

City of Falls Church Affordable Homeownership Program
Summary of Terms of Declaration of Affordability Covenants with Use, Refinance, and Resale
Restrictions and Purchase Option

This document provides a summary of the Declaration of Affordability Covenants with Use, Refinance, and Resale Restrictions and Purchase Option (the “Covenant”) that an eligible homebuyer (“Homeowner”) must enter in favor of the City of Falls Church (the “City”) when the Homeowner purchases a property (the “Property”) through the City of Fall Church’s Affordable Homeownership Program.

Term: The term of the Covenant is 99 years, unless terminated earlier in a foreclosure event. At the end of the term, the then-Homeowner can either (i) record a new 99-year covenant, or (ii) pay the City the Excess Proceeds (described below) that would be payable if the Property were resold at its then fair market value (*see* Section 1.04(b)).

Permitted Use: The Property must be used at all times as the Homeowner’s principal residence (*see* Section 2.01).

City Monitoring: The City has the right to require annual meetings with the Homeowner to review compliance documentation (*see* Section 3.01) and inspect the Property annually (*see* Section 3.02). The City has the right to approve significant capital improvements (*see* Article V), refinancing, (*see* Section 7.01), and transfers (*see* Article VIII). The City must approval all liens, encumbrances, and security interests (*see* Article VII).

Re-Sale of Property: In order to sell the Property (*see* Section 8.04):

- The Homeowner must give the City 45 days advance notice of intent to market the Property for sale.
- The City will order an appraisal within 10 days.
- The City has the option to purchase the Property.
- The City will refer Eligible Buyers.
- If the Homeowner is unable to sell the Property to an Eligible Buyer within six months, the Homeowner may sell the Property to an ineligible buyer, subject to the restrictions set forth in the Covenant.
- Certain transfers to heirs and relatives are permitted (*see* Sections 8.02 and 8.03).

Maximum Resale Price: The Property may be sold for no more than the maximum price for a First-Time Homebuyer as determined by Virginia Housing (*see* Section 8.06).

Sale Proceeds: 100% of all net sale proceeds (after payment of superior liens and closing costs) are payable to the City until the City has been reimbursed for its original Subsidy Value (defined below). Thereafter net proceeds are payable 75% to the Homeowner and 25% to the City (*see* Section 8.07(c)).

Subsidy Value: The “Subsidy Value” is the Initial Market Value (i.e., appraised fair market value of the Property, assuming no affordability restrictions, at the time of the Homeowner’s purchase) less the Base Price (i.e., reduced price paid by the Homeowner for the Property) (*see* Section 1.06(p)).

Excess Proceeds: Any “Excess Proceeds” are payable to the City. Excess Proceeds means any net proceeds of a transfer, refinancing, condemnation, or casualty that are in excess of the amount that would have been received if the Property had been sold for the Maximum Resale Price (*see* Section 1.03).

City Option to Purchase: The City has the option to purchase the Property upon receipt of a notice of intent to sell, notice of a foreclosure action, or upon an event of default. The Purchase Price is the Maximum Resale Price, or in the case of a foreclosure, the greater of the Maximum Resale Price or the total amount owed to the Permitted Mortgagee. The City has 60 days to exercise this option, then 90 days to close (*see* Section 8.05).

Enforcement and Remedies: The Homeowner’s obligations under the Covenant are secured by a subordinate deed of trust in favor of the City (*see* Section 1.06(o)). Upon an event of default, the City may (a) exercise its purchase option, (b) foreclose its deed of trust, or (c) exercise other equitable or legal rights and remedies (*see* Section 9.04).