Fannie Mae and Community Land Trusts
An Overview for Lenders

Overview

Community land trusts (CLTs) are created to preserve long-term affordable homeownership for low- and moderate-income families. A limited-income households purchases the home and improvements at affordable prices and the CLT, in turn, leases the land parcel on which the home is located to the homeowner by means of a long-tem ground lease (that is typically 99 years in length, inheritable and renewable) for an affordable monthly lease fee. The ground lease typically include provisions that restrict the price at which the home may be sold, should the homeowner ever choose to sell, so that the home will remain affordable to another low- or moderate-income homebuyer household.

While most CLTs are nonprofit, community-based, 501(c)(3) organizations, eligible CLTs, according to Fannie Mae can also include public entities, such as state or local governments, counties, school districts, universities, or colleges.

Fannie Mae Loan Products

Fannie Mae purchases or securitizes first mortgage loans secured by a leasehold estate on property owned by a community land trust and the improvements on the property as long as the property is acceptable as security for the mortgage.

Community land trusts are an ownership arrangement, requiring a leasehold mortgage, secured by the full value of the improvements and the value of the leasehold interest in the land. Accordingly, there is no 'stand alone' Fannie Mae mortgage product for CLT homebuyers. All products in the Fannie Mae *Selling Guide,* including the *MyCommunityMortgage™* suite of products, are eligible for CLT loans. Qualifying ratios, minimum down payment, cash reserve requirements, maximum loan terms, and other requirements must be met for whichever product is being used for a particular CLT homebuyer. Howeever, Fannie Mae DU® products, Interest-Only (IO) products, HomeKeeper®, and ARMS with a fixed term of less than five years are ***not*** eligible for CLT homebuyers.

Eligible Borrowers

Because of their focus on creating homeownership opportunities for households who would not otherwise be able to afford to purchase a home, community land trusts usually stipulate maximum income restrictions in order to be eligible to purchase a CLT home, in addition to restrictions on the resale of the home. Eligible borrowers must satisfy the specific eligibility criteria set up by the community land trust.

> *Note: If the lender is using a community lending mortgage and the borrower income limits for the community land trust differ from Fannie Mae's income limits for the community lending mortgage, the income limits established by the community land trust apply.*

Eligible Property and Occupancy Types

All mortgage loans secured by one- and two-unit principal residences are eligible for purchase by Fannie Mae, with the exception of manufactured homes and units in a co-op project.

Loan Eligibility

Eligible Fannie Mae transaction types include first mortgages secured by community land trust properties that are either purchase or refinance transactions.

The community land trust may permit the borrower to refinance the mortgage loan (including, in some cases, cash-out transactions.) However, the homeowner may only refinance up to the current resale price, i.e., the maximum price for which the homeowner would be able to sell his or her home at that time, as determined by the ground lease resale formula. The CLT limits the amount that can be refinanced in order to protect the subsidy initially invested to make the home affordable in the first place. Lenders must document that the community land trust has approved a refinance transaction and must ensure that the refinance amount complies with the provisions of the homeowner's ground lease agreement.

Underwriting Considerations

These mortgages must be manually underwritten and are not eligible, at this time, for submission through Desktop Underwriting (DU)®[1]. In addition, they may not be underwritten using any other automated underwriting application because Fannie Mae uses an alternative method for calculating the Loan-to-Value (LTV) ratio.

The following table describes requirements related to mortgage loans secured by leasehold properties located on land owned by community land trusts:

	Requirements for Mortgage Loans Secured by Properties Held by a Community Land Trust
	The community land trust organization must have the capacity to administer leasehold mortgages.
	The community land trust or its affiliated organization must have at least two years experience in successfully managing affordable housing, which can be evidenced by an organizational resume or history that summarizes the organization's experience in providing affordable housing.
	The lender must review a list of the staff responsible for the community land trust's homeownership program, their titles, and their resumes to determine if they have sufficient experience and skills to manage affordable housing.
	The lender must review the most current annual report or other report documenting the history and successful performance of the community land trust for the most current year.
	The lender must review the subject community land trust's ground lease to confirm that it is based upon either the *National Community Land Trust Network (NCLTN) 2011 CLT Network Model Ground Lease* or the *Institute for Community Economics (ICE) Model Ground Lease*. The lender can request a copy of either model ground lease from NCLTN. If the ground lease is not based on either of these model leases, the lender must obtain Fannie Mae's approval of the ground lease.

