



TERRACE

Topics

JULY 2012

RENOVATION ROLLOUT ISSUE!

Every day I wake up and try to feel thankful for a lot of things, sometimes it is hard and the wrong side of the bed likes to call my name but to be true, the prospect of a thankful day can be very rewarding. Being thankful for the day can be as vain as my new outfit I am about to put on or as deep as my love for my wonderful husband and sweet dog. As I awake to the prospect of a new day today, and walk my happy pup I look around and realize how grateful I am for all of the wonderful people who are trying hard every day to make my home and our community a better place to live. Our Renovation Roll Out 2012 was a big success and I am truly grateful for the personal time and massive efforts that each individual accomplished with this informative event. The committees, volunteers, coordinators, contractors and board members have done a tremendous job informing the homeowners of the wonderful transformations that will hopefully take place soon. The questions answered, the constant research, the product boards, the calls

made and received, the conflicts being solved and of course the vision of a beautiful community are all thankful tidings for sure! We have a lot of work yet to be done and from what I have seen so far from this community, we are coming together to make a difference for the better for all. Some may not agree with the vision we have for the improvements to our community but that should not diminish the fact that many people for many years have been working hard and contributing long hours for the benefit of the whole community; that alone is truly a blessing. We have listed the many contributors here in TT and if you see any of them, please extend a hand and kind word and let them know how grateful you are for all of their hard work... as author A.J.Cronin once wrote, "Gratitude is something of which none of us can give too much. For on the smiles, the thanks we give, our little gestures of appreciation, our neighbors build their philosophy of life!" Thank you!
Monica Kerr, HOA President



Renovation Rollout Hotline (866) 534-5665

Do you have questions regarding the Renovation Rollout? A virtual call center has been temporarily set up. Committee members are available from 10am to 8pm, seven days a week to answer your questions and discuss any concerns. Call (866) 534-5665. Please be courteous and patient as the system connects your call to the cell phone of an available volunteer.



Renovation Rollout Webpage

All the information and much more from the June 30th Renovation Rollout presentations are available online at <http://www.myhoa.com/newport/renovation.htm> including a comprehensive report, the presentation materials, articles and Q & A. You can submit a question to the committee through the website or my calling the Renovation Rollout Hotline. Additional information, status updates and answers to questions are being updated often, so check back frequently.



See the Plans!

The plans, specifications and drawings are available for review in the cart room (behind the pool next to the sport court) Saturday mornings from 10am to Noon and Wednesday evenings from 7pm to 8pm. Committee members will be on hand to answer any questions you have.





Calendar of Events

AUG
11 MEADOW
VOLUNTEER DAY

(Landscape Committee & Volunteers)

August 11th, 10AM. Meet at the pool

All residents are invited to attend this Saturday meeting. The Landscape Committee and Volunteers will be mobilizing to place stumps and frame trails, propose placement of shrubs and trees during the fall planting, and any other projects which can be implemented at this time. A tractor will be rented to move the heavy tree stumps.

AUG
13 BOARD MEETING
**Monday, August 13th,
7pm at the Costa Mesa
Community Center**

Open to all residents; please join us at the Costa Mesa Community Center next to the Library for our Monthly Board Meetings; now on the 2nd Monday of the month. Pass the word along and we hope to see you there.

SEPT
1-3

LABOR DAY WEEKEND
Sept. 1st - 3rd

SEPT
7

BALLOTS DUE (by fax or mail)
Friday, Sept. 7th at 5pm

Please remember to mail or fax your ballots! They must be received by 5pm on Friday, Sept. 7th, or you can hand carry them to the board meeting on Monday, Sept. 10th.

SEPT
8

NEIGHBORHOOD
WATCH MEETING

at the pool, Sept. 8th at 10:00am;

more information to follow. If you have any questions regarding neighborhood watch, please contact Monica Kerr at monikerrnthoa@yahoo.com.

SEPT
10

ELECTION (BANK LOAN)
AND BOARD MEETING
**Monday, September 10th, 7pm at
the Costa Mesa Community Center**

Assuming a quorum is reached, the election to approve or not approve the bank loan will be held. If you intend to hand carry your ballot, please make sure they are in the hands of the Inspector of Elections by 7pm. If a quorum is not reached, the election will be held on Monday, October 12th.

SEPT
TBD

WINE TASTING AND
NETWORKING PARTY
September TBD

OCT
12

BOARD MEETING
**Monday, October 12th, 7pm at the
Costa Mesa Community Center**

OCT
TBD

HALLOWEEN PARTY
October TBD



FINANCIAL UPDATES

by Ross Minion

As of June 20, 2012: The total Assets for Newport Terrace are \$1,183,392. The Reserve Fund balance is \$ 1,007,227. \$55,101 is deposited into the reserve fund each month. Reserve funds are used to replace association assets, such as: roofs, siding, gas lines, irrigation, lighting, roads, etc.

The accounts receivables balance as of May 20th was \$131,585. \$29,011 of that figure is counted as assets. On June 29th, there were 16 accounts on the Delinquency Report. Four units on the delinquency list account for 65% of the AR. Two of those units reportedly just sold and we are expecting them to be removed from the delinquency report. The board is taking aggressive action to foreclose or ensure the sale of the remaining units. Most of the remaining units on the delinquency list are working with the board and attempting to bring their balances current. No new liens were filed in July.

