

MEMORANDUM

Date: May 30, 2017

To: Montrachet Homeowners

From: Montrachet Board of Directors

In October 2016, followed by a meeting of Montrachet homeowners, the Board of Directors explained it had been brought to the attention of the Montrachet Board of Directors that in the Montrachet Homeowner's Association Declaration of Covenants, Conditions and Restrictions of dated September 24, 1986, contains the following language under *Section V. Exterior Maintenance*:

In addition to maintenance upon the Common Areas, the Association shall provide exterior maintenance upon each Lot which is subject to assessment hereunder as follows: Paint and repair exterior stucco, siding, gutters, downspouts, exterior building services; maintain and repair roofs; maintain trees, shrubs and grass; maintain sprinkler systems; mow grass.

This has been interpreted by our attorney that the Association is responsible for painting the stucco as well as the trim. As you are aware, the Association currently provides painting for trim and *not* stucco.

There are three possible scenarios:

1. Keep the Declaration as is and add the painting of stucco to the current budget.
2. Reword the Declaration to *not* include the painting of stucco.
3. Reword the Declaration to reflect that if a repair is made and visible, the entire wall will be painted to match the existing stucco on the other walls.

For the convenience of our fellow residents, we have put together a brief outline of these scenarios (attached) and for each a list of benefits and potential obstacles. We have also included an analysis of the financial impact on monthly dues if the majority of the membership elects to paint the stucco every 10 years. Our hope is that this will clarify the issues at hand and give the necessary information to residents so we may put this to a vote in the next few weeks.

The Board of Directors would like to invite all Montrachet homeowners to a meeting at the Club house on Saturday, June 17, 2017 at 10a.m. to answer any questions you may have. The Board also welcomes residents input on this topic.

Sincerely,

Montrachet Home Owners Association Board of Directors

Montrachet Homeowner's Association

Scenarios for Stucco Maintenance

Situation: Under Section V of the Declaration of Covenants, Conditions and Restrictions ("Declaration") it is stated that the Association is responsible for painting stucco. Currently the Association paints trim only. One of the following scenarios will need to be decided by the Association by majority vote.

Please note that Scenarios 2 and 3 will incur attorney's fees to make modifications to the Declaration.

Scenario 1: Keep the Declaration as is and add the cost of painting stucco to the current budget.

- Stucco will not have to be painted as often as trim.
- Stucco painting, once commenced, will probably be needed every 10 years, which will require the HOA to permanently increase our monthly dues to establish an ongoing Stucco Painting Reserve account to fund this cost indefinitely into the future.
- Type and color of paint to be determined by the board to keep a consistent look.

Benefits:

- Uniform look, fresh appearance.
- Cracks will be repaired and painted so that they are not noticeable.

Potential Obstacles:

- Additional cost to residents: either in an assessment or increased dues. (Please see attached document, *Scenario 1 Financial Projection/Analysis*).
- Stucco can last for decades if maintained. Once painted, like any other surface, it will need to be repainted. Repainting will probably be required every 10 years.
- Cost of painting will increase over the years.
- Stucco breaths. If painted and not properly sealed prior to painting, moisture can become a problem in the form of mold or wood rot. Initial cost must include proper sealing of existing stucco and making repairs.

Scenario 2: Reword the Declaration to *not* include the painting of stucco.

- Have Association attorney reword the Declaration to reflect that the Association will paint trim only and not stucco.
- Cost of attorney's fees to be covered under existing budget.
- If Scenario 2 is selected, the revised covenants will give the HOA the authority to determine when a building's stucco needs to be painted if the

owners fail to maintain the exterior appearance to a community acceptable standard.

Benefits:

- Preserve the character of the stucco and eliminate unnecessary upkeep.
- Cost savings.

Potential Obstacles:

- Over time, stucco will discolor and fade. Will this negatively affect home values?
- Cracks are inevitable and visible, and if repaired can be even more visible.
- When painting *is* required due to discoloration or cracks, the entire building will be painted (a.) All the individual homeowners in the building that is being repaired and completely painted will be required to share in the cost of the painting (HOA to pay cost of stucco repairs) or (b.) all the residents in our entire community will have to suffer the cost of painting one building through a dues increase to cover this cost or (c.) all residents will have a one-time assessment to cover the cost of painting one building. Paint color to be determined by the board.