No formal lender approval of variance by Fannie Mae is needed for lenders to deliver loans on

[1] This is because DU *automatically* bases LTV on the *lesser* of sales price of appraised value (which, for CLTs, would be leasehold value. DU cannot currently support LTV based on the higher leasehold value. DU loans products such as Expanded Approval® and Flexible products are not available for CLT transactions.

CLT properties. To deliver CLT loans, however, the lender must represent and warrant that the CLT is a nonprofit or public entity that has experience in managing affordable housing properties (as outlined above.) *See Attachments 1 and 2 below for checklists to assist the CLT and the lender determine if the community land trust organization meets Fannie Mae requirements and loans on CLT properties are eligible for delivery by the lender to Fannie Mae.*

> *Note: If the community land trust organization does not meet the requirements noted above, the lender may discuss the community land trust's qualifications with its lead Fannie Mae regional office and obtain approval for an exception (see E-1-03, List of Contacts).*

Ground Lease Requirements

The leasehold estate created by the CLT ground lease must constitute real property under applicable local and state law. And the term of the ground lease must extend for at least five years beyond the maturity date of the mortgage that is delivered to Fannie Mae.

The community land trust ground lease contains clear certain restrictions limiting the maximum price at which the home may be resold and restricting the affordable purchase (at resale), to low-income and moderate-income families.

However, the resale restrictions in the ground lease must terminate automatically on foreclosure (or the expiration of any applicable redemption period) of, or acceptance of a deed-in-lieu of foreclosure for, the leasehold mortgage. Once any resale restrictions have been terminated by foreclosure (or the expiration of any applicable redemption period) or acceptance of a deed-in-lieu of foreclosure, they may not be automatically reinstated for subsequent purchasers of the home.

When a mortgage is secured by property held by a community land trust, the lender must confirm that all lease fees and other payments or assessments that have come due have been paid before it delivers the mortgage to Fannie Mae. In addition, the borrower must not be in default under any other provisions of the ground lease, nor may the CLT (as lessor) have claimed such a default.

Loan-to-Value (LTV) Calculations

LTV in CLT transactions is based on the *leasehold value* (similar to market value) of the property. LTV based on leasehold value can be use because the Fannie Mae ground lease rider recorded along with the ground lease terminates all resale restrictions at foreclosure or acceptance of deed in lieu of foreclosure.

The sales price for the home and improvements located on land owned by the community land trust and leased to the homebuyer do not include the subsidy amount used to acquire the land and/or otherwise make the home initially affordable. As a result, the CLT homebuyer/borrower will pay a lower purchase price for his or her home that the price for which the home and land would have otherwise sold (an amount that is often less than the leasehold interest in the property). CLT homebuyers/borrowers benefit because LTV will typically be much lower than 80%, so mortgage loans will not require Private Mortgage Insurance (PMI) and its monthly premiums.

<u>Appraisals and Collateral Considerations</u>
Because of this arrangement (and because CLT home purchases are ***not*** arms-length transactions), the community land trust sales price is ***not*** a reliable indicator of market value for the leasehold estate. Accordingly, the Loan-to-Value (LTV) ratio will be determined by dividing the original loan amount by the value of the leasehold interest and improvements reported on the property appraisal.

In selecting an appraiser to provide an opinion of value for a leasehold held by a community land trust, the lender must make sure that the appraiser is knowledgeable and experienced in the appraisal techniques, direct capitalization and market derivation of capitalization rates that are necessary to appraise this type of property.

The appraiser must use a three-step process to develop an opinion of value:

1. Determine the fee simple value of the property by using the sales comparison analysis approach to value;
2. Determine the applicable capitalization rate and convert the income from the ground lease into a leased fee value by using the market-derived capitalization rate; and
3. Determine the leasehold value by reducing the fee simple value by the leased fee value.

When this appraisal technique is used, there is no need to document the actual land value of the security property.

Because the ground lease-stipulated resale restrictions do not survive foreclosure, the appraisal report must contain specific language stating that the appraisal is based on leasehold value and is being done on the hypothetical condition that resale restrictions do not exist. Specifically, the appraiser must develop the opinion of value for the leasehold interest under the hypothetical condition that “the property rights being appraised are the leasehold interest without the resale and other restrictions that Fannie Mae’s ground lease rider removes when Fannie Mae has to dispose of a property acquired through foreclosure.”

