. Lessee shall not represent to any person, governmental body or other entity that Lessee is the fee owner of the Leased Premises, Lessee shall not subject the Leased Premises, or any portion thereof, to the provisions of the Washington Condominium Act, as it may be amended, nor shall Lessee execute any petition, application, permit, plat or other document on behalf of Lessor, without Lessor's express prior written consent, which may be withheld for any reason whatsoever. Lessee shall notify Lessor immediately in writing of any proposed or pending governmental action of which Lessee becomes aware which affects the Leased Premises, its zoning or the right to develop the Leased Premises for any future use.

## **ARTICLE VIII: Financing**

**8.1 PERMITTED MORTGAGE:** Lessee may mortgage the Improvements, or leasehold estate only with the written consent of Lessor. Not less than thirty (30) days prior to the date on which Lessee requests Lessor's consent to a mortgage to be effective, Lessee shall furnish to Lessor copies of every document to be executed in connection with the transaction represented by such mortgage. Lessor may choose to consent to any mortgage, and in so doing shall designate such mortgage as a "Permitted Mortgage." However, Lessor shall be required to consent to a mortgage if (a) at the time such copies of documents are submitted and at the time proposed by Lessee for the execution of such documents, no default is then outstanding; and (b) the mortgage so submitted is a Standard Permitted Mortgage as defined in the attached Exhibit F MORTGAGE. Lessee shall pay to Lessor at Lessor's option, as additional Lease Fee, all fees, costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by Lessor in connection with reviewing and approving any Permitted Mortgage.

**8.2 RIGHTS OF PERMITTED MORTGAGEE:** Any holder of a Permitted Mortgage ("Permitted Mortgagee") shall without requirement of consent by the Lessor have the rights identified and defined under "Rights of Permitted Mortgagee" on attached Exhibit F.

**8.3 LESSOR'S RIGHT TO PURCHASE PURSUANT TO FORECLOSURE:** 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, upon acquisition of title to the Improvements and leasehold estate by the Permitted Mortgagee, the Permitted Mortgagee shall give the Lessor written notice of such acquisition and the Lessor shall have an option to purchase the Improvements and leasehold estate from the Permitted Mortgagee for the full amount owing to the Permitted Mortgagee under the Permitted Mortgage; provided, however, that the Lessor



gives written notice to the Permitted Mortgagee of the Lessor's intent to purchase the Improvements and leasehold estate within thirty (30) days following the Lessor's receipt of the Permitted Mortgagee's notice of such acquisition of the Improvements and leasehold estate. The Lessor shall complete the purchase of the leasehold estate within sixty (60) days of having given written notice of its intent to purchase. If the Lessor does not complete the purchase, the Permitted Mortgagee shall be free to sell the Improvements and leasehold estate to another person.

8.4 LESSOR'S RIGHT TO PROCEEDS IN EXCESS OF PURCHASE OPTION PRICE: The parties recognize that it would be contrary to the fundamental concept of this Lease and an incentive to abuse Lessee's authorization to encumber its leasehold interest with a Permitted Mortgage if Lessee could realize more than the Purchase Option Price as the result of any foreclosure of any mortgage. Accordingly Lessee hereby irrevocably assigns to Lessor any and all net proceeds of sale of Lessee's leasehold interest and interest in the Improvements remaining after payment of costs of foreclosure and satisfaction of the lien of any Permitted Mortgagee which would otherwise have been payable to Lessee, to the extent such net proceeds exceed the Purchase Option Price established in Article X of this Lease, and authorizes and instructs the Permitted Mortgagee or any party conducting any sale to pay said amounts directly to Lessor.

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

9.1 LESSEE'S LIABILITY: Lessee assumes sole responsibility and liability to all persons and authorities related to its possession, occupancy and use of the Leased Premises.

9.2 INDEMNIFICATION OF LESSOR: Lessee shall defend, indemnify and hold Lessor harmless from and against all liability and claims of liability for injury or damage to person or property from any cause on or about the Leased Premises. Lessee waives all claims against Lessor for such injury or damage, however, Lessor shall remain liable (and Lessee shall not indemnify and defend Lessor against such liability or waive such claims of liability) for injury or damage due to negligent or intentional acts or omissions of Lessor or Lessor's agents or employees.

9.3 PAYMENT BY LESSOR: In the event the Lessor shall be required to pay any sum that is the Lessee's responsibility or liability, the Lessee shall reimburse the Lessor for such payment and for reasonable expenses caused thereby.

9.4 LESSOR'S ACQUISITION OF INSURANCE: If Lessee at any time during the Term of this Lease fails to procure or maintain such insurance or to pay the premiums therefore, Lessor shall have the right to procure such substitute insurance as Lessor deems appropriate (but shall be under no obligation to do so) and to pay any and all premiums thereon, and Lessee shall pay to Lessor upon demand the full amount so paid and expended by Lessor from the date of such expenditure by Lessor until repayment thereof by Lessee. Any policies of insurance obtained by Lessor covering physical damage to the Leased Premises shall contain a waiver of subrogation against Lessee if and to the extent such waiver is obtainable and if Lessee pays to Lessor on demand the additional costs, if any, incurred in obtaining such waiver. Any insurance or self-insurance procured or maintained by Lessor shall be excess coverage, non-contributory and for the benefit of the Lessor only.

