

**CITY OF BOULDER  
DIVISION OF HOUSING**

**Homeownership Capital Improvements, Capital Updates  
and Maintenance Policy**

Effective August 1, 2008  
(Revised September 1, 2009)

**Rationale and Intent**

Permanently affordable homes have been constructed as complete and livable homes for households with limited, qualifying incomes and assets. As such, Capital Improvements for which credit at resale will be applied have been limited to ensure affordability for future homebuyers. The city also wants to ensure that older affordable homes remain attractive, to accomplish this, a Capital Updates policy for homes over 20 years old has been introduced.

This policy describes the Division of Housing's criteria for eligible Capital Improvements and Capital Updates for Permanently Affordable housing units. The policy also describes requirements for homeowners to maintain their homes.

**Eligible Capital Improvements:**

1. Energy efficiency improvement of added insulation that meets the requirements of the Boulder Green Points Program.
2. Improvements that increase habitable space. Finished basements must have at least one egress window and all improvements must conform to current city code requirements.
3. Cooling systems including: whole house fans, ceiling fans, non portable evaporative coolers or if evaporative coolers are not allowed by the HOA, central air conditioning.
4. Flooring: replace carpet at least 10 years old with hardwood (including cork and bamboo, but not laminate) or tile.
5. Solar Photovoltaic Systems and Solar Thermal Systems. Credit will be given for 80% of the eligible system and installation out-of-pocket expenses up to a maximum of \$3,000. The credit amount will be depreciated over 20 years; with 75% depreciated in 10 equal amounts annually for the first 10 years, and the remaining 25% will be depreciated in 10 equal amounts annually for the remaining 10 years.

6. Radon gas mitigation cost (Radon testing costs are not eligible only mitigation cost as necessary to remedy); if Radon level is above the EPA established threshold the cost to mitigate using a qualified contractor is eligible.

Improvements considered to be non-permanent or cosmetic are not eligible. Luxury and high-end items chosen over standard grades will only be eligible for capital improvement credit at the cost of standard grade items.

Beginning January 1, 2008, the maximum amount of Eligible Capital Improvements included within the calculations of the re-sale price limit is \$25,000 during the period in which the Owner owns the Property. Approved Capital Improvement credits will be credited fully at the time of final approval.

Capital Improvement credits received before January 1, 2008 are given in limited annual amounts calculated every year based on the percentage of change in the Consumer Price Index-Urban area (CPI-U). Each year the credit amount given will be adjusted to a percentage amount equal to the change in the CPI-U or up to 3.5%, whichever is less. If the CPI-U decreases, the annual capital improvement credit percentage will remain the same as the percentage for the previous year. The credited amounts will be added each year the Owner owns the property up to the total credit amount. Upon the sell of the property the Owner will receive the yearly credit amounts earned and prorated up to the date of sale, which will be included in the re-sale maximum value.

**In order to qualify as an eligible Capital Improvement, it is mandatory that each proposed expenditure be approved in advance by the Division of Housing. The process for receiving credit is listed in the “How to receive Credit” section below.**

**Eligible Capital Updates:**

1. Renovation of kitchens and bathrooms that are at least 20 years old.
2. Replacement of single pane or defective double pane windows that are at least 20 years old.
3. Replacement of a furnace that is at least 10 years old with a high efficiency furnace with an AFUE greater than or equal to 90%, plus sealed combustion. If home design precludes direct venting, an upgrade to a minimum 80% AFUE is eligible.
4. Capital Update for replacement of a hot water heater that is at least 10 years old with a high efficiency hot water heater with an energy factor of 0.62 or higher (Energy Star Listed), R-16 tank insulation; Anti-Siphon valves; and hot water pipe insulation of at least 6 feet.

Updates considered to be non-permanent are not eligible. Luxury and high-end items will only be eligible for capital update credits at the cost of standard grade items.

Beginning January 1, 2008, the maximum amount of Eligible Capital Updates included within the calculations of the re-sale price limit is \$25,000 during the period in which the Owner owns the Property. Approved Capital Update credits will be credited fully at the time of final approval.

The credit for an update will depreciate over 20 years; with 75% of the Capital Update cost depreciated in 10 equal amounts annually for the first 10 years, and the remaining 25% will be depreciated in 10 equal amounts annually for the remaining 10 years.

