

## CASE STUDY #1 :

You incorporated as a non-profit corporation under your State laws. Your Articles of Incorporation provide that your "specific and primary purpose ... is to assist governmental agencies lessen the burden of government, reduce vacant, abandoned, blighted, and poorly maintained homes and to assist people to obtain housing and to erect, maintain and rebuild public buildings, monuments or works." Specifically, you intend to partner with banks, state and local government entities, and home owners associations (HOAs) to help reduce blighted properties, stabilize communities, and aid in the foreclosure process.

### Activities

You state that you will perform the following activities:

- Purchase of real property;
- Rehabilitation of real property;
- Sale of real property;
- Lease of real property;
- Lien negotiation;
- Community liaison; and
- Education.

You state that you will spend 75 percent of your time and money buying, rehabilitating, selling, and leasing properties. You will hire independent contractors to rehabilitate your properties. Then, you will either sell or lease your properties. If you lease the properties, you state that you will provide renters with a portable lease option. You explain that, under this option, the renter "can transfer their accumulated 'hard equity' (extra payments above rent, but not property appreciation) during the course of a lease" to the lease or purchase of any of your other properties. You state that you will impose no restrictions on who may rent your properties but that you will give preference to low and moderate income families, first-time homebuyers, and veterans. You state that the maximum allowable rent for these individuals will be "30 [percent] of gross income or 55 [percent] of net income and non-taxable income will be grossed up by 120 [percent] in calculating eligibility." Otherwise, you state that you will set rental rates using a "capitalization rate formula with an [x percent] maximum cap rate and a brokers price option to determine market value." If you sell the properties, you do not state whether you will sell at, above, or below market value. However, you state that all of your income "is derived from appreciated values received from the sale or rent of rehabilitated properties."

Furthermore, you state that you will spend 5 percent of your time and money negotiating liens on your properties. You state that you "can foreclose on approved vacant properties while negotiating priority lienholder forgiveness and beginning the process of blight resolution." Specifically, you state that you will work with local code enforcement officials to develop a plan to bring the property into compliance and to reach an agreement on the mitigation of code enforcement liens on candidate properties.

Finally, you state that will spend 5 percent of your time and money educating the public. However, you also state that you "will not offer HOA's educational program[s]." You describe no other educational activities.