

Hillcrest East 25, Inc.

Condominium Meeting Minutes: October 16, 2019

Call to Order: The meeting was called to order in the lobby by Steven Hurtig at 7:02 pm.

Board Members Present: Steven Hurtig -President, Armond “Clay” Hockman -Treasurer, Cindie Rock –Vice President and Cindy Bridges -Secretary.

Board Member Absent: Mirjan Vehbiu

Meeting Summary:

First Item for Vote: Steve Hurtig made a motion to waive reading of the minutes of the September 11, 2019 and the September 16, 2019 board meetings, which were distributed to all board members on September 24, 2019, and to approve these minutes as written. The motion was seconded by Mr. Hockman and the vote to waive the reading and approve the minutes was unanimous.

Second Item for Vote: Steve Hurtig made a motion to add Cindy Bridges, Secretary, as a check signer. The vote to approve the motion was unanimous.

Mr. Hurtig addressed the projected improvements to the common areas of the building, including estimated prices and costs to unit owners. Mr. Hurtig emphasized that the prices provided are estimates only and should not be relied upon as to accuracy or as final figures. Three prepared documents were distributed to those in attendance by Mrs. Bridges and Mr. Hockman.

Mr. Hurtig first reviewed the document titled “Estimated Costs for Upcoming Building Projects as of October 2019” (Excluding Impact Glass in Units), stating that these projects are slated to begin early in 2020. He discussed each of the eight common area projects and their estimated costs as well as the cost to pay-off two existing bank loans, which must be repaid to finance our projects. The new loan will be re-paid through a special assessment of unit owners. The principal loan amount will be approximately \$1,250,000 at 5% interest for 5 years. Mr. Hurtig explained that if financing does not include impact glass for units, the term of the loan is limited to a 5-year period. Mr. Hurtig reviewed the estimated cost per unit type (A, B, C, AA and AB) for this special assessment without interest and the estimated monthly cost per unit type with interest over the 5-year term of this special assessment.

Mr. Hurtig then reviewed the document titled “Estimated Costs for Impact Glass Installation as of October 2019”. Again, he emphasized that the prices provided for impact glass are preliminary and are not negotiated prices, based on multiple bids received and should not be relied upon as to accuracy or as final figures. He also explained that, according to engineers, end units (C units) in the building are most vulnerable to severe wind pressures and require stronger glass in windows and doors. Additionally, costs for impact glass vary by unit type (A, B, C, AA, AB) due to the size and numbers of windows and doors in each unit. The estimated total cost for impact glass installation in all units without existing impact glass is \$1,936,117. Mr. Hurtig

reviewed the estimated cost per unit type (A, B, C, AA, AB) without interest, excluding the cost of plans, permits and required engineering.

Steve Hurtig then reviewed the document titled “Estimated Costs for Upcoming Building Projects as of October 2019’ (Including Impact Glass in Units). The figures on this document combine the costs for both common area projects and installation of impact glass in units. The principal loan amount to fund all the projects is approximately \$3,186,117 at 4.5% interest for 15 years. Mr. Hurtig explained that if financing includes both impact glass installation and the common area projects, the term of the loan is 15 years as opposed to the limited 5-year loan. Mr. Hurtig reviewed the estimated cost per unit type (A, B, C, AA and AB) without interest for the special assessment. These estimated costs per unit type add the cost of the common area projects plus the estimated costs for impact glass for a total estimated cost. Because the loan term is longer, the monthly cost per unit type (A, B, C, AA and AB) with interest is similar to that of the 5-year loan.