Reserves top \$1 Million

Reserve funds are our savings accounts to pay for the replacement of our assets (roofs, siding, lights, gas lines, roads, etc..) The total balance of all reserve accounts is now over \$1 Million. While this is a major milestone for the financial health of the association, no celebration is due. Reserves were last at this level in 2008, as the siding renovations were just beginning. If we were fully funded for the replacement on our assets per the reserve study schedule and accounting for actual replacement cost, we would have over \$9 Million in reserves today.



This summer the Board of Directors added a Pool Monitor / Security Guard to our security services. The purpose and goal of the Pool Monitor / Security Guard is to help safeguard our community and assets at the pool and to ensure that only residents and their guest are using the pool. The Guard is not a lifeguard, but rather is there to check that each person in the pool facility has a valid pool key in their possession and that all association rules are followed. The Guard also walks the complex, reporting any issues to his counterparts at Patrol One, and notifies Newport Beach Police when necessary. These services will continue through the end of summer, and may be continued randomly into the Fall. This project is part of our goal to expand visibility and security throughout the complex and was paid for out of our Security Extras budget which was approved last year.



The Newport Terrace Neighborhood Watch Committee is starting to take shape. Several residents have volunteered and are actively patrolling the complex on the Security Golf Cart and on foot. There is much more we can do, from adding signage to expanding awareness. An officer from the Newport Beach Police Department will be on hand at the next Neighborhood Watch meeting on September 8th to help educate and empower this committee. If you would like to participate, or just listen in and learn, please attend the upcoming meeting or contact Monica Kerr at monikerrnthoa@yahoo.com.

Coyote Attack!

by Ross Minion

Please use caution when walking dogs and children in the meadow and neighboring parks. A coyote recently attacked a small to medium sized dog being walked by its owner at 10:30am in the morning! The dog survived, but has bite marks all over its body. Coyotes attacked a bulldog last year while being walked on leash in Newport Shores.

There have been increased reports from neighbors in upper Newport Terrace of coyotes roaming around units in the morning hours (6am), and now into the daytime.



PLEASE carry a large walking stick with you at all times. The local coyotes are not afraid of humans and have been known to stalk and follow dog owners. Even with 2 large dogs on leash, I have been followed by a large coyote out of the meadow onto Seamist circle. I have seen them right next to units and walking down the sidewalk.

The coyotes are often hard to see as they blend into the grasses. I carry a large flashlight to look for eyes reflecting back at me. That is the only way to see them when they are hiding. If you see a coyote, swing your walking stick towards its direction. Let them know you mean business.



Great turnout at the Renovation Rollout event

Facts and History

by Kimberly McKinney (on the blog)

In addition to the information provided at the Renovation Roll-Out in the pool grounds, by Architect, Contractor, Banker, the Roll-Out Committee, Volunteers and Board, the detail of the Roll-Out plans were in the cart room on the back side of the pool.

The detail information was available all day and was manned by a Board member. The facts including charts, graphs, previous attempts of renovating the complex (2004) all show how Newport Terrace got to this point. It was felt that that much detail would confuse some, but we wanted the detail to be available for those that like the charts and graphs. If you missed this important part of the day please contact any of the rollout committee (members) and make an appointment to see the detail.

There is a lot of information including what our community looked like before and during construction. This detail is fabulous.



Cart room next to the pool

THE ROOTS OF RENOVATION

by Ken Panas

The first quarter of 2010 presented a number of sobering moments for the residents of our community. In January we became aware of the alarming fact that our reserves were lower than ever due to an aggressive renovation schedule, roof patch and flashing work in anticipation of a wet winter and considerable repairs for concealed conditions in the last pods resided. Then as the tensions with our general contractor increased, they resigned, putting an end to our relationship. The plans we had counted on for completing the renovations in the upper terrace and begin our work on lower terrace were sitting on the scrap heap.

There was however a benefit to this sorrowful state—an opportunity to consider the problems we were having with our first approach to renovating our community. Yes, we had reservations about the methods and practices of our general contractor, but beyond that we lacked construction standards and specifications for our community. We did not have construction drawings and details established. We did not have the proper field oversight. We did not follow through in inspecting his work and require that the general contractor complete a project to our satisfaction before moving on to the next. In short, the board was attracted by the favorable labor rates and markups offered by CPR and to expect them to manage the project in our best interest proved unrealistic.

A number of Terrace residents were stepping-up at this time. Kimberly McKinney was able to rally a group of volunteers in a long range plan for planting and other enhancements in our meadow. I personally sought to create a culture for renovation that would deal with the deficiencies listed above. Pat Cumine has counseled the board on construction matters for more than two years—his background as an engineer and consultant is

rich with experience. Dede and John D'Alessandro were instrumental in providing old drawings for NT that we digitized to create individual site plans for Common Area Lighting and Common Area Power. Dede, Walter Pasternak, Steve Jones and I surveyed the NT site, plotted and created "As-Is" drawings. I mapped the location and type of common area lighting. Kimberly, Dede, Walter and Gail Dufour walked the complex at night with the map to identify broken lights and poles, and areas needing more light. Dede compiled all the data into a detailed spread sheet with locations, types, quantities and conditions for every site light fixture on premises. This was invaluable information for the design engineers in developing drawings and specifications to put "Common Area Lighting" out to bid.