Scenario 3: Reword the Declaration to reflect that if a repair is made and visible, the entire wall will be painted to match the existing stucco on the other walls.

Benefits:

- Expenses incurred on “as-needed” basis.
- Maintain overall look of Montrachet without incurring the expense and upkeep as outlined in Scenario 1.
- Current painting reserves are expected to be sufficient to manage occasional stucco repair and wall painting without increasing monthly dues for this activity.

Potential Obstacles:

- Difficulty in matching paint to stucco; different look and feel. Will it be visible?

Montrachet Homes Association

Scenario 1 Financial Projection/Analysis On Monthly Dues if Stucco Painted Every 10 Years

Estimated Painting Cost Per Campbell Painting Bid for 2018-2022

2018 Trim only paint cost per bids received \$ 28,631

2018 Stucco add'l paint cost per bids received \$ 27,729

Bi-annual painting cost compounding factor 104.00%

Bi-annual dry rot repair compounding factor 110.25%

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Painting reserve - Beginning Balance	\$ 43,164	\$ 63,164	\$ 24,304	\$ 44,304	\$ 2,933	\$ 22,933	\$ (21,064)	\$ (1,064)	\$ (16,620)
Add -									
Current Annual dues allocation - \$1,667/mo	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Less -									
Painting expense - trim	-	(28,631)	-	(29,776)	-	(30,967)	-	(32,206)	-
Painting expense - stucco (add-on)	-	(27,729)	-	(28,838)	-	(29,992)	-	-	-
Wood rot repair during painting (est by HOA)	-	(2,500)	-	(2,756)	-	(3,039)	-	(3,350)	-
Painting reserve - Ending Balance	63,164	24,304	44,304	2,933	22,933	(21,064)	(1,064)	(16,620)	3,380

Probable Required Assessments/Dues Increases -

2019 Assessment - \$250 per resident

2021 Assessment - \$250 per resident

2023-2030 - \$10/mo. permanent dues increase

2031-2034 - \$10/mo. permanent dues increase

Painting Reserve - Adjusted Ending Balance

\$ 63,164 \$ 24,304 \$ 60,804 \$ 19,433 \$ 55,933 \$ 11,936 \$ 39,856 \$ 32,220 \$ 60,140

Montrachet Homes Association

Scenario 1 Financial Projection/Analysis On Monthly Dues if Stucco Painted Every 10 Years

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>
Painting reserve - Beginning Bal (from P.1)	\$ 3,380	\$ (13,808)	\$ 6,192	\$ (12,714)	\$ 7,286	\$ (49,237)	\$ (29,237)	\$ (89,101)	\$ (69,101)
Add -									
Current Annual dues allocation - \$1,667/mo	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Less -									
Painting expense - trim	(33,494)	-	(34,834)	-	(36,227)	-	(37,676)	-	(39,183)
Painting expense - stucco (add-on)	-	-	-	-	(35,806)	-	(37,238)	-	(38,728)
Wood rot repair during painting (est by HOA)	(3,694)	-	(4,072)	-	(4,490)	-	(4,950)	-	(5,457)
Painting reserve - Ending Balance	(13,808)	6,192	(12,714)	7,286	(49,237)	(29,237)	(89,101)	(69,101)	(132,470)
Probable Required Assessments/Dues Increases -									
2018 Assessment - \$300 per resident	-	-	-	-	-	-	-	-	-
2019 Assessment - \$300 per resident	-	-	-	-	-	-	-	-	-
2023-2030 - \$10/mo. permanent dues increase	7,920	7,920	7,920	7,920	7,920	7,920	7,920	7,920	7,920
2031-2034 - \$10/mo. permanent dues increase	-	-	-	-	-	7,920	7,920	7,920	7,920
Painting Reserve - Adjusted Ending Balance	<u>\$ 50,872</u>	<u>\$ 78,792</u>	<u>\$ 67,806</u>	<u>\$ 95,726</u>	<u>\$ 47,123</u>	<u>\$ 82,963</u>	<u>\$ 38,939</u>	<u>\$ 74,779</u>	<u>\$ 27,250</u>