Villa Heights Resale Formula

The Villa Heights development will use the 25% appraisal-based resale formula. The resale formula is written in the Ground Lease and determines what the future resale price will be given the original purchase price. With an appraisal-based formula, there is no guarantee of any particular future sales price or amount of appreciation for the homebuyer. Instead, the future resale price will depend on how much home values are increasing in the surrounding area.

In this case, the resale price will equal the original purchase price of the home PLUS 25% of the increase in the appraised market value of the home. At resale, that 25% increase in value will go to the seller. See the description and example below.

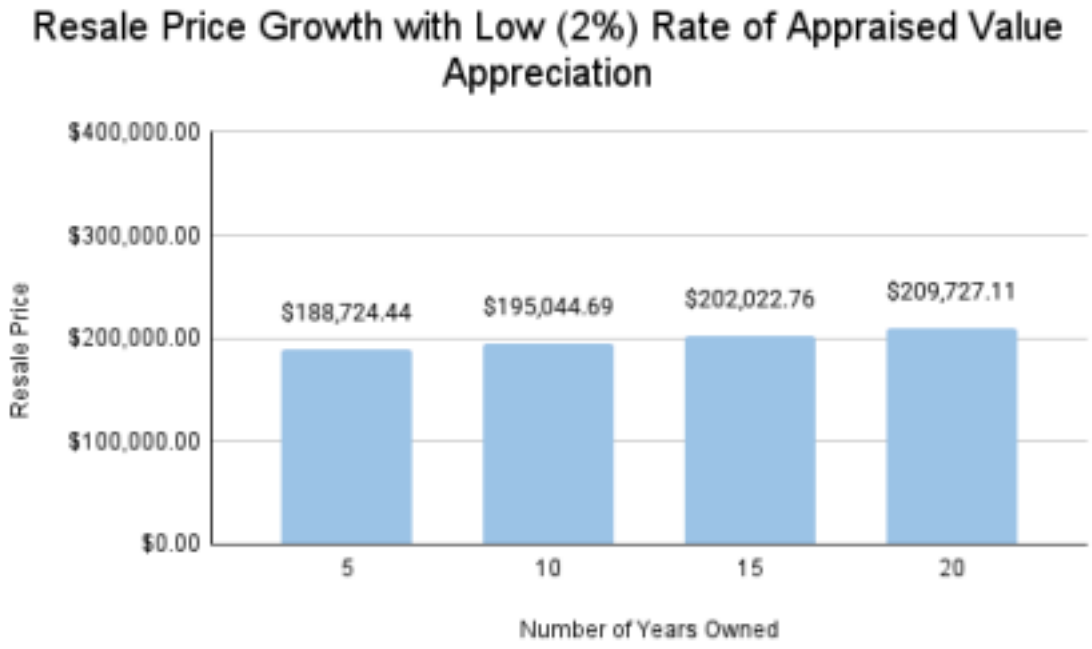
Identify the initial Purchase Price, the appraised value when the home is initially purchased, and the appraised value when the home is sold.	Purchase Price: $181,000 Initial Appraised Value: $220,000 Final Appraised Value: $260,000
Take 25% of the increase in appraised value and add that to the original purchase price to get the preliminary formula price.	$260,000 - $220,000 = $40,000 $40,000 * 25% = $10,000 $181,000 + $10,000 = $191,000
All resale prices include an additional $3,000 to account for the Stewardship Fee paid to VSCLT at closing. Add $3,000 to the preliminary formula price to determine the final resale price.	$191,000 + $3,000 = $194,000

