

The Wharf Homeowners Association (WHOA) Special Membership Meeting

Minutes for November 11, 2017

The 2017 Special Membership Meeting of The Wharf Homeowners Association was held on November 11, 2017 at 10:00 a.m. in the Amphitheater Room which is within the Convention Center adjacent to South Shore Harbour Hotel (2500 South Shore Boulevard, League City, Texas, 77573).

Board Members Present

Robert Gray Glynn Finley
Mike Buehrer Mark Russell
Kent Brownhill Vivian Cardoso

Also In Attendance

Chris Hullman, Property Manager,
TerraQuest Communities, Inc., Managing Agent
The Wharf at Clear Lake Maintenance Association, Inc.

108 Homeowners (in person or by proxy)

I. Call to Order and Quorum Verification:

- A The meeting was called to order by Robert Gray at 10:16 AM;
- B The quorum verification (60 minimum required) was provided by Robert Gray.

II. Report to the Membership by Robert Gray (President):

- A Since November 11 is Veterans Day, Robert Gray first welcomed and acknowledged all veterans. Mr. Gray then essentially informed the Membership that with all the various communications, meetings, and mailings during 2017, as well as the most recent Siding and Painting Project (and related Recommended Assessments) two (2) page FACTS INSERT that was mailed on October 17, 2017 to all Members as a part of the Special Membership Meeting Notice mailing (please see EXHIBIT "A" for a copy of this Special Membership Meeting Notice and the attached two (2) page FACTS INSERT), and additionally the recent eight (8) page ADDITIONAL INFORMATION NOTICE mailed to all Members on November 6, 2017 (please see attached EXHIBIT "B"), that the Membership now has all of the data and information related to the Siding and Painting Project that is available to the Board of Directors and upon which today's Recommended Assessments are based upon.
- B Mr. Gray then provided his Summary of events, information, and comments to the Membership (please see attached EXHIBIT "C" for Mr. Gray's Summary) and indicated that it is in the Membership's control to determine the future direction of The Wharf townhome community. Mr. Gray then invited any other Board Members to speak who wished to provide information or comments. Mr. Kent Brownhill (Director and Secretary) provided his Assessments and Maintenance Comments (please see EXHIBIT "D" for Mr Brownhill's Comments). Mr. Mark Russell (Director) additionally provided his townhome Ownership



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Experience and Comments to the Membership (please see EXHIBIT "E" for Mr Russell's Experience).

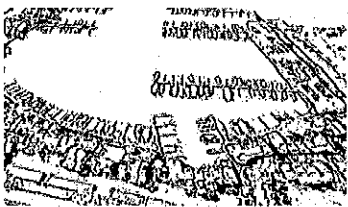
- C Mr. Gray then indicated (after all of the Director comments were made) that the Membership can now cast their Voting Ballots (at any time during this meeting) for the Annual Assessment Increase of \$47 and the One-time Special Assessment of \$6,000. Mr. Gray indicated that properly marked and signed Voting Ballots should be deposited in the Ballot Box in the front of the room which was next to the Association's attorney and her Legal Assistant (Ms. Trisha Taylor Farine and Ms. Debra Burt, respectively).

III. Homeowner Comments:

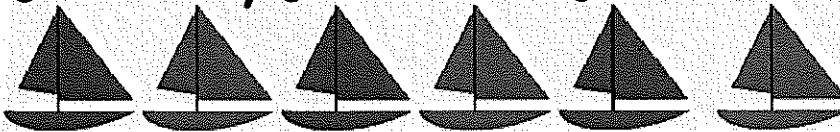
- A Robert Gray then advised the Membership that any townhome owners that desired to make comments should come to the front of the room and form a line behind the microphone. Additionally, Mr. Gray advised that each speaker would be allowed 3 minutes to speak and an audible timer would sound at the end of the allotted time. Mr. Gray respectfully requested that all comments be confined to the Recommended Assessments, as that was the business purpose of this Special Membership Meeting;
- B Approximately twelve (12) townhome owners made comments. Comments related to the justification of the Recommended Assessments and also to the process and administration of this Special Membership Meeting (and the related voting procedure). Some townhome owners did not want either of the Recommended Assessments approved at this meeting and for the Board of Directors to have further discussions on options for the Siding and Painting Project, or to just extend the timeline for its completion. Some other townhome owners wanted both Recommended Assessments approved at this meeting to maintain the consistency and integrity of The Wharf townhome community and so necessary maintenance and repairs can be timely accomplished. The Association attorney advised the Membership that the Board of Directors did follow the correct procedures for this Special Membership Meeting and properly complied with Texas Law for Property Owner Associations as well as the The Wharf's Governing Documents.