At this same time, Dede and I with help from Walter, the board and others sought to identify all the finishes we have in NT as well as all the replacement products we were using in the planned renovation. From concrete to sheet metal to doors and windows and composite wood products, roofing, flashings, trim and more, we codified the products we have and believe we want to have for consideration in developing the specifications for our renovation. Michael Kiss, AIA has incorporated this information into the specifications for the Renovation. In going forward, future boards and management companies will have the Newport Terrace Architectural Standards available as a control document to prevent future contractors from using whatever products Home Depot is marketing to maintain the design consistency of Newport Terrace.

We also developed drawings to verify "Common Area Irrigation", "Common Area Gas Service", "Common Area CATV" and "Building Drainage Condition". We still need to do the field survey work and record our findings on "As-Is" drawings. Once this is done we will develop the bid documents and obtain competitive bidding on the remaining infrastructure improvements with expected value engineering options to reduce the amount of the loan.

While these steps were necessary in putting forth

Continued...



The Roots of Renovation Continued:

a more successful effort in renovation, the key insight was that as a community of volunteers, we were poorly equipped to provide the construction management for the project and at this time I was still thinking we could build incrementally, out of available funds year after year. I have been involved in commercial and industrial construction locally for over 20 years, but the players qualified to do HOA are unfamiliar to me and require expertise and general liability coverage that leaves me spell bound.

I had been collecting the names of qualified Architects and Construction Management Companies for a couple of years as well as qualified HOA General Contractors. In the first half of 2010 I made contact with them, invited them one-on-one to meet for a “walk and talk” on site, showed them the work that has been done, revealed our ambitions and met with the board members who were available. This culminated in June 2010 with six architect/ construction managers making presentations to our board for managing the renovation of our community. During the same time period I personally walked 6 recommended and qualified General Contractors through our community to take a look at what we have done, garner their comments for moving forward with better quality and for consideration in being on our list of preferred bidders. Their comments and recommendations influenced our specifications for the renovation.

Much has happened since that time. The first choice of our board was a construction management firm that presented a contract that Pat Cumine and I (and David Cane) red-lined generously as not in our best interest to execute. When attempts failed to get acceptable modifications the board withdrew them from consideration and began negotiations with Michael Kiss and had satisfactory results. Plans and Specifications were developed and the work was put out to bid to six qualified General Contractors. One company stands out as the “lowest and best” candidate, however negotiations are not complete. The NT Construction Committee intends to be involved in the final contract negotiations. To do that we need the approval of our community and ask for your support. Ballots are in the mail.



As a resident-owner of 13 years, a former board member, committee member and current member of the Construction Committee I am completely committed to the renovation of Newport Terrace and believe that taking out a loan to accomplish this is the best and least painful way to accomplish a great thing for the majority of our neighbors.

I also understand the reluctance some have expressed who lean in that direction but have concerns about the amount of the loan and the burden of interest. For those owners that oppose the proposed solution please feel free to contact me through our network. I continue to try to understand your thoughts as well.

I welcome the opportunity to participate in what is a tremendous venture—the necessary renovation of Newport Terrace and the return of the perception that this is a lovely place to be.

Ken Panas
Construction Committee



Michael Kiss, AIA
President of Summit Consulting & Architecture
speaking at the Renovation Rollout event

Newport Terrace Renovation

by Pat Cumine



I believe it is safe to assume that everybody agrees that the Newport Terrace complex badly needs to be repaired and completely renovated.

There will be many opinions as to how this can be accomplished in whole or in part, either in a short time, or over an extended period of time.

If the work is done over a short period of time, say 18 months, then everybody's unit will be restored at approximately the same time, give or take a few months and the work crews will be gone.

If the work is done over several years, say 10 years, then who wants to be in the last group to be renovated, 9 years from now and have work crews constantly in the complex for 10 years?

The other issue to be considered and probably foremost in most Homeowners' minds, is the cost. Here are a number of scenarios to be considered:

(1) An 18 month construction period with the \$8 million loan detailed at the Renovation Rollout presentation, repayable over 13.5 years starting after completion of the construction.

Loan amount of \$8,000,000 plus interest cost of \$3,349,790 for a total of \$11,349,790 (inclusive of interest during the construction period). The majority of the anticipated \$8 million construction cost is supported by hard money contractor bids.

(2) Progressive repairs and renovations over a 10 year period.

The following general assumptions have been made in computing these costs.

(a) The basic \$8 million scope of work, conservatively, will cost 20% more because of the loss of economy of scale, continual mobilization and demobilization of contractors, loss of efficiency from new worker learning curve for each of the probable multiple contractors, loss of benefit of bulk buying of materials and possible unavailability in the later years of the specified product, contractors profit markup percentage on smaller projects is higher than on large projects.

(b) Inflation will return. Calculations for 2% and 3% have been made.