**9.5 LESSEE'S ACQUISITION OF INSURANCE:** Lessee shall, at Lessee's sole expense, keep all Improvements continuously insured against loss or damage for the full replacement value of such Improvements under a Homeowner's III form or better, and having comprehensive personal liability coverage with a combined single limit of no less than five hundred thousand dollars (\$500,000) and with a deductible no greater than five hundred dollars (\$500). The dollar amounts of this coverage shall be adjusted at two-year intervals, beginning on the date this Lease is signed, or upon Lessor's demand given not more often than annually, upon 30 days notice to Lessee. This adjustment shall be equal to the percentage of change (positive or negative), over the period in question, of the Consumer Price Index for urban wage earners and clerical workers for the city of Seattle, Washington (the "Index"). Such Index is maintained by the Office of Prices and Living Conditions of the Bureau of Labor Statistics, of the U.S. Department of Labor. If the Index is discontinued, Lessor shall select a comparable index for this purpose. Such insurance shall also name Lessor as additionally insured.

Lessee shall provide Lessor with copies of all policies and renewals of policies within thirty (30) days of acquisition and/or renewal, respectively, and shall provide Lessor with all copies of policies and renewals otherwise on an annual basis. All policies shall also contain provisions providing that they shall not be cancelled, reduced in amount or coverage or otherwise modified by the insurance carrier involved without at least thirty (30) days prior written notice to Lessor. Lessor shall be entitled to participate in the settlement or adjustment of any losses covered by such policies of insurance.

**9.6 DAMAGE OR DESTRUCTION:** Except as provided below, in the event of fire or other damage to the Improvements, Lessee shall take all steps necessary to assure the repair of such damage and the restoration of the Improvements to their condition immediately prior to the damage. All such repairs and restoration shall be completed as promptly as possible, working in cooperation with Lessor. Lessee shall promptly give written notice of the damage to Lessor and shall promptly take all steps necessary to assure that the Leased Premises are safe and that the damaged Improvements do not constitute a danger to persons or property.

If Lessee, using reasonable judgment and relying 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 eighty percent (80%) of the cost of repair and restoration, (provided Lessee has fulfilled all of the hazard insurance requirements set forth in Section 9.4 above), then Lessee may terminate this Lease by written notice to Lessor given not later than sixty (60) days after the event that caused the damage. However, such termination shall not be effective until forty-five (45) days after the date upon which the notice is received by Lessor. During this forty-five-day period Lessor may seek an adjustment from the insurer so as to increase the available insurance proceeds to an amount covering at least eighty percent of the cost of repair and restoration. If successful in securing such adjustment, Lessor may render Lessee's termination notice null and void by written notice to Lessee within such forty-five-day period. If Lessor fails to nullify the termination notice in this way, then this Lease shall terminate at the expiration of the forty-five-day period, and any insurance proceeds payable to Lessee on account of such damage shall be paid as provided below.

The insurance proceeds shall be paid first to cover any expenses of collecting the proceeds. Remaining proceeds shall be paid to the Lessee (or its Permitted Mortgagee to the extent required by the Permitted Mortgage) up to the then applicable Lessor's Purchase Option Price (as of immediately prior to the damage) calculated according to the provisions of Article X below. The balance of such proceeds, if any, shall be paid to Lessor.

**9.7 EMINENT DOMAIN AND PUBLIC DEDICATION:** In the event of a taking of the Leased Premises, either in its entirety or to such extent that the Improvements are lost or damaged beyond repair, by reason of eminent domain or other action of public authority prior to the expiration of this Lease, this Lease shall terminate as of the date Lessee is required to give up possession of the Leased Premises or Improvements, and the entire amount of any award(s) paid shall be allocated in the way described in Section 9.6 above for insurance proceeds.

In the event of a taking of a portion of the Leased Premises that does not result in damage to the Improvements or substantial reduction in the usefulness or desirability of the Improvements for residential purposes, then any monetary compensation for such taking shall be allocated entirely to Lessor.

In the event of a taking of a portion of the Leased Premises that results in damage to the Improvements only to such an extent that the Improvements can reasonably be restored to a residential use consistent with this Lease, the Lessor may in its discretion allocate some or all of the monetary compensation to enable Lessee to accomplish such a restoration. Any balance remaining after or in the absence of such allocation shall be allocated as provided above for a taking of the entire Leased Premises.

Any and all proceedings brought by a party in connection with any damages as a result of any taking referred to in this Section shall be conducted at the sole expense of such party. If any provision of law requires that such proceedings be brought by or in the name of any owner or lessee of the premises, such party shall join in such proceedings or permit the same to be brought in its name. Each party agrees to do all acts and to execute all documents that may be required to enable the other to maintain such proceedings. If the party required to join in the proceedings incurs any cost or expense in doing so, such party shall be entitled to reasonable reimbursement and this entitlement shall constitute a first charge against any award.