IV. Voting for an Increase to the Annual Assessment and/or a One-time Special Assessment:

- A Official printed Voting Ballots were provided to each Member or Proxy when they signed in to register as a Member or Proxy. Fully executed Proxy Cards were stapled to each individual Voting Ballot, and one Voting Ballot was used for each property's street address. The Voting Ballot provided for separate voting on each Recommended Assessment (i.e. each Member or Proxy could vote YES or NO separately for each Recommended Assessment). The Recommended Assessments were a **\$47 per month Annual Assessment Increase** and/or a **one-time \$6,000 Special Assessment**.
- B After the Voting Ballots were deposited in the Ballot Box in the front of the room (which was next to the Association's attorney), The Association Attorney and her Legal Assistant (Ms. Trisha Taylor Farine and Ms. Debra Burt, respectively) began the Voting Ballot and Proxy Card verification and voting tabulations. The attorney's verification process and voting tabulations were monitored (from an acceptable distance) by several townhome owners. Ms. Farine and Ms. Burt reviewed each Voting Ballot and Proxy Card in order to verify they



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were properly filled out and signed by a Member or Proxy. They separated the "Class A" votes from the "Class B" votes, and also checked to ensure that there was only one (1) vote cast for each property's street address. After all the Voting Ballots and Proxy Cards had been reviewed, verified, tabulated, and tallied, Ms. Farine advised the Membership that one (1) Voting Ballot was discarded because it was a duplicate and three (3) Voting Ballots were discarded because they had no Member or Proxy signature.

- C The Association's attorney then certified the voting results and advised the Membership that both Recommended Assessments failed to achieve the necessary Member votes, and the results of the voting was as follows:

Total Class A Votes voting: 91 (2/3 is 61)

Total Class B Votes voting: 11.4 (2/3 is 8)

\$47 Monthly Assessment Increase Vote:

Class A: 58 Votes in Favor (needed 61); 33 Votes Against

Class B: All 11.4 Votes in Favor

\$6,000 Special Assessment Vote:

Class A: 38 Votes in Favor (needed 61); 53 Votes Against

Class B: 7.4 Votes in Favor (needed 7.6 or 8); 4.0 Votes Against

V. Adjournment:

- 1) Robert Gray made a motion to adjourn at 12:40 PM;
- 2) The motion was seconded by Glynn Finley;
- 3) The motion was approved by all present.

Minutes submitted by:

Management Company

Minutes approved by:

Board of Directors

ATTESTED:

Secretary, Kent Brownhill

EXHIBIT "A-1"

The Wharf at Clear Lake Maintenance Association, Inc.

P. O. Box 2025

League City, TX 77574

Phone: 281.316.1021

Fax: 281.334.2466

Email: davis69712@hotmail.com Website: www.wharfliving.net

IMPORTANT NOTICE

DATE: October 17, 2017

TO: All Owners of Record of a townhome or lot in
The Wharf at Clear Lake Maintenance Association, Inc.

RE: **SPECIAL MEETING OF OWNERS/MEMBERS ON SATURDAY, NOVEMBER 11, 2017 AT 10:00 A.M. AT THE SOUTH SHORE HARBOUR AMPHITHEATER** (2500 South Shore Boulevard, League City, Texas, 77573 - the Amphitheater is located within the Convention Center adjacent to South Shore Harbour Hotel)

AUTHORITY: In accordance with Article V of the By-Laws and Article IV of the Declaration of Covenants, Conditions and Restrictions of The Wharf at Clear Lake Maintenance Association, Inc. (Association), the Board of Directors is hereby providing written notice of the above referenced SPECIAL MEETING.

PURPOSE: Although an agenda will be presented at the subject meeting, the main purpose of this Special Meeting of Members is to request the Members to approve a \$47 per month Annual Assessment increase for maintenance and operations, and to also approve a one-time \$6,000 Special Assessment for major community improvements.

QUESTIONS: If any Member has questions or comments that they would like addressed prior to the aforementioned Saturday, November 11, 2017 Special Meeting of Members, please contact any Board Director and/or the Management Company.

QUORUM: Please return the enclosed DIRECTED PROXY today. If you attend the meeting, your DIRECTED PROXY will be returned to you.