**In order to qualify as an eligible Capital Update, it is mandatory that each proposed expenditure be approved in advance by the Division of Housing. The process for receiving credit is listed below.**

#### **How to receive Credit for Capital Improvements and Capital Updates**

To ensure the full allowed credit for eligible Capital Improvements or Capital Updates, it is **mandatory** that each proposed expenditure be approved by the Division of Housing **prior to commencement of any work. Please note, any completed eligible Capital Improvements and/or Capital Updates that are submitted for credit with out having obtained pre-approval are allowed credit for only 50% of the pertaining eligible cost.**

The process for requesting prior approval to ensure credit is:

1. Using the Capital Improvement/Capital Update form, submit a written request for approval of the proposed Capital Improvement or Update.
2. Include detailed plans and an itemized estimate of cost. Capital improvements or updates estimated to cost more than \$5,000, whether the work is to be done by the Homeowner or a contractor, require the Homeowner to submit bids from two licensed contractors. If the work is not being done by a contractor, the Homeowner shall submit an itemized list of materials and the estimated costs. If using a contractor and or a supplier provide: name(s), address(es) and, phone number(s) on the estimate(s). (Do not send originals, only copies.).
3. After pre-approval of a capital improvement or update, if the scope of the pre-approved work changes or if there are increases in costs, to ensure credit for the additional work and/or cost the homeowner must request a modification of the pre-approval before starting the work and/or incurring the costs. The request should include the revised detailed plans and/or itemized cost estimate.

4. The Division of Housing will review the proposal and approve eligible Capital Improvements or Updates within 14 days of receipt of a complete request.
5. **Capital Improvements or Updates that have been approved must be completed within six months of approval or a new request for pre-approval will be required.**
6. After an Eligible Capital Improvement or Update has been completed, within **four weeks of completion of the work**, the Homeowner **must** submit to the City an itemized receipt or bill of sale, complete with the contractor or supplier's name, address and phone number. The Homeowner must submit a copy of the final inspection approval and building permit if one was required. (Do not send original documents, only copies.)
7. Within 14 days of receipt of the final Capital Improvement or Update request the City will notify the Homeowner in writing of the final amount of the credit.
8. All approved credits will be added to the maximum resale price immediately.

If the Homeowner, the Homeowner's spouse, domestic partner, children, parents, or a non-professional completes the improvement or update work, the Homeowner will be credited only for 100% of the amount paid for eligible materials per the provided itemized material list. Receipts documenting the materials purchased must be submitted.

If the Homeowner uses a professional contractor to complete the improvement or update, the Homeowner will be credited 80% of the total amount paid for eligible work and materials.

If a homeowner has obtained a ClimateSmart Loan to finance eligible updates or improvements and a balance remains on the loan and is selling the property, the homeowner must either pay the loan balance in full at closing to transfer ownership to a subsequent owner, or the credit given to the owner, which will be added to the maximum resale price for the updates or improvements will be reduced by the amount still owed on the loan.

**Remember that it may be necessary to obtain a permit for the work you intend to do. Please contact Planning and Development Services at 303-441-1880 or visit their website at [www.bouldercolorado.gov/buildingservices](http://www.bouldercolorado.gov/buildingservices) regarding permit information.** If you are building something new you will want to show your plans to a Project Specialist in Planning and Development Services at 1739 Broadway, 3<sup>rd</sup> floor.

The City shall have the right to inspect the Property at times that are mutually convenient to the City and the Homeowner to confirm the Eligible Capital Improvements or Updates have been completed in a workmanlike manner and the reasonable value of the improvement. If the City, in its reasonable discretion, is unsatisfied with the documentation provided by the Homeowner, it may base its determination of the value of the Improvements upon an estimation provided by an objective third party professional who is knowledgeable about local construction costs and practices. At the

conclusion of this process the Division of Housing will send a written statement of approved Capital Improvement or Update credit to the Homeowner.

### **Maintenance of your home**

Homeowners are required to maintain their homes in “good, safe and habitable condition” by the covenant they have accepted. To ensure adequate maintenance has been carried out, the following process will take place at time of resale.

Buyers will be required to have a professional inspection carried out by a Nationally Certified Inspector of their choice.

1. Buyers will be required to have a professional inspection carried out by a Nationally Certified Inspector of their choice.
2. Homeowners must rectify inspection deficiencies except those considered to be minor cosmetic items, or reduce the resale price by the cost of repair.
3. The Division of Housing will determine in the case of dispute whether deficiencies are considered minor cosmetic items.
4. If the Homeowner refuses to correct inspection deficiencies and the Division of Housing determines they are items that need to be corrected by the Homeowner, the cost of repairs will be deducted from the resale price. The Division of Housing may also apply an administration fee to ensure needed repairs are made.

### **Home Owners Association Dues**

Home Owners Association (HOA) dues are not an eligible capital improvement.

APPROVED POLICY GOVERNING THE CAPITAL IMPROVEMENT AND UPDATE CREDITS FOR HOMEOWNERS OF PERMANENTLY AFFORDABLE HOUSING UNITS.