

Esplanade Condominiums
2008 Budget Ratification & Annual Meeting
Friday, February 29th, 2008 6:30 p.m.
Location: Holy Spirit Lutheran Church

AGENDA

Board Members in Attendance

Andrew Arnott	President
Jacqueline Brinker	Secretary
Ro Agarwal	Member at Large
Karen Thompson	Treasurer

Board Members Not in Attendance

Joey Earls	Vice President
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Philips Realestate Services

Kathi Scully	Community Association Manager
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Call to Order: 6:35

Seconded

Andrew Arnott
Jacqueline Brinker

Presentation by David Bach and Levin & Stein Attorneys at Law

David Bach – Construction & Consulting Management Company

- Hired by Association in June 2007 to perform reserve study and preliminary assessment of the property.
- Project future reserves to help us ensure adequate reserves funding
- Findings of reserve study were not good – Public Offering Statement (POS) were not accurate (i.e. roofing).
- Made recommendation to board about what reserve funding should be going forward. May require special assessment to make repairs and get caught up with reserves funding. Recommended that board work with Levin & Stein to recover as much money as we can from the developer.

Leonard Flanagan - Levin & Stein – Represents Clients on Construction Defect

- Warrantee rights in Washington for converted properties are not as strong as those for new build.
- However we do have substantial rights around disclosure in POS. POS was written well by developer, but reserve plan does not appear to have been made with this POS study in mind – appears to have been made before POS was completed.
- Reserve recommendation should have been recalculated based on final POS.
- Claim could also be made with regard to developer during period of time while board was made up of developers.

- Board made up of developers should have acted in our best interests.
- Declarations were drawn up such that the developer is protected.
- Makes sense to amend these sections in order to move forward with any actions against the developer.
- Do need to follow through with some additional research around responses from homeowners on the surveys (i.e. internal unit issues).
- Reports from engineers will be used to obtain general cost of all repairs, obtain new understanding of what reserves should be, and use as a claim to the converter/developer.
- Converter/developer then makes a proposal. May offer to correct these problems or may not, may involve insurance company, who typically don't want to pay unless there is a lawsuit in action.
- Unit sales during this process are low, but not as low as they have been in the past. Levin & Stein try to help unit owners by trying to let buyers know about the issues.
- Try to phase repairs (roofs) so that investigation and figures determined by such are not skewed.
- Association contracts with attorney to avoid financial hardship.

Homeowner Questions/Concerns

Homeowner indicates that POS was not provided to her until day of sale.

Homeowner questions special assessment – are we going to be paying this?
Decision by HOA Board based on findings.

Homeowner questions requirement for adequate reserves – is there a state requirement?
No. The legal standard is whether or not the developer was telling the truth.

Homeowner question about what claim might include and how it is distributed among homeowners. Idea to do make a claim for the entire association, not just individual HOs.

Homeowner questions repairs to roofs. Being funded out of current reserves funds.
Proactive - Priority schedule of roofs/property is being kept and a balance is being maintained between repairs made and to maintain reserves.

Homeowner questions how experts are being paid. Paid on contingency. Prevailing party is awarded settlement and judge makes an award to attorneys. If we don't win the attorney gets nothing.

Homeowner questions amendments to declarations: Protection to board members – no downside to this. Voting rights – no downside to this.

Homeowner question about access to reserves study. HOs can contact Phillips to obtain a copy of the preliminary study. Study isn't complete yet – not specific to buildings and units. This is the next step in the investigation.

Homeowners are encouraged to complete survey to identify all issues so that investigation can continue in most effective manner.

Homeowner requests estimation of costs for a case of this size. Investigation costs around 50K which the firm fronts for the association, so it does not impact operating budget or reserves. This amount will likely increase if we go to trial. \$ are paid back when settlement is made.

Homeowner asks are we exposed to prevailing party expenses if we were to lose the lawsuit? Never seen a case where this has happened, but it could. Changes to declaration - are these an unusual step. No - Leonard has done this many times.

Homeowner questions length of process:

- Investigation is about a week long, perhaps a bit longer. May also include a second deeper instigation a month or two later.
- Settlement tends to happen about a year after the case is filed
- Trial track is about 18 months
- Arbitration about 2 years

Homeowner requests documents sent from attorneys can be read by lay people.

Homeowner asks about statute of limitations - 4 years from date of the sale of first unit. Misrepresentation is 3 years from discovery.

Homeowner asks about significant additional risks for repair - none have been identified.

Homeowner comments that special assessment is inevitable - David Bach disagrees with this statement.

Homeowner indicates a problem with mold around window - this has been identified as an issue around the property. Industrial hygienist required to identify and recommend remedy.

Homeowner asks about investigation and how this is done. Engineer looks at surveys, walks property, comes up with proposal based on representative sample - will not require access to each individual unit.

