

THE HOMESTEAD AT SNOWMASS BOARD MEETING

October 5th, 2017

I. CALL TO ORDER

Mike Estes, President of the Association, called the meeting to order at 9:05 AM, Mountain Time. Board members present via conference call were Malo Harrison, Colin Heggie, Bill Devers and Heather Burcher. A quorum existed at all times during the meeting. Barton Craig of Snowmass Lodging Company was also present.

II. PROOF OF NOTICE OF MEETING

Mr. Craig presented proof of notice of the meeting, which was via email.

III. READING AND APPROVAL OF THE MINUTES

Mr. Devers made a motion to waive reading the minutes of the Board Meeting of January 27th, 2017. Mrs. Harrison seconded, and the motion was approved by voice vote. The minutes were approved, as written.

IV. UNFINISHED BUSINESS

V. NEW BUSINESS

Project Budget- Base case and Enhanced design case

Mike Estes provided documentation compiled by the Renovation committee with input from Rudd and Z Group that will be presented to homeowners in the Project Book. It shows the cost to simply replace the existing exterior siding with new tongue and groove wood siding and associated required maintenance with no changes or architectural updating would result in a cost of \$194,901 per homeowner. This is referred to as the Base Case. The documentation for the Enhanced Design that will be presented to the members will show that an additional cost of \$45,000 will result in all the improvements and updating that satisfy the goals previously established for the Renovation project. There are also owner options available at owner expense for window replacement, AC installation, fireplace conversion to gas insert and garage conversion.

Owner options and placement of A/C compressors and gas meters

An owner option will be presented to add air conditioning and gas meters (required for any unit with gas fireplace), which specify placement.

Owner options for Garage conversion

There is also an owner option for conversion of the two-car garage to one car with an added bedroom (which 7 of the Homestead units have already performed). The recommendation from the builder and contractor is that because of the difficulty of matching stone that garage conversions should not be allowed after the Renovation is complete. They should only be allowed during the project. They recommend that if a homeowner purchases a sufficient amount of stone at the time of construction for future use, then and only then should future garage conversions be approved.

Project Schedule

Mike Estes presented a spreadsheet which shows the construction starting on April 16th for Buildings 1 and 2 and continuing into the first half of the summer. It also shows Buildings 3 and 4 under construction for the second half of the summer and through fall. Each building should be under active construction for only half the spring through fall. All buildings will be able to be occupied throughout the project. The Spa/hot tub will be closed for the spring, summer and fall of 2018 due to the construction activity at the complex.

Status of 2017 Financials

Barton Craig noted that full Third Quarter Financials will be sent to the Board in the next week, as the quarter just ended on Monday. But preliminary review indicates the HOA will be over budget by about \$3,800 through the end of the Third Quarter.

In summary, the HOA is under budget by a total of \$6,200 in snow removal and exterior painting, but over budget R&M by about \$4,000, over budget in spa expenses by about \$2,400, over budget in Grounds by about \$4,000.

The R&M is over budget primarily because of the expense of repairs to the boilers performed in spring (\$2,500 and approved by the Board) and the replacement of holiday lights at the two cul-de-sacs, which is only done about every 5-7 years (\$1,900). The deficit in spa expenses is due to tile and mechanical repairs to the spa that are above and beyond the regular spa service. Grounds are over budget primarily to the removal of a few trees and a higher than expected price for flowers. Mr. Craig also noted that an unusual snow storm on October 2nd resulted in significant damage to trees throughout the Homestead and that cleanup from this storm is estimated to push Grounds another \$5,000 over budget. Management regrets this series of events but the now expected deficit of about approximately \$9,000 is mostly due to the payment of unexpected expenses approved by the Board.

