

VILLA VALLARTA HOMEOWNERS ASSOCIATION

TOWN HALL – Q&A

August 29, 2024 (Updated October 15,2024)

AGENDA FOR TOWN HALL #1

- Introduce Design Build Associates (DBA)
- Services DBA is Providing
- Scope
- Project Process
- Funding Options
- Conditions at Villa Vallarta
- Questions from Homeowners

AGENDA FOR TOWN HALL #2

- Services DBA is providing
- Project Scope
- Project Process
- Introduce Contractor, Professional Services Construction
- Conditions at Villa Vallarta
- Funding Options
- Electrical Panel Upgrade
- Questions from Homeowners

CONSTRUCTION MANAGER - DESIGN BUILD ASSOCIATES

Design Build Associates (DBA) are construction managers and consultants and have been in the construction industry for over 40 years. *They are unique as they only focus on servicing the HOA industry.* DBA provides clients with the necessary checks and balances to assure a successful project considering the Association's time, quality, and cost objectives. You can learn more about DBA by visiting their website at www.dbuild.com.

Services Design Build will provide before construction

- Provide administrative, management and related services to coordinate the work of the contractor to complete the project in accordance with construction schedule and the Board's cost, time and quality objectives.
- Request, review and document certificates of insurance from contractors.
- Perform on-site inspections.
- Work to obtain satisfactory performance from the contractor.
- Review any change orders for accuracy and reasonableness and make recommendations.
- Oversee the contractor's noticing process.
- Maintain complete cost accounting records on each contractor, vendor, and consultant regarding the work performed under that contract.
- Conduct weekly jobsite construction meetings to review progress, schedule, issues and performance.
- Work to resolve any issues with construction details or with individual homeowners.
- Review and approve the contractor's monthly invoices and obtain lien releases.
- Create a "punch list" of incomplete items and conduct final inspections.
- Secure from the contractor any required warranties or guarantees and releases for the Association's permanent record.

PROJECT SCOPE

- New Roofs:
 - Flat Roofs
 - Sloped Roof
 - Gutters and Downspouts: option offered to bypass integrated gutters.
- New Siding
 - Replace wood siding with James Hardie cementitious siding
 - www.jameshardie.com
- Deck Repairs to Comply with SB326
 - 80 C units, 75 F units, 87 G units
- Main Electrical Panel Upgrade:
 - Insurance Requirement for HOA policy renewal
- Community Wide Repaint

INTRODUCE THE CONTRACTOR

Professional Services Construction. Inc. (PSC)

- Experienced full-time office staff committed to servicing Homeowner and Property Manager concerns and issues
- Established in 1984
- Full-Time Project Supervision
- Dedicated Project Management Staff
- We own and maintain a fleet of trucks
- Over 100 full craftsmen
- Offices in Camarillo, CA and Rancho Santa Margarita, CA
- Member of Community Associations Institute
- www.prosvcs.net

EXISTING CONDITIONS

Our buildings are now 50 years old. During the first seven months of 2024 the Association spent more than \$775,000.00 on roofing, siding, decks, trim, and termite repairs. As a result of these numerous repairs, the HOA reserves have been greatly depleted. It is past time for a comprehensive and long-lasting solution that will be more cost-effective and will maintain and improve our property values.

FUNDING OPTIONS

- Regular assessment increases
- Special assessments
- HOA loan
- Combined contributions from a special assessment and a loan

ANATOMY OF AN HOA LOAN

- HOA must qualify for the loan: requires solid financial standing, low delinquencies, etc.
- HOA uses loan proceeds to pay for construction project
- Owners pay special assessments to repay loan over time
- Offers flexibility for owners to pay now or over time
- Benefits of a loan:
 - Homeowners can spread out payments over time.
 - Homeowners can avoid interest by paying their share of the assessment in full.

- Loan must be paid off at a sale/purchase of the unit.
- Loan gives the homeowner the option to either pay their full assessment or make loan payments.
- Loan helps homeowners who can't pay their full assessment upfront.

