Mountain River East Condominium Association

MEETING MINUTES

Meeting of the Mountain River East **Condominium Association**

Saturday May 23, 2009

Thornton Central School

Thornton, NH

The meeting was called to order at 9:30 AM by President **Tom Howe**. Also present were Directors **Tim Duggan, Bob Hatcher**, and **Gerry Perry**. **Walter** & **Mary Ellen Bourque** represented the Management Company (BPM).

Mr. Howe introduced the Board of Directors and welcomed association members with opening remarks and a review of the meeting agenda.

Mr. Howe highlighted the excellent work that BPM has done for the association. The association applauded **Walter & Mary Ellen Bourque** from BPM for their outstanding service.

A motion to approve the minutes of the May 2008 annual meeting was approved.

Mr. Perry presented information to the membership regarding a change to fiscal year of the association. The current fiscal year practiced by the association runs from 1 April to 30 March. The association bylaws were not changed to adopt this practice – it was adopted as a result of a vote taken during the first annual meeting of the association. The Board is now taking action to revert the practice to the fiscal year stated in the association bylaws (1 October to 30 September). As such, the proposed 2010 budget will be considered interim until October when a new budget for the next fiscal year will go into effect. The Board will present this budget to the association at the Labor Day meeting.

Mr. Perry reviewed key financial issues from FY 2009. He stated that additional snow removal required expenditures beyond original expectations. **Mr. Perry** highlighted ongoing repair and maintenance allocations in the budget that are having the intended effect of keeping the property well maintained.

Mr. Perry reviewed the FY2010 proposed budget noting that for the second year in a row there is no increase in the condo fees. **Mr. Perry** stated that the association currently has approximately $95,000 in Reserve funds. These funds are invested in 2 11 month CDs with one maturing approximately every 5 months. This level of reserve funding puts the association in excellent financial condition. **Mr. Perry** quoted an article in ***The Boston Globe*** mentioning the new Fannie/Freddie requirement for adequate reserves and accounts receivable before making loans to prospective condo buyers (article attached to these minutes).

An association member questioned the benefit of moving the start of the fiscal year to October. **Mr. Perry** pointed out that October 1 is a better start date because the summer spending around pool maintenance is over and the winter spending around snow removal has not yet started. The one drawback to the October start date is that the budget has historically been proposed and approved at the Memorial Day meeting. Going forward, that activity will best be done at the Labor Day meeting.

An association member questioned whether Reserve Funds are being used to subsidize operating costs and thus keep the condo fees stable. **Mr. Perry** stated that during the normal course of association business, transfers from Reserve are sometimes needed to pay for unexpected costs or to smooth out spikes in the revenue pattern where inflows occur only once per quarter. However, year over year the trend in the Reserve account has been consistently upward. This is an indication that the fees are subsidizing the Reserve (as intended) rather than the other way around.

An association member questioned whether the bylaws were ever changed hold the Annual Meeting on Memorial Day weekend. **Mr. Perry** stated that the bylaws still indicate that the Annual Meeting be held on Labor Day weekend. The change in practice to meeting on Memorial Day weekend was another bylaw item voted on at the first annual meeting.

An association member questioned whether the Board is bonded. **Mr. Perry** stated that the Board has been bonded since the recent change in insurance carriers was made.

A motion was made to accept FY2010 budget and unanimously approved.

Mr. Howe presented information on the Reserve accounts and discussed the Board's ongoing capital planning efforts. **Mr. Howe** thanked all former board members for their efforts in keeping the association solvent and in excellent financial condition. **Mr. Howe** discussed leaks resulting from ice dams this past winter. He reminded the membership that Board policy for over 20 years has been that if a minor leak occurs, the owner should file a claim against the owner's insurance policy. A claim will be filed against the Association Master Policy only if:

- Multiple owners are interested in filing a claim for the same 'event'
- The total claim exceeds the master policy deductable
- Those owners agree to pay the master policy deductable.

It is not the position of the Board that the association is responsible for damages resulting from leaks caused by ice dams. **Mr. Howe** reminded all present that in the history of the Association, the Board has never gone back to the membership for a special assessment.

Mr. Duggan reported findings from the 2 May 2009 walk around inspection:

