



# Memorandum

To : Mr. Verne Walton

Date : January 29, 1991

From : Jim Williams

Subject: Equity Share Agreement,

In her letter of November 29, 1990 the Assistant Chief of Valuation of asked us to review an enclosed "Equity Share Agreement" as to whether or not it constitutes a change of ownership. She is of the view that there was no transfer of a present interest nor of the equivalent of the fee.

Under the agreement the "Occupant" is granted possession of a residential property in . In return he makes the existing mortgage payments and pays all other normal costs of ownership pursuant to sections 9(a) and (b). Under section 16(a) he is guaranteed that the property will not be sold within the first thirty-six months but in contrast he must pay the "Investor" an agreed upon equity plus interest within forty-eight months under section 2(a).

The "Investor" presently holds and will retain title to the property under the agreement. He is also liable for the existing mortgage. Sections 16 through 22 provide various methods for terminating the agreement but all essentially provide for recoupment of "Investor's" original equity with interest and an additional 50% share of any profit of sale to a third party.

Cutting through the verbage what we have here is a lease with an option to purchase. Within the meaning of R&T, section 60 only a leasehold interest was presently transferred and it is not substantially equivalent to the the value of the fee since it will terminate in four years. I would conclude that the test of Section 60 has not been met and agree with the county that there is no charge of ownership.

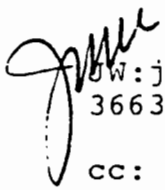
As a second question the county asks our review of the scenario in which the Owner/Investor makes the down payment, but the Owner/Occupant pays the taxes and loan payments and claims the write-off for tax purposes. I don't fully understand this question because, here Investor has made the

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down payment (prior to the agreement) and under section 9  
Occupant does pay taxes and the loan. Whether or not Occupant  
claims an income tax deduction for the real property taxes  
would have no effect on our conclusion in this case.

 JW:jd  
3663H

cc: Mr. Dick Johnson