

## ABSTRACT OF SUBLEASE FOR HOME BUYERS

All homes in University Hills are located on lots owned by The Regents and leased through the Irvine Campus Housing Authority ("ICHA") to individual homeowners. In effect, the lots are leased from The Regents to ICHA and then are subleased to you.

All subleases are long-term, commencing on the date of execution and ending on October 30, 2082. Leasehold interests in lots transfer upon sale. In the event that the remaining sublease term is less than 60 years, the new purchaser can request that The Regents replace the sublease with a new lease (one directly from The Regents to the new purchaser) with a term of up to 60 years. The Regents have agreed to consider such requests favorably if, in their judgment, the goals of UCI's housing program are then being achieved.

In exchange for the use of The Regents' land, you will be required to pay ground rent. By the terms of the Ground Sublease, you may elect one of three rent payment plans that remain in effect until you sell the home. In choosing a rent plan you make a trade off between current rent costs and future appreciation depending on your own financial needs.

Each of the three plans involves three separate elements: (i) an amount of current monthly ground rent to be paid during the first 5 years of the sublease term (with such rent, if any, based on a percentage of the fair market value of the land); (ii) an amount by which the initial ground rent will be adjusted at 5 year intervals (expressed as a percentage of the incremental increase, if any, in land value as determined by reference to the lesser of a designated form of the Consumer Price Index or cost-of-living increases in University salaries, but limited to an increase not in excess of 10% per year or 50% every 5 years); and (iii) a percentage of the appreciation, if any in the value of the improvements derived by the homeowner at the time of any resale of the house. The three available payment plans are summarized as follows:

	<u>Payment for First 5 Years</u>	<u>Adjustment Factor Every 5 Years</u>	<u>Percentage of Appreciation to ICHA at Resale</u>
<u>Plan 1</u>	4% of land value	Increase by 4% of any incremental increase in land value.	10%
<u>Plan 2</u>	2% of land value	Increase by 4% of any incremental increase in land value.	20%
<u>Plan 3</u>	None	Increase by 4% of any incremental increase in land value.	30%

In addition, you should note that the subleases for homes in University Hills impose restrictions on subsequent resales. Further, the subleases impose home maintenance obligations and regulate alterations affecting the exterior appearance or structural integrity of homes.

## **RESALE RESTRICTIONS**

Please note that there are certain requirements that will be imposed upon resale of a home in University Hills. To assure that homes in University Hills remain available to and affordable by members of UCI's academic community, each Ground Sublease will impose three separate sets of restrictions.

First, because University Hills is designed to be an academic community in residence, a home for sale in the community must be offered to the University, the faculty, and the staff when you decide to sell. If, however, you are unable to sell it to a member of the University community, you may, after a specified period of time, and, if the University does not exercise its final option, sell your home to a member of the general public (on terms materially the same as those offered faculty and staff).

Second, the resale prices of homes will be restricted. The maximum permitted resale price of a home will be the sum of the seller's initial purchase price adjusted by the increase (if any) in certain indices as described in the Ground Sublease plus the appraised value of approved capital improvements and certain fix-up expenses incurred just prior to subsequent resale of the home.

The resale price limitations have been developed in order to provide affordable housing both to the initial University-associated buyer and to subsequent University-associated buyers. The resale price limitations preclude the homes in University Hills from serving as speculative investment vehicles. For those University-associated persons whose principal objective in purchasing real estate is capital gain, it is strongly recommended that they consider acquiring a home in the unrestricted general market place rather than in University Hills.

Third, if the circumstances of your employment with the University change, you may no longer be eligible to own in University Hills. Before signing a purchase contract you will be requested to review and approve these restrictions.