VILLA VALLARTA CLIENT PAGE - DBA WEBSITE

All relevant informational documents will be posted on our private client-access page of DBA's website for all residents to access.

Website: www.dbuild.com

Go to "Client Login" tab and scroll down to Villa Vallarta.

Access the page with the password: VVReno2024

QUESTIONS & ANSWERS

General:

Q: Will the HOA continue to provide information throughout this entire process? (8/29/24)

A: Absolutely, there will be additional town hall meetings and the opportunity to receive regular updates once the project has commenced.

Q: Who do I contact if I have a problem? (8/29/24)

A: Once the project gets underway, there will be contact numbers provided on notices should you need to speak to someone about a particular issue.

Q: What is the GC payment oversight process? (8/29/24)

A: Our Construction Management Team reviews all invoices and work completed prior to and all payments and requires a 10% retention be withheld until project completion.

Q: Do you share liability? (8/29/24)

A: Every vendor hired by the Association is responsible to the Association for their specific scope of work.

Q: What about shoddy work that has previously been completed? (8/29/24)

A: If we find such work it will be pointed out and the Board can decide if they want any corrections to that work. If so that would become a change order to the existing scope of work.

Q: Is it possible for the owners to receive a clear outline of the project that includes scope of work, costs, and expected costs for owners? (8/29/24)

A: Information will be available and shared at the third and final town hall meeting.

Q: Was my balcony accessed for the deck inspection? (8/29/24)

A: To our knowledge, not all balconies were accessed. The deck inspection report was completed before DBA was involved in the project. The report is quite detailed and should be available for

any homeowner to review. If you have specific concerns about your balcony please send those concerns to property management and they will pass your concern along to DBA.

Contractor:

Q: Are we guaranteeing performance of Contractor? (8/29/24)

A: The Contractor is the entity that warrants his work. One of roles of the Construction Manager during the Construction Phase is to work to obtain satisfactory performance from the contractor; recommend courses of action to the Board if the requirements of a contract are not being fulfilled. All Contractor's labor and material Warranties will be determined prior to the commencement of work.

Q: What happens if things don't progress well on the project? (8/29/24)

A: We have great confidence in the Board's selection of Professional Services Construction (PSC) as the contractor. Over the past 25 years DBA has managed numerous projects where PSC was the contractor. Our experience and track record with PSC as the contractor has been exceptional. PSC stands behind their work and they routinely complete their projects on time or ahead of schedule. If there are any issues with PSC DBA will work with PSC to get them corrected. If the issues are not caused by PSC, DBA will work with the Board to resolve the issues.

Q: What cost if any, is incurred when delays happen? Does DBA charge us to service those delays? (8/29/24)

A: The contractor is responsible to maintain the schedule. He is on a fixed fee contract which means that he would be responsible for the costs of any delays that he creates. If the delays are caused by the HOA or a homeowner or an act of God then the HOA would be responsible for any added cost. DBA charges for our time as we work to manage the project. Therefore, if a delay caused us to spend additional time to get the project back on schedule the HOA would pay for those hours.

Q: Will the contractor have blueprints? (8/29/24)

A: Not necessarily. The project as it currently is envisioned, would not require plans to be produced in order to obtain the required permits. If that were to change, then we would obtain the needed drawing. However, we do envision providing the HOA with some color renderings so that the Board and the homeowners can envision what the buildings will look like with the new siding materials and colors.

Q: Can we get a copy of the contract and PSC/DBA pricing? (10/15/24)

A: Yes, once contracts are finalized, the board can share the contract.

Q: Given that siding is being replaced can I also replace my windows? (10/15/24)

A: Yes, PSC can provide pricing at owner's responsibility to replace.

Q: How will unexpected conditions be handled? (10/15/24)

A: There will be an "Owner Contingency" line item in the renovation budget to cover any unexpected conditions.

Q: What is PSC's experience in navigating the new building codes? (10/15/24)

A: PSC is familiar with the community and has performed work on several balconies in the area. The Structural Engineer's SB326 reports have called out the balconies that need to be repaired .