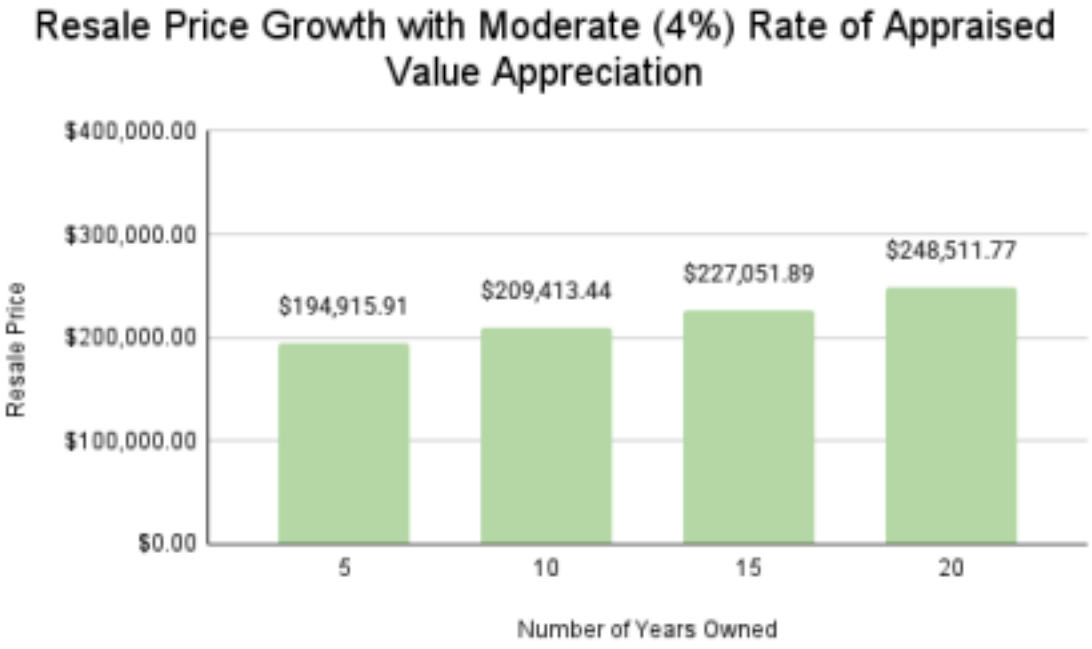
Since we do not know how appraised value will change over time for a given home, we have provided examples of scenarios with low (2%), moderate (4%, 6%), and high (8%) rates of appraised value appreciation.

For example, assume a homeowner wants to sell their home after 15 years. In that period the appraised value of the home has grown annually at a 4% compounded rate on average. Given an original purchase price of $180,000, the resale price would be $227,052.

Villa Heights Resale Formula Examples							
Original Purchase Price	Original Appraised Value	Annual Growth Rate	Number of Years Owned	New Appraised Value	Increase in Appraised Value	25% of Increase	New ResalePrice (incl $3k fee)
$180,000	$220,000	2%	5	$242,898	$22,898	$5,724	$188,724
$180,000	$220,000	2%	10	$268,179	$48,179	$12,045	$195,045
$180,000	$220,000	2%	15	$296,091	$76,091	$19,023	$202,023
$180,000	$220,000	2%	20	$326,908	$106,908	$26,727	$209,727
$180,000	$220,000	4%	5	$267,664	$47,664	$11,916	$194,916
$180,000	$220,000	4%	10	$325,654	$105,654	$26,413	$209,413
$180,000	$220,000	4%	15	$396,208	$176,208	$44,052	$227,052
$180,000	$220,000	4%	20	$482,047	$262,047	$65,512	$248,512
$180,000	$220,000	6%	5	$294,410	$74,410	$18,602	$201,602
$180,000	$220,000	6%	10	$393,986	$173,986	$43,497	$226,497
$180,000	$220,000	6%	15	$527,243	$307,243	$76,811	$259,811
$180,000	$220,000	6%	20	$705,570	$485,570	$121,392	$304,392
$180,000	$220,000	8%	5	$323,252	$103,252	$25,813	$208,813
$180,000	$220,000	8%	10	$474,963	$254,963	$63,741	$246,741
$180,000	$220,000	8%	15	$697,877	$477,877	$119,469	$302,469
$180,000	$220,000	8%	20	$1,025,411	$805,411	$201,353	$384,353