The appraisal report must include the following statement:

> *“This appraisal is made on the basis of a hypothetical condition that the property rights being appraised are the leasehold interest without resale and other restrictions that are removed by the Community Land Trust Ground Lease Rider.”*

When a leasehold interest is held by a community land trust, the appraiser must analyze the property subject to the ground lease. Since the community land trust typically subsidizes the sales price to the borrower, that price is almost certain to be significantly less than the market value of the leasehold interest in the property. The resale restrictions, as well as other restrictions, that may be included in the ground lease also can affect the value of the property.

<u>Determining Fee Simple Value</u>
In determining the fee simple value of the subject property, the appraiser generally should use as comparables, sales of similar properties that are owned as fee simple estates. However, if this is not possible, the appraiser may use sales of properties that are subject to other types of leasehold estates as long as he or she makes appropriate adjustments, based on the terms of their leases, to reflect a fee simple interest.

When the community or neighborhood has sales activity for other leasehold estates held by a community land trust, the appraiser must discuss them in the appraisal report, but should not use them as comparable sales since, in all likelihood, the sales prices will have been limited by restrictions in the ground lease and thus the sales transaction would not be comparable to the hypothetical condition, no restrictions, on which Fannie Mae requires the appraisal of the subject property to be based.

When the community has an active real estate market that includes sales of properties owned as fee simple estates and sales of properties subject to leasehold estates other than those held by community land trust, the appraiser can use the most direct method for determining the capitalization rate, extracting it from the market activity, with all things being equal. To extract the capitalization rate, the appraiser should divide the annual ground rent for the properties subject to leasehold estates by the difference in the sales prices for the comparable sales of properties owned as fee simple estates and the comparable sales of properties subject to leasehold estates.

If there are no available comparable sales of properties subject to leasehold estates, other than those held by a community land trust, the appraiser may develop a capitalization rate by comparing alternative low-risk investment rates, such as the rates for long-term bonds, and selecting a rate that best reflects a "riskless" (safe) rate. To determine the leasehold value of the subject property, the appraiser must first convert the annual income from the community land trust's ground lease into a leased fee value by dividing the income by the market-derived capitalization rate. The appraiser should then reduce the estimated fee simple value of the subject property by this leased fee value to arrive at his or her opinion of the leasehold value of the subject property.

For example, assume that the annual ground rent from the community land trust's ground lease is $300, the market-derived capitalization rate is 5.75%, and the estimated fee simple value of the subject property is $100,000:

- $300 annual rent/5.75% capitalization rate = $5,217.39 (rounded to $5,200)
- $100,000 fee simple value – $5,200 leased fee value = $94,800 (leasehold value)

Addendum to Appraisal Report

Because Fannie Mae's appraisal report forms do not include space to provide all of the details required for appraising a property subject to a leasehold held by a community land trust, the appraiser will need to attach an addendum to the appraisal report to provide any information that cannot otherwise be presented on the appraisal report form.

On the actual appraisal report form, the appraiser should indicate "leasehold" as the property rights appraised, provide the applicable ground rent paid to the community land trust, show the estimated fee simple value for the property in the "sales comparison analysis" grid, and report the "leasehold value" as the indicated value conclusion. The appraiser also should check the box for "subject to the following repairs, alterations, or conditions" and add the following at the end of that statement:

> "See attached addendum for development of capitalization rate and an expanded discussion of the comparable sales used and considered."

Delivery Data

Lenders selling and servicing mortgage loans secured by properties held by a community land trust must be able to identify and track those mortgages in their systems and must have sufficiently trained staff to originate and service those mortgages.

When delivering mortgage loans secured by community land trust properties, the lender must:

- include SFC 054 as part of the delivery data;
- enter the value of the leasehold (inclusive of the improvements) as the appraisal amount in Loan Delivery; and
- calculate the LTV ratio using the leasehold value and include this ratio as part of the delivery data.

Notification to Third Parties

Fannie Mae permits third-party notification by the services to the CLT (or some other entity such as a housing authority or government agency) in the event of borrower's default or property foreclosure, as required by the community land trust ground lease. The ground lease rider also requires the borrower to notify the CLT if they should default on the loan.

The lender must ensure that proper notification is provided, as required by the community land trust ground lease. If notification requirements exist, the servicer is still responsible for adhering to Fannie Mae's established time frames within which routine foreclosures must be completed.

Third-party notifications required in addition to the required statutory notifications will not be considered an impairment to the servicer's ability to foreclose.