**9.8 REASSESSMENT OF RENTAL VALUE:** In the event of any taking that reduces the size of the Leased Premises but does not result in the termination of the Lease, Lessor shall reassess the fair rental value of the remaining Premises and shall reduce the Lease Fee if necessary to assure that the monthly fee does not exceed the monthly fair rental value of the Leased Premises for use as restricted by this Lease.

**9.9 RELOCATION OF LESSEE:** In the event of a termination of this Lease as a result of damage, destruction or taking, Lessor shall take reasonable steps to grant Lessee a leasehold interest, similar to the interest created by this Lease, in another tract that it owns, if such other tract can reasonably be made available. In accepting such a leasehold interest, Lessee agrees to contribute any proceeds or award received by Lessee to purchase or develop Improvements on such tract. Lessor's failure to supply such a leasehold interest shall not give rise to any cause of action by Lessee against Lessor.

## **ARTICLE X: Transfer, Sale or Disposition of Improvements**

10.1 INTENT: It is the understanding of the parties that the terms of this Lease, and in particular of this Article 10, are intended to preserve the affordability of the Improvements for low- and moderate-income households and expand access to homeownership opportunities for such households.

10.2 TRANSFERS TO INCOME-QUALIFIED PERSONS: Lessee may transfer its interest in the Leased Premises or the Improvements only to an Income-Qualified Person as defined below or otherwise only as explicitly permitted by the provisions of this Article 10. All such transfers shall be subject to Lessor's review and purchase option rights set forth in this Article 10. Any purported transfer done without following the procedures set forth below, except in the case of a transfer to a Permitted Mortgagee 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 King County, Washington 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 TRANSFER TO LESSEE'S HEIRS: Upon (i) receipt of written request from Lessee at any time, or (ii) receipt of notice from the executor of the decedent's estate given within ninety (90) days of the death of Lessee (or the last surviving co-owner of the Improvements), Lessor shall, unless for good cause shown, consent to a transfer of the Improvements to and an assumption of this Lease by one or more of the possible heirs of Lessee, subject to disposition by will, and the Permitted Devisees shall be either:

- a) a spouse of the Lessee; or
- b) a child or children of the Lessee; or
- c) Lessee's domestic partner who is one of two people, the other being the Lessee, who maintain the same permanent residence and have a close and committed personal relationship involving shared responsibilities for each other's welfare as evidenced by financial interdependence, and expressing the intention for the relationship to be permanent.

If the gift or devise contemplated by this paragraph shall fail for any reason, then the Lessor's Purchase Option of this Paragraph 10 shall govern the sale of the Improvements.

Any other heirs, legatees or devisees of Lessee must, in addition to submitting Letters of Stipulation and Acknowledgement as provided above, demonstrate to Lessor's satisfaction that they are Income-Qualified Persons as defined above, or, if unable to do so, shall not be entitled to possession of the Leased Premises but must transfer the Leased Premises in accordance with the provisions of this Article 10.

10.4 LESSEE'S NOTICE OF INTENT TO SELL: In the event that Lessee wishes to sell the Improvements, Lessee shall notify Lessor, in writing, in form and substance similar to that of Exhibit I, Notice of Intent to Sell. Such Notice shall include a statement as to whether Lessee wishes to recommend a prospective buyer as of the date of the Notice, and if so whether the recommended prospective buyer is a Permitted Devisee as described in Section 10.3 above.

**10.5 APPRAISAL:** Whenever it becomes necessary to calculate the Purchase Option Price if, pursuant to Section 10.9 below, Lessor believes that the market value of the Improvements and the Leasehold interest in the land may be less than the Formula Price as described in Section 10.10 below, then Lessor shall commission a market valuation of the Leased Premises and the Improvements (“the Appraisal”) to be performed by a mutually acceptable and duly licensed appraiser. The Appraisal shall be conducted by analysis and comparison of comparable properties as though title to Land and Improvements were held in fee simple absolute, disregarding the restrictions of this Lease on the use of the Land and the transfer of the Improvements. Copies of the Appraisal are to be provided to both Lessor and Lessee.

**10.6 LESSOR’S PURCHASE OPTION:** Upon receipt of an Intent to Sell Notice from Lessee, Lessor shall have the option to purchase the Improvements (“the Purchase Option”) at the Purchase Option Price calculated as set forth in section 10.10 below.

The Purchase Option is designed to further the purpose of preserving the affordability of the Improvements for succeeding Income-qualified Persons while taking fair account of the investment by the Lessee.

If Lessor elects to purchase the Improvements, Lessor shall exercise the Purchase Option by notifying Lessee, in writing, of such election (“the Notice of Exercise of Option”) within sixty (60) days of the receipt of Lessee’s Notice of Intent to Sell, or the Purchase Option shall expire. Having given such notice, Lessor may either proceed to exercise the Purchase Option directly by purchasing the Improvements, or may assign the Purchase Option to an Income-qualified Person.