Q: What is the solution for the Juliet balconies? (10/15/24)

A: The balconies will be brought up to code. Deck tile will be removed, balconies will be waterproofed, and new flashings and new balcony railings will be installed.

Q: What fire prevention is being used if any? (10/15/24)

A: Wood siding is being replaced with cementitious siding, which is fire resistant.

Q: What is the timeline and schedule for the project? (10/15/24)

A: Once the assessment has passed and the loan has been approved PSC will mobilize and stay on site until the process is completed in approximately twelve to fourteen months.

Q: What criteria was used in the RFP process when the award was made for this contract? (10/15/24)

A: The Construction Consultant and the Board identified general conditions, specifications and established overhead, profit, labor rates, and unit rates. The board selected PSC based on their qualifications and their prices.

Q: The decks were being replaced by contractor Travis Crowley. Why did that change and that work become part of this project? (10/15/24)

A: There are related waterproofing details that involve both the siding and the decks. Having one contractor handle both the siding and the decks keeps the warranties under one contractor and avoids future finger pointing between contractors. There is also an economy of scale when we have one contractor complete all the work at one time.

Q: Can the Design Build contract be revised and slimmed down as it was disclosed that the nearby complex Villa Alicante project did not use your services? (10/15/24)

A: No, the contract with Design Build includes both preconstruction phase services and construction phase services which is important and needed for a project of this size. The Alicante project was a much smaller project by comparison.

Financing/Costs:

Q: What will the total cost per owner be? (8/29/24)

A: The full project budget will be determined when the final scope of work has been established. That budget and total project cost will be finalized and available to the membership at the third Town Hall meeting.

Q: What has been the average cost per unit with other HOA communities? What special assessment fees will we see and will there be a payment option? (8/29/24)

A: There are no comparable costs from one association to another because the projects and scope of work are so different one to another. As noted in the above question the full project budget and assessment will be finalized and discussed at the third Town Hall meeting. Per the CC&Rs that you were given when you purchased your home, the assessments are made on a per unit basis so everyone pays an equal sum. We will be reaching out to lenders to provide loan

options to the HOA. If the HOA is successful in obtaining a loan, the members will have the option to either pay their assessment in full or to spread out their payments over the life of the loan. We are expecting to obtain quotes for a 15-year loan.

Q: Do owners have the option to opt-out if they don't want to participate? (8/29/24)

A: No. Homeowners in an HOA have an obligation to the Association to participate in contributions to Association-approved assessments to pay for various HOA projects to maintain the Association's common areas.

Q: Per the PSC contract all communication is via DBA. Who cuts the check to PSC, is it the Board or DBA? (8/29/24)

A: The HOA/Board issues checks to all prime vendors performing work during this renovation.

Q: How much money has been spent to date? (8/29/24)

A: Your Board of Directors and Property Management will need clarify what has been spent to date. DBA does not have these records.

Q: If you pay the assessment in full then, you don't pay interest. Is this correct? (8/29/24)

A: Correct. Homeowners can opt-out of participating in the HOA's loan and pay their assessment in full when it is due.

Q: What is DBA's reduced hourly rate and your reduced percentage? (8/29/24)

A: Once the contractor mobilizes to start work on the project, the Construction Phase begins. At that point, DBA shall be paid \$100.00 per hour plus six- and one-half percent (6.5%) of all construction costs.

Q: Can you address in writing if your fee which I believe is 6.5% of the total project includes the overages/extra change orders? I understand you also get an hourly fee and so do your secretarial staff. How many hours do you estimate you have done and how many do you in your experience foresee this project needs? (8/29/24)

A: A typical CM for a project of this magnitude for an HOA would typically be something in the neighborhood of 10% of the project cost as their fee. DBA and the Board agreed on this fee structure as being more equitable to both parties and it provides an accounting of DBA's hours and activities covered by those hours. We doubt any secretarial staff will be involved in this project but if they were that would be charged at a clerical rate of \$95/hr. It is difficult to estimate the hours required for a large project like this and the hours can vary greatly from week to week. However, it would not be uncommon for those hours to range between 10 and 20 hours per week.