Servicing

If the lender transfers servicing, the lender must note on revised Fannie Mae Form 629 (*Servicing Transfer Form*) that the CLT property is subject to resale restrictions. Whoever is the servicer must comply with the third-party notification requirements contained in the homeowner/borrower's ground lease.

Legal Considerations

The leasehold estate created by the community land trust ground lease must constitute real property under applicable local law. In all respects, the ground lease must be valid, enforceable, and in full force and effect.

Lenders must ensure that any mortgage secured by a community land trust property and delivered to Fannie Mae is supported by the appropriate leasehold interest documents, including the community land trust ground lease and the *Community Land Trust Ground Lease Rider* (Form 2100 3/06 (rev 12/10)). Form 2100 must be executed by the borrower and recorded along with the ground lease. This form was developed for use with either the *NCLTN 2011 CLT Network Model Ground Lease* or the *ICE Model Ground Lease*. The form:

- ensures that the ground lease is in conformance with Fannie Mae requirements for community land trust mortgages without a delay that would result from Fannie Mae's prior review and approval of each ground lease, and
- removes resale restrictions as well as any other restrictions that may be included in the ground lease that could affect the value of the property from the community land trust's ground lease.

The land records for the subject property must include adoption of the terms and conditions that are incorporated in this ground lease rider. Fannie Mae's approval is required if the rider is modified or is not executed.

Title Insurance Requirements

The lender's title insurance policy or an endorsement to the policy must expressly confirm specific items described in Fannie Mae Lender Announcement 90-03, including:

- the recording of the complete community land trust ground lease or ground lease memorandum;
- the recording of Form 2100;
- the community land trust mortgage loan is a first lien on the leasehold estate and the improvements;
- there are no existing mortgage loans or other liens on the fee estate, except as may be permitted under Form 2100;
- the ground lessor's reversionary interest is subordinate to the community land trust mortgage; and
- there are no related community land trust ground lease occupancy and resale restrictions, covenants, or agreements that "run with the land," and have been recorded apart from the ground lease, except as may be permitted under Form 2100.

Related Announcements

Fannie Mae Announcements that have been issued that are related to this topic include:

Announcements	**Issue Date**
Announcement 06-03	March 22, 2006
Announcement SEL-2011-01	January 27, 2011
Announcement SEL-2011–03	March 31, 2011

Attachments:

1. *Fannie Mae Lender Checklist for Delivering Loans on Community Land Trust Properties – October 2006*
2. *Fannie Mae Checklist for Community Land Trust Properties – October 2006*
3. *Fannie Mae Community Land Trust Ground Lease Rider (Fannie Mae Form 2100)*
4. *Fannie Mae Guidelines on the Valuation of a Property Subject to a Leasehold Interest and/or Community Land Trust (CLT)*

For **Attachment 1** *(Fannie Mae Checklist for Community Land Trust Properties – October 2006)* and **Attachment 2** *(Fannie Mae Checklist for Community Land Trust Properties – October 2006)*, please visit Fannie Mae's website for an updated Seller's Guide, which has combined Fannie Mae's latest relevant guidelines for financing for CLTs:

- https://www.fanniemae.com/content/guide/selling/b5/5.1/04.html (web version)
- https://www.fanniemae.com/content/guide/sel052714.pdf (pdf version)

For **Attachment 3** (*Fannie Mae Community Land Trust Ground Lease Rider (Fannie Mae Form 2100)*), please visit Fannie Mae's website for the latest form.

- https://www.fanniemae.com/content/guide_form/2100rev.pdf (latest form, pdf)
- https://www.fanniemae.com/singlefamily/selling-servicing-guide-forms (Fannie Mae's list of latest forms)

For **Attachment 4** (*Fannie Mae Guidelines on the Valuation of a Property Subject to a Leasehold Interest and/or Community Land Trust (CLT)*), please see the rest of this document.

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Fannie Mae Guidelines on the Valuation of a Property Subject to a Leasehold Interest and/or Community Land Trust (CLT)

Leasehold Interest

Leasehold interest is the right to the use and occupancy of real property by the existence of a lease agreement. The lessee (tenant or renter) enjoys these rights for a stipulated period of time, subject to the payment of rent and other conditions. The valuation of a leasehold interest may require complex analysis, so the appraiser should be prepared to develop a thorough, clear, and detailed narrative for the addendum section that describes the lease agreement's terms and conditions and discusses their impact, if any on value and marketability.

