

QUALIFIED CAPITAL IMPROVEMENT POLICY & PROCEDURE CHECKLIST
City of Lakes Community Land Trust

Qualified Capital Improvement

Qualified Capital Improvement is any permanent structure or other asset added to a property that adds to its value. Expenditures for maintenance, such as roof replacement, and the updating or replacement of appliances such as furnaces, water heaters and kitchen appliances, do not qualify as Qualified Capital Improvement. The CLCLT has the right to approve/disapprove any proposed Capital Improvement. Generally, the CLCLT will approve a proposed Capital Improvement provided the Homeowner follows the process outlined in the procedure checklist; proposed funding of project is reasonable; and the proposed work does NOT significantly impact the future affordability of the property or be perceived as a luxury item.

Examples of generally accepted Qualified Capital Improvements:

- Kitchen remodel
- Bathroom remodel
- Build-out or conversion of a basement/attic to living space.
- Construction of a garage
- Air condition installation
- Solar installation

Examples of proposed Qualified Capital Improvement NOT likely to be approved:

- Swimming pool, hot tub
- Deck/porch
- Major addition or alteration that would impact affordability.
- Alterations to the structure that would reduce the number of bedrooms.

Understand that the direct cost of an improvement does NOT equal the Capital Improvement Credit nor the return on investment. **A Qualified Capital Improvement Credit is a dollar amount credit based on the appraised market value the approved capital improvement adds to the property at time of resale.**

These potential values are provided to help guide your decision about whether you want to invest in an improvement and assist with a general understanding of the possible appraised value of a capital improvement. These are not promised or guaranteed credit amounts. A reduction in the value of an improvement over time, due to wear and tear and the housing market, will influence what the appraised value of the capital improvement may be at time of resale.

Potential value of typical Capital Improvements:

- \$5,000 - \$8,000 Kitchen Remodel
- \$5,000- \$8,000 Bathroom Remodel
- \$10,000 - \$25,000 - \$30 - \$60 sq. ft. conversion of attic to living space to comparable finishing quality as main level
- \$10,000 - \$25,000 - \$35 - \$75 sq. ft. conversion of basement to living space to comparable finishing quality as main level
- \$20,000 - 40,000 Garage (new construction)
- \$3,000 - \$5,000 Central Air
- Solar installation (variables related to array size and installation too significant establish an estimated value)

Qualified Capital Improvement Procedure Checklist and Acknowledgement

Capital Improvement: _____ Date: _____

1. Submit the following pre-construction estimates to the CLCLT:
 - Detailed plans of Capital Improvement to property per contractor scope(s) and inclusive of detailed drawings.
 - Budget of projected costs.
 - Source(s) and amounts of Capital Improvement funding. If through a loan, CLCLT will want evidence that loan will amortize over fixed period with a defined end-date (MHFA Fix-up Fund, NRP Loans, etc.). The CLCLT reserves the right to require additional reserve funds of Homeowner.
 - List of required City of Minneapolis permits to be requested.
 - Name(s) of proposed contractor(s).
 - If, in the event, licensed contractors are not required, the Homeowner will need to demonstrate knowledge and experience of proposed Capital Improvement.

2. Once all items are submitted, CLCLT staff will complete an evaluation information provided. CLCLT staff can approve capital improvement requests except those involving the addition of square footage to the home and/or property and solar installation. Capital improvements increasing the square footage or solar installation must be approved by the Project Development Committee. Referral and approval to the Project Development Committee may take up to 60 days.

3. CLCLT will respond within 20 days if the Qualified Capital Improvement is eligible for staff approval, and within 60 days if approval is required from the Project Development Committee.
 - If approved, the Homeowner can proceed.
 - If not approved, the Homeowner has the option to appeal to the CLCLT Board of Directors or designated committee.

4. Homeowner can begin Qualified Capital Improvement construction.

5. The Homeowner will notify the CLCLT once Qualified Capital Improvement construction is complete. All Qualified Capital Improvement work must be completed within one year of CLCLT approval.

6. At time of resale, a Capital Improvement appraisal or valuation report will be provided by an appraiser documenting the value of the proposed Qualified Capital Improvement.

I acknowledge and agree this signed, qualified capital improvement procedure checklist is for the approved capital improvement: _____

(Capital Improvement)

Homeowner Signature & Date

Homeowner signature & Date

CLCLT Use ONLY: Staff Approval Project Development Committee (PDC) Approval
 Documented – Capital Improvement was completed outside of CLCLT approval process.



CLCLT 2023 Project Development Committee Calendar

Date	Time
January 17, 2023	8:30 AM – 9:30 AM
March 21, 2023	8:30 AM – 9:30 AM
May 16, 2023	8:30 AM – 9:30 AM
July 18, 2023	8:30 AM – 9:30 AM
September 19, 2023	8:30 AM – 9:30 AM
November 21, 2023	8:30 AM – 9:30 AM

CLCLT Project Development Committee (PDC) meets every third Tuesday, every other month. Meetings may result virtually or electronically. All Capital Improvement Qualified approval request must be submitted to CLCLT to present at the PDC meetings. Capital Improvement request may take a minimum of 45 days or more to be reviewed and approved.