(c) Current on-going emergency repairs throughout the complex will continue as it ages even further and will increase 10% or 20% for the first 5 years, then diminish to \$0 at the end of year 10. The current annual repair cost of \$150,000 per year has been used in the calculations.

(d) HOA construction manager costs for 10 years instead of 18 months.

Continued...

Newport Terrace Renovation Continued:

Utilizing the above criteria the following is a summary of my analysis:

RENOVATION CRITERIA	TOTAL COST	MONTHLY COST PER UNIT	
TOTAL 20% construction increase. 10% maintenance increase. 2% inflation	\$11,983,194.97	Monthly per Unit for 10 years	\$ 355.37
TOTAL 20% construction increase. 10% maintenance increase. 3% inflation	\$12,527,863.15	Monthly per Unit for 10 years	\$ 371.53
TOTAL 20% construction increase. 20% maintenance increase. 2% inflation	\$12,402,504.40	Monthly per Unit for 10 years	\$ 367.81
TOTAL 20% construction increase. 20% maintenance increase. 3% inflation	\$12,966,314.16	Monthly per Unit for 10 years	\$ 384.53
LOAN TOTAL COST	\$11,349,790.00	Monthly per Unit for 13.5 years	\$ 249.33

The loan monthly cost is fixed and could even come down if the interest rate at renewal year 10, is less than the 8.5% interest rate cap.

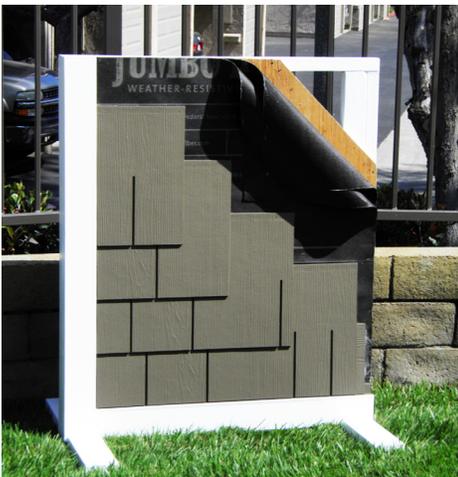
The 10 year monthly calculations are subject to ongoing economic conditions and could vary slightly up or down. If the cost of construction increase was 30% instead of the 20% calculated above, it would add almost \$1,000,000 more to the total 10 year cost.

Note: The above monthly rate costs are over and

above the portion of the current dues required for the regular complex administration costs currently running at approximately \$200.00 per month. An amount for reserve allocation also needs to be considered in the monthly dues total amount.

To all homeowners ... vote as your individual situation dictates ... but please vote.

Thank you,
Pat Cumine
Construction Committee



Samples of building materials on display at the pool



Weighing Your Options

by John Sisker, Florin Florescu and Bernice DeVries

This is a collaboration of three different authors; therefore this information is not just coming from me (John Sisker) alone as a Board member. The two other authors, Florin Florescu and Bernice DeVries, all worked hand-in-hand to make this more of a working class interpretation of just how the renovations would affect all of us in a positive way and to address some possible misconceptions.

The first thing we all thought that needs to be pointed out was, with a YES or NO vote, for or against this loan, there is no middle ground. We're starting to get the impression that some residents may actually think that a NO vote simply means not only no loan, but that the existing \$395 per month association dues will just remain the same, and all the sidings and roofs will be done on some general routine basis. Unfortunately, that is not even a remote possibility.

Simply put, a NO vote (or abstaining) means the Association will have to immediately take the first of many steps to raise the association dues, first to \$450, on the way up to \$795, with the risk of emergency special assessments as assets fail. The complex needs work fast; we will have to pay for it one way or another.

The facts of our current situation are that all our major assets are now basically failing and are at the end of their life cycle. The price point of Newport Terrace is below that of any other surrounding development simply because of the current conditions of our condos and the complex in general.

Results from a *No* vote:

- Renovations would take at least 10 years to complete
- There will be no significant property value increases during this same time period
- The Board can increase association fees 20% a year without any public vote to pay for these renovations
- Good possibility of emergency special assessments
- No organized schedule or uniformity for needed improvement
- Higher per household cost for maintenance than just the interest would have been for the loan
- Reserve Study shows our association dues should really be \$811 per month today

However, with a *Yes* vote:

- Overall 10% - 15% property value increase in just 18 months
- Associations dues increase in reasonable increments to \$495 in 2014
- No special assessments anticipated
- Comparable association fees with other local complexes
- Newport Terrace would be the only complex in the area with open space and all new assets
- Our competition are other complexes built in the early 70's, which will still be aging
- At \$495 dues a month and brand new assets, we will have the edge
- Totally new complex in 18 months, instead of over 10 years
- No lien or cloud on your title. The loan is secured by the HOA's dues.
- Helps tilt the scale away from renters to on-site owners
- Once renovations are complete and the reserve study updated, FHA financing will be available

Residents historically move every 7 years. Are you thinking of selling now so you don't have to worry about it? By waiting just 18 months, with a YES vote, you can then do so for a lot more.

