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REPLY TO: **Minnesota Office****WWW.SJLAWFIRM.COM**

August 12, 2022

SENT VIA EMAIL

To: All Homeowners at Hadley Crossing Homeowners Association
Re: Garage Header Project
Our File No.: 10308

Dear Homeowners:

As you may know, our firm represents your homeowners' association—Hadley Crossing Homeowners Association (the "Association"). The Association's Board of Directors (the "Board") has asked us to provide a comprehensive update to the membership on the ongoing project.

BACKGROUND

In late 2020, the Association received an engineering report from Russo Consulting, Inc., a copy of which is attached to this letter. The engineering firm investigated and provided a report related to the wood framing, headers, gutters, and garage doors of some of the Units. As you can see from the report, the engineers found deterioration in some, but not all, of the Units related to the garage header. For those Units with damage, the engineers provided a recommended scope of repair.

In light of this report, the Association's Board determined that it needed to make the repairs recommended by the engineering report. The Association hired a general contractor who started this work. Unfortunately, that contractor started the work but was unable to complete the project. As you have no doubt noticed, several of the Units within the Association have partially completed repairs.

When it became clear that the original contractor could no longer complete the project, the Association began discussions with several new vendors to create a plan to finish the project. The Association has now signed a contract with Capital Construction to finish this project. **Capital Construction will begin construction on August 17, 2022** and hopes to have everything completed, weather permitting, within 45 days.

COLORADO: 1775 SHERMAN STREET, SUITE 2750, DENVER, CO 80203

IOWA: 1120 DEPOT LANE SE, SUITE 100, CEDAR RAPIDS, IA 52401

MINNESOTA: 7900 XERXES AVENUE SOUTH, SUITE 2020, BLOOMINGTON, MN 55431

OHIO: 470 BROAD STREET, SUITE 725, COLUMBUS, OH 43215

Capital Construction will have a website which will contain updates for homeowners and hopes to have that website up and running by Monday August 15, 2022. The Association's property manager will send a link to the website once it is ready.

Because the previous contractor started but did not complete the work, some previously "finished" Units may be reviewed, inspected, and finalized by Capital Construction. This is required to finalize the necessary permits.

COST

As mentioned previously, not every Unit within the Association needs to be repaired. Some of the Units have no issues while some have extensive issues. Each homeowner will only be responsible for the cost for the repairs of their Unit. Not only is this the fairest way to assess it, but it is also required by law.

The garage headers are classified under the Association's Declaration as Limited Common Elements. Under Minnesota state law, any assessment "associated with the maintenance, repair, or replacement of a limited common element **shall** be assessed against the units to which that limited common element is assigned." Minn. Stat. 515B.3-115(e)1 (emphasis added). In plain English, this means that the Association is **required** to assess the cost associated with fixing each Owner's Unit, back to their Unit.

While the cost for the repairs will ultimately be borne by the individual homeowners, the Association will pay the invoice from the contractor. Because of the extent of this project, the Association is allowed to make the decision as to the scope of the repairs needed, what contractor will complete the work, and when it will be completed. This means that the Association will hire the contractor and initially pay the invoice. However, for the reasons discussed above, the Association will assess the cost back to the homeowners.

We know that many homeowners first question after reading this will be to ask how much they will owe for their particular Unit. Currently, we do not know that. As Capital Construction begins the project, we will slowly but surely get a better idea of the cost for each Unit.

LOAN

The Association understand that not all homeowners will be able to pay the full amount of their portion of the repair cost up front. Therefore, the Association's Board has decided to take out a loan. This loan will start as a 12-month line of credit for up to \$450,000. This dollar amount represents the "worst case" cost estimate for the entire project. The exact cost will not be known until Capital Construction is able to start the project and can determine the extent of the repairs needed on each Unit. By having the loan start as a line of credit, the Association will need only to borrow the amount necessary to pay for the repairs. After the

12-month period ends, the line of credit will convert to a traditional loan, amortized over either 4 or 9 years.

Each homeowner whose Unit is repaired, will be responsible for their portion of the cost of the project. Homeowners will have the option of paying the repair costs attributable to their Unit up front, thereby avoiding paying interest on their share of the loan. However, anyone who does not pay the full amount of their portion of the repairs up front will be responsible for their portion of the loan, including any accrued interest, payable monthly together with their regular monthly assessments. Homeowners will also have the option of paying off their full portion at any point during the term of the loan and will be required to pay off their portion of the loan in full, at closing, should they decide to sell their Unit.

Please direct any questions or concerns to the Association's property manager, Jerilyn Stevens 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

FSJ/tbm
Enc.