The purchase (by Lessor or Lessor’s assignee) must be completed within sixty (60) days of Lessor’s Notice of Exercise of Option, or the Purchase Option shall expire and Lessee may sell the Improvements as provided in section 10.7 below. The time permitted for the completion of the purchase may be extended by mutual agreement of Lessor and Lessee.

If Lessee has recommended to Lessor a prospective buyer who is an Income-qualified Person and is prepared to submit Letters of Stipulation and Acknowledgment indicating informed acceptance of the terms of this Lease, Lessor shall make reasonable efforts to arrange for the assignment of the Purchase Option to such person, unless Lessor determines that its charitable mission is better served by assignment of the Purchase Option to another Income-qualified Person or retention of the Improvements for another purpose provided, however, if the Lessee’s recommended prospective buyer as a Permitted Devisee as described in Section 10.3 above, then Lessor shall arrange for the assignment of the Purchase Option to such Permitted Devisee.

**10.7 IF PURCHASE OPTION EXPIRES:** If the Purchase Option has expired, Lessee may sell the Improvements to any Income-Qualified Person, for not more than the then applicable Purchase Option Price. If, six months after the expiration of the Purchase Option, having made good faith efforts to sell, the Improvements still have not been sold, Lessee may sell the Improvements to any party regardless of whether that party is an Income-Qualified Person for no more than the then applicable Purchase Option Price plus an amount sufficient to allow repayment of any indebtedness owed by Lessor or Lessee due to the fact that the Improvements will be sold to a non-income qualified buyer, only so long as the aforementioned indebtedness is satisfied through closing.

**10.8 LESSOR'S POWER OF ATTORNEY TO CONDUCT SALE:** In the event Lessor does not exercise its option to purchase as set forth above, and Lessee (a) is not then residing in the Improvements and (b) continues to hold the Improvements out for sale but is unable to locate a buyer and execute a binding purchase and sale agreement within one (1) year of the expiration of the Purchase Option, Lessee does hereby appoint Lessor its attorney in fact to seek a buyer, negotiate a reasonable price that furthers the goals as set forth in this Lease, sell the property, and distribute proceeds of sale, minus Lessor's costs of sale and reletting and any other sums owed Lessor by Lessee.

**10.9 PURCHASE OPTION PRICE:** The Purchase Option Price shall be the lesser of (a) the value of the Improvements and the leasehold interest in the land as determined by an Appraisal if commissioned and conducted as provided in section 10.5 above or (b) the price calculated in accordance with the formula described in section 10.10 below (the Formula Price).

**10.10 CALCULATION OF THE FORMULA PRICE:** The Formula Price shall be equal to Lessee's Purchase Price, as stated below, compounded annually by 1.5% from the time of purchase, plus a credit for Qualified Capital Improvements, if applicable, compounded annually by 1.5% from the time the Capital Improvement is completed, plus a credit for Capital Systems Replacement, if applicable, minus Deferred Maintenance, Neglect and Excessive Damage Value, if applicable, as determined by Lessor, plus any indebtedness owed to the Washington State Housing Finance Commission for sums loaned to Lessee through their House Key Plus CLT or HomeChoice loan programs as evidenced by the Promissory note of date.

**Lessee's Purchase Price:** The parties agree that the Lessee's Purchase Price for the Improvements existing on the leased premises as of the commencement of the term of this Lease is \$\_\_\_\_\_.

Any agreements regarding credit for Qualified Capital Improvements and/or credit for Capital System Replacement must be signed by Lessor and Lessee, duly notarized and shall become a legal attachment to this Lease.

The Formula Price determines the maximum price for which a home can be sold and is **NOT** a guarantee of expected sale price.

Lessee freely agrees that this Formula Price constitutes a fair return to them and/or their successors for the opportunity to enter the local homeownership marketplace which, prior to the execution of this Lease, remained closed to them as a matter of limited financial resources.

## **ARTICLE XI: ASSIGNMENT AND SUBLEASE**

**11.1 ASSIGNMENT:** Except as otherwise provided in Article VIII (including Exhibit PERMITTED MORTGAGES), Article X, and this Article XI, Lessee shall not assign, sell, sublease or otherwise convey any of Lessee's rights under this Lease without the prior written consent of the Lessor. Lessee agrees that Lessor shall have broad and full discretion to withhold

such consent in order to further the mutual purposes and goals set forth in this Lease. If permission is granted, any assignment shall be subject to the following conditions.

- a) Any such assignment shall be subject to all of the terms of this Lease.
- b) In the case of a sublease, the rental or occupancy fee charged the sublessee shall not be more than that amount charged the Lessee by the Lessor, plus an amount approved by Lessor to cover costs to Lessee for the Improvements.
- c) In the case of an assignment, the total consideration any such assignment and the related sale or transfer of the Improvements shall not exceed the Actual Purchase Option Price as calculated in accordance with Article X above.