Sincerely,
Florin Florescu, Resident
Bernice DeVries, Realtor
John Sisker, HOA Board

RENOVATION ROLLOUT Q&A

Following are comments, questions and answers regarding the Renovation plans. Some of the topics were from the presentations during the June 30th Renovation Rollout event at the pool, others from the Blog and emails to committee members. Additional Q&A, updates and information is available on the associations website <http://www.myhoa.com/newport/renovation.htm> including a comprehensive report on the renovation plan and other articles.

Q: Question(s): How does the vote work? When will the vote be held? How long will it be open and when will it close? When will the results be known?

A: Answer(s): For the association to take out a loan, approval from 2/3 of the owners is required. Ballots are mailed to each owner and should be received by the time the July issue of Terrace Topics is distributed. Ballots were also handed out at the June 30th Renovation Rollout event and are available from committee members. The election (for or against the loan) runs until September 10th. Ballots must be received by mail or fax by 5pm on Friday, September 7th, 2012. Ballots can also be hand carried to the Inspector of Elections at the September board meeting on Monday, September 10th. Details are on the ballot. If a quorum is achieved (50% of the total available votes) then the election will be held. If a quorum is not achieved, the election will be held at the next regular board meeting on October 8th.

Q: Question: What oversight is in place to ensure funds are appropriated correctly and the work is completed properly?

A: Answer: The bank is in total control of the payments for the work. The scope of work is defined in the loan documents. The price for the contracts is fixed, with a contingency fund for wood replacement and other building repairs.

Anything not pre-approved in the scope will not be paid. A complete set of specifications and drawings have been created by the Architect and Lighting Designer. The Architect is also the Project Manager and will be overseeing the project with on-site inspections several times a week.

The Construction Committee will review all invoices along with the Project Manager before passing them to the board. The board will approve invoices to be sent to the bank for payment. Payments will be made directly to the vendors. The Construction Committee will be inspecting the work and meeting with the General Contractor and Project Manager each week.

Q: Question: This project has been presented as an all-or-nothing project. Why is that?

A: Answer: First – the majority of our assets are in such poor condition that replacement is necessary. The Reserve Study confirms that the expected lifespan (useful life) of our siding, roofs and lights are up in 2013 or shortly thereafter. A detailed inspection completed by a 3rd party in 2004 confirmed replacement of these assets was needed then. A detailed inspection completed by our current Project Manager confirms replacement is needed.

Second – each asset which is in need a replacement is a liability until it is replaced. We must either replace these assets or have the cash on hand to replace them in order to qualify for a loan. Simply, the banks will not loan us money to do half the job unless we have the cash on hand to complete the other half.

Consider that if we borrowed enough to pay for new siding, but not new roofs – if the roofs start to fail we would be unable to fund their replacement without an emergency special assessment, and that could lead to a high rate of delinquencies and the possibility of the association defaulting on its loan payments, hence a liability to the bank.

The same goes for the ground work - if we pay for new siding but not to remove excess soil, fix the drainage and replace the irrigation system; water

Continued...

Renovation Rollout Q&A Continued:

and moisture will still be affecting the walls of the building, causing the same damage we just repaired.

Third - once we get a loan, we cannot take out another or add to it.

Therefore - if it needs to be replaced and is a liability until it is replaced, we either need to replace it or have the money on hand to replace it if we want to qualify for a loan.

Q: Question: How does the loan work?

A: Answer: The loan is a construction loan.

Construction loans are very different than home loans. There is no single payment or set amount. Funds are made available for a set period of time for construction expenses. When that period is over, the term loan (payback) begins for the amount of funds used.

In our case, the time period allowed for construction is 18 months. Funds are available for the association to "draw" from during that period to pay for the pre-approved work. The loan is classified as a line-of-credit during that time. We pay interest on the funds used up to that point each month during this period.

When the construction period ends (at the end of 18 months) we must then begin paying back the amount borrowed. Again, in our case, this amount is up to \$8 million. The term of the loan is 13.5 years. The rate is fixed during the draw period and for the first 10 years of the term at 5.25%. At the end of 10 years (of the term), after the majority of the principle is paid down, the rate adjust and then resets for the remaining 3.5 years. The adjusted rate has a ceiling of 8.5%, therefore even in the worst case scenario our average interest rate for the entire term of the loan will be 5.43%. This rate is significantly better than the proposals from the

other five banks.

In order to lock in this low rate, we need to approve the loan before rates increase. We do not expect rates to move anytime this year.

Q: Question: (From discussion on the blog) ...Is there a backup plan?

A: Answer: (by Dede D'Alessandro) One point for clarification; it's not a question of if we can afford \$8 Million Dollars of work (roughly \$28,500/homeowner), it's a question of how do we pay for \$8 Million Dollars of work?

Doing away with the loan doesn't lower the price tag. We are stuck with \$8 Million Dollars of work that has to be done, with or without the loan,

period. There wasn't a bunch of unnecessary items stuffed into the loan – doing away with the loan won't lower won't cut down the work to \$4 Million (for example). There really isn't anything that can be cut without affecting Fire Life Safety Code and Structural Integrity of our buildings, even if it doesn't seem necessary. Even the new house numbers comply with current City Fire

Code while the old ones don't (too small, hard for firemen to see, wrong location on the street side). And by the way, we got those on Clearance (about \$3 each) and no extra charge to install since the old numbers have to come down anyway during renovation!

