

WILLAMETTE TOWERS CONDOMINIUM

Minutes of the Meeting of the Board of Directors

September 10, 2001

Introduction of Board Members:

Douglas Cochrane-President
Joanne Gulsvig-Vice President
Marge Catha-Treasurer
Carol McCarthy-Member
David Goth-Member

Also present were:

John & Dorothy Quirk
Robert Huntley
Uldine Summers
Emmylou Lloyd

Approval of minutes from August 13, 2001 meeting:

Carol McCarthy moved that we accept the minutes of the meeting as submitted to the board.

David seconded the motion.

The board voted unanimously to accept the minutes.

Discussion re: #506

Marge opened the discussion to report that there is a mortgage lien on #506. Eric Peterman is to contact Ameriquest regarding status. Douglas reported that he had learned recently that the condo association has a right to put their liens in first place against the mortgage holder, but that it has to be done in a timely fashion. Carol said that she felt that when we had put a lien on another unit "in a timely fashion" we still did not get paid, and added that we "acted pretty fast." She asked for clarification on "timely fashion." Douglas said he has an attorney he can ask.

Carol reported that #506 has gone into foreclosure, and that the dues had always been paid until August. She saw the foreclosure papers, but not until after September 5, 2001, when the unit was to be auctioned. The judgment for the mortgage holders on the property is \$54,755. The unit is \$91 in arrears, and with a \$10 late fee, now owes \$101. If it did sell in the auction, the new owners are responsible for September's dues.

Carol mentioned that Carolyn Henry is now up to date. Joanne asked about 1302? Carol said that she would instruct Eric to draft a letter letting the owner know that we will be placing a lien on that unit. She said that the owner's arrangement with the renters is that the renters will pay the dues, but they don't pay.

Financial:

Marge reported that we have a CD that needs to be reinvested.

(Corrections and additions by Joanne Gulsvig)

Joanne commented that the \$10,000 budgeted for the elevator contract was not included in "Income vs Budget Statement" year to date report. The total budgeted for the year should be \$100,007.68 instead of \$90,007.68. Also the elevator contract of \$10,000 was paid in January for the whole year and the Insurance premiums were paid in July for fiscal year July 2001 through

June 2002. Carol indicated it may be possible to allocate the \$4900 spent on the resurfacing of the parking structure to reserves for the parking structure. We have "Parking Structure Coating Reserves and we could certainly do that since the repair was sealant of cracks. So instead of currently being over budget by \$29,000 which the report indicates, it is closer to \$7,000.

Carol reminded the board that focusing on the numbers month to month does not give us a clear picture, that we need to look at the reports over the long term. Joanne though this could be clearer and Carol thought that the software Eric uses might be the issue. Joanne also noted that General Repairs are way over budget and hopes that some of those costs can come out of reserves also. Joanne also pointed out that the water and sewer charges are transposed in the report. Douglas asked Joanne and she agreed to add some notes to the financial discussion before they are mailed out.

NOTES TO FINANCIAL REPORT:

Elevator	\$10,000	not included in budget column
Insurance	\$ 4,375	6 months premium for Jan2002-June2002
Elevator contract	\$ 3,336	4months of contract paid ahead through 12/31/01
Resurfacing	\$ 4,900	will be allocated to reserves for parking structure maintenance and repair
Total	\$22,611	
Reported over Budget	\$29,670	
More accurately Over budget	\$ 7,000	

Jg

Laundry Room:

Harvey and Price will send a bid for the laundry room improvement (and rack for clothes, and cover the pipes next to the driers.)

Lillian Rarick has offered to have the laundry room painted if it does not cost too much. Carol pointed out we have interior painting reserves.

The stairwells and floors need some painting jobs done. Unit 905 has reported that 901 damaged his paint on the doorframe when they moved in, and he would like to have that repaired. Diana reported that there is a crack around the whole doorframe of unit 704. Carol said that the owner of this unit (Terry Shockley) needs to take care of that.

Douglas suggested Norm Parmenter as a painter we might talk to. (343-9882)

The board of directors does not think we need to go paint over the primer spots on the rear of the building. It would just offer a clean "canvas" for graffiti groups to start over on.

Diana described what Harvey and Price has planned for the laundry room.

Refurbishing the Lobby and adjoining areas:

David and Joanne met with decorator, Marilyn Augusta. David feels that Carolyn Kranzler may charge too much with less result.

Ms. Augusta works on a fee structure of 15% of the total cost of a project (i.e., If the project total is \$30,000, Ms. Augusta is paid 15% of that amount.) Her expertise is in design, not architecture, and she has done some good work with elevators. Joanne pointed out that Carolyn Kranzler was talking about a 5-year plan, and with Marilyn Augusta we would need to know how much we had to spend for the whole project before we got started. When Ms. Augusta asked David how much we had to spend, and he gave her a ballpark figure of \$30,000, she seemed to think that was a workable amount.