Q: What is the standard practice for construction management firms? Maybe additionally we can build in bonuses to DBA fees if a project finishes early/under-budget and penalties if finishing late/over-budget? (8/29/24)

A: Please see the question above for what is standard in the industry. The contract that was executed between DBA and the HOA does not have any bonus or penalties associated with it. You might find those conditions in a different type CM contract where the CM is actually hiring the contractor directly. In this case the HOA is hiring the contractor and other than acting as the agent for the HOA, DBA has no official control over the contractor.

Q: On some projects, especially in construction, the payments are on a step deal basis -- such as deposit, then first stage, second stage etc. Please explain the payment plans in terms of when DBA is paid, and PCS is paid. (8/29/24)

A: Both DBA and PSC are paid monthly. Each month PSC will submit an invoice that is reviewed and approved by DBA based on the work completed that month. There is a 10% retention withheld on all invoices to PSC until the work is 100% completed and accepted. Then PSC will invoice for their final retention payment of 10%.

Q: Is the HOA paying in full up front? (8/29/24)

A: No, there is no initial deposit.

Q: Is there even a range of the anticipated special assessment? Will payment plans or options be offered to homeowners, or will it be a lump sum due similar to the insurance assessment? That was extremely frustrating, and people needed time to plan and budget. (8/29/24)

A: As explained at the Town Hall, we will provide the assessment amount at Town Hall number 3 within days or weeks of when it is determined. Yes, as noted above there will be options for making monthly payments or paying the assessment in full.

Q: What happens if I sell my house before the project is done? (8/29/24)

A: You may sell your property at any time. If you are participating in the HOA's loan you may be required to pay off your share of the remaining loan balance during escrow.

Q: Why was the process handled in this manner? Why has the board taken 6 months for this process? What happens if the membership does not pass the assessment? (10/15/24)

A: This is the typical process and timeframe for an HOA project. If vote is not passed, the board will have to reassess fees, and scope reduction.

Q: Is it possible for the owners to receive a clear outline of the project that includes scope of work, costs, and expected costs for owners? (10/15/24)

A: Information will be available and shared at the third and final town hall meeting.

Q: Do we have contingencies or a payment plan for the loan? (10/15/24)

A: Yes, the contractor will invoice monthly, and the board will retain 10% of the payment application every month until the project is satisfactorily complete. A homeowner contingency will be included in the budget, and it is part of the board funding.

Q: Do we have a ballpark of costs for the project? (10/15/24)

A: Yes, and the Board provided specific reasons and a timeline as to when budget and cost information will become available to the membership. Once the dollar number is finalized, the board will share that number with the membership.

Q: What is the percentage of voting required to pass the assessment? (10/15/24)

A: For the assessment passage you need a Majority of a quorum, so 50%+1.

Q: Will DBA's assistance in obtaining a loan lower our points or loan rate? And how much is DBA being paid to provide this assistance? (10/15/24)

A: DBA obtains proposals from numerous lenders that provide these types of loans to HOAs. The bank proposals are then reviewed and compared, just like contractor bids are compared to each other. The Board then selects the lender with the best overall loan proposal. For loans on projects of this size lenders typically want to know that the HOA has professional project management in place to make sure that the loan funds are being properly accounted for, which is what DBA does. DBA is only paid hourly for their time to solicit these lender proposals and provide the needed information to the Board. However, because of DBA's long-standing, quality reputation for successfully completing these types of projects, the banks do tend to account favorably for that as they respond to the request for terms.

Q: What has DBA been paid to date? (10/15/24)

A: As of this writing, \$21,002.63

Q: Where is the loan process in detail and costs because we are not getting a construction loan, as you pointed out? (question emailed from homeowner) (10/15/24)

A: As stated in the previous Town Hall presentation we are currently in the process of soliciting proposals from lenders.