Cutting an item from the loan, voting "No" on the loan, or Abstaining from voting doesn't make the work go away – it would still have to be done. Let's say lights could be cut from the loan, they would still have to be replaced (thru raised dues or a dreaded Special Assessment).

Abstaining from voting or voting "No" simply means the HOA can't take out a loan to finance the renovations for us to spread the pain out over 15 years. It means we all have to individually finance

“ ...for whatever reason, NT is in need of major repair Let's call it 'hitting the reset button' for NT. My suggestion is that NT pursue all repairs with the approach of doing it big, doing it once, and doing it right. -Norb Puff ”

Continued...

Renovation Rollout Q&A Continued:

\$8 Million Dollars (about \$28,500 each) worth of work NOW. A lot of people don't have enough equity/can't qualify for their own financing or can't afford \$795 dues. I'm sad to say I've been on a fixed income (medically retired) since 1997 and can't swing an SA or \$795 dues.

The loan just "spreads out the financial pain" by letting us get renovated now and pay for it over 15 years (HOA dues go up to about \$495) instead of raising dues to \$795 and being under construction for years. The Loan is "cheaper" in the long run because of the \$ that will be spent in emergency maintenance is more than the interest paid on the loan. Plus our equity will go up about \$40,000 immediately instead of decreasing (per the local realtors).

Moral of the story: The workload won't change with/without the loan, the loan just eases the pain on the wallet for the next 10 years.

FYI For all items in the scope of work, we tried to think outside of the box. Among other things we looked at:

- 1) Cheaper brands with the same quality,
- 2) Code/Safety/Title 24 (Green/energy efficient) compliance,
- 3) Looks/style,
- 4) Long Term impact (life span, future maintenance etc),
- 5) Why the old component failed and is there a better material (like Hardie instead of Wood siding), and
- 6) While we're at it - little ways to improve life in NT. Back to lights as an example: Many Tall light poles will be replaced with Bollards (the lights that are about 3' tall) which are cheaper and proved adequate light. Added Bonus: All new lights are Energy Efficient (cheap to operate), and they are Dark Sky Compliant, which means you won't have that annoying light shining in your bedroom window at night. We even took into account the impact of lighting on the wildlife in the meadow.

Response to answer: Dede, a very easy to understand explanation of the rationale for supporting a loan option – thank you. Particularly important is your reference to the cost of the loan (i.e., interest) being less than the anticipated cost to continue to chase down maintenance of failing assets over time, which will necessitate increased

dues or assessments. Also, the immediate benefit of assurance that the long term viability of the property (due to fully funded renovation) cannot be understated. I truly believe that this will be reflected immediately in our values and salability. It goes without saying that prudent use of the loan funds will be of the highest priority for the Board as the project is implemented. We have a professional project manager to help ensure that this is the case. -David Brantley

Comment: (on the blog) It's a shame that votes aren't being cast in sealed envelopes to be opened and counted by a neutral people, or at least by two people from opposing sides, so that the question of the validity of the votes doesn't come up.

Response: The association designated an Inspector of Elections to receive and handle the ballots, as we have done in previous elections. This election does not meet the criteria for the double-blind secret ballot. The double-blind election procedures are reserved for (and required for): special assessments, election or removal of directors, amendments to governing documents or the grant of exclusive use of common area property. Therefore the ballots must be open, with a simple Yes or No vote. Ballots can be mailed, faxed, or brought to the election meeting.

Q: Question: Regarding foreclosed units - Is the loan (if it is passed) designed to carry those obligations even if the property is now bank owned?

A: Answer: The loan is to the association. It is not tied to any individual units. The funds used for the project will be paid back through our regular income, which is generated by monthly dues (assessments).

Regardless if we pay for the renovations and maintenance with dues and special assessments, or by taking out a loan and paying the loan back with dues, the financial impact on the homeowners is the same. We all must contribute to renovate the entire complex. No units are excluded, regardless of their status. We all pay equally. That is how our

Continued...

Renovation Rollout Q&A Continued:

CC&R's are set up. Keep in mind that owners only own the inside of their units. The association is responsible for the outside. So even if a bank owns a particular unit, the association owns the outside walls, the roof, gas lines, irrigation, etc..

If any homeowner becomes delinquent, the collection policy is enforced, the same as it is now. When we have units that are not paying, the rest of us have to cover their share. We plan for delinquencies in the budget. Note that we never stop going after the funds, even if we write the balance off our books.

The good news is that most of our old AR is clearing up. There are only three units on the list with large balances. Two of those units are reportedly in the process of being sold. Two others already sold and have come off the list. We are in pretty good shape as far as our AR goes. It improves every quarter.

Looking forward, as dues rise, it is conceivable that a few more homeowners may have trouble. That is why we are trying to give everyone as much notice as possible and keep the dues increases as low as possible. With the loan option, we can limit dues increases to \$425 next year and \$495 in 2014. That is 18 months notice of a \$100 increase. We would then be able to hold dues at that level for several years.