Joanne would like to interview others.

David recommended we find the right person for the right money.

David shared some carpet samples, and floor covering, and had some photographic samples of Ms. Augusta's work.

Douglas asked how much there is in reserves for carpeting (\$14,000) and interior painting (\$6,000).

Douglas suggested that we could start with one half of the job now, and to complete the other half of the job in a year or two. Carol agreed.

Douglas thinks the worst part of the property is the elevators—that the rest is not really shabby.

John Quirk thinks that refurbishing the lobby should happen—"the sooner the better." David agreed.

Joanne said she would like to see Ms. Augusta's resume' and references.

Joanne and David will get another quote.

This issue is to be included again on the December meeting agenda.

Bike Structure:

This is a separate issue. The city is not willing to help with the costs involved in this project.

Carol says that people need to know that their bikes are secure if we ask them to keep their bikes out of the building. Douglas says we should think of where we would put a bike structure.

David suggests that we could contact Diane Bishop who works for the city for advice about the bike structure.

Insurance:

David checked out insurance coverage with contractors he knows. He said that the City Ordinance Insurance proposed by Mr. Lumsden of Farmers Insurance last month does not seem to make sense. He thinks it is frivolous coverage, and that this is more of a "Doomsday scenario." Carol agrees with David.

Carol made a motion to move on.

David seconded this motion.

The board voted to move on to the next issue.

Unit 206:

There has been discussion about selling Unit 206, which is owned by the condo association. Douglas asked the board if everyone had a chance to read Bobbye Sorrels requested report. (*see attached*)

Douglas agrees that Bobbye is probably right—that it is not feasible to sell this unit.

He said that it would mean changing everyone's percentage, and that alone would cost a lot to do. It may also mean that the board would need 75% owner approval.

Douglas says that another point Bobbye makes is that we would be trading in a long-term hard asset for a relatively short-term soft asset (building improvement) that might have to be refurbished again in another ten years or twenty years. Marge pointed out that Marcia Petersen asked the same thing at the last meeting.

Douglas said he will talk to a lawyer he knows who works with condo laws and ask him what he thinks in a couple of days.

Douglas suggested we could raise the rent if Unit 206 is good condition. Carol said that it was last year when we rented it. It was newly painted and had a new dishwasher. The appliances are in good shape—the carpet newly cleaned.

Joanne proposes that we postpone any decision about 206 until sometime in the future when it looks like a better plan.

Douglas will get more information about other options for the next meeting. For now, the board has decided to move on.

Cable television:

Douglas reported that he has not yet gotten to the cable television issue, but that since we are still receiving the package we wanted, and since Ms. Moon of AT&T Broadband has not returned his calls, to let it go another year unless they call notify us of a change.

Window replacement:

Diana reported that there were 21 people that would like to have their windows looked at. Douglas asked to be included to that number.

Don Nahnsen has offered some recommendations for contractors that may have the proper equipment to work on the outside of this building. John Agnew has been ill, and has not been available to work on this project. The board thinks we should check with John Agnew to see if he is going to be available, or has advice/opinions to share.

Douglas asked Diana to continue working on this project.

Plumbing:

Diana told the board of directors that Lee of Right Way Plumbing was here the other day on a private job, but stopped to talk to her for a minute. He said that the problems with hot water bleeding into the cold in the bathrooms of units 1301, 1201, 1202, and 1102 have to do with a worn cartridge in one or more of those units. He said that the only way to be sure of who is to have the same person go to each of those units and test the lav and shower to see if the off/on valve sticks. If it does not move smoothly with the touch of a finger, the cartridge needs to be replaced.

Since one of the units in question belongs to Bobbye Sorrels and she is on vacation, inspection of this problem will be postponed until she returns. At that time, Diana will make arrangements with each of these unit owners to check their fixtures in the lavs and showers.

Electrical Repairs:

Douglas asked Diana the status of the electrical repairs that were to be completed today. Diana reported that the guy Phillips scheduled to do the work called in sick today, but will be here tomorrow or Wednesday to complete the work.

There was discussion re: the magnetic door alarms on the 12th and 13th floors. The parts required have been back ordered for almost a year because the manufacturers upgraded the systems, but did not have a stock of the older parts. They must be ordered by an electrician for installation.

We should ask Phillips to replace the cover of the one on the 9th floor.

Ladders:

There is a question of liability when buying ladders for the building. If they are for the use of an employee, they must be OSHA approved.

Diana also found out that private contractors must have their own ladders because of liability. If a private contractor falls off of *our* ladder and is injured, the building/business could be held responsible. If a contractor falls off of his/her own ladder, the building/business does not have liability. He added that if our contractor has employees that intend to use *our* ladders, we would be responsible for any injuries they may incur in case of an accident.