1. Reminder to owners of rotting sliders. There are still many slider units that are in need of replacement. Leaking first floor sliders are an owner concern. Leaking second floor sliders are an association concern because the water can cause structural damage to the building itself.
2. The Board will discuss the issue of deck staining and decking board replacements. Some units have restored the decking wood to its original stained appearance. There may be decking boards on some units that will present a safety problem if not replaced. Board to report results of discussions at the Labor Day meeting.
3. The walkways at the north end of building 3 spent much of the winter underwater. These walkways need to be raised and the Board is committed to raising them to eliminate the need to lay wood on them during the winter months.
4. The retaining wall at the north end of building 3 continues to show signs of erosion. The wall has been checked for structural integrity and has been declared safe and not in danger of structural failure. The dirt that washes out at the bottom of the wall is cosmetic. BPM will continue to remove this dirt as necessary. The Board will continue to monitor the condition of the wall before committing to repairing it or installing a drainage solution.
5. The lighting problems on the outdoor stairways at buildings 2 and 3 have been solved with the removal of the trees that cast those stairways into shadow. The problem at building 4 is structural (it is a light placement issue rather than a foliage problem) and has not yet been resolved. The Board will investigate installing solar powered, motion sensing spotlights as a low cost solution for this problem.
6. The roads, parking lots, and walkways are generally in good condition considering their age. Repaving will only be considered to address fundamental structural problems with the pavement. Minor bumps and cracks are cosmetic issues in the opinion of the Board and no effort will be made to address cosmetic pavement issues.
7. The roofs have an expected remaining lifespan of up to 10 years but that may be shortened significantly by the black algae present on almost all roofs. The Board will consider replacing the existing asphalt roofing with steel roofs. Steel roofs are an attractive option because of the expense involved in installing asphalt (2 layers of asphalt will need to be removed if replacing with asphalt). Steel roofs also do not suffer from the effects of ice dams. Note: The existing skylights may not be compatible with steel roofing systems and this fact should be considered early in the process of choosing a replacement.
8. The Board has decided to remove the water diverters on the units that reported water damage from ice Dams. The situation will be monitored next winter to see if this action prevents leaks

9. BPM will seek an arrangement with one or more professional roofers this winter to have MRE high on their list of clients when ice dams occur. The association may be able to avoid damage altogether if it can get timely response from roofers when ice Dams occur.
10. The tennis court cracks will be left alone until an owner complains about them and/or it is determined that the cracks are a genuine safety concern..

An association member questioned whether the repairs to the pool were complete. **Mr. Duggan** responded that all but a few minor repairs had been completed but that the Board anticipates needing to replace the hot tub heater at some point this summer.

An association member questioned the options for lighting at building 4. **Mr. Duggan** responded that there are several options ranging from wireless solar solutions to underground wired lights. The Board is approaching the solution starting with the least expensive and least disruptive alternative. The approaches will get more expensive and disruptive until a viable solution is found.

An association member questioned why her outdoor electrical outlet did not work. **Mr. Bourque** suggested that the GFI circuit may be tripped in her kitchen or bathroom.

Mr. Howe opened the meeting to the election of Board members for 3 open positions. **Henry Saccoccia** and **Fran Brough** were elected in absentia. **Norm Vadenais** voluteered for the remaining position and was elected unanimously.

The meeting transitioned to Open Forum.

Mr. Bourque cautioned owners about the Asian Longhorned Beetle being transported from the Worcester area to NH by second home owners bringing firewood and plants.

An association member raised the issue of dogs at the pool. **Mr. Howe** reminded the membership that the association has firm policies around dogs. The Board requires owners to ensure that renters either do not have dogs or obtain written permission from the Board to have a dog. Dogs must be leashed at all times.

An association member asked about plans to open up more trails in the land behind the buildings. **Mr. Howe** responded that there are no plans to do so but that the Board would welcome volunteers to work in the back to open up trails.

Mr. Hatcher discussed a proposal from the propane company to bury tanks in front of buildings where multiple owners are interested in alternative heating. He specifically discussed the possibility of doing this at building 2 and mentioned that the gas company would do it free of charge to secure the business. Interested owners were invited to contact him via email to continue the discussion.

An association member raised the issue of parking at building 5 during busy weeks. The lot is too small to accommodate all of the vehicles for the building when all units are in use and there are several cars per unit. Each unit should be limited to 2 cars. Several other members raised similar issues at other buildings. The Board committed to send a letter to all unit owners reminding them of the parking situation during busy times and appealing to common courtesy before taking a more aggressive stance on parking.

An association member raised concerns over the Cable TV service noting that the service is poor and expensive. The specific question is whether the association has any alternative. One association member mentioned that the town of Plymouth is investigating moving to Comcast. Another member commented extensively on the difficulty, time, and expense of any legal action against a cable provider. He suggested writing a letter to the NH AG to document the situation.

With no further comments in the open forum, a motion to adjourn was unanimously approved at 10:45 AM.

Attachment 1: Boston Globe Article cited by Mr. Perry in his comments on the Association Finances:

The Boston Globe

New rules on condo loans hindering some buyers

By Jenifer B. McKim, Globe Staff | May 23, 2009

Condominiums are becoming more difficult to purchase and refinance as lenders increase fees and tighten regulations to offset what they say is the higher risk of lending to buyers of condos as compared with buyers of single-family homes.

The changes are part of an effort by mortgage giants Fannie Mae and Freddie Mac to limit risky lending in a segment of the housing market particularly hard hit by foreclosures in recent years.

In addition to paying higher fees to get a loan, prospective buyers now must make down payments of up to 20 percent because companies that traditionally insure lenders against borrowers who default are shying away from condos.