Without the loan, dues will increase much faster and continue to rise until they reach at least \$795 a month, or the equivalent in emergency special assessments. The fact is that there is over \$8 million worth of work to do in Newport Terrace. How we pay for it and over what time period will have a major impact on residents' ability to stay current with their dues. I personally do not believe that the majority of the owners can afford dues over \$500 a month and/or special assessments on top of higher dues. I know very few people who could write a check for \$28,000 today in this complex.

Unfortunately, the state of the complex being what it is, we have no choice but to renovate, and the least expensive and quickest method to do so is through a loan.

Q: Question: What happens if the loan is not approved by the membership?

A: Answer: One of the points which I know we did not get across during the presentations is that we are faced with a great deal of maintenance and painting expenses if we are not able to complete the building renovations in the next year or so. We are facing \$500,000 in wood repairs/replacement and painting cost just to minimize water intrusion issues and to protect the wood in its current state. Those costs would drain most all of our available renovation funds next year, and then we would still need another year to accumulate enough funds to complete the last three buildings on top. I don't expect we will be able to touch what we have in reserves (\$1 Million today) once the Reserve Study is updated with the actual replacement cost for all assets at the end of their lifespan. Even with raising dues the maximum of 20% a year beginning in 2013, we may not be able to re-start the building renovations until 2015, and the pace would be very slow.

The membership could opt for a special assessment to fund the renovations quicker (which would also require voter approval and an upfront payment). We would still have the option to try for voter approval for the loan again, however the cost of the renovations and the interest rates on the loan are expected to rise the longer we wait.

Regarding the Renovation Plan

Comment (on the blog): We have a board member who uses this forum (the blog) to express his concerns to the broader membership about the preferred path the board majority has proposed for addressing the very serious issue of how best to move this association forward on the topic of renovating our complex. Yet no substantive basis is provided by Mr. Gilmore to support his notion that the proposed path is flawed - he only states that it is the wrong way to go. In my view, throwing out unsubstantiated hyperbole regarding such an important community decision is irresponsible at best, and at worst, could have a detrimental effect on the outcome of this critically important decision. Thus, I can only surmise

Continued...

Renovation Rollout Q&A Continued:

that Mr. Gilmore's motivation for disagreement is political in nature, rather than substantive. As a similar example, there was a resident who spoke at one of the meetings on Saturday that raised concerns regarding his theory of conflicts of interest and past accounting improprieties, etc., without any factual basis to support his comments. Although anyone can express whatever concerns they wish, I believe we all have a duty to express our concerns responsibly, in a manner that refrains from unsubstantiated hyperbole that serves no other purpose than to stir the pot, and cast doubt and fear over an issue. Frankly, I don't appreciate my investment being politicized. We all have too much at stake. If Mr. Gilmore has other ideas, I agree they should be (have been) presented and evaluated. I know that the board has analyzed several alternatives. After exhaustive research and analysis, they have arrived at a preferred option. After hearing the presentation Saturday, I made my decision and handed in my ballot. Others will consider the proposed approach and make their decisions. Hopefully, folks will base their decisions on substance rather than the rhetoric of a limited number of vocal opponents.

David Brantley

Q: Question: Did all Board members have the opportunity to provide input on this project?

A: Answer: YES! The project has been in the works for years, beginning back in 2004. The renovations began in 2008 and were halted in 2010 to regroup and develop a more precise, fiscally viable approach. The process of writing the

draft scope, interviewing architects and vendors, reviewing plans, specs, drawings, etc. has been a long and time consuming process involving many committee members and volunteers, including past and current board members. There have been countless opportunities for residents and board members alike to be involved and provide input along the way.

The information leading up to today has been widely distributed. Detail reports were printed in Terrace Topics 8 times since October of 2010, and a detail financial report was published in December

of 2009 which accurately forecasted the cost of the renovations and outlined the challenges we were facing.

All current board members have been repeatedly asked to attend committee meetings, to meet one-on-one to review details of the project and proposals from vendors, and updated at each monthly board meeting. All documents, drawings, specifications and pertinent communications were emailed to each board member for review and most were printed in the monthly board packets as well.

Special meetings were held to give board members the opportunity to sit down together to discuss the information and ask

questions as a group. All specs and drawings are stored in the cart room and have been available to all board members for review since receipt. Committee members have been and are still available to discuss the details and answer questions.

All of the communications, data, specs, drawings, etc.. is available for review, including copies of the emails which were sent to ALL board members, the meeting dates and who attended, and which of the board members spent time reviewing the

“ Very well stated Norbert, I am on the same boat, This complex is in dire need of a full makeover. It needs to be done quickly and completely, not the way it was getting “done” by CPR, taking forever. Dealing with having my building torn up for weeks on end would surely piss me off! The only way to do this is to get the loan. We all will have to “suck it up”, but that’s life, and we have to deal with it. In the long run, the places will look brand new and the property values will increase. As it stands now, I feel as though I am living in Santa Ana. Let’s move forward! ”

-Mark Gund

Continued...