You may assign your proxy authority to anyone attending the meeting on your behalf. The Association needs a majority of total votes, either in person or by proxy, to establish a quorum and transact business.

PROXY: PLEASE MAIL YOUR DIRECTED PROXY CARD TODAY. IT ALREADY HAS POSTAGE APPLIED (IT WILL BE RETURNED TO YOU IF YOU ATTEND THE MEETING).

THANK YOU IN ADVANCE FOR YOUR PARTICIPATION IN THE MEMBERS' DECISIONS THAT WILL AFFECT THE STEWARDSHIP OF YOUR HOME, YOUR COMMUNITY, AND YOUR INVESTMENT.

EXHIBIT "A-2"

THE WHARF AT CLEAR LAKE

The WHOA Board of Directors would ask that you please read and consider the following facts before casting your ballot. The board used the information and data listed below to formulate its recommendations to the Wharf home owners. The board strongly recommends that you support and vote **for** the proposed assessments (1) to increase Monthly HOA Fee (Annual Assessment) and (2) the Special Assessment for Siding and Painting, Doing so would allow this community to move forward in a predictable, cost effective, and timely manner. The WHOA Board has spent many hours in discussion and deliberation to try and find a feasible solution that would work best to shorten the timeline on our infrastructure projects. When trying to find this solution, we tried to use the latest and best data available in our deliberations. In addition, we wanted to treat each and every homeowner with empathy, fairness, and respect, while being flexible and compassionate.

Facts About the Special Assessment

- The proposed Special Assessment for Siding/Painting is being recommended for approval by the board so that the timeline for completion of the project is greatly reduced. The siding/painting project would take at least 10 or more years using the level of funding and revenues currently available from the HOA budget. This proposed assessment should reduce that timeline by half or hopefully, by even less.
- As required by the Governing Documents of the HOA, this project will continue even if the proposed assessment is not passed by the homeowners. However, as stated above, the timeline for completion will stretch far into the future and will likely be much more costly than is currently estimated because the cost of building materials is constantly escalating along with the further deterioration of the siding currently in place.
- The siding and painting forecast that was made at the Annual Meeting in February of 2016 was based on the historical data that was available at that time. It was during 2016 when the siding and painting project really started moving, that the board discovered the project would likely cost much more than the projected amount forecasted earlier.
- By the annual meeting in February of this year, and at the subsequent home owner workshop in March, the projected amount for completion of the project was \$750,000.00. At the March workshop a tentative assessment of just over \$6000.00 per townhouse was suggested in order to complete the project in 5 or less years. When the March workshop occurred, we still did not have estimates on all the buildings to be renovated.
- We now have estimates on all those buildings (including needed work on Bldg. #1), and the total amount is **\$922,651.00**. This estimate was provided by a D&C Construction, Inc. (our current contractor) using a professional siding/painting estimator. When we add in a contingency fund of 20% and pay off the Line of Credit used to pay for building #4, the total amount is just under **\$1.2 million dollars**.
- The board has suggested two methods to pay for the \$6000.00 assessment. One is to pay one lump sum and the other is to pay \$3000.00 immediately and then add the remainder to your Monthly HOA Fee in \$50.00 increments until the balance is paid off in 60 months. Other payment arrangements may be considered for individual home owners upon application and approval by the board of directors.
- If this proposed assessment is approved all townhouses will be assessed \$6000.00. If more than one townhouse is owned by an individual then each townhouse owned will be assessed \$6000.00.

(over)

EXHIBIT "A-3"

- The current Governing Documents of the HOA states that when an assessment is approved all townhouse owners will share the assessment in equal amounts. The Governing Documents also states that if the townhouse is sold before all the assessment is fully paid it is still the responsibility of the seller to insure the balance of the assessment is paid in full.

Facts About the Timeline and Plan

- The siding and painting plan timeline is controlled by two primary factors. One is cash flow and the other is contractor availability after a sustainable cash flow has been established. We cannot establish a contract with a contractor until we have sufficient funds to pay for the work.
- The contracts for the renovation work are done on a building to building basis, again controlled by the flow of cash.
- If all 119 town homes paid the requested lump sum \$3000.00 we would start with a cash flow of \$357,000 which would allow us to schedule buildings 6-12 upon contractor availability.
- In subsequent years we could schedule work in amounts equal to \$174,216.00 which is the amount allowed by anticipated revenues.
- This yearly amount could be increased if loans were made with lenders who would use the home owners approval of the Special Assessment as collateral for the loan.
- The board would prefer to move as quickly as possible to hopefully realize savings by avoiding probable increases in the cost of siding and paint and avoiding further deterioration in the siding caused by delay.

