

Washington House Condominium Association
Council Meeting Minutes
4 December 2013

Those present at 7:00 p.m.

Presiding: President, Bruce Chase
Vice President, Bob Persak
Treasurer/Enforcement Officer, Joy Scott
Secretary, Pamela Bobbs
Member at Large, Len Sawyer

A. Attendance via Sign-in

Twenty-five units were represented by 34 attendees including 24 owners and 1 renter.

B. Opening Remarks

Mr. Chase opened the meeting by thanking everyone for coming and reminding attendees that, apart from the budget, any items requiring a vote would be voted on by council members only. The voting on the budget requires a quorum of association members. A quorum is defined in the Code of Regulations as 30 unit owners. If a quorum is not present, then another meeting will be called in one week. The required participation for that meeting is reduced by half which means that only 15 owners need to participate in person or by proxy or absentee ballot on the budget vote. He suggested that, should a quorum not be participating in tonight's budget vote, those unable to attend a meeting next week submit proxy statements or absentee ballots in advance. Following this clarification he called the Fourth Quarter Meeting of the Washington House Condominium Association to order.

C. Approval of Regular Council Meeting Minutes of 19 September 2013

Corrections and/or changes to the minutes of the 19 September 2013 Council meeting were solicited. No corrections or changes were brought forth. The President called for a motion to approve the minutes as submitted. Ms. Scott made a motion to approve the minutes as submitted. Mr. Sawyer seconded the motion. The motion passed unanimously: Vote 5 to 0.

Aye — Bobbs, Chase, Persak, Sawyer, Scott

Nay — 0

D. President's Report

- WELCOME — Mr. Chase welcomed the following new residents to Washington House: Mayor Vance and Elaine Funk (409), Julianne Smith (roommate of Ava Juliano in 416), Drs. Chu-hua Kang and David Yu (209), Dr John Fisher (son of non-resident owners Richard and Wendy Fischer), and Michael Walsh (215).
- SALES — With the recent first time sales, only five units remain to be sold. Two units are reported to be in process. Mayor Funk, who handles settlements for many of the Washington House units, confirmed that one of the two is settling in the next few days but gave no specifics. Mr. Chase noted that sales seem to be picking up, which is good news for all owners.
- CHANGES IN COUNCIL — The council terms of Mr. Chase and Ms. Bobbs expire in January. Mr. Chase invited those interested in and willing to serve on Council to notify a Council member not later than the first week in January so that their names can be added to the ballot. He announced that Ms. Susan Swan and Mr. Paul Roberts had agreed to serve. However, another person is needed because, sadly, Bob and Susan Persak will be moving next spring. Mr. Persak would therefore like to resign from Council in January so as to give the new Council members as much time on Council as possible before his departure. If no one steps forward, he has agreed to delay his resignation until April. Messrs. Chase and Persak and Ms. Bobbs have all three agreed to serve in an advisory capacity during the transition of the new council members and the transition to the property management company. The time and effort required of future council members should be considerably less with the transition of management and maintenance activities to a full-service property management company.

- **FULL-SERVICE PROPERTY MANAGEMENT COMPANY** — An RFP (request for proposal) was developed by council members and sent to eight companies, two of which declined to bid. Four responses to the RFP were rejected by Council because the fit wasn't good. Council members met with the owners and representatives of the two remaining companies and, after reference calls and considerable discussion, voted unanimously on Aspen Property Management, Inc., of Elkton, Maryland.

Mr. Chase said that Mr. Brad Carrillo, President of Aspen, was invited to attend tonight's meeting as a guest. Council and Mr. Carrillo have worked together for four weeks on the management and the scope of maintenance contracts. The WHCA attorney, Mr. Franta, has also reviewed the contracts. While Washington House is the largest single unit property for Aspen, it seems to be a very good match. The contract cannot be signed until the budget is approved.

