

# Minutes: Gabriel Commons Zoom Board Meeting

## November 7, 2023

The Zoom meeting was called to order by the president, Sharon VanSickle-Robbins. Ashlyn Dietz of Superior and Sharon facilitated the meeting. Other Board members present were Darby Bricker, Pat Smith, and André Girard.

The focus of the meeting was to discuss the proposed residing project.

In addition to Ashlyn, the board, and most of the owners, the following also attended the meeting:

- Jason Grosz of Vial Fotheringham, the lawyer for Gabriel Commons
- Ryan Paddock, Britany Knutson, and James Jenkins from J2 (project management support for the residing project)
- Scott Wells of Summit Bank to address HOA financing options

### Agenda

- Issue regarding new bylaws and owner vote requirements for assessments (Owner Mary Lou Haas and Jason Grosz of Vial Fotheringham)
- Siding Task Force Learnings/Takeaways (Joel Glick, Syd Newell and Joanna Ponce)
- Proposed project scope, bid process outcome, and possible alternative approaches (Ryan Paddock and team of J2)
- Project management support (J2 and Ashlyn Dietz of Superior)
- HOA financing options (Scott Wells of Summit Bank)
- Owner Questions and Comments (moderated by Ashlyn)
- Owner's Only Session (moderated by Board)

### Bylaws and owner vote requirements

- MaryLou Haas offered an overview of what she views as our options based on her experiences as a 41 year owner in Gabriel Commons, a former board member, and a background as a lawyer. She stated that our options were to:
  - Do nothing and watch conditions of the buildings continue to get worse
  - Go forward with a board vote for the residing project
  - Amend the governing documents to return the special assessment decision making to the owners
  - Move forward with the work that is needed regardless of the impact on residents
  - Take a non-binding vote on whether to move forward with the special assessment
- Jason Grosz discussed the following:
  - amending the bylaws would take about 3 months and provided an overview of the potential process
  - He was hired in late 2017 - met the board and helped support the board's revision of our governing bylaws

- Jason answered several questions from the owners including: more details about the process of changing bylaws (from David Brady), clarification of the number of votes required to pass a special assessment (from Laura Miller), details on borrowing and collateral (from Kay Brooke-Willbanks)
- Jason indicated that laws are set to be strong on reclaiming the money owed for a special assessment. In particular, if someone goes into foreclosure during the process, they would still be liable for the special assessment.
- Sharon suggested amending the bylaws to return the owner vote. Owners in attendance showed approval of the proposal by giving verbal or visual (thumbs up) input - and the meeting moved on to cover additional important topics.

### **Siding Task Force Learnings/Takeaways**

Several owners that have been involved in the siding task force spoke briefly to provide a brief historical background and overview of the efforts to date.

- Joel Glick spoke of the property condition assessment that was done in 2016 and recommended a complex-wide building envelope replacement (i.e. residing).
- Sydney Newell shared her experiences working on the residing task force. She was not previously aware of how complex siding would be and is impressed with the amount of work that was required for the assessment.
- Joanna Ponce gave an overview of the siding committee's work. She also shared that she was surprised at the proposed price and happy we are going back to a vote. Joanna indicated she is concerned about the degradation of our buildings and recommended that more volunteers come forward.

### **Proposed project scope, bid process outcome, possible alternative approaches, and project management support**

Ryan Paddock of J2 then gave a short presentation, speaking to the process that a project would follow and the roles of the J2 team on the call. Points covered include:

- The J2 team are consultants, not contractors
- Ryan did the structural review and scope preparation
- James Jenkins does project manager/engineering.
- Britney Knutson focuses on client relations.
- J2 reiterated that they will support any long term plan that addresses the issues at Gabriel Commons. They noted it will be less expensive to do it all at once, as opposed to a multi-stage or triaged approach.
- The process going forward would be:
  - Perform a financial analysis
    - Reserve study analysis for 2-3 options (for example, a full, phased, or triage approaches).
  - Decide on Repair Strategy
    - Either move forward with the current scope after finalizing alternatives, or
    - Go back to the diagnosis phase (invasive, structural) stage.

## HOA financing options

Scott Wells of Summit Bank spoke to about the process of financing this type of project:

- Gabriel Commons can only do a loan draw of 24 months and as a result, the residing project would require multiple loans.
- Scott advised that doing the full project all at once will be most economical.
- Summit does not loan directly to owners but to the HOA. Collateral for the loan is the income stream from the serial special assessment. These types of loans can be approved fairly quickly if residents are paying dues on time.
- Scott highly encouraged owners to find alternative ways for owners to pay for their portion and encouraged home equity loans as a funding strategy. He said that If interest rates decline, getting a unit refinanced is a good plan because the value will have increased.
- Regarding the potential loan: He confirmed there is no prepayment penalty. Scott encourages paying it off quickly if at all possible, especially if they can find lower interest rate options. The overall interest rate would be 7.07% (at the time of the meeting). It would only make sense. after interest rates came down by about a full percentage point to cover the refinancing fees
- The bank can approve a loan of \$3.4M for Gabriel Commons and the process of drafting and reviewing by lawyer would take about 3 weeks.
- Scott confirmed that we can not close the loan until after a special assessment is passed - because that is the collateral.
- Scott then responded to a few questions from owners
  - Kay asked about how the full proposed project would be value engineered down to \$3.4m. Ryan indicated that insulation or similar things would have to be taken out of the plan. He suggested that roof and roof to wall tie-ins would get taken out of the plan and/or that perhaps detached garages might only get painted, rather than resided.