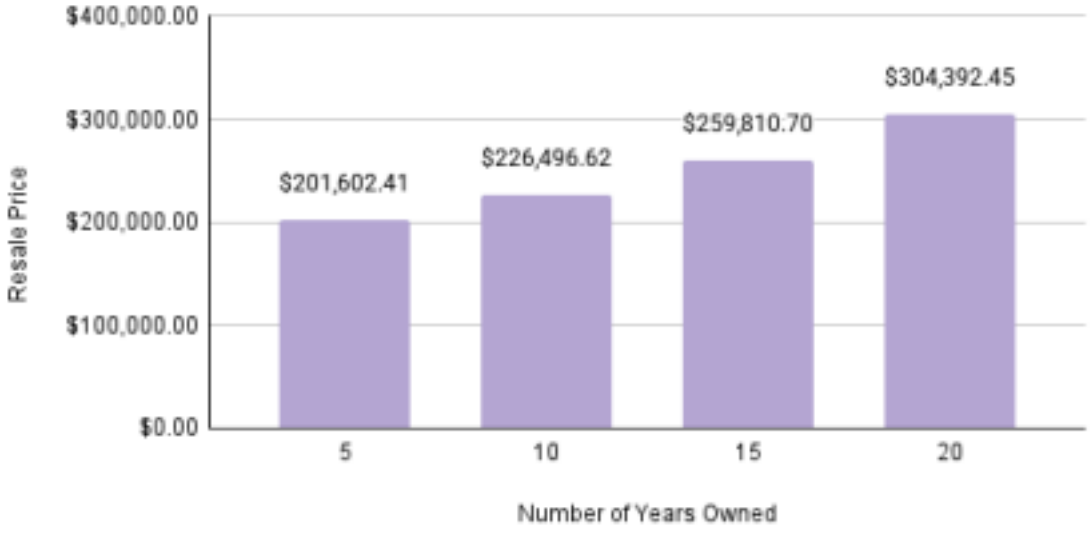
Below please find four graphs that depict the low (2%), moderate (4%, 6%), and high (8%) rates of appraised value appreciation that were described in the chart above.





Virginia Statewide Community Land Trust

Resale Price Growth with Moderate (6%) Rate of Appraised Value Appreciation



Resale Price Growth with High (8%) Rate of Appraised Value Appreciation

Virginia Statewide Community Land Trust

Below please find DRAFTED Ground Lease language describing the calculation of the resale price using the 25% appraisal-based resale formula. VSCLT's attorney is working on producing the Ground Lease for the Villa Heights project so the final language may change. VSCLT will distribute the formal Ground Lease to project partners as soon as it is developed.

CALCULATION OF THE FORMULA PRICE: The Formula Price shall be equal to Lessee's Purchase Price, as stated below, plus xx% of the increase in market value of the Improvements, if any, calculated in the manner described below.

§ *Lessee's Purchase Price*: The parties agree that the Lessee's Purchase Price for the Improvements existing on the Leased Premises as of the commencement of the term of this Lease is $____,000.00.

§ *Initial Appraised Value*: The parties agree that the appraised value of the Improvements at the time of Lessee's purchase (the Initial Appraised Value) is ___,000.00, as documented by the appraiser's report attached to this Lease as Exhibit F.

§ *Increase in Market Value*: The increase in market value of the Improvements shall be equal to the appraised value of the Improvements at time of sale, less the Initial Appraised Value.

§ *Lessee's Share of Increase in Market Value*: Lessee's share of the increase in the market value of the Improvements equals Twenty Five percent (25%) of the increase in market value as calculated above.

§ *Summary of Formula Price*: The Formula Price equals Lessee's Purchase Price plus Lessee's Share of Increase in Market Value.

§ *Sale to an Income-Qualified Person*: In the event that Lessor does not exercise its purchase option in Section 10.6 above, the Improvements may be sold by Lessee to an Income-Qualified Person at a purchase price equal to the lesser of: (i) the Purchase Option Price, **plus** a Lessor "transfer fee" of $3,000.00, or (ii) the value of the Improvements as determined by the Appraisal process described above.