Mr. Carrillo agreed to take questions from attendees and leave some of his cards on the table. He invited owners to look at Aspen's web site for many more details about the company and the work it does. Various questions were asked covering what Aspen will be doing and when, how residents can recognize Aspen people when they are on site, etc. Answers included: Aspen is a full-service management company. It will handle all financial matters including billings, payments, over-sight of contracted work (e.g., cleaning service, waste management), etc. Aspen will also take over the maintenance and upkeep of the property. It has been agreed that Aspen's lead maintenance person and crew (recognizable by the Aspen shirts they wear) will be on site four to five days a week. At the end of the first six months, Aspen and Council will review the work, the timing, and the results to determine if the time estimated to do what is being asked is sufficient. If it is more than is needed, the schedule will be reduced and the cost will be reduced accordingly. If owners have work inside of their units, they can negotiate with Aspen directly to see if Aspen has an appropriate solution for the individual owners, at owners expense. Aspen is a fully bonded and insured company.

In answer to questions about Avalon, Mr. Chase explained that JR Leonard was the WH Project Manager from Daystar Sills (building contractor and a partner in WH Partners, LLC). JR left Daystar and started his own business (Avalon) sometime before the transition of management from the developer to owners. JR was asked to take on the maintenance of WH grounds and common space because of his experience with the building. All management functions were handled by council members. Avalon's work with WH will terminate at the end of December.

Beginning in January 2014, Mr. Chase noted that Aspen will be preparing all sales documents for the unsold units as well as any re-sales. Delaware law allows a fee of \$250 to be charged for the preparation of these documents. To date, sellers have not had to pay for this service as Council (Mr. Chase) has provided the documents at no cost. Aspen should and will charge for this service and the fees will be included as part of the settlement costs of unsold units and resale costs.

Regarding audits, the WHCA has had an independent auditor perform an audit every year since owners took over management. Aspen will take over this responsibility and have the audit done by an independent auditor, agreed to by Council.

Regarding a list of what Aspen will be doing, Mr. Chase said there are actually two contracts: the first dealing with all of the indemnification, legal, relationship issues, etc. and the second dealing with the scope of maintenance work. Mr. Carrillo, agreed to put a redacted version of the contracts on the WHCA web site after the contracts are signed.

There being no further questions for Mr. Carrillo, he left his cards on the table, thanked Council for the opportunity to participate, and departed.

E. Treasurer's Report

Ms. Scott said the Association was doing well financially. The Replacement Reserve (R/R) Fund has a balance of ~\$88,000. The Citizens checking account has a balance of ~\$30,000 some of which will be

moved to the reserve account. She is being cautious to hold a little back to cover unexpected expenses. WHCA is behind on the R/R due to large payments for the repair and replacement work that has been done. This work is the kind of work which the R/R fund is intended to cover. Ms. Scott noted that the Stoneballoon (aka 16 Mile Taproom) is the only owner behind in quarterly dues payments. They have been assessed late charges and eventually they do pay, but so far, never on time. At some point, she said, we may have to go through the collections process. Aspen usually gives 90 days before going to collections, but they expect payment to be made on time the first of each quarter so they will likely bring more pressure to bear to paying on time.

Mr. Chase noted that when we transition to Aspen, WHCA will still do the first quarter bills in January while Aspen is setting up accounts, etc. He asked owners to be especially vigilant about paying on time so that WHCA funds at Citizen's Bank can be transferred to the bank Aspen uses without difficulties by mid-month. Aspen will provide owners with automatic funds transfer information needed to redirect their payments by the middle of January.

In answer to a question about electric and water payments by the 16 Mile Taproom, Mr. Chase explained that the electric bills for all units (residential and commercial) are directly billed by the provider to the owner. One water/sewage bill is received for all 58 units from the City usually by the 10th of the month (though it has been late recently resulting in higher billings). A rather complicated algorithm, specified in the Declaration, is applied to the total bill and bills prepared and sent (currently by WHCA Treasurer, after transition, by Aspen) directly to unit owners for payment. The most recent water/sewage bills went out on 30 November 2013.

The WHCA is up to date on this year's R/R contributions but we have paid considerable amounts out of previously collected funds for several large replacement and repair costs. Any surplus from this year's operating budget will be moved into the R/R as we work to build the fund to the desired amount. Mayor Funk noted that mortgage companies do not like low R/R funds so our efforts to replenish the fund are noteworthy.