Diana described the ladders she looked at and compared them with the ones we have. The board decided that we should purchase an OSHA approved step stool ladder with a 325 lb. limit at a cost of approximately \$39.95.

Boiler Room:

Douglas asked if any action was needed on the boiler room. There are articles stored in there that have nothing to do with the building. Some of these articles make it hard to get around the boiler room, including two bicycles (one chained to our plumbing).

Carol and Diana worked for about 2 hours sorting out the boiler room on Saturday, September 8. They took a load of stuff to the dumpster. There were two boxes of items that they collected and left at the end of the boiler. Diana informed the board that these items have since been removed. The board all agreed that both bicycles must be removed.

Joanne said that she has talked to Sandi about leaving the boiler room open while she is working, and that Sandi promised to be better about it.

Professional Property (Building) Management:

Douglas began a discussion regarding professional management for the building. He said that the board has been discussing the subject during the closed executive sessions of the meeting for quite sometime of taking over jobs done by several other people including some of the board members.

He said that they have already met with two different companies—IPM and Bennett Property Management that offer this service.

Douglas explained to Diana that this is not anything against her in her duties, but that the board is just looking at broadening the duties of management and that there would be duplication. He went on to say that Eric Peterman has been doing some jobs, and that he guesses that Eric will not be available for these duties when the Bottom Line

moves to its new location. He said that Eric does a portion, Diana does a portion, and Sandi does a portion with the balance of the load left to the board.

He said that a Request For Proposal (RFP) has been drawn up to send to various management companies (*see attached*), and has asked that they provide proposals before next month's meeting. He asks if anyone has suggestions on what he has on it; whether there are items on it that we would add, or items we would like to remove. He pointed out that everything on this list would cost us money.

Joanne provided the draft, and Douglas got the original job descriptions from Bobbye of what has been done in the past.

Joanne added that she had talked to someone she knows in real estate, and talked to her about property management for this building and had mentioned Bennett Property Management. Her friend recommends Spyglass. She said that people she knows that have used Spyglass got everything they wanted. She said the woman's name (at Spyglass) is Lou Wickes. Joanne also reported that IPM had sent a list of references we can contact. She said that Jennings also does property management.

Joanne asked if anyone has anything else to add to this. Douglas wants to know if we want to proceed with the property management idea. He said this is the direction he wants to go. Joanne believes it is time for property management—she is concerned that professional management would protect us from liability, and pointed out that nobody really knows what he or she is doing.

She says that professional management is 24 hours a day, 7 days a week, and 365 per year. She does not feel that you can ask anyone else to do that. Also, she feels that it is better to have management off the premises so there is no retribution for actions the board, or their assistant, Diana, might take. She has not had experience with property management, but has heard it will run smoother, and she thinks that the way it is, it ends up taking up a lot of people's time, and that there are a lot of legal ins and outs. She would feel more comfortable with the experience property management can offer. The board, then, would be advisory, she said.

Marge asked if they would hire their own people, like janitorial. Joanne said “not necessarily, that they said that they would be willing to use, if we asked them to, the landscape people.” Marge asked how it would affect Diana's position. Joanne said she did not know how that would work, and she does not know about Sandi's position. She said that they certainly would need janitorial but that it would overlap what Diana does.

Douglas pointed out that we don't know if half-time for Diana is enough or too much for Diana, and we don't know if what we give Sandi is enough or too much. He said that “these people” are professionals, they do this, and they know what level of service should be provided. Joanne added “this would get us out of contracting an employee (Diana), which would be nice.”

Marge asked the board who would be here, in the building, posting signs when there are equipment failures or other emergencies. She pointed out that Diana has been here, right away, that Diana made the phone calls and had signs up immediately on occasions residents needed notification about the elevator breakdowns or laundry room problems. She asks how someone who is not here could do those immediate things.

David said that he personally can see the logic of professional management—that he understands the benefits of it, but then added that he “does not believe in throwing out the baby with the bathwater.” He said there are people who have been here a long time,

and their value should not be discounted. He suggests a “management overlay” on what already exists. He feels that this would take the burden off the board and provide consistency. He said he wants it both ways. He does not feel that this idea is out of the question. He added that there are people who have worked for the building for a long time, and that this should be respected.

Marge asked the board to notice how much work Diana does, and pointed out all the paperwork she has done. Carol explained that the paper trail we would be getting from management would be completely different than what we are now getting monthly, that the board would just receive information on what happened and what management did about it. She said that instead of “micro-managing”, management would be “macro-managing.” Joanne added that this would mean that the board would only have to meet every three months.

Carol wanted to clarify that management would only be handling building problems, and that tenants (renters) would still be dealing with owners. She said she does not want owners here to think that building management would be handling their rentals for them. She said that when Diana first got her job, renters were calling her all the time to handle unit problems—and that owners/property managers will have to deal with these problems on their own.