Savings and unusual expenses during 2018 Construction

Barton Craig has reviewed the Operations budget and estimated the following areas where expenses could be reduced in 2018 due to the Renovation project. They are as follows:

Ground Budget- It is reasonable to assume that at least half the budget could be saved for 2018, for a savings of \$26,250. This will still allow the HOA to plant and maintain flowers at the entry sign and the large garden at the entry (but not in front of each home, in the two cul-de-sacs or at the pool). It will also allow for maintenance of the gardens along Brush Creek Road, all tree care and all raking and fall clean up. It is certainly possible the saving could be greater, but this is amount management is comfortable projecting, especially as all details of the Renovation Project are not yet known.

Water- With the irrigation system basically shut down for the summer, the HOA can expect to save approximately \$5,000 in expenses for water.

Window Cleaning- The HOA normally schedules exterior window cleaning in spring and fall. It would seem obvious that the spring window cleaning could be skipped and then window cleaning be performed after the project is complete. This would save the HOA \$1,575.

Hot tub/spa- Shutting the hot tub down from the end of the ski season until the December would save the HOA approximately \$4500 in spa maintenance. It will also result in saving about \$400 in natural gas and about \$400 in custodial expenses to clean the pool bathroom and changing room.

Exterior painting- The HOA would normally allocate about \$3,000 to stain the deck railings. Of course, that expense will not be incurred next year.

Deck cleaning- The HOA normally allocated about \$1,800 to pressure wash the decks in the spring/early summer. That could be skipped in the spring, (Note: since project will go through end of fall and snow comes very soon thereafter shouldn't we plan to do the deck cleanup in spring of 2019?) but it is likely it should be done after the project is complete. It is uncertain if there will be any net cost savings for this item.

Total estimated savings above are \$42,525. (This is either \$41,125 or \$42,925 depending on deck cleaning in 2018.

Expected net savings noted above will still be included and collected as part of the regular 2018 Operations Budget but will be allocated to the Reserve to fund re-landscaping post-construction and possibly to resurface of driveway in 2019.

New Landscape Plan- Inspection of the complex has indicated that the irrigation system is over-watering close to the edges of the buildings. The recommendation is to create a 3-foot dry zone around each building, which would require rezoning the irrigation system and changing some of the landscaping around the edge of the buildings. Using savings in the landscape budget, some of this work may be accomplished in 2018 as the buildings are progressively finished.

Also noted was the quality of the soil and some areas especially around trees where the grass lawn could be improved. Also discussed is the idea of switching flower planting to almost exclusively perennials, instead of a mix of annuals and perennials, which will result in long term savings. All of these issues indicate that a possible future expense would be consultation with a horticulturist and landscape architect to develop a cohesive solution to these issues. The savings of approximately \$42,525 from the 2018 operations budget should be allocated to the Reserve Fund for these potential expenses in 2018-2019.

Firewall in crawl spaces paid from Reserve Fund

One item that is not part of the Renovation Project that was noted during due diligence by the contractor and architect is that the firewalls in the crawlspaces are incomplete. They are required by code and are shown in the building plans for the homes, but in reality they are not 100% built. The HOA will have Rudd Construction complete these firewalls during the Renovation Project since they will be set up to do such work, but it will be paid for out the existing Reserve Fund for a cost of \$19,620.

Reserve Estimates and Use of Reserve Fund to Supplement Assessments

Mike Estes provided a spreadsheet showing the projected balance of the Reserve Fund at the end of 2018, assuming no expenditures, of \$256,535. However, the crawlspace firewall installation project of \$19,620 and the 2017 \$9,000 projected budget deficit yields an expected Reserve Fund balance at the end of 2018 of \$227,915, assuming no further expenditures.

With that in mind Mike Estes asked if there was support to allocate some portion of the existing Reserve Fund to help lower the Special Assessment. After discussion among the Board members, Bill Devers made a motion to transfer \$153,793 from the Reserve Fund to discount the Special Assessment. He also further proposed that funds collected in the Special Assessment as contingency that are unused, if any, will go towards discounting regular assessments in 2019. Heather Burcher second and the motion passed.