Fact About the Financial Status of the HOA

- The HOA is solvent. All bills are paid on time and the financial records are checked annually by a Certified Public Accounting agency and a report is issued. Both this agency and the bank we use to fund our unsecured Line of Credit have approved and accepted our financial records.

Other Items to Consider

- The average selling price for a town home at the Wharf during the previous 18 months has averaged just under \$160,000.00. The board is proposing that you invest approximately 3.7% (\$6000.00) of the probable value of your home to enhance, maintain, and protect the value of your property and the entire community. The added equity this investment will add to the value of your home should be realized when and if you ever sell your home.
- The current Monthly HOA Fee (Annual Assessment) required at the Wharf is far below the fee assessed at other townhouse communities in the area where the outside maintenance of the home is paid by the association. The board is recommending a \$47.00 per month increase to the Monthly HOA Fee (Annual Assessment) so that the Monthly HOA Fee is comparable to other similar townhouse communities in the area.
- The Board of Directors urges all home owners to carefully read this document and other informational documents posted on the web site at "wharfliving.net". We want all home owners to be as informed as possible before voting on the two proposed assessments.

(over)

EXHIBIT "B-1"

The Wharf at Clear Lake Maintenance Association, Inc.

P. O. Box 2025

League City, TX 77574

Phone: 281.316.1021

Fax: 281.334.2466

Email: davis69712@hotmail.com Website: www.wharfiving.net

IMPORTANT NOTICE

DATE: November 6, 2017

TO: All Owners of Record of a Townhome or Lot in
The Wharf at Clear Lake Maintenance Association, Inc.

FROM: Board of Directors

RE: ADDITIONAL INFORMATION CONCERNING SPECIAL MEETING OF
OWNERS/MEMBERS ON SATURDAY, NOVEMBER 11, 2017 AT 10:00 A.M. AT
THE SOUTH SHORE HARBOUR AMPHITHEATER

The following Additional Information is provided by the Board of Directors solely as general information to respond to various questions and concerns that have surfaced. None of this Additional Information supplants or modifies any existing state laws and/or The Wharf Homeowner Association (HOA) governing documents.

1. Annual Assessment Increase -

Purpose: The recommendation to increase the Annual Assessment, resulting in the monthly fee being \$47.00 over the current fee, is to allow more money to address other budget categories in our annual budget that have been over-shadowed in recent years due to the Board emphasis on Siding/Painting. With approximately 55 cents out of every budget dollar being spent on mandatory operational expenses, the remaining 45 cents is just not enough to properly fund the other 10 budget categories of repair and maintenance not directly related to Siding/Painting. This is especially true when Siding/Painting consumes approximately 50% of the Property and Building Maintenance areas of the budget. In the past few years we have managed to address and maintain the repair and maintenance issues, but not really enhance or improve items such as the landscaping or pools. Aging plants and trees need to be replaced and the pools and surrounding supporting decks and walls need to be repaired before they collapse, or other issues force the health department to close the pools down. Additionally, we need to be able to address much needed concrete repairs (especially the north parking lot), and any bulkhead and boardwalk issues that may arise. Having revenues to fund a Reserve Account for emergencies could also be funded, and then the Line of Credit Account could be used strictly for cash flow needs as originally intended.

2. Special Assessment Funding -

ALL funds collected from the recommended Special Assessment will be deposited into a separate account named Special Projects Account (Siding and Painting Project). Budgeted funds (allotted at \$102,816) from the HOA Maintenance and Operations Account will also be deposited annually into the HOA Special Projects Account for up to five (5) years. Payment of all Siding and Painting Project invoices shall be made solely from the Special Projects Account. Checks will be signed by the President and Treasurer of the Board of Directors ("Board"). Reporting of all revenues/disbursements and Special Projects Account Record Status will be available to all homeowners upon approval of the Board on a monthly basis. The projected time for completing the Siding and Painting Project is a maximum of five (5) years but is

EXHIBIT "B-2"

dependent upon the availability of contractor and funds (i.e. Board Approved HOA Membership Payment Options).