Douglas said that the property management companies he has talked to know all of the other property managers in town, and that they are more likely to get a response if someone else calls. Carol said that building management would not be helpful if residents have problems in their own units. Douglas said he was sure that management would understand this, and suggested that once a building manager is in place off-site, they (building management) may contact off-site owners and offer to manage those units too. He thought that this might save money for rental owners if it is the same management. He said he would probably look at the building manager if he intended to look for property management of his unit.

Carol said that this has been a “thorny issue,” that the renters get caught in the middle. They don’t understand that property managers/unit owners manage the rentals, not the building, and that they are not aware of any of the issues that come up. She said that if rental owners/unit management could leave it to us to manage for them, it was fine with them.

Joanne said that one company has a person who comes out regularly to check everything out and fix it—or know when to call an expert to come out and fix something. Carol says this was IPM.

Douglas says that the way it is now, if something breaks, Diana has to go to the first board person she can find, and ask what to do. He said that property management would have contractors of their own who could come out and handle these situations. The board would not have to make decisions about problem tenants or what we can do about issues like bicycles in the building—that they know the laws.

David asked Diana if she had any comments or opinions that she would like to express. She said she did not.

Carol pointed out that Diana has two perspectives on the issue—one as unit owner, and one as assistant to the board.

Diana said that times that she has tried to contact management companies on weekends re: building problems, she got an answering machine. There is no one there to

talk to. Each and every time she has had to wait until Monday—and on a couple of occasions, go to their offices and leave a note on their doors because they do not keep regular office hours. She added that she tries to be here and available, and knows she has worked very hard, and feels bad that, in spite of her efforts, she is probably going to lose her job. She said that she feels she is working harder for the building than anyone else who is working for the building.

Joanne said that no one is denying that Diana works hard. She thinks that Diana was hired to be assistant to the board, and that management is way beyond the scope Diana was hired to do. Carol agrees. Both think that Diana does a lot, but that it is out of Diana's scope—and that Diana probably works way too many hours.

Joanne said we should ask professional management if they will be available and answering the phone whenever there is an emergency. She said she would expect management to answer the phone. She would be counting on it.

Douglas said that if we do make a change, it is our duty to make it as smooth a transition as possible, and (to Diana) not just “dump it on your head that you're out of a job today.” He said that we would treat Diana fairly and do what we can to give plenty of notice.

Marge showed a list to the board, which said they had seen it, which was from Bobbye Sorrels describing duties that need to be addressed. Douglas said what he tried to do was pick out the things that he thinks we should pay for. He said he did not go into great detail like in Sandi's contract “like how often she should scrub the toilets”. He said he tried to pick out the salient issues that are really issues that we need to have taken care of, and asks other board member to look the list over, and see if there are additions, or things that should be removed from the list. He said that he did not want it to become a “situation like Diana where we contract for a job “this big” and it turns into another job “this big.” Joanne pointed out that if that were the case, management would charge us for it, and it would not be in the budget.

Marge asked a question about a list (Request for Proposal) and money that is taken in the laundry room. Douglas said it was at the bottom of page two, subject 26.

Joanne asked if people would still drop off their dues in the assessment box. Douglas said that he thinks owners would be receiving a bill each month, and would mail their assessments. He went on to add that those people who live here could probably still drop off their assessments in the assessment box.

Diana reported that Eric Peterman still hopes to continue his work for us. Douglas said that he thought that Eric (The Bottom Line) still intends to manage our bookkeeping for us. He said that Eric would like to be relieved of his other responsibilities. Marge suggested that Eric should continue on with the job till the end of the year.

Douglas intends to contact Jennings with an RFP.

David said that while he thinks off-site management is a good idea, he does not feel that it necessarily means that we do not need someone here, on site. He does not feel that either is mutually exclusive. He points out that when some things come up, having someone on site on a day-to-day basis really makes a lot of sense. He mentioned the incident in Unit 605 recently. He said that that problem took a lot of time, and that Diana was right there to let appropriate emergency workers in. There is a lot of value in having someone on site.

Douglas said that IPM suggested that it might be best to have someone live on site in the rental AUO owns (Unit 206) and work half time for this building, and half-time in another.

Marge brought up that Bobbye wrote something about a previous board who had a manager living in that unit, and people were calling them all hours of the day and night. Douglas said that that is the problem with having someone here on site. He said to Diana that he is sure that she is getting calls when she is “not on our ticket”.

Diana told Douglas that this is not the case—that after the first couple of months, most people are very respectful of when they call, and that most calls came in before 8:00 at night. She is seldom called during the weekend.

David said again that he does not think property management and Diana’s work, as assistant to the board are mutually exclusive—that it is in the details and how you integrate it all. He said that we could create a structure.

Carol said we should find out if it is even feasible.