Q: Can the loans be renegotiated as rates go down? Wouldn't we fold the cost for rates and any buydowns we could get from the bank into the package to advantage the number of units and owners and size of the project? (10/15/24)

A: Different lenders offer different rates. The loan will be a fixed rate and not a variable rate loan. This provides stability to the homeowners who are participating in the HOA loan. Some banks offering a 15-year loan will have an adjustment to the rate between the 10th and 11th year. At this point, the rate may go up or down depending on the industry rates at that time. Any homeowner can pay off their share of the loan at any time without any prepayment penalty. So, if a homeowner finds they can obtain the funds on their own at a lower rate, they are free to pay off their portion of the HOA loan without incurring a penalty to do so. These loans typically don't have a prepayment penalty for the HOA to refinance the whole loan if rates become appreciably better as long as any new loan is financed through their institution.

Inconveniences to Residents

Q: How long is the process going to take? (8/29/24)

A: Once construction begins, the project is estimated to take place over a 12-month period.

Q: Will we have to move out of our homes? (8/29/24)

A: No

Q: I work from home. What will be done to mitigate noise? Will the construction noise interfere with my phone calls? (8/29/24)

A: There will be some expected noise as this project is being completed. The most noise that the homeowners will experience is during the time when the work is being completed on their building. There will be a number of days when work is being completed outside of a home and such noise will be an unfortunate inconvenience. Homeowners will have advanced notice of their specific building renovation so that alternative plans by owners can be put into place, if necessary.

Q: Will I still be able to drive in and out of my garage during construction? (8/29/24)

A: Yes, there will be times that you will be asked to limit your activities in and out of the garage as much as possible while the work is taking place around or above your garage. That time will be a few days during the entire time work is being completed on your building. However, we expect you will have daily access in and out of your garage.

Q: How will our daily lives be interrupted? (8/29/24)

A: Once work begins in the complex, it will move in an organized fashion throughout the property. There will be expected additional noise and dust from work being completed, but the contractor selected specializes in working in occupied HOAs and is prepared to minimize the inconveniences to the homeowners. You will receive plenty of written notices prior to any work starting on your building. Once work starts it will take about 4 to 5 weeks to complete a building.

Q: Will the workers need to access inside my home? (8/29/24)

A: There are no planned tasks that would require the contractors to be in your home. That said, if there ended up being a stud or sill plate that needed to be replaced due to termites or dry rot and the contractor needs access to your home, they will schedule time with you for such repairs.

Q: What about personal items attached to the building? (8/29/24)

A: Residents will need to remove all items attached to the exterior structure. Per the Governing Documents, nothing should be attached to the building exterior. If you have attached items, you will need to remove them now, in preparation for the project and you will NOT be allowed to re-attach ANYTHING to the buildings following the renovation, as it will void the warranty on the work and materials. Owners should also consider taking down items attached to the walls inside the home that could fall from vibrations caused by construction on the exterior. Items like framed painting or photos, a curio cabinet or expensive items that sit against an exterior wall should be moved away from the wall during the work on the building.

Community Participation:

Q: What input as a homeowner will I have throughout this process? (8/29/24)

A: We encourage homeowners to attend both Board meetings and the remaining Town Hall meetings that are planned specifically for this project.

Q: Did the Board hire DBA or did Scott Management? (8/29/24)

A: The HOA hired DBA.

Q: Will a separate committee be formed to oversee the project? (8/29/24)

A: DBA was hired specifically to oversee the project based on their expertise and impeccable resume. The Board will work in conjunction with DBA in managing the project; a separate committee with additional points of contact will not be necessary.

Q: Is it the best use of our resources to rent a space for town hall 3? Can we meet on zoom instead of renting a place to meet? (10/15/24)

A: The board will need to make that decision.

Q: I don't understand the process and the order of things being done? (10/15/24)

A: Board will take note and respond.

CONSTRUCTION ELEMENTS

Paint

Q: Can we consider a color palette change? (8/29/24)

A: Yes. The Board has a Color Committee working with a professional colorist who is supplying professional color palettes for consideration. These palettes will be available for viewing at the Villa Vallarta client site.

Q: Will we get to vote on the paint color? (8/29/24)

A: The Board will decide on the color selection process when it comes to involvement of community input. Contact the Board for more information.

