

WRITER'S DIRECT DIAL: (952) 653-6453
E-MAIL: FJACOBSEN@SJLAWFIRM.COM
REPLY TO: **Minnesota Office**
WWW.SJLAWFIRM.COM

August 31, 2022

SENT VIA US MAIL & EMAIL

All Owners at Hadley Crossing Homeowner Association, Inc.

Re: Garage/Header Project
Our File No.: 10308

Dear Homeowners:

Our firm represents your homeowner's association, Hadley Crossing Homeowner Association, Inc. (the "Association"). We have been asked by the Board of Directors (the "Board") to provide a brief update to the Owners on the ongoing garage/header projects and to inform everyone that the Association will host a Town Hall Q&A session to address further questions.

I. BACKGROUND.

As you may know, in 2020 the Association hired an engineer to review several issues related to the garages/headers within the Association. The engineer discovered several issues and provided a recommended scope of repair.

The Board determined that it had an obligation to make the repairs pursuant to the engineer's recommended scope of repairs and hired a company called Local Motion. Unfortunately, problems arose with Local Motion, and it was not able to complete the work. The Association terminated its relationship with Local Motion at a time when, unfortunately, Local Motion had started but not completed the work.

The Association immediately began looking for a new contractor who would be able to come in, review the work performed by Local Motion (and fix if necessary), and finish the work recommended by the engineer. The Association eventually hired Capital Construction ("Capital"). As you have probably noticed, Capital has started the project and hopes to have everything completed within the next 2 months.

II. COST.

We have no doubt that Owners within the Association are concerned about the cost of these repairs, and the Board has therefore asked us to provide some analysis and explanation on the topic

Under the Association's Declaration, the garages are Limited Common Elements. *See* Plat. Limited Common Elements are Common Elements, and therefore the Association is responsible for their maintenance. *Declaration* Art. III, Sec. 1. The Board has an obligation to (1) decide when the work is done; (2) choose who does the work; (3) choose how the work is done; and (4) **initially** pay the contractor. However, under both state statute and the Declaration, the Association is **obligated** to assess back to Owners the cost of repair for any Limited Common Elements. Minn. Stat. § 515B.3-115(e)1.

In plain English, this means that the Association has hired Capital to make the repairs and will pay Capital, but the Association will assess the cost to repair each individual Owner's garage back to that Unit Owner. For example, if you live in a Unit without any garage/header repairs, you will not pay any additional assessments. However, if your garage/header needs \$10,000 worth of repairs, you will be assessed \$10,000 for those repairs.

Neither the Association nor Capital yet know the cost to repair any individual garage/header, and it is likely that the cost will differ garage-by-garage. As Capital continues to repair each of the garages per the scope of the engineering report, it is putting together a specific list of repairs made and the cost for each Owner. As the Association learns more, it will keep the Owners up to date.

III. LOAN.

The Association knows that many Owners may not have the ability to immediately pay an assessment of several thousand dollars. However, the Association needs funds to pay Capital once the work is completed. To address this, the Board has agreed to take out a loan in the amount of \$650,000.

Under the terms of this loan, the Association would have access to a \$650,000 line to credit to draw upon as needed for one year. After that year, the line of credit would close, and the amount withdrawn by the Association would convert to a standard loan, amortized over 9 years. We note the Association has requested a proposal for a 15-year term as well.

To secure the loan, the Association will pass a special assessment against the Units which will need garage work. Each Owner's Unit will be assessed the cost of the repairs to their specific garage. Each Owner may immediately pay off the full cost of the repairs to their garage and therefore pay no interest on the loan. However, if, for any reason, an Owner does not pay off the full amount of the special assessment, they will by default have chosen to pay off their share of the special assessment over the term of the Association loan. This means

that Owner will pay off their share of the special assessment, plus interest, in monthly payments over the term of the Association's loan.

The amount owed and due each month for each Unit, will be calculated based on the principal owed for that Unit and the interest incurred on their portion of the loan. At any time during the life of the loan, any Unit Owner may pay off the balance of their special assessment, thereby saving themselves any future interest. Furthermore, any time a Unit is sold, that Unit's share of the special assessment must be paid in full at closing.

IV. MEETING.

We know that this is a lot of information, and we fully understand that many Owners will have follow up questions. To that end, the Board has agreed to host a Town Hall Q&A. I will be in attendance and will, on behalf of the Board, try to answer any questions posed by the membership. A representative from Capital, as well as the Association's property manager, will also be present to help address other concerns. We note that this is not a meeting of either the Association or the Board and therefore no formal decisions or motions will be made or entertained. Rather, this is an informational session.

This Town Hall will be held in person on September 8, 2022, at 6:00 PM in the social hall of Guardian Angles Catholic Community, 8260 4th Street North, Oakdale, MN, 55128. We ask that Owners submit any questions they may have to the property manager, Jerilyn Stevens, prior to the meeting as we expect many Owners will have similar questions which can be addressed at the outset of the meeting. Questions can be submitted to Jerilyn via e-mail at jerilynstevens@gaughancompanies.com

Very truly yours,

SMITH JADIN JOHNSON, PLLC

A handwritten signature in black ink, appearing to read 'Finn S. Jacobsen', written in a cursive style.

Finn S. Jacobsen
Attorney at Law