Douglas said that he would not send out the RFPs until Thursday morning to give others a chance to look it over and add or remove from it as they see it.

The format that Joanne used to create the RFP was from the Vancouver Housing Authority. She said it was an RFP for their property management. Douglas set it up to look much better, according to Joanne.

The Bottom Line

After 17 years, The Bottom Line will be moving their offices from our building. They have purchased their own building at 17th and Oak. They have given us 30 days notice. They have been good tenants. They were on a month-to-month with no lease.

Joanne suggested that we could find a property manager to find us a renter as we did with Unit 206. Douglas said that he knows a broker that he will contact. David suggested Sue and Hugh Pritchard of Pritchard & Agnew. He said he would call them to find out if they are interested.

Marge asked how much rent we get from The Bottom Line. Carol pointed out that there is not parking for this office space. Douglas asked if we had any spaces? Diana said there are only 6 guest spaces. She pointed out that contractors for unit owners and for the building use the guest parking. David said there is parking on side streets and across the street at the end of the block. .

David asked what the square footage of the space (The Bottom Line) is. Carol said she thought it was about 1,100. She believes we have been getting \$750 to \$800 a month for it. Douglas and David think that this was below market, and that we could probably get more. Carol said that she thinks they will be surprised how hard it is to find someone who wants it. She also said that there has been some talk about Illusions leaving. Their lease is up in November. David said he heard the same thing.

Douglas suggested that if we moved Skipping Stones out, it might be easier to rent the whole thing.

Parking was discussed again. Douglas said that if there is parking on side streets, they could use that. David said that since many of these side streets do not have a limit, people who work nearby who happen to find a spot early take up all of these spaces, that they start arriving at about 7:30. Diana agreed.

David says he is concerned about renting the space out, especially in the 30 days. He said he is not as worried about getting top dollar as he is getting good tenants. Carol agreed. She said that without parking, we could not get as much for rent. Douglas said the space he has out on West 11th is very similar and it is about \$1 a square foot, but that it has parking.

David said that this area is going through a renaissance right now. Douglas said we should get a little coffee shop in there.

Secretary:

Bobbye Sorrels recently provided a memo (*see attached*) to the board that explained that the bylaws require the board of directors to appoint a Secretary. Douglas said that he thought they had, but did not remember. Marge said that Uldine Summers had been the secretary and had been taking minutes, but when she left, Diana was appointed to take the minutes. Douglas said that there is a difference between who takes the notes and who is the Secretary. Marge agreed.

Carol clarified that it is ok for Diana to take the notes, but that they should be submitted and signed by the secretary. Carol volunteered to take this job.

David made a motion to accept Carol's offer to be secretary.

Joanne seconded it.

The board voted to install Carol as Secretary to the Board of Directors.

Executive Session:

Closed.

Respectfully submitted,

Board of Directors Member

Prepared by,

Diana Drake,
Assistant to the Board of Directors

Question: Should the Association of Unit Owners of Willamette Towers Condominium Sell Unit 206?

Answer: No

A Report to the Board and Association by Bobbye D. Sorrels, September 10, 2001

At the July meeting a board member raised the question of whether the Association should sell Unit 206 to provide cash flow for certain projects such as redecorating the first floor. Discussion followed, and at the August board meeting Douglas Cochrane asked me to do some analysis, which I have done. As a result, I have concluded that the Association should keep Unit 206 as a rental unit. The basis for the conclusion includes these facts, observations, and analyses:

(1) The Association owns Unit 206 (a one-bedroom unit) as part of the establishment of Willamette Towers as a condominium in 1980. (It had been an apartment building until then.) The Declaration creates Unit 206 as part of the common elements by an act of omission, not commission. It does not identify 206 as a unit owned by a member of the Association, and it lists the total number of units in Willamette Towers Condominium (WTC) as 91. The Declaration omits Unit 206 from Exhibits B and C, thus establishing the other 91 units responsible, by stated formula, for Association assessments. (The total number of residential units in WTC is 92, including Unit 206.)

(2) For most of the 21 years of the existence of WTC, the board has managed Unit 206 as a rental unit. However, one board used it for a number of months to provide housing as payment to a resident maintenance “manager.” That arrangement did not work out primarily because residents felt free to call him any time day or night even though he was not full time and not the manager. Another board set up 206 to use as an office for the president of the board, who was also hired by that same board as an administrative assistant. However, that board resigned after some Association members questioned the propriety of a board president’s being paid as an employee, and 206 was returned to use as an income-producing property.

