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Residential Ground Lease Brochure

Overview

This brochure is intended to explain Stanford's residential ground lease program and highlights significant terms of the lease. To understand fully all its terms and conditions, you should read the text of the lease. If you don't already have a copy of the lease applicable to your property, a copy is available from Faculty Staff Housing. Some earlier versions of the lease may vary from what is described here.

PURPOSE AND BACKGROUND

When Leland and Jane Stanford founded the University, they specified that campus lands could never be sold. The Stanfords' intention was to ensure that the land endowment to the University would exist in perpetuity. Therefore, ownership interests in homes on the Stanford campus are transferred by residential ground lease (a "lease"), rather than by a grant deed of a "fee simple" estate.

The principal objective of campus housing is to strengthen Stanford's educational and research programs by fostering an academic community in residence. Since campus housing is a finite resource, only faculty who are current members of the Academic Council and a limited number of senior administrative and academic staff (collectively, "Eligible Persons") are eligible to hold a leasehold interest in the campus residential areas.

NOTHING IN THIS DOCUMENT SHOULD BE CONSTRUED AS AN OFFER OR COMMITMENT OF ANY KIND. PROGRAMS AND ELIGIBILITY REQUIREMENTS ARE SUBJECT TO CHANGE OR DISCONTINUATION WITHOUT NOTICE.

May 8, 2008

LEASE TERM

The maximum term of the residential ground lease for a new leaseholder is currently set by University policy at 51 years for single-family houses. New leaseholders of condominium units are currently given a maximum termination date of October 31, 2052.

LEASE EXTENSION

Under the terms of the Founding Grant, the University is prohibited from selling the campus lands and thus must continue to exercise its rights as lessor, including reserving the right to make changes in the residential leasing program from time to time.

The University's current practice regarding lease extensions is as follows: Provided that the particular leased property is in an area expected to be continued for residential purposes, the University normally will, on request, grant a lease extension to a campus residential leaseholder who is in compliance with the terms of his or her lease under the following circumstances: (i) on the sale of the leasehold interest; (ii) where an extension is required for refinancing; (iii) where the lease is approaching three years from the end of the lease term; or (iv) where, in the determination of Faculty Staff Housing, there is some other compelling need for an extension. Such lease extensions will normally be for the estimated remaining useful life of the improvements, but not to exceed 51 years (including the remaining term on the existing lease). Extensions will be memorialized in such forms of documentation as may be determined by Faculty Staff Housing, and may include a consent to assignment and restatement of lease, a new lease or other forms. For lease extensions where no sale is involved, a document fee of \$150 will be charged. Additionally, if the Lessee wishes to have the Extension recordation arranged by Faculty Staff Housing, a fee of \$50 will be collected.

ELIGIBILITY

Due to the limited availability of on-campus housing and the University's objective of maintaining a residential academic community, the University permits only an Eligible Person to hold title to the leasehold property. Spouses and "domestic partners" (as Stanford defines the term "Domestic Partner") of the Eligible Person do not hold title to the leasehold, regardless of his/her financial interest in the property.

RIGHTS OF SURVIVING SPOUSES AND DOMESTIC PARTNERS

While the lease is entered into solely by the Eligible Person, there are certain instances in which the surviving spouse or domestic partner of an Eligible Person has survivorship rights under the lease. If the Eligible Person dies while married or living with a domestic partner, then the surviving spouse or domestic partner is permitted to continue to reside on the property as an Eligible Person under the terms of the lease. If there is no surviving spouse or domestic partner, however, the estate of the Eligible Person normally lists the property with Faculty Staff Housing and in any event must actively market the leasehold to another Eligible Person within two years after the date of death. Spouses and eligible domestic partners of the Eligible Person who are concerned about their equity interest in the lease should consider entering into a written agreement with the Eligible Person that sets forth their respective interests in the equity.

LESSEE'S PRINCIPAL RESIDENCE

Additionally, the lease requires that an Eligible Person occupy the leasehold property at all times as his/her principal residence. The lease stipulates that once the lessee ceases to be an Eligible Person or if the lessee ceases to occupy the improvement as his/her principal residence, the lessee must assign his/her remaining interest in the leasehold to another Eligible Person. The transfer is required to occur within two years. This means that if the Eligible Person ceases to live on the leasehold premises — even if his/her spouse/partner, or former spouse/partner in the event of a divorce or separation, and/or children¹ continue to reside on the premises — the leasehold interest must be assigned within two years to an Eligible Person.

LIVING TRUSTS

A lessee may assign his/her leasehold interest to a living trust for estate planning purposes, subject to the University's written approval. Upon request, the University will provide the appropriate documentation. The University assumes no liability for the legal or tax implications or consequences of such assignments to trusts. A document preparation fee of \$250 will be charged. Additionally, if the Lessee wishes to have the Assignment recordation arranged by Faculty Staff Housing, a fee of \$50 will be collected.

MAINTENANCE SERVICES

The residential lands of the University are located in an unincorporated area of Santa Clara County and are not within the jurisdiction of any city. Since the County provides only a minimal level of "municipal" services to campus residences, the University provides such services. Services include maintenance of street lighting, a sanitary sewer system, a storm sewer system, common area pathways, roads, landscaped and planted areas and replacement of common area water lines and hydrants, police and fire services and water for common residential use.

RENT

All lessees pay a monthly rent. At present, a schedule for rents are set for a certain period of time, and these annual amounts are attached as an exhibit to the lease for that leasehold property.

¹ Exceptions will be made, subject to approval of the Provost, if both parents of minor children are deceased.

OBLIGATIONS OF LESSEE

The leases require that the lessee comply with certain conditions. These include but are not limited to the following: payment of all property taxes; payment of utility charges and the cost of any repair or replacement of damaged utility lines or connections on the leasehold premises; obtaining and maintaining fire, hazard and earthquake insurance at all times² and maintenance of the property, including the sidewalk around the perimeter of the leasehold property, in good condition at all times.

DUAL OWNERSHIP

An Eligible Person may own only one campus residential property. However, in order to facilitate moving from one property to another, the University permits dual ownership for a limited period of time in consideration of the lessee's signing a dual ownership agreement. This agreement stipulates that the lessee will actively market the leasehold he/she is selling, and that if such leasehold is not sold within one year from the purchase of the second leasehold interest, the University has the right, but not the obligation, to purchase the remaining term of either leasehold interest at a discount below its fair market value.

SUBLETTING

The lease specifies the terms and conditions under which a lessee may, for a limited period of time, sublet all or a portion of the leasehold property. For example, the lessee may sublet a portion of the premises to no more than two Stanford University students enrolled at Stanford. In addition a lessee may sublet the Premises in their entirety to an Eligible Person for terms not in excess of one year during the temporary absence of the lessee from Campus.

IMPROVEMENTS

All home improvement projects that involve a supplier of labor, materials and/or equipment must be reviewed by Faculty Staff Housing. County permits will not be issued without Stanford's approval.

THIS IS A SUMMARY ONLY, AND DOES NOT MODIFY IN ANY WAY THE ACTUAL TERMS OF THE LEASE

² If the leasehold is a condominium, certain insurance may be provided by the Condominium Association.