



# Capital Improvements Policy

Date Approved: 1/24/2024

## Purpose

The purpose of this policy is to ensure that VSCLT homes remain permanently affordable while providing homeowners with the ability to maintain and improve the home to meet their needs over time.

This policy and related procedures will minimize the likelihood that an owner will make capital improvements to the home which would limit the pool of future purchasers, or which add such value to the home that it becomes no longer affordable to low and moderate income purchasers. VSCLT review will also help ensure that projects are carried out in a professional manner that benefits the homeowner and future owners.

## Background

In this policy, we distinguish between capital improvements, maintenance and repairs, and capital systems replacements. Items deemed capital systems replacements/upgrades involve a major capital system (e.g. HVAC replacement, plumbing or electrical systems replacements). These often will be replacement of existing systems due to age or performance problems, and because of their expense and/or complexity may rise above the level of typical maintenance and repairs. If these items are not replaced over time, the home's value and utility to future homeowners may decline. For this reason, homeowners should be encouraged to undertake these systems replacements. VSCLT does not repay a homeowner for making these major systems replacements, but can work with the Habitat affiliate (if applicable) and other local partners to guide homeowners find the contractors, local government contacts, and possible lenders needed for any major system update. Let your affiliate know what's going on and they can help keep our partnership in stewardship between you, VSCLT and your affiliate strong and productive!

## Definitions

**Maintenance and Repair:** Activities that involve maintaining the quality of the home and its components, fixing items that are broken or in need of repair, or replacing items at the end of their useful life.



This includes, but is not limited to:

- Changing fixtures or replacing fixtures
- Repairing or replacing appliances
- Re-doing flooring or wallpaper/paint
- Installing weatherstripping

**Capital Improvements:** Activities that involve an upgrade of the home or its components to a level beyond its original condition at the time of purchase by the homeowner. These activities have a potential to significantly alter the home's character, size and quality and therefore may impact the value of the home. In many cases, capital improvements will require a permit from the local jurisdiction and/or expenditure of the homeowner's financial resources to purchase materials or hire professionals.

This includes, but is not limited to:

- Expansions and additions to the living space
- Building accessory dwelling units (ADUs)
- Major remodeling
- Replacing wall to wall carpet with hardwood flooring
- Finishing the basement
- Building a deck
- Adding solar panels

**Capital Systems Replacements:** Generally, these are related to investments in systems that ensure the home's safety, efficiency, and durability. If these items are not replaced over time, the home's value, safety and utility to future homeowners may decline. Building systems include the heating, ventilation, and air conditioning (HVAC) systems; plumbing systems; electrical systems; elevators; fire protection, alarm, and security systems; gas distribution systems; and other systems determined with VSCLT.

## Policy Statement

In general, VSCLT homeowners are responsible for all maintenance and repairs for their home and property. This includes adding or updating any features that are related to design or a homeowner's preferences. These kinds of activities generally do not require notification or pre-approval from VSCLT.

There are three cases where a homeowner is required to notify and receive approval from VSCLT prior to carrying out the activity:

1. Any project that falls under the definition of *capital improvements*
2. Any projects, whether or not they meet the definition of a capital improvement, requiring a permit or inspection or other approval from the local jurisdiction
3. Any project involving an expected total cost of \$2,500 or greater



The VSCLT staff, with assistance and guidance from the Board as needed, will review all notifications and requests for approval and provide a response to the homeowners on a timely basis.

Improvements we generally WILL approve:

- Capital systems replacements
- Energy efficiency upgrades (especially those that have the potential to reduce homeowner costs over time)
- Capital improvements that are necessary for the homeowner's needs such as accessibility or adding/upgrading living space to accommodate a growing family

Improvements we generally WILL NOT approve:

- Capital improvements that increase the value of the home beyond the level that would be affordable to future income-qualifying homeowners
- Changes to a home's features that would have a significant negative impact on the marketability or utility of the home to future purchasers
- Projects that have inadequate or unprofessional plans/designs and lack the necessary approvals from the jurisdiction or HOA

**In most cases, the improvements cannot be sold for a price that exceeds the Purchase Option Price (resale value) established in the ground lease.**

It is advised that homeowners notify VSCLT of all major home improvements, even those that do not require approval, to ensure that the improvements are not in violation of the ground lease.

## **Implementation Procedures**

**Timing:** Homeowners shall notify VSCLT of any improvement that meets the notification threshold described in this policy, ensuring that they have provided ample time for the review process for cases that require Board approval. To account for any follow up questions and additional reviews, the initial notification is recommended to occur at least 4-6 months before the intended start of the project, or as early as possible before any plans are finalized or contractors are hired for the project.

**Emergency projects:** In cases of emergencies, where projects cannot wait this recommended time, VSCLT is committed to working with homeowners to resolve the issue as soon as possible. Homeowners should contact ([info@vsclt.org](mailto:info@vsclt.org)) to discuss their needs.



**Steps:**

1. **Initial Notification** - Homeowner provides basic information on the potential project to VSCLT early during the planning process. Homeowners are encouraged to start the initial notification process as early as possible, even if these additional details are not available.
  - a. Homeowner will provide this information through a simple form available on the VSCLT website that includes information on the purpose, type of project, expected cost, and other details. The process should ensure that the notification is received by the VSCLT staff and that the homeowner receives a confirmation of receipt. The template form will be made available through the VSCLT website.
2. **Initial Staff/Executive Committee Review** - Generally within 1 week of the Initial Notification, staff and/or Executive Committee member will send one of the following responses:
  - a. Staff may provide clearance for the homeowner to continue the project – for cases where staff determines that no Board review is needed. This includes projects where staff determines that the project falls within the “maintenance and repairs” category.
  - b. Staff may request additional details on the project and provide information to the homeowner on the expected Board review process and timing.
  - c. When available, staff may also provide information to the homeowner on any programs and resources that may be available to assist with the project. This may involve a consultation with the Habitat Affiliate or other local partner.
3. **Additional Project Information** - The homeowner will provide additional project details as described by staff during the Initial Staff Review. Depending on the stage of the project, this information may take more time to determine so there is no set timeline for the homeowner’s response.
4. **Board Review** - Staff will present the proposed project at the next scheduled VSCLT Board Meeting. The Board will take one of the following actions:
  - a. Board may approve the project with no further follow up or approvals needed.
  - b. Board may conditionally approve the project, subject to a review of the final plans and permits.
  - c. Board may request additional information on the project prior to considering the project for final approval. Depending on the type of information needed, the final approval could be done virtually by Board vote or scheduled for a future Board meeting. In the most complex cases, the Board should identify a Board member to work with staff and the homeowner to clarify issues and move to the next step.
  - d. Board may deny the request and provide feedback on the reason for the denial.
5. **Homeowner Notification** - VSCLT staff (and/or Board on a case by case basis) will provide a written response to the homeowner and follow up with them to ensure that all questions are answered. This step is especially important for cases where the request is denied or if substantial additional information is requested.
6. **Final Project Documentation** - after an approved project is completed, the homeowner should document the final project costs and photos of the final improvements for VSCLT project



documentation purposes. If an appraisal is needed this would be provided by the homeowner as well. Staff will keep all documentation in the homeowner files for future reference.

The VSCLT Staff and Board may update this policy and related procedures as needed over time. To obtain the most recent versions, please refer to the Policy Manual on the VSCLT website at [www.vsclt.org](http://www.vsclt.org).