## **ARTICLE XII: DEFAULT**

**12.1 MONETARY DEFAULT BY LESSEE:** It shall be an event of default if Lessee fails to pay the Lease Fee or other charges required by the terms of this Lease and such failure is not cured by Lessee or a Permitted Mortgagee within thirty (30) days after notice of such failure is given by Lessor to Lessee and such Permitted Mortgagee. However, if Lessee shall make a good faith partial payment of at least two-thirds (2/3) of the Lease Fee during such initial thirty (30) day period, then such period shall be extended one additional thirty (30) day period.

**12.2 NON-MONETARY DEFAULT BY LESSEE:** It shall be an event of default if Lessee fails to abide by any other material term or condition in this Lease, and such failure is not cured by Lessee or a Permitted Mortgagee within sixty (60) days after notice of such failure is given by Lessor to Lessee and such Permitted Mortgagee. However, in the case where the Lessee or Permitted Mortgagee has commenced to cure such default within such sixty (60) day period and is continuing such cure with all due diligence but cannot by the exercise of due diligence cure such default within such period, such period shall be extended for such additional period as may be reasonably required under the circumstances to complete such cure.

**12.3 DEFAULT BY LESSEE RESULTING FROM 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 Lessee is judicially declared bankrupt or insolvent according to law, or if any assignment is made of the property of Lessee 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 Lessee's property by a court of competent jurisdiction, or if a petition is filed for the reorganization of Lessee under any provisions of the Bankruptcy Act now or hereafter enacted, or if Lessee 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 TERMINATION:** In the case of any of the events of default described above, Lessor may terminate this Lease and initiate summary proceedings against Lessee. Pursuant to such proceedings, without demand or notice, Lessor may enter any part of the Leased Premises and repossess the entire Leased Premises and the Improvements, and expel Lessee and those claiming rights through Lessee and remove their effects without being guilty of any manner of trespass, and without prejudice to any remedies which might otherwise be used for arrears of rent or preceding breach of covenant. If this Lease is terminated by Lessor, or if Lessor re-enters the

Leased Premises or the Improvements pursuant to an Event of Default, the Lessee agrees to pay and be liable for any unpaid Lease Fee, damages which may be due or sustained prior to or in connection with such termination or re-entry, and all reasonable costs, fees and expenses (including, without limitation, reasonable attorneys' fees) incurred by Lessor in pursuit of its remedies under this Lease.

If Lessor elects to terminate this Lease, then the Permitted Mortgagee shall have the right (subject to Article VIII above) to postpone and extend the specified date for the termination of this Lease for a period sufficient to enable the Permitted Mortgagee or its designee to acquire Lessee's interest in the Lease by foreclosure of its mortgage or otherwise. Should Lessor elect to re-enter or take possession of the Leased Premises and/or the Improvements, it may either terminate this Lease, or from time to time, without terminating this Lease, relet the Leased Premises and/or the Improvements, or any part thereof for the account and in the name of Lessee or otherwise, for any such term or terms and conditions as Lessor in its sole discretion may deem advisable with the right to complete construction of or make alterations and repairs to the Improvements. Lessee shall pay to Lessor, as soon as ascertained, the cost and expenses incurred in such reletting. If this Lease is terminated, ownership of the Improvements shall revert to Lessor, as described in Section 7.6.

**12.5 DEFAULT BY LESSOR:** Lessor shall in no event be in default in the performance of any of its obligations under the Lease unless and until Lessor has failed to perform such obligations within sixty (60) days, or such additional time as is reasonably required to correct any default, after notice by Lessee to Lessor properly specifying Lessor's failure to perform any such obligation.

### **ARTICLE XIII: ARBITRATION**

**13.1 ARBITRATION PROCESS:** Should any grievance or dispute arise between Lessor and Lessee concerning the terms of this Lease which cannot be resolved by normal interaction, the following arbitration procedure shall be used.

Lessor or Lessee shall give written notice to the other of its selection of a disinterested arbitrator. Within fifteen (15) days of the receipt of this written notice, the other party may give written notice to the first party appointing a disinterested arbitrator of its own choice. These two arbitrators shall select a third arbitrator. If the other party fails to name an arbitrator within fifteen days of receiving the notice from the first party, the arbitrator selected by the first party shall be the sole arbitrator.

The arbitrator or arbitrators shall hold a hearing within thirty (30) days after the initial written notice by the initiator of the arbitration process. At the hearing Lessor and Lessee shall have an opportunity to present evidence and question witnesses in the presence of each other. As soon as reasonably possible, and in no event later than fifteen (15) days after the hearing, the arbitration panel shall make a written report to the Lessor and Lessee of its findings and decisions, including a personal statement by each arbitrator of his/her decision and the reasons for it. The arbitrators shall decide the dispute or claim in accordance with the substantive law of the jurisdiction and what is just and equitable under the circumstances. The decisions and awards of the majority of the arbitration panel shall be binding and final.