Renovation Rollout Q&A Continued:

renovation plans with committee members, asked questions and provided input. Here is a summary of the data-points:

The Architects Specifications document was emailed to the board on December 16th, 2011 and the drawings were emailed to the board on December 22, 2011. A special Board meeting held at the pool to review specs and drawings on January 7th, 2012. The drawings and binder have been available for review since received and currently reside in the cart room.

The Lighting Package was emailed to the board on February 12, 2012. The lighting drawings and specs have been available for review since received and currently reside in the cart room. The Lighting Package including the RFP (Request for Proposal) was included in Executive Session book, June 2012 - Pages 115 to 133.

There were Job walks with the General Contractors on March 23rd and the Lighting Contractors on May 4th.

An email requesting an appointment to review the details of the renovation plans was sent to all board members on May 20th, 2012. This email was initiated as one or more board members had not yet made any attempt to sit with the committee to review or discuss the renovation plans, nor had any communications been received from said board member(s). In that email, a special board meeting was scheduled for June 23rd for one last chance to review the data before it was presented. Here is an excerpt: "...The committee request the board members attend the preview on June 23rd from 10AM to Noon, and of course you are requested to be present ALL DAY on June 30th, from 10AM to 8 PM...Please either arrange to meet with me (Ross Minion) one-on-one or let me know what day (Monday – Thursday) works for the board to meet together the week of the 4th. The June 23rd meeting was attended by 4 out of 5 board members.

These items are in addition to the countless committee meetings which any board member could have participated in with 4 days notice AND the monthly board meetings.

If YOU have questions, please call, email or join us in the cart room Saturday mornings or Wednesday evenings.

Q: Question: Is there a Performance Bond included in the proposal for the upcoming siding and building project?

A: Answer: We have discussed the idea of having a performance bond applied to this project. In discussions with the Project Manager / Architect, Construction Committee members, our Management Company and legal counsel, we believe there is no need to proceed with a performance bond. The reasons are as follows:

1) We are only paying as work is completed, inspected and approved. There will be no prepayments of any kind. We are creating a payment schedule so the General Contractors (GC's) can be paid in increments instead

of waiting until the entire project is completed. The project manager (PM) and Construction Committee members will be inspecting the work weekly.

2) Performance bonds add considerable expense to the job. Given that we do not believe we are at financial risk if the contractor pulls out, we do not believe it is appropriate to add this cost to the job. Even if we do have a problem with a GC, there are several waiting to take their place and we can change at any time. The specs are very specific, so if the work is not satisfactory we do not have to pay until corrections are made and the work passes our inspection.

3) The GC's which have been invited to bid are experienced, trusted companies which our PM has a great deal of experience with.

“ This is an opportunity to make our homes more valuable, livable, and marketable, if you so desire. The loan rates are most attractive. While I do not always agree with the Board, this is the most common sense approach to making our property pristine again... ”

-Earl H. Miller

Special Thanks!

A special thanks to the committee members, volunteers and board members - past and present, which have donated so much of their precious time and effort to put together this comprehensive plan. The sheer amount of research (which began around 2004), meetings with: manufacturers, contractors, architects, lighting vendors, designers and more..., plus the endless committee meetings and Saturday sessions to pull everything together for the betterment of our community. Hats off to them!

Committee members: Dede D'Alessandro, Kimberly McKinney, Ethan Young, Pat Cumine, Ken Panas, John Sisker, Ross Minion

Graphic Artist: Lara Phillips

Renovation Rollout Event Photos: John and Deborah Sisker

Meeting notes and cookies: Deborah Sisker

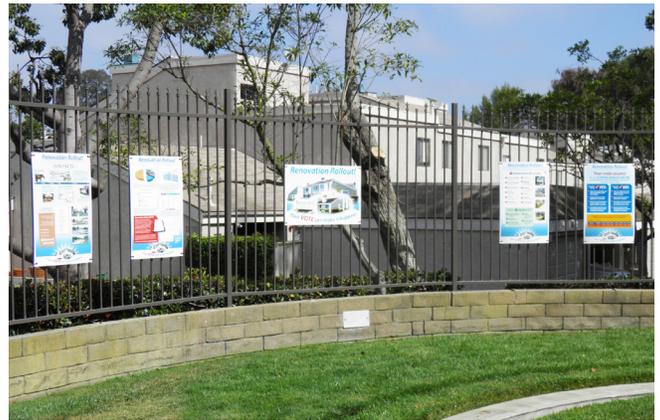
Event Coordinators: Carol Smoot, Shannan Lee, Susan Miller

Community Advisors: Florin Florescu, John Knickerbocker, Mark and Florine Sutherland, David Brantley

Past board members: Kent Kahlen, Virginia Dodge, Phil Campa, Trish Watson, Ethan Young – began renovations in 2008

Earl Miller, Kimberly McKinney, RJ Green, Richard Orrill, Ken Panas – started research in 2004

Current board members: Monica Kerr, John Sisker, Ross Minion, Sara Barnett, Robert Gilmore



Visuals from the June 30th Renovation Rollout Event are still posted at the pool, go check them out if you haven't seen them!!

“ **The pool looks great and I love the sport court! In my opinion, it is worth spending the money to make our community look better. Again, it's only my humble opinion.** ”
- Shannan Lee



Bernice DeVries, Realtor speaking at the Renovation Rollout event