3. Special Assessment Choices of Payment –

Payment Options: \$6,000 can be paid in January 2018 **OR** one-half (1/2) of that amount (\$3,000) can be paid in January 2018, and the additional one-half (1/2) of that amount (\$3,000) can be paid at \$50 per month for 60 consecutive months (January 2018 through December 2022). Other payment arrangements may be considered for individual homeowners upon application and approval by the Board.

**4. Consumer Price Index (CPI) Summary and HOA Monthly Fee -
SEE EXHIBIT "A"**

5. History of Siding and Painting Contracting –

Prior to 2005 there was very little done to the siding other than painting. The first cycle of siding and painting renewal began in 2005 with successful proposals from Jimco Construction Company, Inc. for the siding and Southern Painting for the painting. The siding proposal was for time and materials. The painting was initially quoted at \$2,300 per townhome and increased to \$2,350 and eventually \$2,400 by 2015. This first cycle was completed in 2012 at an approximate total cost of \$532,000 (siding \$252,000, painting \$280,000).

During 2013 and 2014 the work effort and budget was directed towards the siding and painting of the garages which were completed in 2014. While work progressed on the garages, the Board considered the second cycle of townhome siding repairs. Based on costs experienced during the first cycle of siding repairs and painting, the Board anticipated costs would be approximately \$500,000.

In 2015 the Board decided to take a fresh look at siding repairs, and to reevaluate the siding requirements before beginning the next cycle of refurbishment. This reevaluation included discussions with the following professionals regarding their recommended approach:

<u>Name</u>	<u>Profession</u>	<u>Company</u>
Tim Broadhead	AIA Architect	Previously consulted concerning theme tower and cupola sizing.
Mike Scanlon, PE	Engineer	Previously consulted concerning structural design and windstorm certification.
Jim Austin, PE	Engineer	Recommended by Architect, consulted concerning windstorm certification.
Wesley Buchhorn, PE	Engineer	Previously consulted concerning structural design and windstorm certification.

Subsequently, the Board requested siding repair proposals from the following seven (7) companies (listed from lowest to highest cost bid):

<u>Company Name</u>	<u>Bid Position</u>	<u>Result</u>
Jimco Construction Company, Inc.	Lowest cost	Company went out of business before project started.
Burns Exterior Renovation	Next lowest cost	Burns hired to do building #1 as a test. Results were unsatisfactory.
Gemstar Construction Company	Next lowest, but twice the cost	Cost not acceptable.
Prouty Construction Company	Highest cost	Cost not acceptable.

EXHIBIT "B-3"

DATE:

November 6, 2017

RE:

ADDITIONAL INFORMATION for THE WHARF HOA SPECIAL MEETING ON NOVEMBER 11, 2017

Page 3

M&M Roofing Siding and Windows	Declined to bid	Cited conflict of interest with Burns (they used same subcontractors).
Allied Siding & Windows	Incomplete	Only installs Hardie Board.
Sunlite Exteriors	Incomplete	Only installs Hardie Board.

The loss of Jimco, and the unsatisfactory performance of Burns, caused the Board to search for additional lower cost bidders and D&C Contracting, Inc. ("D&C") was identified as a potential contractor. D&C provided a proposal that included painting and was the best price of the remaining bidders.

D&C was hired to renovate building #2, and because of their performance was awarded the work on buildings #3, #4 and #5. During the work on buildings #2 through #5 more rotten wood was found than expected which resulted in higher than expected costs. D&C agreed to absorb \$9,385 of these cost overruns on building #2 on a one-time basis as long as future contracts are based on actual materials and labor required. The accumulation of these learnings caused the Board to revise their assessment of the cost, time period, and funding of the Siding and Painting Project.

It was now obvious that more extensive and costly siding renovations would be required. Additionally, it became clear that delaying the work would result in greater siding damage and increased costs. The Board decided to present these learnings to the owners and recommend an accelerated timeline for siding repairs along with alternative methods for financing, including loans and special assessments. The February 11, 2017 Board meeting presentation by Cormac O'Reilly shared this information. That presentation did not anticipate reworking building #1 and reworking buildings #20-#26 which had the siding repaired and painted within the last few years. Following that meeting, additional discussions concerning alternatives occurred during 2017 at a Workshop in March, and also at Open Forums at the 2017 March, June and September Board meetings.