(3) Fundamental financial strategy dictates that an owner should never liquidate income-producing property for nonessential expenditures. I agree that the appearance of all 13 floors needs improvement, and that the first floor is the logical place to begin. However, I recommend that any redecorating projects be approached as part of careful long-term planning, budgeting, and building reserves, with funds to come from income flow, not from liquidating capital assets. Thus, the only practical reason to consider selling Unit 206 is if the return on investment would be greater from the cash from the sale than from the rental of the property, and that is not the case. (See Nos. 6 and 7.) Also, the Declaration and Bylaws make it virtually impossible to sell Unit 206. (See No. 10.)

(4) The analysis of return on investment in Nos. 6 and 7 uses simple interest. Ideally, one would use compounding tables or a software package/spread sheet to enter more combinations of variables to determine returns. However, the decision favoring Association retention of Unit 206 would not change for either the short term or the middle term because analysis of the compounded interest must apply to rental receipts as well as to income from invested cash from a sale. In addition, the nature of WTC cash flow and savings does not make long-term investments attractive.

(5) Over the longer term, both the value of Unit 206 and rental rates are likely to increase. Interest rates likely will increase, too, eventually. Additional analysis could extend the study to show many combinations involving those potential changes.

(6) Selling 206 and investing proceeds in CD's yields less return than continuing Association ownership of 206 as a rental unit. The Association might expect to net \$45,000 or \$50,000 in cash after deducting selling and closing expenses, legal expenses, and capital-gains taxes from the selling price for Unit 206. Observing the long-honored policy of conservative investments, primarily CD's, the Association currently could expect to earn interest at the rates of 4%, or perhaps in a year or so 5% or 6%, depending upon the term of the deposit. This table provides some examples:

<u>Net Proceeds</u> <u>From Sale</u>	<u>Annual Return on</u> <u>Investment</u>	<u>Annual Return</u> <u>In Dollars</u>
\$50,000	6%	\$3,000
50,000	5%	2,500
50,000	4%	2,000
45,000	6%	2,700
45,000	5%	2,250
45,000	4%	1,800

(7) Continuing Association ownership of 206 as a rental yields a greater return than investing the cash received from selling it. The only expenses against rental income are for maintenance, repairs, payments to property managers for finding renters, and loss of rent during times of vacancy. An estimate of those expenses at about \$1,200/yr. would be quite generous, if not overstated. In the August discussion some participants treated the monthly assessment for a one-bedroom unit (currently \$91/mo.) as a loss of income created by Association ownership of Unit 206. However, the assessment cannot be considered as lost income because Association members as individuals pay the assessments for Unit 206. (See No. 8.) Using the current rent of \$450 for 206 and a second rent of \$475, which is currently reasonable, these calculations show how much greater the return on investment is for keeping 206 as a rental unit:

<u>Annual Rent Income</u> <u>After Expenses</u>	<u>Net Proceeds</u> <u>from Sale</u>	<u>Annual Return on</u> <u>Investment</u>
<u>\$4,200</u> [(\$450/mo. = \$5,400/yr.) - \$1,200]	\$50,000	8.4%
<u>\$4,200</u> [(\$450/mo. = \$5,400/yr.) - \$1,200]	45,000	9.3%
<u>\$4,500</u> [(\$475/mo. = \$5,700/yr.) - \$1,200]	50,000	9.0%
<u>\$4,500</u> [(\$475/mo. = \$5,700/yr.) - \$1,200]	45,000	10.0%

(8) Currently, each of the 91 unit owners pays proportionately and individually for Unit 206 (as just another part of the common elements) through her or his monthly assessment because the assessment formula in Declaration Exhibit C omits Unit 206. Therefore, selling Unit 206 to an individual owner would not increase income from assessments paid to the Association, but would only shift amounts internally because the formula in Exhibit C would have to be revised to divide the total among 92 owners instead of 91. Thus, receiving no monthly assessment from Unit 206 cannot be considered a loss of income to the Association. Using rounded averages and current numbers, then, if Unit 206 was sold and the formula in Exhibit C was amended correctly to spread the assessments over 92 individual owners instead of 91, each of the current owners would pay an average of \$1 less each month, and the new owner would pay the \$91 lost from the reduced payments by the original 91 owners.

(9) Currently, each of the 91 unit owners theoretically pays proportionately and individually through her or his property taxes an average of 1/91 of the property tax for the common areas, including Unit 206. (I do not know whether the proportions are based on the Declaration Exhibit C formula or on a straight-line apportionment of 1/91 each.) The Association itself pays no property tax for 206. Logically, then, selling Unit 206 to an individual would cause each the 91 original individual tax bills to reduce by an average of 1/91 of the property tax for 206, with the new owner making up the total lost from the other 91. However, I urge that it might be a serious mistake to open that can of worms with the Tax Assessor's office. I think it would also be a mistake to muddy the IRS waters by having to expose Unit 206 to capital-gains taxes when the basis is unknown.

