

Stagecoach Townhouse Association Building Fund Procedure

The owner of each unit in each building of the Stagecoach Townhomes shall pay thirty dollars per month into a fund reserved exclusively for his or her building, henceforth referred to as the "building fund". In this way, each of the fifteen buildings will accrue \$180.00 per month in its building fund. For banking and investment purposes, the funds of the fifteen buildings and any interest earned thereon may be co-mingled with each other and with the funds of the Stagecoach Townhouse Association (STA), but shall be accounted for separately. The Business Manager shall keep track of the value each fund has accrued, the amount each fund has actually collected, any amounts paid out, and how much each owner has paid into his or her building fund. Interest earned on money actually paid into each fund shall be added to the value actually collected for each fund not less than quarterly. In figuring the amount of interest due each fund, the good-faith estimate of the Business Manager shall suffice unless determined to be substantially incorrect by the STA Board of Directors.

The purpose of each building fund is to provide for necessary repairs and maintenance of its building where not otherwise required to be maintained by the Association, or by the individual owners, or when repairs are not covered by insurance. Examples of maintenance include exterior painting, roofing, and siding. Replacing an electrical meter stack is an example of an uninsured repair. The Board shall determine whether a proposed project meets the definition of "necessary repairs or maintenance" on a case-by-case basis, but shall strive to be consistent among proposed projects.

All requests for use of Building Funds must be in writing. A request to disburse a building fund should be made together with a proposal for a specific project. When the Business Manager receives a written request, the STA Board of Directors shall act on the matter at the next scheduled Board Meeting.

The Board, or its architectural committee, shall first determine, where applicable, whether the proposed project meets established architectural and aesthetic guidelines. If a project is not granted architectural approval, the building fund shall not be disbursed. The Board shall then determine whether the project is considered to be necessary repairs or maintenance. If the Board determines the proposed project is something other than necessary repairs or maintenance, then the Board shall require the written permission of the owners of all six units in the building before disbursing a Building Fund. Lastly, the Board shall determine whether the proposed project would convey significant benefit or prevent damage or deterioration to each of the six units in the building. If the Board determines that one or more units would not significantly benefit from the proposed project, then the Board shall require the written permission of the owners of all six units in the building before disbursing a Building Fund. If instead the Board determines that each of the six units will gain benefit from the proposed project, then the written permission to disburse the funds of the owners of four or more units in the building will be sufficient. Once a proposed project has received architectural approval and the required number of owners have authorized the Association to disburse funds, the Board shall direct the Business Manager to disburse funds to the person in charge of the project.

To summarize, the written permission of the owners of four units will suffice to disburse a building fund when:

- 1) Where applicable, a proposed project has been granted architectural approval by the Board and,
- 2) the Board determines the project to be necessary repairs or maintenance and;
- 3) the Board determines that all six units in the building will gain significant benefit or avoid significant damage as a result of the project.

In all other cases, the Business Manager shall not disburse a building fund except when the owners of all six units in a building unanimously provide their written consent to disburse. In no case shall the Business Manager disburse an amount greater than what actually has been paid, including interest, into a building fund.

Three Recurring Scenarios:

- 1) Two owners paid for their new roof several years ago. Now the rest of the building wants to re-roof. Can they use the building fund? Analysis: Since new roofs for four units will not benefit all six owners, four signatures will not suffice. However, if the fund is disbursed so that the new roofs are paid for and the two owners are reimbursed for the roof they replaced several years ago, the two will have an interest in granting permission to disburse and thus six signatures are possible. If the two prefer to save the building fund for something else, the other four will have to pay for their roof out of their pockets, just like the other two did.
- 2) Five owners are current on their dues and one is delinquent and has not fully contributed to the building fund. A project is proposed that is necessary maintenance that would benefit all six owners. What to do? Analysis: Identify the contributions of each owner. Determine the lowest amount any one owner has paid into the building fund. All six owners have contributed at least this amount. Multiply this figure by six. For purposes of distribution, treat this amount as if this were the balance in the building fund. If the other five owners are current on their contributions, their five signatures will suffice to distribute money back to each of them, or to be applied to the project, whichever they choose. If they choose to apply the remaining building fund to necessary building maintenance that benefits the delinquent owner, they may lien his unit for his share of the cost, as per the OUMA's. In the alternative, the five owners could agree to disburse the funds to the five individuals, the Association could advance funds for the maintenance, and then levy a special assessment against all six owners for the work performed. The five would pay the assessment with the funds that they received, and the sixth would have to come up with his share over a reasonable time, or face lien and foreclosure by the Association.
- 3) Four or five Owners want to install a propane tank/system and would like to use the Building Fund to do it. Not all units will be serviced. Analysis: Adding a new propane system is neither a repair nor maintenance. Furthermore, one or more units will not directly benefit from the project (at least not at this time). Therefore the Building Fund will not be disbursed unless all six Owners provide their written permission to do so.

Addendum to Building Fund Policy
Stagecoach Townhouse Association

A) The building fund is an Association fund required to be maintained by all buildings for the purpose of capital improvements. The ownership made this fund part of the association accounting collectibility, distribution and responsibility. Therefore the fund can only be distributed when the request meets the qualifications as outlined by the Building Fund Policy. The board determined that if the following criteria was met from each building then they could elect to reduce their building fund from \$50.00 a month to \$10.00 a month.

- 1) Must have a \$6,000 balance in bldg fund
- 2) Siding is complete
- 3) Propane tank installed
- 4) Roofs complete-no shake shingles
- 5) All owners are current with their dues

Adopted February 2004

B) Board determined that if an owner defaults on paying dues and turns property over to the mortgage company or declares bankruptcy-Colorado law only allows for 6 mths back pay to Association, \$960.00, then the building fund of that particular building will be disbursed to each owner of that building in order for the Association to recoup money lost.

Adopted August 2005