During this period D&C was asked to undertake a professional assessment and estimate the work to be performed on the remaining buildings needing renovations. They were also asked to estimate the cost to bring building #1 and buildings #20-#26 up to the new, higher standards. D&C had a professional estimator do a non-destructive assessment of building #1 and buildings #6-#26 and provide an estimated cost for siding repairs and painting for each building. These repairs would be done to the new standards adopted in 2016/2017 for buildings #2-#5 that included replacement of fascia, replacement of wood behind electrical boxes without disrupting electrical service, and other improvements designed to protect and improve the townhomes. The resulting estimate was for \$922,651 which included additional work on building #1 and buildings #20-#26. The Board added a 20% contingency amount to this estimate and presented the results at the September 2017 Board meeting, along with a recommendation for a special assessment and an increase in the monthly fee.

The contingency amount is needed to help avoid future surprises. Until work begins, and trim boards are removed, the true amount of work can only be estimated. If owners decide not to approve the additional assessments, incremental water intrusion will likely occur over time and increase these estimated costs as well as potentially create additional undesirable consequences.

6. **Special Assessment Estimated Expenditures and Funding Requirements -**
SEE EXHIBITS "B-1" AND "B-2"
7. **Scope of Work for Siding and Painting (Related to Building #1 and Hardie Plank Buildings) --**
The Siding and Painting Project and the related special assessment funding will include:
 - A. All remaining buildings other than buildings #2, #3, #4 and #5.
 - B. Building #1 is included in the bid/estimate and will be completed to the same higher standards as all other buildings (including siding, fascia, and wood behind electrical boxes).

- C. All townhomes originally built utilizing Hardie Plank Siding will be treated the same as all other townhomes. This includes replacement of all needed trim, fascia, window boxes, chimney boards, etc. that were originally built utilizing non-Hardie Plank materials (cedar/pine) as well as caulking and sealing (prior to painting) for the prevention of water intrusion.

8. Special Considerations Concerning Siding and Painting Project's Estimated Expenditures and Funding -

The project estimates are flexible and can be impacted by many variables. The sooner the work is started, the closer actual costs will likely be to the estimates. Delays may result in higher costs due to increasing demand for labor and materials, especially with strong Gross Domestic Product (GDP) growth. The recent hurricanes in Texas and Florida have put more demand on contracting labor and materials which is increasing prices. As the buildings weather and boards deteriorate, costs will increase.

The expense Contingency Factor of 20% is hoped to mitigate and offset these uncontrollable variables and others that may impact the project. The Board is hoping to avoid a request for more funds if the project is delayed.

Currently, \$72 of your monthly HOA fees are earmarked for the Siding and Painting Project. This amounts to \$102,816 per year. This amount will continue to be used to fund this project.

What happens to funds collected if the project costs less than anticipated? If the project does cost less than projected, the Board will use the money to start and accelerate the roofing project. We anticipate that to be about a \$500,000 project.

9. Notice Required for Special Meeting -

The State of Texas (Property Owner Association Law Section 209.0056) has modified the minimum number of days for the written notification requirement. The HOA provided its members written notification more than twice the minimum number of days required.

10. Directed Proxy, Ballots, Vote Counting -

- A. Purpose: The Directed Proxy is to insure that the specific owner's intention is voted at a meeting.
- B. Ballots: Ballots will be distributed at the Special Meeting.
- C. Vote Counting: The Association's Attorney and her appointed staff will be inspecting and verifying the Directed Proxies, Ballots, Classes, Vote Counting, and certifying the final results.

11. Quorum, Class "A" Members, Class "B" Members, Voting Rights, Voting Requirements to Pass Assessment(s) -

- A. Quorum to Hold Meeting and Transact Business: Those persons or entities holding a majority of total votes, either in person or by proxy, shall constitute a quorum for all purposes at any meeting of the members.
- B. Class "A" Members: Anyone that owns one (1) townhome only.
- C. Class "B" Members: Anyone that owns more than one (1) townhome and/or more than one (1) unimproved lot.
- D. Voting Rights:
1. Class "A" Members: one (1) vote per townhome.
 2. Class "B" Members: one (1) vote per townhome and one-tenth (1/10) vote per unimproved lot.
- E. Voting Requirement to Pass Assessment(s): Provided there is a quorum and the HOA can transact business, then the affirmative vote of two-thirds (2/3) of each class of members present, in person or by proxy, is required for an assessment to pass.