## **ARTICLE XIV: GENERAL PROVISIONS**

14.1 LESSEE'S MEMBERSHIP IN HCLT: The Lessee under this Lease shall automatically be a regular voting member of HCLT.

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 Lessor: Homestead Community Land Trust, 2524 16<sup>th</sup> Avenue South #300, Seattle, WA 98144.

If to Lessee: \_\_\_\_\_

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. Each party hereby agrees to notify the other of any changes in their address.

14.3 NO BROKERAGE: Lessee warrants that it has not dealt with any broker in connection with the consummation of this Lease, and in the event any claim is made against Lessor relative to dealings with brokers, Lessee shall defend the claim against Lessor with counsel of Lessor's selection and save harmless and indemnify Lessor on account of loss, cost or damage which may arise by reason of any such claim.

14.4 SEVERABILITY AND DURATION OF: 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 Lessee or Lessor 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 their respective options to purchase and all other rights under this Lease shall continue in effect for the full term of this Lease and any renewal thereof, and such options and other rights shall be considered to be coupled with an interest.

14.5 RIGHT OF FIRST REFUSAL IN LIEU OF OPTION: If the provisions of the purchase option set forth in Article X of this Lease shall, for any reason, become unenforceable, Lessor shall nevertheless have a right of first refusal to purchase the Improvements at the highest documented bona fide purchase price offer made to Lessee, however such purchase price paid by Lessor to purchase the Improvements shall not in any event be greater than the fair market value of the Improvements at the time of the offer, as determined by Lessor's reasonable appraisal. Such right shall be as specified in Exhibit D FIRST REFUSAL. Any sale or transfer contrary to this Section, when applicable, shall be null and void.

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

The subsequent acceptance of Lease Fee payments by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any term or condition of this Lease, other than the

failure of the Lessee to pay the particular lease fee so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such lease fee payment.

14.7 LESSOR'S RIGHT TO PROSECUTE OR DEFEND: Lessor shall have the right, but shall be under no obligation, to prosecute or defend, in its own or the Lessee's name, any actions or proceedings appropriate to the protection of its title to, and Lessee's perpetual interest in the Leased Premises. Whenever requested by Lessor, Lessee shall give Lessor 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 CAPTIONS AND TABLE OF CONTENTS: The captions 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 Lessor and Lessee 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 Lessor and Lessee 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 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 Lessor or Lessee.

14.12 RECORDING: The parties agree, as an alternative to the recordation 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 Lessor's attorneys. In no event shall such document set forth the rent or other charges payable by Lessee 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.

14.13 FNMA RIDER. This Lease is subject to the terms of the "Uniform Community Land Trust Ground Lease Rider" attached hereto as Exhibit H (the "FNMA Rider") so long (but only so long) as the "Specified Mortgagee" (defined in the FNMA Rider), its successors and assigns has an interest in the Leased Premises, as further described in the FNMA Rider.

IN WITNESS WHEREOF, the parties have executed this Ground Lease on the day and year first written above.

Lessor:

Homestead Community Land Trust, By: \_\_\_\_\_  
a Washington nonprofit corporation

Title: Executive Director

Lessee: \_\_\_\_\_

\_\_\_\_\_

STATE OF WASHINGTON        )  
  )ss.  
COUNTY OF \_\_\_\_\_ )

I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the \_\_\_\_\_ of \_\_\_\_\_, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: \_\_\_\_\_.

\_\_\_\_\_  
(Signature of Notary Public)

\_\_\_\_\_  
(Printed Name of Notary Public)

My Appointment expires \_\_\_\_\_

STATE OF WASHINGTON        )  
  )ss.  
COUNTY OF \_\_\_\_\_ )

I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the \_\_\_\_\_ of \_\_\_\_\_, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: \_\_\_\_\_.

\_\_\_\_\_  
(Signature of Notary Public)

\_\_\_\_\_  
(Printed Name of Notary Public)

My Appointment expires \_\_\_\_\_

## **Exhibit A: LETTER OF STIPULATION**

To: Homestead Community Land Trust ("HCLT")

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

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

As outlined in Article II of the Lease, I have either (circle one) ELECTED or NOT ELECTED to retain legal counsel to explain 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 HCLT homeowner, now and in the future.

In particular I understand and agree with the following points.

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

The terms and conditions of my Lease are intended to keep my home affordable for future "income-qualified households" (as defined in the lease). If and when I want to sell my home, the lease requires that I sell it either to HCLT or to another "income-qualified household," except in certain situations defined in the lease. 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 households.

It is also a goal of HCLT to promote resident ownership of HCLT 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 child or children or other members of my household 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 HCLT homeowner and a member of HCLT, it is my desire to see the terms of the Lease and related documents honored. I consider these terms fair to me and others.