The leasehold box should be checked if the house being appraised is on leased land or is subject to what is termed a "ground rent". In brief, ground rent is the rent paid for the right to use and occupy land according to the terms of a ground lease. Although this is uncommon in most areas, there are areas of the United States where ground rents are very common. The terms of the ground lease should be identified and the effect of the lease analyzed in a narrative discussion attached as an addendum to the report.

The appraiser should use sales of properties that have similar leasehold interests. When adequate, closed leasehold comparables are available, the appraiser will report them in the sales comparison section of our report forms to arrive at an opinion of the market value of the leasehold estate for the subject.

However, the appraiser may not have sales available which have the same lease terms. In such cases, the appraiser may use the most similar sales available with different lease terms or even fee simple sales. The appraiser must make an appropriate adjustment (if any), on the sales comparison grid, to reflect the market reaction to the different lease terms or property rights appraised. The appraiser should explain why the use of these sales was appropriate.

Forms 1004, 1025 and 1073 have an adjustment line on the sales comparison grid. Forms 2055 and 2065 do not have a specific adjustment line, therefore the appraiser must use one of the blanks lines for making the appropriate property rights adjustment.

Community Land Trust Properties

Note: Community Land Trust Mortgage Loan Transactions are eligible under Part V, Chapter 3, Section 301.05 of the Fannie Mae Selling Guide**. The Lender must contact their Customer Account Manager to arrange for specific terms and conditions to be added to their Master Agreement to deliver this type of mortgage. In all cases the land records of the subject property must include adoption the terms and conditions incorporated in the Fannie Mae approved *Uniform Community Land Trust Ground Lease Rider.***

Community Land Trusts ("CLT"), typically, are non-profit organizations that acquire land for a variety of purposes including, but not limited to facilitating home ownership among lower income individuals and families. Similar to other leasehold properties, CLT's retain ownership of the land. CLT's offer a long term (99 year) , renewable ground lease to the owner of the improvements. By removing the cost of the land from the transaction, the home may be purchased at a lower cost, thereby increasing affordability. CLT's are established in communities to offer home ownership opportunities and to create and maintain a permanently affordable housing stock. Therefore, the CLT ground lease may contain restrictions on purchaser eligibility and restrictions on the resale of the property.

As the development of Community Land Trust (CLT) properties expands in the United States, the question about how to appraise these individual properties has arisen. Chapter V, of this Selling Guide, details our general appraisal requirement for analyzing the property appraisal aspects of conventional, conforming, one to four family properties. This section provides additional guidance to the appraiser and lender on the appraisal process for properties located on land held by a CLT.

Like other non-profit affordable housing developers, community land trusts, use grant, gift and subsidy dollars to acquire the land and otherwise write down development cost to an affordable level. The CLT structure is unlike traditional affordable homeownership programs where the subsidy is a) included in the selling price, b) secured by "soft second' liens on the homebuyers property and c) due on resale. The selling price of a CLT home typically does not include the subsidy amount used to acquire the land. Therefore, the sales price to the CLT homebuyer may be less than the leasehold interest in the property.

Selection of Appraiser

As is the case for all mortgages delivered to Fannie Mae, the lender is responsible for the accuracy of both the appraisal and its assessment of the marketability of the appraisal. As indicated in the Selling Guide, Part V, Chapter 1, Section 101, " Lenders are responsible for the selection of appraisers, are accountable for their performance- and must take appropriate steps to ensure that the appraiser is qualified to perform appraisals for the particular types of property that the lender intends to refer to the appraiser." It follows that an appraiser that is to appraise a CLT property must have knowledge and experience with the tools that are necessary to value this type of property (such as direct capitalization and market derivation of capitalization rates).

Appraisal Methodology

The appraisal of a CLT property requires the appraiser to analyze the CLT property, subject to the ground lease (i.e. leasehold estate) as security for the mortgage. Fannie Mae and the Institute for Community Economics have reached agreement on a Uniform Community Land Trust Ground Lease rider, to be attached to a CLT ground lease for mortgages that will be sold to Fannie Mae. This rider amends the CLT ground lease to provide for the removal of resale and other restrictions that would hinder the mortgagee's ability to dispose of the property upon foreclosure.

Since the CLT typically subsidizes the sales price to the CLT homebuyer, that price may well be less than the market value of the leasehold interest in the property. Since the *Uniform Community Land Trust Ground Lease rider* removes these resale and other restrictions for the mortgagee, it is important that the appraised value of the leasehold interest in the property be well supported and correctly developed.