**Summary of CPI and HOA Fees
HOA Fees with CPI Adjustments**

EXHIBIT A

EXHIBIT "B-5"

<u>CPI % Change</u>	<u>HOA Year</u>	<u>HOA Fee @ CPI</u>	<u>Actual HOA</u>	<u>Difference</u>	<u>Additional Money</u>
	2007	\$232.29	\$232.29	\$0.00	\$0.00
2.4%	2008	\$237.87	\$237.87	\$0.00	\$0.00
5.6%	2009	\$250.95	\$250.95	\$0.00	\$0.00
-2.1%	2010	\$245.69	\$250.95	-\$5.26	-\$7,515.32
1.2%	2011	\$248.72	\$250.95	-\$2.23	-\$3,181.75
3.6%	2012	\$257.75	\$250.95	\$6.80	\$9,706.54
1.4%	2013	\$261.38	\$250.95	\$10.43	\$14,890.52
2.0%	2014	\$266.50	\$250.95	\$15.55	\$22,208.71
2.0%	2015	\$271.81	\$250.95	\$20.86	\$29,790.82
0.2%	2016	\$272.27	\$250.95	\$21.32	\$30,449.00
0.8%	2017	\$274.55	\$253.00	\$21.55	\$30,768.52
					\$127,117.06
1.7%	2018	\$279.21	\$257.30	\$21.91	\$31,291.46
					\$158,408.52

Comments

People have asked what the HOA fees would have been if we had increased them each year based on the CPI. We have relooked at that and found it would have been more than we previously thought. If we had adjusted the HOA fees up and down based on the CPI changes, the fees in 2017 would have been \$274.55 per month and the cumulative increase since the last increase in 2009 would have been \$127,117.

Source of Date - Bureau of Labor Statistics using July data
<http://www.usinflationcalculator.com/inflation/consumer-price-index-and-annual-percent-changes-from-1913-to-2008/>

Siding and Painting Proposal
Funding

EX-017-0-9

Painting and Siding Proposal - Funding		Monthly	Annual	Total Annually
Income Sources:				
	Presently Earmarked HOA Dues	\$72.00	\$864.00	\$102,816
	Proposed Assessment (Part A \$3,000 @ \$50/mo.)	\$50.00	\$600.00	\$71,400
	Proposed Assessment (Part B - 1 time \$3,000)	\$3,000.00	\$3,000.00	\$357,000
=====				
	Year 1 (2018)	Annually		
	Presently Earmarked HOA Dues	\$102,816		
	Proposed Assessment (Part A)	\$71,400		
	Proposed Assessment (Part B - 1 time)	\$357,000		
	TOTAL (2018) ==>	\$531,216		\$531,216
	Year 2 (2019) (Budgeted \$102,816 + Part A)	\$174,216		\$174,216
	Year 3 (2020) (Budgeted \$102,816 + Part A)	\$174,216		\$174,216
	Year 4 (2021) (Budgeted \$102,816 + Part A)	\$174,216		\$174,216
	Year 5 (2022) (Budgeted \$102,816 + Part A)	\$174,216		\$174,216
			<<TOTALS>>	\$1,228,080

Estimated Expenses:

The preceding page labeled **Estimated Expenses** shows the estimated costs to repair and paint the siding. This is shown by building (with the related addresses) and with the 20% contingency. It also shows the cost per townhome unit. The bottom of the page adds in the cost of paying off our working capital loan to arrive at a total estimate of the funds that will be required to complete the proposed work, \$1,181,325.

Funding:

- The above page titled **Funding** shows the proposed sources of the funds for the project.
- The first source, Presently Earmarked HOA dues, is \$102,816 annually. This is the portion of the current HOA fees that has been earmarked by the Board for the Siding and Painting Project.
 - The second source, Proposed Assessment (Part A), is the \$3,000 per townhome proposed assessment that can be paid at \$50 per month over 60 months. If everyone chooses to pay this monthly it will provide \$71,400 annually towards the siding and painting project.
 - The total of these two parts will provide \$174,216 annually toward funding the project.
 - The last source, Proposed Assessment (Part B - 1 time) is the \$3,000 lump sum annual assessment that would be due in 2018 for each townhome. This will provide an additional \$357,000 in year one and bring the total funds available in year one to \$531,216 (\$102,816, \$71,400, \$357,000).
 - The funds in years one through five equals total funding of \$1,228,080 which exceeds the cost of \$1,181,325.

EXHIBIT "C"

SUMMARY COMMENTS

When combined with the previous letters that you received in the mail, and the information given out at various meetings throughout 2017, you as home owners, now have basically all the information on the siding and painting project that is available to the board of directors. The two recommendations you will vote on today represent the board's plan as how we can move our infrastructure issues forward as quickly as the revenues are available.