Sincerely,

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print or type name)

**Exhibit B: LETTER OF ACKNOWLEDGMENT OF LESSEE'S ATTORNEY**

## **Exhibit C: PREMISES**

(Legal Description of the Property)

## **Exhibit D: FIRST REFUSAL**

Whenever any party under the Lease shall have a right of first refusal as to certain property, the following procedures shall apply. 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 (the “Notice”) of such offer to Holder setting forth (1) the name and address of the prospective purchaser thereof, (2) the purchase price offered by the prospective purchaser and (3) all other terms and conditions of the sale. Holder shall have a period of ninety (90) days after the receipt of the Notice containing the offer (the “Election Period”) within which to elect to purchase the property on the same terms and conditions, including the purchase price set forth in the Notice, except as provided under section 14.5, in which case the fair market value provisions shall apply in calculating the purchase price available to Lessor. Such election shall be made by a written notice given to the Offering Party within the Election Period.
- b) If Holder makes the election to purchase the property, such purchase shall be made within ninety (90) days after such election shall have been made by Holder (or if the Notice shall specify a later date for closing, such date) by performance of the terms and conditions of the Notice, including payment of the purchase price provided therein.
- c) Should Holder fail to make any election 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 (1) 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 (1) year period, the purchaser shall purchase subject to a renewed right of first refusal in said property.

**Exhibit E: DEED**

(Form of Deed to Improvements)



## **Exhibit F: MORTGAGE**

The provisions set forth in this Exhibit shall be understood to be provisions of Article VIII of the Lease to which the Exhibit is attached and in which the Exhibit is referenced. All terminology used in this Exhibit shall have the meaning assigned to it in the Lease.

**STANDARD PERMITTED MORTGAGE:** A “Standard Permitted Mortgage,” as identified in Section 8.1 of the Lease to which this Exhibit is attached, shall be a mortgage that meets the following requirements:

a) Such Mortgage shall run in favor of either (1) a so-called “institutional lender” such as, but not limited to, a federal, state, or local housing finance agency, a bank (including savings and loan association or insured credit union), an insurance company, a pension and/or profit-sharing fund or trust, or any combination of the foregoing, the policies and procedures of which institutional lender are subject to direct governmental supervision, or (2) a “community development financial institution” as certified by the U.S. Department of the Treasury, or similar non-profit lender to housing projects for low and moderate income persons;

b) Such Mortgage shall be a first lien on all or any of the Improvements and Leasehold Estate (the “Security”);

c) Such Mortgage shall provide, among other things, that in the event of a default in any of the mortgagor’s obligations thereunder, the holder of such Mortgage shall notify Lessor of such fact and Lessor shall have the right (but shall not have the obligation) within 120 days after its receipt of such notice, to cure such default in the mortgagor’s name and on mortgagor’s behalf, provided that current payments due the holder during such 120 day period (or such lesser time period as may have been required to cure such default) are made to the holder, and shall further provide that said holder shall not have the right, unless such default shall not have been cured within such time, to accelerate the note secured by such Mortgage or to commence to foreclose under the Mortgage on account of such default;

d) Such Mortgage shall provide, among other things, that if after such cure period the holder intends to accelerate the note secured by such Mortgage or initiate foreclosure proceedings under the Mortgage, all in accordance with this Exhibit, the holder shall first notify Lessor of its intention to do so and Lessor shall have the right, but not the obligation, upon notifying the holder within thirty (30) days of receipt of said notice from said holder, to pay off the indebtedness secured by such Mortgage and to acquire such Mortgage; and

e) Such Mortgage and related documentation shall not contain any provisions other than provisions generally contained in mortgages used for similar transactions in the State of Washington by institutional mortgagees;

f) Such Mortgage and related documentation shall not contain any provisions which could be construed as rendering Lessor or any subsequent holder of the Lessor’s interest in and to this 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;

g) Such Mortgage and related documentation shall contain provisions to the effect that the holder of such Mortgage shall not look to and shall disclaim any interest or lien against Lessor or Lessor’s fee interest in the Leased Premises, but will look solely to Lessee, the leasehold estate created hereby, the Improvements, or such other buildings and improvements which may

from time to time exist on the Leased Premises, for the payment of the debt secured thereby or any part thereof (It is the intention of the parties hereto that Lessor's consent to such Mortgage shall be without any liability on the part of Lessor for any deficiency judgement);

h) Such Mortgage and related documentation shall provide that 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 holder of the Mortgage in accordance with the provisions of ARTICLE IX hereof; and

i) Such Mortgage and related documentation shall contain nothing that obligates Lessor to execute an assignment of the Lease Fee or other rent payable by Lessee under the terms of this Lease.

**RIGHTS OF PERMITTED MORTGAGEE:** The rights of a holder of a Permitted Mortgage (Permitted Mortgagee) as referenced under Section 8.2 of the Lease to which this Exhibit is attached shall be as set forth below.

A Permitted Mortgagee shall without requirement of consent by the Lessor have the right, but not the obligation, to:

a) cure any default under this Lease, and perform any obligation required under this Lease, such cure or performance by a Permitted Mortgagee being effective as if it had been undertaken and performed by Lessee;

b) acquire and convey, assign, transfer and exercise any right, remedy or privilege granted to Lessee by this Lease or otherwise by law, subject to the provisions, if any, in said 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.