Q: There was a color scheme change evaluation? Can the board approve a color change? (10/15/24)

A: The board is currently looking at color palettes, the board will decide on a color scheme change. Those color palettes are available to see at the Villa Vallarta client page. Please note that colors on computer monitors may not be accurate to the true color values.

Q: Regarding the paint committee: (10/15/24)

A: In January, 2023, the board discussed the upcoming need to repaint the community and a request for volunteers was put in the January, 2023 newsletter. In February, a committee of Cathy Fickes, Karen Ross, Mel Metcalfe, Valeria Pelova, Mark Shlimovich and Geri Siener met for the first time to discuss the scope and purpose of the committee. As the year progressed, the committee researched various color combinations within the community and ventured into other communities. They also met with Robert Inzunza, from Dunn-Edwards Paints HOA Services representative, to get the Dunn Edwards colorist input about color combinations and Dunn-Edwards color names, resulting in the four palettes that are up for Board consideration.

Toward the end of the year it became evident that painting would have to wait. Nonetheless, the committee assembled four different color combinations that are ready for selection whenever the board is ready to move forward. These are posted at the Villa Vallarta client site.

Siding

Q: Can we substitute the tiles which are time consuming and more expensive therefore with straight panels? (10/15/24)

A: We believe this is a question concerning the selection of which Hardie siding is being used. The current direction we have is to use the Hardie siding that best replicates the existing look and character within the association. Therefore, there will be a combination of the shingle siding and the lap siding.

Skylights

Q: Can I have my skylight removed or can I add a skylight during the reroofing work? There were skylight questions on inclusion in new roofs - what is the status of that? (10/15/24)

A: As discussed in the previous Town Hall, the skylights that are in the roofs that are being replaced will be replaced. Homeowners do not have an option to add additional skylights.

Electrical

Q: Why do we need new electrical panels? Has the city requested the change? (8/29/24)

A: The requirement to replace certain panels at the property is an insurance requirement. Not replacing specific panels that are known to be potential fire hazards may result in the association's inability to obtain insurance.

Q: How do we know that the panels need replacement? (8/29/24)

A: Three panels are now widely known in the industry to be fire hazards: Zinsco, GTE-Sylvania, and Federal Pacific. A survey of all 43 buildings will be conducted to determine the exact number of panels that are to be replaced.

Q: What if we have a new breaker box in? When we did the earthquake retrofitting my unit had a new panel put in. (8/29/24)

A: We are not replacing all non Zinsco breakers.

Q: What insurance company inspected these panels to say they are a problem? (8/29/24)

A: HOA insurance underwriters require the replacement of any panels from the aforementioned manufacturers in order to renew a policy or begin a new one.

Q: How long do we have to be out of our unit while electrical panels are being replaced? (10/15/24)

A: Panel will be onsite before taking the old panel out. Power will only be out for a few hours.

Roofing

Q: Have the roofs been assessed? (8/29/24)

A: Yes, DBA has been on many of the existing buildings to assess the roofing conditions. In addition, we have had other roofing experts and manufacturers' representatives look at the condition of the existing roofs. With the exception of the roofs that have recently been replaced, the roofs have reached the end of their expected useful life and should be replaced.

Q: For certain buildings, a full roof replacement was recently done to the pitched roofs. Is the plan with this current project to replace those roofs that were recently replaced? (8/29/24)

A: No. The scope of work at this time is comprehensive but excludes any recently completed roofs.

Q: Roofs that were repaired such as ours by SBR have already had leaks – we need these roofs to be included and replaced. Therefore, in my case I would want a guarantee that our roof will be replaced as well. (10/15/24)

A: Any roofs that SBR has recently replaced are not included to be replaced again. That would not be wise use of the HOAs funds. However, there should be a warranty from SBR for the work they did, and we would encourage you to report any such leaks to the HOA.

Warranties:

Q: What warranties/guarantees will be provided? (8/29/24)

A: There is a contractor warranty which is different than the materials warranty. The contractors' labor warranty is for 2 years. The material warranties vary by material and manufacturer. The siding will have a 30-year limited warranty, and the paint manufacturer will have a 5-8 year warranty. The new roofs will also have a warranty, tbd.