(10) The Declaration and Bylaws make selling Unit 206 nearly impossible. Bylaws Article III, Sec. 3.6 (g) and (h) give the board the power to purchase additional units and to sell any units so acquired. However, Declaration Article XIII, Secs. 13.3 and 13.5 and Article XV, Sec. 15.1 require not only a 75% owner approval for selling common elements, but a 75%-100% approval of all mortgagees of units. These issues do not even address the question of whether changing the apportionment in the two exhibits would require amendments (75% approval of owners). Therefore, even if the board could achieve the approval percentages, the Association likely would have to incur large legal expenses to have the issues analyzed before proceeding with the polling and sale.

(11) Finally, selling Unit 206 would be robbing present and future owners of a sound investment in order to provide current cash for nonessential purposes. The financial policy for the 21 years of its existence is for WTC to pay as it goes, to save for the future through careful planning and reasoned analysis of income, expenses, and reserves as reflected in a carefully developed reserve analysis and budget, to increase assessments judiciously and only as necessary to meet needs, and to avoid special assessments. Owners purchased units in WTC with the full knowledge that it is not a decorative showcase. However, when they weighed that knowledge against the knowledge of WTC's financial stability, substantial reserves, and reasonable monthly assessments, the latter seem to have won out in their minds. Of course, owners would like more attractive common elements, but obviously not at any loss to financial integrity.

Observations about Some Current WTC Topics
Bobbye D. Sorrels, September 4, 2001

1. Equipment

- a. Equipment and supplies purchased by the Association are for use in common areas only. Therefore, we cannot routinely make them available to unit owners for their personal use. Many owners do not even live in the building to have equal access to such equipment, and only a few people have keys to the storage areas where the equipment is kept. In an emergency, of course, Association equipment could be used inside a unit if someone can get to it.
- b. As Carol emphasized, the Association is prohibited by law from buying equipment to be used by an independent contractor. The independent status would be endangered.
- c. The Board may want to approve purchase of the attachments for the Association's wet/dry vacuum. They were stolen some time ago. Bernard Church reminded us of this fact, and has offered to conduct a search for attachments that will fit.
- d. Whenever equipment is purchased, sold, discarded, or stolen, someone should update the inventory of the personal property owned by the Association. The personal-property tax bill that WTC pays annually is based on such an inventory.

2. Water temperature and pressure

- a. Cleaning faucet filters will often solve water-pressure problems, but does not solve the problem of hot water bleeding over to the cold-water faucets.
- b. As I mentioned at the August meeting, the building has had problems after a water shutoff in the past. Therefore, when I reported to Diana that my bathroom faucets have hot water bleeding into the cold water faucets and that I had heard of others with the same problem, I also said that in the past we had had to do a building canvass to determine where pockets existed. When I mentioned that to her, Diana took the initiative and posted notices on all the doors. Fortunately, the process did not unearth as many such problems as we have had in the past. Diana is working on it because two other owners and I still have warm water coming out of the cold-water faucets in bathrooms. Those we know about are 1102, 1201, and 1202. I had understood from information the plumber had received that 1301 had the same problem, but Douglas's comment at the meeting indicated that 1301's was a pressure problem, not a cold/hot mixing problem. Lee (the plumber) believes that changing cartridge(s) in involved single-lever faucet(s) will solve the problem for all who have it. In addition to the mixing problem, the water is unusually hot in 1201 and 1202.

2. Insurance

- a. The annual total of income from residential assessments, commercial leases, and Unit 206 lease is \$150,696, not the \$145,000+ covered in the loss-of-income provision of the policy.
- b. The proposed coverage for changes in code sounds like a good addition at a reasonable rate.

4. Refurbishing

- a. I concur that all 13 floors could be prettier and that the logical place to start is with the first floor. I am pleased that the board plans to take a long-range approach to the project. However, I think that the proposed hourly rates of the decorator and assistants sound quite expensive.
- b. Some years ago, when the mail boxes were removed from the east wall of the entry hall and new ones installed in their present location, the front hall was also refurbished, using many of the recommendations of an interior decorator, Edna Shirey. As I recall, she charged about \$100, and then we used lower-cost installers to do the work. By the way, the openings left by the removal of the old mail boxes are filled with plywood and are covered by the murals Edna suggested.

5. Sell Unit 206? I have completed the requested study of whether to sell Unit 206, and I concluded that we should not do so, as supported in the attached report. I will not be able to attend the September 10 meeting, but I request that the topic be included on the agenda anyway.

6. Secretary legally required. The Bylaws require that the board officers include a "chairman" (president), secretary, and treasurer, and delineate responsibilities for all officers. Therefore, the board should elect a secretary and have her or him sign the minutes even if prepared by someone else, who identifies herself/himself as the preparer. (Minutes when board member Mabel Armstrong was secretary and administrative assistant Wanda Twomey wrote the minutes illustrate a format.)