Permitted Mortgagee shall not, as a condition to the exercise of its rights under the Lease, be required to assume personal liability for the payment and performance of the obligations of the Lessee 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 Security and the premises. In the event Permitted Mortgagee does take possession of the Security and thereupon transfers the Security, 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.

In the event that title to the estates of both Lessor and Lessee shall be 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. In the event that the estate of Lessor is owned at any time by Lessee (regardless of a merger), or by any person in which Lessee has a direct or indirect interest, Permitted Mortgagee shall not be obligated to cure any default of Lessee under the Lease as condition to the forbearance by Lessor in the exercise of Lessor's remedies as provided in the Lease.

Any amendments to this Lease shall be subject to the written approval of Permitted Mortgagee, which approval shall not be unreasonably withheld or delayed. The passage of thirty

(30) days after submittal to Permitted Mortgagee of a proposed amendment without approval or disapproval by Permitted Mortgagee shall be deemed approval thereof.

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, Lessor shall enter into a new lease of the Leased Premises with the Permitted Mortgagee (or with any party designated by the Permitted Mortgagee, subject to Lessor'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 Lessor 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, and the Permitted Mortgagee shall have cured all defaults under the Lease which can be cured by the payment of money. Any new lease made pursuant to this Section shall have the same priority with respect to other interests in the Premises 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 Lessor, Lessee and the Permitted Mortgagee.

The Lessor 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.

In the event that Lessor sends a notice of default under the Lease to Lessee, Lessor shall also send a notice of Lessee'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 Lessor by a written notice to Lessor sent in the manner set forth in said Section 14.2 of the Lease.

## **Exhibit G: RESTRICTIONS**

*(Each lease shall insert any restrictions, conditions or covenants that shall apply to the use of the Leased Premises, as provided for in Article 4 of the Lease.)*

**Uniform Community Land Trust  
Ground Lease Rider**

THIS COMMUNITY LAND TRUST GROUND LEASE RIDER (the "Rider") is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and is incorporated into, and shall be deemed to amend and supplement the community land trust ground lease dated \_\_\_\_\_ by and between Homestead Community Land Trust \_\_\_\_\_ as lessor (the "Lessor") and \_\_\_\_\_, as lessee (the "Lessee") ("the CLT Ground Lease"). The CLT Ground Lease covers the leased premises located at \_\_\_\_\_ (the "Leased Premises"), as further described therein. The CLT Ground Lease, as amended by this Rider, shall hereafter be referred to as the "Lease," unless otherwise indicated.

This Rider amends the CLT Ground Lease for the purpose of enabling the Lessee to secure Fannie Mae financing in the form of a mortgage or deed of trust given this day of \_\_\_\_\_, by Lessee to \_\_\_\_\_ (the "Specified Mortgage"). 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 entered into an agreement (which agreement has been approved in writing by the Specified Mortgagee) that provides, among other conditions, in the event the Government Entity (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 and the Lessee agree to recognize one another under all the terms of the Lease and this

Rider. 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. 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 fee estate 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 the leasehold estate from the Specified Mortgagee 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 the leasehold estate.

The Lessor shall complete the purchase of 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 the leasehold estate 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 the property from the date of the Lessor Option Notice until the expiration of such 60-day period. If the Lessor does not purchase 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 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 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 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 property 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 and the Improvements is not diminished. The Lessor, as owner of the Leased Premises only, shall join in all easements, permits and applications necessary for such development of the Leased Premises and the Improvements 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, on the day and year first written above.

LESSOR:

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

Title: \_\_\_\_\_

LESSEE:

\_\_\_\_\_

\_\_\_\_\_

(Add notaries)

**Exhibit I: NOTICE OF INTENT TO SELL (FORM OF NOTICE)**

*(Any notice of intent to sell, as described in Article 10 of the Lease shall be in a form substantially equivalent to the example here.)*

**NOTICE OF INTENT TO SELL**

I, the undersigned Lessee of \_\_\_\_\_,  
(street address)

am hereby giving Homestead Community Land Trust (HCLT) notice of Intent to Sell as outlined in Section 10 of the Ground Lease. The terms and conditions of such intended sale are as follows:

I understand that after HCLT's receipt of this notice, it may notify me that a market valuation of the Leased Premises and the Improvements (an appraisal) must be commissioned, as provided for in Article 10.5 of the Lease.

I further understand that HCLT shall either:

1. exercise its option to purchase on the terms and within the time period set forth in Section 10 of the Ground Lease; or
2. locate an interested buyer and obtain from such buyer a binding commitment to purchase from Lessee; or
3. notify me that I must present to HCLT a buyer who is qualified in accordance with the terms of this lease.

\_\_\_\_\_  
Lessee (Date)

\_\_\_\_\_  
Lessee (Date)