Amount of Contingency and How to Handle the Line of Credit from Alpine Bank for HOA

Mike Estes noted that the contract that will be signed with the Contractor will include a guaranteed maximum cost that cannot be exceeded. Labor costs will be bid and guaranteed. It is materials that will be subject to almost all contingency costs. Contingency is budgeted at 10% of the project cost of the full renovation.

Mike Estes noted that a line of credit for the HOA through Alpine Bank may be useful for cash flow purposes, and in the event that any homeowners are late in paying their Special Assessment. A line of credit would guarantee that these issues would not delay the project in any way. It could also be useful as a way of handling contingency costs if they are for some reason higher than budgeted. The Board agreed that a Line of Credit approximately 20% of the cost of the project should be set up through Alpine Bank. Mike Estes asked if any Board members had an opinion on whether a line of credit should be used for some portion of the contingency fee. After discussion it was decided that the 10% contingency fee should be collected as part of the Special Assessment. Colin Heggie recommended that if the HOA line of credit is actually used and its use is caused by a delinquent payment by a homeowner, that homeowner will be responsible for any interest and fees incurred as result. Mike Estes also requested that the HOA set up new account at Alpine Bank to hold and disburse Special Assessment funds.

Special Assessment as Lump sum or installments

The Board agreed that the Special Assessment will be paid in one lump sum by each homeowner.

Resolution on assessments for project- amount and when due

Bill Devers made a motion proposed that the total Special Assessment of \$230,000 will be due from all homeowners by January 31st, 2018. Malo Harrison seconded and the motion was passed.

Resolution on Line of Credit from Alpine Bank

Colin Heggie made a motion for the HOA to open a line of credit from Alpine Bank for up to \$650,000, Bill Devers seconded and the motion passed.

Resolution of garage conversions and future impact on exterior

Bill Devers made a motion to allow homeowners to do garage conversions in the future, provided that the homeowner purchases sufficient existing stone and stores the material per the existing rules of the HOA. Heather Burcher seconded and the motion was passed.

Resolution to limit parking to no more than 3 vehicles per unit

Mike Estes noted that in 2002 the Town of Snowmass Village placed conditions on the Homestead HOA to limit parking to three vehicles per unit in regards to garage conversions. The HOA has never made a formal Rule to this effect.

Heather Burcher made a motion to limit parking to three vehicles per home, Bill Devers seconded and the motion passed.

Project Book to be mailed to homeowner and Date for Go To Meeting

Mike Estes asked if there was opinion whether a hard copy of the Project Book should be mailed to all homeowners, or whether emailed pdf files would be sufficient. All of the Board agreed that a professionally produced Project Book should be sent to all homeowners, as well as emailed in pdf format. It is anticipated that the books will be mailed out by October 17th. Barton Craig will work with Z Group to make sure this book is sent to all homeowners prior to the first Go To Meeting.

Mike Estes suggested a Go To Meeting for initial presentation for all homeowners on October 23rd and a follow up meeting on October 30th if necessary. Owners will be asked to preregister for the sessions and encouraged to attend the Oct. 23rd session if at all possible. The Board agreed, pending availability of representative from Rudd and Z Group. The vote on the project will be due on Oct. 31st.

The dates for the Go To Meeting sessions and the due date for the vote may slip by a week if the books are not ready to be mailed by October 17th.

Board Budget Meeting and Annual Meeting Dates

Mike Estes set the next Board meeting to discuss the 2018 Proposed Budget for Thursday, November 16th at 3pm Mountain via conference call. The Board also agree to set the Annual Homeowners Meeting on Friday, December 29th at 4:00pm at the home of Mike Estes at Homestead #7.

VI. ADJOURNMENT

Mrs. Harrison moved for adjournment. Mr. Heggie seconded, and the motion was carried. The meeting was adjourned at 11:30AM.

Respectfully submitted,

Malo Harrison, Secretary