Peter Milewski, an official at MassHousing, the state's afford able housing bank, said condos are considered more problematic to lenders because a few foreclosures can affect property values for an entire complex. Also, he said, they carry monthly fees and special assessments that can create massive collective debts if individual unit owners fall behind on payments.

But Milewski and some other housing specialists believe the changes are too restrictive and may discourage qualified buyers from closing deals at a time when the housing market desperately needs to rebound. Even the state housing bank is challenged by the new regulations, he said.

"There has been a dramatic attempt to overcorrect based on what has happened historically," he said. "The pendulum has swung way past center."

Dena Capano of Salem is one of a growing number of qualified condo buyers forced to comply with the tighter borrowing requirements.

Capano, 24, said she was planning to buy a $129,000 loft in Salem in February when her lender demanded she increase the down payment from 18 percent to 20 percent or lose the loan. Capano said she came up with the extra money, but the deal still almost fell through because the condo association didn't meet another new requirement that it keep more money in reserve for repairs and other shared expenses.

"It was definitely more complicated than one would think," said Capano, an administrative assistant for the Lynn Museum and Historical Society.

Amy Tierce, a mortgage lender at Fairway Independent Mortgage in Needham, said the restrictions and fees, which are in force nationwide, unfairly penalize homeowners in the Boston area, where condo foreclosures have not been as prevalent as in other parts of the country. It's particularly unfair to first-time buyers, who often opt for condos, she said.

"In the Greater Boston area, when you've got less money to spend, a condo is your only choice unless you want to commute two hours," said Tierce. "Everybody has gotten nervous about condos."

Guy Cecala, publisher of Inside Mortgage Finance, an industry newsletter, said the condo-buying crunch is a nationwide phenomenon. "It's almost as if condos have been blacklisted," he said. "Financing options are much worse on condos, and it is very difficult to refinance now."

The National Association of Realtors is lobbying Fannie Mae and Freddie Mac, which are controlled by the federal government, to have the rules relaxed.

"A person with good credit and qualifying income ratios, why is that person being additionally harmed because that person wishes to buy a condo property?" said Lawrence Yun, chief economist for the trade group.

"If the buyers are hindered from entering the market, it will deter the housing market recovery."

Fannie Mae and Freddie Mac's guidelines, which vary slightly, affect much of the mortgage lending in the United States because the agencies end up buying or guaranteeing nearly 60 percent of all loans, according to federal data. Private lenders do not need to adhere to the new regulations, but those interested in later selling mortgages to the two federal agencies must abide by them.

One of the Fannie Mae and Freddie Mac lending changes is a surcharge equal to three quarters of a percent of the amount being borrowed. The agencies say the surcharge - which took effect April 1 - translates into about an eighth of a percentage point increase in an interest rate, although it could be higher depending on the borrower's credit rating and other financial details. To avoid the extra cost, anyone buying or refinancing a condo must provide a down payment of 25 percent, or demonstrate that they have equity of at least 25 percent in the property.

Brad German, a spokesman for Freddie Mac, said the point fee is meant to address the added risk of financing condos.

"The market has deteriorated, and the condominium market has become much riskier," German said. "We have adjusted our fees accordingly."

Both agencies also now will only loan to people buying into new developments where 70 percent of the units are already sold - or under contract - to owners who will live there, not those buying properties as investments. Until recently, only 51 percent of units had to be owner occupied. The agencies say the intent is to make sure projects are financially sound. But the change has left some otherwise qualified buyers unable to close loans and caused developers to consider turning condos into rental units.

Fannie Mae officials said they will waive the owner occupancy requirement if they determine a project has a strong chance of success - and has done so more than 200 times nationwide since March.

But developers say the occupancy minimum, combined with stricter lending regulations, is driving away business and keeping them from completing projects.

At the Residences at Atlantis Marina, a new luxury condo complex on the waterfront in Winthrop, several buyers poised to close on new homes earlier this year found they could not get financing because of the new requirements.

Developer Alex Steinbergh said his real estate company, Somerville-based RCG, is trying to find ways to help people move in to the 44-unit development. For instance, he is working with a lender who is willing to waive the new requirements by keeping the mortgages in its own portfolio rather than selling them to Fannie Mae or Freddie Mac. RCG also allowed a couple to lease their condo until they can get a loan.

"We have all of these people who are hanging there," said Steinbergh. "It's a big problem for developers."

Adding to headaches, homeowners who can't come up with a 20 percent down payment have traditionally been required to pay for private mortgage insurance, which protects lenders against loan defaults. But many private mortgage insurers now refuse to cover condos or are asking for down payments of 10 or 15 percent before they will issue a policy.

The changes have pushed some prospective buyers to consider single-family houses rather than deal with the complications of condo financing, said Mark O'Hagan, owner of the real estate company MCO and Associates Inc., in Harvard.

"Welcome to a brave new world," O'Hagan said of the tougher lending stipulations. "It makes it that much more difficult for sales of condominiums." ■