In answer to a question about fees being paid for the unsold units, Mr. Chase explained that in 2012 the WHCA filed liens against all of the unsold units (about 12 at the time). To date we have collected the lien amount (~\$18,000 per) for each unit at the time of settlement. Lien amounts collected for the remaining unsold units will be deposited into the R/R account.

F. Building Issues and Maintenance Report

1. DECK COATING STATUS

For this year all of the deck work that can be done has been completed. The Custom Coatings and Design (CC&D) people may be doing some clean-up but that will be all. Come spring they will return to complete the coating of all of the patios as a bridge against future issues. Some of the sundecks have a yellowish color. This is a defect in the materials that has been acknowledged by the manufacturer and will be addressed. Bob Carter (CC&D) said it would not involve taking the new coating off and starting over. This work is weather dependent and cannot start until temperatures are at least 50 degrees.

2. SIDING REPAIRS

The scaffolding is for work being done to mitigate some tiles bulging off the building. The tiles are still attached to the wire so they won't fall on anyone. Work remains on two more spots on the south side and then the entrance on the west side will be done. In the process of doing this work, it was discovered that the flashing and weep holes that should be installed above the atrium doors, were not. Water comes into the vestibule during heavy rain and wind because of this. Work on the east side of the building requires a lift which is weather dependent, so that too will have to wait.

3. QUESTIONS AND ANSWERS REGARDING BUILDING ISSUES

- An attendee noted that most of the R/R funds have gone to address defects that needed attention. Mr. Persak acknowledged that most of the expense has been in the common sundecks that were leaking into residential units and the UD offices.
- Mr. Chase noted that the Association documents, DUCIOA, etc., all agree that the builder is responsible and the Associations' attorney has said that we have a good case. But the decision of the court cannot be guaranteed, nor is there any guarantee that the legal and court fees will not be greater than the cost of repairs and replacement. The Association notified the builder of the defects as soon as the turnover was completed so as to meet the one year notification requirement to ensure the builder's liability is still in effect. However, given those uncertainties, the fact that the work had to be immediately, and the fact that the legal fees were likely to be very high, Council elected to get on with fixing the problems. Washington House Partners, LLC, did not protect themselves in the condo documents, which enabled the Association to place liens for unpaid condo fees on the unsold units. The payment of these liens, at the time of sale, has helped replenish the R/R fund, which has enabled the Association to pay for corrective, repair, and replacement work to date without an assessment. Asked how much has come in from the liens, Mr. Chase estimated about \$100,000. Approximately \$150,000 of R/R funds has been spent to date.
- A question was asked about bringing public pressure to bear, the response was that until all of the units are sold, it would not be advisable to damage the reputation of the condominium complex. If the bank were to foreclose on the unsold units, we would get only six months in back dues, so it is better for us to move forward and hope all of the units are sold and the existing liens paid in full.
- In answer to a question about transferring deck and skin work to Aspen, Mr. Chase noted that Avalon sub-contracted the masonry work to Romano Masonry and we will probably complete that scope of work with them. Beyond that, new work will be led by Aspen. The patio work the Association contracted directly with CC&D. Aspen will use any contractor we have already engaged if we like them and feel they are doing a good job — e.g., the building cleaning. To this remark several in the audience indicated they were not happy with the cleaning. Mr. Chase said residents must inform Council if they have issues with the upkeep, etc. of the common areas. Council cannot fix what it does not know about. Even after the transition to Aspen, Council will advise them about building and grounds issues.

G. Discussion of the Proposed Budget for 2014

Copies of the proposed budget and the President's letter were distributed to owners in attendance and are included as part of these meeting minutes by reference. Mr. Chase began his review by noting that the budget is based on actual prices for 2013 and contract increases for 2014 and for the cost of turning over full-property management to Aspen. The way it works, he said, is:

INCOME:

1. \$110.00/month from 66 shares is allocated to the R/R Fund (the sales office is exempt from condo fees).
2. These amounts are backed out for the unsold units and shown as deferred income. The developer is, by the Declaration, entitled to one residential unit as a sales office and this unit does not pay condo fees. That shows as zero income for the sales office.
3. \$85,800 should be deposited into the R/R fund in 2013.
4. Miscellaneous income includes additional fees charged for trash and storage charged to the restaurants.