The siding and painting process began in 2005 with a project forecasted to last 5 years. It actually took close to 10 years to renovate all the homes and garages the first time. In 2005 this project was competing with the deck rebuild project for funds with the decks getting priority as most were considered unsafe. Approximately 50% of the 350+ decks here are still considered unaltered and under association control for repair and maintenance. It was not until 2010-2011 that the deck project was considered under control. Deck maintenance for unaltered decks still remain as part of the Wharf budget.

In late 2007, Cormac O'Reilly, then President of the Board appointed me to focus on the Siding and Painting project underway and make recommendations to the board. One recommendation I made was that we must be more selective and diligent in removing deteriorating boards because we had more revenue available as the money for deck renovation began to shrink. Another, was to use satin or semi-gloss paint as it tends to reflect more of the heat, does not fade as quickly, and dirt is not as visible as when using flat paint.

Another major impact on the project was the economic depression that hit this country, and the entire world in late 2008, which began to affect our revenue source. This depression was the greatest this country has faced since the 1930s. Unemployment soared, wages stagnated or fell, housing prices dropped, and the stock market and retirement funds of many people, myself included, began to disappear. For the next 6 years monthly fees were not raised here because the board did not want to pile on or add insult to injury by adding to our monthly fees. The board now feels much better about the current economic conditions, and more importantly feels we had a great contractor, that was thoroughly vetted and demonstrated by their outstanding renovation skills shown on buildings 2-5, that they possess the knowledge and expertise to move the project forward in a very satisfactory manner and at the same time meet our exacting specifications.

This was further demonstrated during Harvey when we received over 50 inches of rain and not one leak was reported in the town homes renovated by this company although we had numerous leaks in other buildings. In addition, this contractor has recently committed to being available on site in January to begin work, if the Siding and Assessment passes. However, if revenues do not increase, the Association will probably not have the funds to restart the project until late 2018 or early 2019.

As mentioned previously, you now have all the information and data that the board possesses so you can make an informed decision as to the direction this community takes. No matter the outcome of today's voting, the Governing Documents of this community says that we must repair and maintain the amenities, grounds, bulkhead, garages, pools and exterior of the town homes regardless of the level of revenues available. The board certainly hopes you will afford us the opportunity to put behind us as quickly as possible these major infrastructure issues to better enjoy the wonderful lifestyle we all enjoy here at the Wharf.

ROBERT GRAY

EXHIBIT "D"

Wharf Presentation

I am glad you have attended today's meeting concerning the Maintenance Assessment Increase & the Special Assessment for the Paint & Siding Project. These are 2 separate issues. The Maintenance Assessment Increase is a permanent monthly increase of the monthly fee. Currently it is \$253.00. The new rate will be \$300.00. This increase is **NOT** earmarked for the Painting & Siding Project. This will be used for other for other projects (pools, landscaping & boardwalk maintenance) & for cost-of-living increases in our base budget.

Robert Gray & the previous boards were wonderful in controlling our expenditures that allowed us to have a steady monthly assessment for so many years. That was not done by luck. That was done by careful planning & juggling of priorities. Our flexibility has dwindled & it is time for an increase. The history of this complex is that it has been a hidden jewel. Me, like many of you, bought our places at very reasonable prices. We are not a hidden jewel anymore. The prices people are selling & receiving for their homes has jumped dramatically in the last couple of years. I consider the increase of our property value as a positive. But it will take an increase in the monthly fee to keep our property in good shape.

Kent BROWNHILL

EXHIBIT "E"

Thanks for taking the time to be here.

I'm Mark Russell of 2416 and 2414 Crows Nest. My wife of 35 years, Sylvia, is an original, pioneer owner, buying 2416 in 1978 when Davis Road was still a dirt road and there was zero landscaping on the property. We purchased 2414 last year. We've been full-time residents, landlords and part-time residents over the last almost 40 years.

We've seen and experienced a lot in that time. We've seen the homeowners association go from being developer-run with the main goal of selling the units. In my opinion, this didn't really set up the association for long-term upkeep of the property. In fact there were a number of years when only the bare minimum was done.

We're at a place now where we need to take charge of the long term care of our homes.

In my opinion, the two items on the ballot: raising the monthly maintenance fee to a more realistic level and the special assessment to expedite the siding and painting project, are our best path forward.

The best time to plant a tree is 20 years ago. The second best time is today.

I urge you to vote for both measures.

Thanks! *MARK RUSSELL*