## Owner Questions and Comments and Owner's-only Session

After presentations and discussion from Superior, VF Law, J2, and Summit Bank, the meeting shifted to questions, comments, and suggestions from the owners. Discussions covered a number of points. Here is a summary of the suggestions:

1. Implement a "Triage" repair strategy. J2 and Schwindt would need to develop this option over the following 4 weeks so the board can assess issues of cost, length of time, impact on reserve allocations, impact on unit marketability, etc.
2. Reduce scope of work. J2 will work with the board and siding task force to refine scope before meeting with bid contractor finalists on value engineering opportunities. Unresolved, related questions: How do we address owner desire for seismic and exterior insulation?
3. Add two maintenance "handymans" to HOA payroll. Unresolved, related questions: How would they be recruited? Who/how would they be managed? How would they be paid and at what levels? Who would provide insurance and benefits? Who/how would their work be evaluated? How would this impact the annual operating budget?
4. Levy a \$30-40k assessment now to jumpstart repair/replacement efforts. Unresolved, related questions include: Would owners support this in a vote? How would this impact project cost and timeline?

5. Change Declaration and Bylaws to move many Common and Limited Common Elements to unit owner responsibility. Unresolved, related questions include: what are the legal issues around this? Would it change the type of contractors that could be used on the work? How much would this action lower monthly HOA? Since the units are connected as duplexes, how would disparate levels of unit maintenance/upkeep be equitable or managed?
6. Hire an appraiser to value our complex and explore the possibility of selling for redevelopment. Unresolved, related questions include: what are the legal issues around this? Who would manage this effort? Would every owner support this (as it would require unanimous consent to complete)?
7. Have J2 help answer questions about the urgency around repairing the problems with the building envelope; whether there are comps available for the cost of similar work in similar complexes; how ROI on doing the repairs can be calculated; and whether there are different models for pricing the administrative work that Superior would undertake over the course of the project (vs. the % of total project budget model).

### **Follow-up updates and action items from the board following this call:**

Gabriel Commons can only do a loan draw of 24 months and as a result, the residing project would require multiple loans.

1. We have asked our HOA attorney to draft the amendments to our bylaws that would reinstate the owner vote for special assessments. The board expects to review and approve that prior to Thanksgiving and then we will initiate the procedure for owners to vote to adopt the amendments. As our attorney outlined at the owner meeting, the entire amendment process will likely not be completed until early in 2024 given the holidays.
2. The board has asked J2 to provide us with estimates and timelines for preparing additional financial analyses on
  - a. a phased approach to accomplishing the scope over a longer time period and
  - b. a “triage” approach that would enable the HOA to postpone the full scope for about 5-7 years.
3. The board also asked J2 for an estimate for conducting an updated invasive inspection of the building envelope because the last such inspections were done in 2018.
  - a. The results of J2’s analysis will be incorporated by Schwindt into an updated reserve study.
  - b. J2 continues to believe the replacement and repair scope that has been proposed for completion in 2024 is most prudent and provides the most certainty for current owners and prospective buyers, but they recognize that many owners may want to evaluate an alternate approach. These alternatives would likely need to be seed funded with a smaller initial special assessment of \$30-40k and it was unclear when that was suggested whether that level of assessment would pass in an owner vote. This is important to know because we would not be able to access bank financing for these alternate approaches.

4. The board investigated the suggestion that the HOA hire a couple handymen on the HOA payroll. However, Superior was unable to cite an example of this approach being undertaken by any similarly-sized HOA. There are a number of likely challenges with this suggestion
  - a. the volunteer and transient nature of our board (who would need to manage these employees),
  - b. how recruitment and retention would be handled,
  - c. issues around provision of benefits and insurance for these employees (including insuring their work product),
  - d. issues of quality control for the work being done by these employees. Note: the HOA has been paying more than \$50/hour for licensed and insured handyman support which would mean these hires would likely have annual base salaries of over \$75k (plus benefits).
5. The board looked into the question about moving the common and limited common elements that are being repaired or replaced in this scope of work from HOA responsibility to unit owner responsibility (similar to how windows and doors are currently treated). However, while this action would theoretically move responsibility for maintenance of these elements to individual unit owners, it would also require unanimous vote of the owners and a complete revision of our declarations and bylaws to reflect this change. This would take us outside of the norms for condominium associations and we are advised that it is likely no reputable legal or property management professionals would support us in this attempt. It also raises issues of inequity and conflict in the case of a duplex where one owner is diligently maintaining their side of the duplex exterior and the other owner is not.
6. Lastly, there was a suggestion that we get an appraisal of the value of our complex in the event of a sale of its entirety. Some owners referred to this as the “nuclear option.” We are advised that this would also require unanimous vote of the owners for the dissolution of our HOA. Some basic financial calculations indicate that if every owner wanted to get \$500k out of such a sale, the developer would need to pay \$17million for Gabriel Commons. However, in light of the \$2.5 million that the developer paid for the property at the west end of SW Canby where 25 townhomes are being built, it is likely not a realistic option.