REQUEST FOR PROPOSAL

ASSOCIATION OF UNIT OWNERS OF THE WILLAMETTE TOWERS CONDOMINIUMS

September 10,2001

Introduction

The Association of Unit Owners of Willamette Towers Condominium (AUO) is seeking proposals for professional management services for Willamette Towers Condominium located at 1313 Lincoln St, Eugene, Oregon, Proposals should be submitted in the format detailed in this RFP. The initial contract will be issued for a term of one year with the possibility to renew for up to 2 additional years.

Description of Property

The site is located on the East side of Lincoln Street just south of 13th Avenue in Eugene Oregon. The building of concrete and steel construction was built in 1965 as rental units. It was converted to condominiums in the 1980's. The building consists of 92 independently owned apartment type units, configured identically per each floor level from 2 through 12 and including 4 larger penthouse units on the 13th floor. In addition, there are three commercial rentals owned by the AUO on the first floor and a tenant laundry room. The AUO owns Unit #206 and currently rents this unit out.

Guidelines

Clarifications

Any proposer requiring clarification of the information of any of the provisions of this RFP are requested to submit specific questions or comments in writing to:

Douglas Cochrane
1729 White Oak Drive, Eugene, OR 97405
541/913-0632
541/344-6260 fax
cochrane@fabtrol.com

The deadline for submitting such questions or comments is October 8,2001.

Assignment

Neither the resultant contract nor any of the requirements, rights, or privileges demanded by it may be sold, assigned, contracted, or transferred by the Contractor without the express written consent of the AUO.

Selection Process

The AUO reserves the right to reject any or all proposals.

The Board of Directors of the AUO will evaluate written proposals submitted in accordance with this RFP. The Board will rate the proposals according to the evaluation criteria outlined in this RFP, and reference checks. Interviews will be held with the finalists.

An agreement may be negotiated with the top ranked firm. If an agreement cannot be reached with the top ranked firm, WTA Board may then negotiate with the second ranked firm.

FORMAT OF PROPOSAL

Proposals must be received at the address indicated above no later than 5:00 P.M. Monday, October 8, 2001. Prospective agents should respond to each of the following items. For ease of comparison, all responses shall be in the order of the listed items and shall be tabbed with the reference item number.

Item # 1

Describe the management plan you propose for the property. Discuss in detail the following services anticipated to be a part of the management contract:

Property Management

1. Property inspections
2. Janitorial, landscaping, and maintenance services
3. Supervision of outside contractors
4. Responding to emergency calls

Business Management

5. Assistance/relationship to the Board of Directors
6. Preparations of board meeting agendas with Issue Summaries for recommended actions by the board
7. Attendance of board meetings
8. Preparation of minutes of the meetings for approval by *AVO* Secretary
9. Preparation for the annual meeting of the *AVO* including obtaining proxies
10. Assistance in the establishment and review of rules and regulations
- II. Assistance with communications with owners
12. Assistance in resolving individual owners problems as they pertain to the AUO, common elements, and governing rules and regulations.
13. Management of incoming mail
14. Management of the contact lists of owners, tenants, and mortgagors
15. Management of outgoing mail including monthly financial reports and board minutes to the owners and tenants
16. Maintenance of leases, contracts, assumed-business name registration, insurance coverage, copies of the AUO bylaws, banking signature cards, etc.
17. Maintenance of records and files including those for the building, grounds, contracts (TCI Cable, Otis Elevator, etc.), permits for the boiler and elevator, maintenance and repairs, etc.
18. Maintenance of occupancy rates, insurance information, and other information needed by realtors and lending institutions to facilitate sales of units.

Tenant Management

19. Manage and facilitate tenant move in and move-outs.
20. Management of building keys
21. Management of locker assignments and locker control
22. Management of parking space assignment and control
23. Maintenance and programming of the Entreguard door security system

Financial Management

24. Establishment and maintenance of a capital reserve plan
25. Financial management services, including accounting system, annual budgeting, assessment collecting, accounts payable, and management of certificates of deposit and other financial assets of the AUO

Item #2

- . List the properties currently managed by your firm, which would be comparable to Willamette Towers.
- . List all personnel who will have responsibility for the performance of management services in your proposal. Describe the staffing complement for the property, the associated lines of authority, and to whom they directly report.

Item #3

- . State the management fee your firm will charge as agent for the property and how it is calculated.
- . Indicate what services the management fee will cover.
- . Indicate what services and personnel will be charged as direct expense to the property.
- . Indicate the fee schedule used to charge for maintenance, landscaping, contract labor and other direct expenses.
- . Indicate your flexibility in using maintenance and service providers currently used by Willamette Towers.

Item #4

- . *Letters of reference.* Proposers shall provide a minimum of four (4) references from owners of properties they manage in their current residential portfolio. Letters should be addressed Board of Directors, Association of Unit Owners of Willamette Towers Condominium and submitted with the proposal