Mr. Hurtig discussed financing, stating that we were fortunate to be offered good terms because our Aged Receivables (delinquent fees from unit owners) are very low and because banks were impressed with how the Board conducts business in our building as well as with the condition of the building, considering its age. As a result, we have been approved for a \$4.5 million line of credit. We will not use that amount of credit but instead, anticipate using approximately \$3.2 million. The financing is structured as follows: We have up to 18 months to complete the projects using an interest-only Line of Credit loan, comparable to a Construction Loan. The interest rate for this is a fixed 4% rate. Upon completion of the projects, the loan is converted into an Installment Loan at 4.5% fixed interest. Although the interest rate offered is good, depending on if the Prime interest rate falls by an anticipated .25%, we may be able to negotiate the interest rate down further. Additionally, the bank has offered the ability to “reset” twice per year, meaning unit owners have the option to pay down the principal in a lump sum, with no prepayment penalty. The bank has verbally agreed to allow each unit’s share of the loan to “remain with the property”, meaning that, if the unit is sold, the balance of the loan can be transferred to the new owner, as opposed to requiring the loan be paid in full at the time of sale closing. Another favorable feature of this financing is that this is a Simple Interest loan, as opposed to a Compound Interest loan wherein payments made at the beginning of the term are heavily weighted with interest. In a Simple Interest loan, a portion of each payment throughout the term reduces (“amortizes”) the principal balance of the loan. Additionally, this line of credit used for project completion does not impact individual unit owners’ debt-to-income ratio or lower the unit owner’s FICO score and does not require individual credit qualification of the unit owners. Each unit owner, if current on Monthly Maintenance Fees, will be approved for this assessment financing. The Board has explored other financing options; none of which are as favorable, but if unit owners choose not to participate in our financing, alternatives for individual financing exist. One alternative is the PACE program, a local government loan program that allows for repayment through the owner’s property taxes over 30 years. The disadvantages of

this type of loan include a higher interest rate, currently about 8%, charged as Compound Interest, required Origination Fees and the requirement that the loan must be paid in full if the unit is sold. Another option for unit owners is to take out a personal Home Equity Line of Credit loan (“HELOC”) and use the lender of their choice to pay the assessment. Finally, unit owners have the option to pay the assessment up front, without financing.

Steve Hurtig provided an update as to the status of our pending lawsuit against the insurance company for approximately \$2.5 million for unreimbursed damages sustained in a hurricane. We have agreed to mediation but our Expert Witness wanted to charge us \$500 per hour, regardless of the outcome, which we refused to pay because we cannot afford to risk paying that amount. An alternate Expert Witness” was offered, who agreed to take the case on contingency of charging 10% of the gross award. That charge was also unacceptable, because 10% of the gross award could translate into 25% of our net award in the lawsuit. The Board negotiated again and made a much more favorable arrangement with a very qualified Expert Witness for 10% of the net award. Mr. Hurtig explained that there are contingencies association with winning this lawsuit, including lawyer fees of approximately 33.3% of the award, public adjuster fees of 10% in addition to the Expert Witness fee of 10% of the net award. According to our legal counsel, we have a very good chance at recovering money from this lawsuit. The net proceeds we receive from this lawsuit will be used to “reset” the loan, paying down the principal balance and reducing the monthly payments.

Mr. Hurtig explained that the current monthly payments on the two outstanding loans makes the Association’s budget very tight with current Monthly Maintenance Fees. By including the pay-off of these two loans in our new financing, approximately \$17,000 per month in current loan payments would be saved by the Association. Additionally, if we install impact glass throughout the building, our insurance premium may be reduced by 25%, saving the Association about \$50,000. This creates the possibility that, although there will be the cost of the assessment to unit owners, the monthly maintenance may be reduced, providing some financial relief to unit owners.

Finally, Mr. Hurtig stated that, if our 43-year old building experiences another hurricane, we currently have about 100 windows that are not insured because the insurer considers them to be in a “pre-existing condition” and we have a \$1 million hurricane deductible. Between the deductible and the windows that are not covered by insurance, in the event we are hit with a hurricane without having installed impact glass, we will be financially in a bad position. Mr. Hurtig stated that it is more prudent and much more sound management to act preventatively rather than to react after a storm, in which case we will be forced to use tarps while being at the mercy of delays and inflated prices from in-demand contractors. He reiterated that the Board strongly recommends installing impact glass throughout the building.

Mr. Hurtig opened the floor for questions from unit owners concerning the agenda of tonight’s meeting.

Mr. Hurtig made a motion to adjourn the meeting. The motion was seconded by Cindie Rock and the vote to adjourn was unanimous.

Meeting Adjourned: 7:56 pm.