EXPENSES:

1. Insurance has gone up every year, but the value of the building has also increased.
2. We have budgeted \$5000/year for legal fees. Some years it is less, some years a bit more.
3. Post office box and mailing fees are fairly stable.
4. Bank expenses include fees charged for online payments.
5. The attorney suggested we budget for one insurance claim per year, so the Depreciation/Deductable category is \$5000, the deductible amount on our insurance policy.

6. Management is budgeted at \$20,000 for Aspen. Note this does not include maintenance, only the management, which Council has been done for free until now.
7. Electricity for the common space and building systems is very expensive. The rates are set by the City of Newark.
8. Water is billed back to unit owners so it is not a WHCA expense.
9. Most of the operating expenses are contracted amounts for services provided by various vendors. Three thousand has been budgeted for snow removal. If it doesn't snow much, that money won't be spent. The waste removal is \$29,000 for six pick-ups a week. We actually were able to reduce spot charges for overflow by increasing pick-ups to six per week.
10. Maintenance is the estimate Aspen has given for 24 hours of work per week. Council defined the scope of work based on what it has been overseeing, free of charge, since 2011. Council and Aspen will review the work and the maintenance contract in six months to determine its adequacy. If it is agreed fewer hours can be spent, the cost will be reduced.
11. Lastly there is a contingency to give some protection against any unforeseen expenses.

CONDO FEES

This budget reflects the \$50/month per share increase in condominium fees. Mr. Chase said he was not happy about saying the fees have gone up but that is the way it is. It is a conservative budget. Anything extra (any monies not spent as anticipated) will go into the R/R fund which should be ~\$200,000 to \$250,000 at this time. There is work to do to build that up.

It was noted that the elevator carpets are awful. Mr. Chase said that is an R/R expense with which Council has been struggling. At one point Council did research on replacing just the carpet in the elevators with either carpeting or hard surface materials. The carpet has the advantage of serving as a mat before entering the rest of the building. The hard surface cleans more easily. It was decided to kick this over to Aspen. Whatever is done, when the carpeting is redone in the building, we will ensure 10 extra pieces are cut to use in the elevators as needed.

KUDOS

Mr. Flynn (214) said he spends part of the year at a condo in Florida and he thinks Messrs. Chase and Persak should hire themselves out because they have done a great job with the management and maintenance of WHCA. In response to this comment, attendees applauded enthusiastically.

H. Owners VOTE on WHCA 2014 Proposed Budget

After confirming a quorum was present, ballots were distributed to owners, completed and collected. Votes (ballots, absentee ballots, and proxy ballots) were counted. Results of the voting:

- 37 shares voted in favor of the 2014 budget.
- 1 share voted against the 2014 budget.
- Owners approved the 2014 budget by a large majority.

I. Open Public Comment

Mr. Chase again invited anyone who wants to run for council to please step up. He thanked Ms. Swan and Mr. Roberts for their willingness to serve and ensured them, and whomever else steps up, that the work will be significantly less with the property management in place.

In response to a question about finding the person who broke the glass in the door on the lower level, Mr. Chase said that the photo is still posted on the police web site but no arrest has been made. He described briefly what happened for the benefit of new residents.

J. Adjournment

Mr. Chase asked Council members if there was any other business. None was raised. There being no further business, Mr. Chase called for a motion to adjourn the meeting. Ms. Scott placed the motion that this meeting of the WHCA Council be adjourned. The motion was seconded by Ms. Bobbs. Motion passed unanimously:

Vote 5 to 0.

Aye — Bobbs, Chase, Persak, Sawyer, Scott

Nay — 0

The meeting adjourned at ~8:00 p.m.