David Bach - Reserve contributions - two comparisons were made - one based on 'do nothing' and one based on 'minimal repairs'. Has not changed much from last year - just slightly higher than last year. Rough estimated based on preliminary assessment the roofing and repair work needed for property over next couple years 3.2 million (not including mold, etc.)

Minutes of Annual Meeting 2007

Motion to approve - homeowner motions

Officers Reports:

President's Report

- New landscapers – overall pleased with, cheaper and better
- Restriping of parking lot makes 4 new parking spaces
- Allocating new spaces to come
- Verizon FiOs proposal – installations completely at their cost
- Utility billing has been a nightmare for all of us – new system has been adopted – billing each month (rather than every other); even amount will be assessed monthly for entire year based on average and % of ownership.
- Board relying on expert advice from David Bach and Levin & Stein for budget.

Treasurer's report

- Summary of financials – operating accounts, all funds, total equity at end of Jan
- Last year – over budget. Largest contributor was repairs and maintenance.
- Utility income from previous year gave us positive adjustment.
- At a deficit for reserve contributions, and working with David Bach and attorneys to improve this.
- Financial statements available at request of Phillips. Not maintained online for security purposes.

Budget Discussion and Q&A

- Start at financial deficit, so Phillips contacted regular vendors to find out what increase would be and actual from last year were also used.
- Large deficit from water intrusion issues. Homeowners were charged, however insurance companies have refused to pay, indicating that homeowner is not liable. Association holds HOs responsible for charges, not liable for damages.
 - Association has born this cost and has not been reimbursed by more than one HO.
 - This will not happen this year – HOs have taken advantage of water heater replacement by Fast.
 - Homeowners are thus informed about the issue and are encouraged to replace their water heaters. HOs may now be held liable with this notification and meeting notes.
 - Phillips is working on a proposal with xxx to recommend how to move forward with HOs who have not reimbursed the association.
- Other issues – water leaks, cracked drains, washer valves, plumbing etc. which also contributed to some of the deficit.
 - Homeowner requests notice as these issues occur for visibility and awareness to HOs. Issues are brought up at board meetings and recorded in minutes which are maintained on website and available to HOs. This information is available to HOs.
 - Homeowner asks about number of water heater issues – probably about 15-20.
 - Homeowner comments that having water heater checked is an advantage.

- Homeowner asks about responsibility with regard to bathtub overflow. Units are responsible for all leaks, burst pipes, etc which are designated for that unit. Phillips suggests moisture check to assist with this.
- Homeowner comments that electrical outlets are about 20 years old and likely need to be replaced.
- Not many overages except for repair and maintenance
 - New spa heater, pool heater, sand filter
- Obtaining bids to replace fence in Phase III
- Pressure washing walkway – stairwells cannot be pressure washed due to lack of drainage at bottom unit. **Phillips will research and obtain bids.**
- Please send email to board or Phillips with any property issues, requests, concerns. Light bulb requests can be made directly to property maintenance man, Luke, if you see him on property.
- Phillips to do walkthrough with landscaper soon.
 - Cedar trees near buildings will be identified for removal.
- Janitorial cost included in budget is for future use of club house.
- Specific budget questions?

Budget Ratification

Budget Adopted by Board

If more than 50% of units reject this budget then board will re-address.

Andrew asks for show of hands – none are dissatisfied.

Andrew offers to answer any questions/concerns

Budget is ratified.

Board Nominations/Elections

Two vacancies on the Board

- New officers are elected for a term of 3 years.
- Officer elections will be held at next board meeting – at this time elections are held only for membership.
- Board meets twice a month at this time, but this flexible.
- Time commitment was large last year due to new HOA; may be about 10 hours per month. Intent is to have one monthly meeting at some time going forward.

Board Nominations:

Jim Murray

Siggi Bjorneson

Ro Agarwal is nominated as the incumbent.

Establish Quorum

25% in person or by proxy required (42 units)

Established

Board Elections

Homeowners complete ballots

Ballots collected

Election results – new board members are:

Ro Agarwal

Jim Murray

Ballot Discussion and Voting: not a binding vote – poll of ‘interest’

Rental Cap:

Current renter/owner ratio – rental cap can and should be implemented; current rented units are grandfathered until the unit is sold.

Higher the rental ratio is the harder it is to sell units because funding may be harder for buyers to get.

Current industry average rental cap is 20%

Establishing a cap requires guidelines to be set around renting

Esplanade is currently around 13ish rental units

Club House:

What are the options and costs? Unknown at this time – to be discussed following poll.

Visitor Parking:

Are people still violating and are violators being fined? Yes to both.

Have all reserved spots been sold? Yes.

Homeowner suggests putting time limit signs on visitor parking to help enforce.

Ballots Completed and Returned to board for count.

Adjournment: 8:31

Seconded

Andrew Arnott

Jacqueline Brinker