The appraiser must develop an opinion of value for the leasehold interest under the hypothetical condition that the property rights being appraised are the leasehold interest without the resale and other restrictions that the Uniform Community Land Trust Ground Lease rider removes if the mortgagee must dispose of the property upon foreclosure. The lender is required to advise the appraiser that the appraisal report must contain the following statement:

> **This appraisal is made on the basis of a hypothetical condition that the property rights being appraised are the leasehold interest without resale and other restrictions that are removed by the Uniform Community Land Trust Ground Lease rider.**

Because of the dynamics of CLT properties, the appraiser's first step should be to determine the fee simple value for the subject property using the sales comparison analysis. The second step is to determine the leased fee value of the ground lease. The final step involves deducting the leased fee value from the fee simple value to arrive at the leasehold value.

Determining the Property's Fee Simple Value

The first step in the valuation process requires the appraiser to develop an opinion of the fee simple value of the subject. Therefore, it is expected that the appraiser will use sales of fee simple ownership of similar properties.

Use of sales without a ground lease (fee simple) is preferable. However, the appraiser may use sales of leasehold properties but they will require adjustment based on their lease to reflect a fee simple interest. CLT sales may be available in the community and, if so, they should be specifically discussed in the appraisal report. However, CLT sales may not be appropriate in developing value since the prices are normally limited by restrictions in the ground lease and would therefore not be comparable to the hypothetical condition of the appraisal, which assumes a leasehold interest without resale and other restrictions.

Determining the Capitalization Rate

The most direct method for determining the capitalization rate is by extraction from the market. This normally requires an active market with sales of fee simple ownership properties and sales of comparable non-CLT properties subject to a ground lease. To extract the capitalization rate, (all things being equal) the appraiser divides the non-CLT annual ground rent by the difference in sales price of the comparable fee simple and leasehold properties.

There is another method for determining the capitalization rate that is especially applicable when no sales of comparable non-CLT properties subject to a ground lease are available. This method compares alternative low risk investment rates such as long term bond rates. The appraiser should select a rate that best reflects a "risk-less" rate (safe rate), loss of liquidity, management compensation, and compensation for investment risks assumed.

Determining the Property's Leasehold Value

Direct capitalization of the ground rent is used to convert the annual income from the CLT ground lease into an indicated leased fee value by dividing the income by a market-derived capitalization rate. Subtracting this leased fee value from the estimated fee simple value of the subject property leaves the leasehold value. This method does not require documentation of the actual land value, as do other methods.

The appropriate steps would be:

- **Step 1.** Determine the annual contract rent due the CLT under the terms of the ground lease,
- **Step 2.** Determine the appropriate market capitalization rate for the ground rent,

Step 3. Divide the annual rent by the market derived capitalization rate to indicate the leased fee value.
Step 4. Subtract the leased fee value from the estimated fee simple value to indicate the subject property's leasehold value.

Example (for illustrative purposes only):

- Annual rent due the CLT for ground lease: $300
- The market divided capitalization rate: 5.75%
- $300 divided by 5.75% equals $5,217.39 ($5,200 rounded)
- If the fee simple property value were $100,000; the indicated leasehold value of the property would be $100,000 minus $5,200 or $94,800. The final opinion of value reported is $94,800.

Appraisal Reporting

The CLT appraisal should be reported on Fannie Mae Form 2055. "Leasehold" property rights appraised should be indicated in the “SUBJECT” section of the report. The CLT ground rent should be reported in the “Special Assessment” area of the same section. The appraisal should also indicate "Prop.Rights" as the “FEATURE” and "Fee Simple" as the “DESCRIPTION” for the “SUBJECT” in the adjustment grid of the “SALES COMPARISON ANALYSIS” section. The adjustment grid should then estimate the Fee Simple value for the subject property. In the "Summary of sales comparison and value conclusion" area of this section of the report, the following items need to be present in addition to the normally required discussion (many times this area will have to be continued on the addendum for CLT appraisals):

1. Indicated Fee Simple Value for the Subject
2. Indicated Leasehold Value of the Subject (Fee Simple less the Leased Fee)
3. The statement "See attached addendum for development of capitalization rate and expanded discussion of sales used and considered."

At the bottom of Page 1 of the form, the "subject to the following repairs, alterations or conditions" box must be checked with the statement "see attached addendum for hypothetical condition" added at the end. If the subject property is not completed, the "subject to completion per plans and specifications ..." box should **also** be checked.

The leasehold value should be indicated as the value on the bottom line of page one and again on page three of the report.

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