

**Minutes of Town Hall Meeting**  
**Northtown Homeowners Association**  
**August 13, 2019**

Meeting was called to order at 7:05 p.m. by Diane Hoverson, President. After a brief statement as to why she had changed her mind about having Northtown dedicate our private streets to the City of Phoenix because it would be much more expensive than she originally thought, Diane H introduced Real Estate Broker Jon Fox, Rose Paving asphalt company representative Ted Wilson and HOA loan broker from Mutual of Omaha, Manny SanMiguel.

Jon Fox gave a presentation / proposal for selling the 9 identified open lots starting at an asking price of \$45K each. He is a broker and land developer and he originally contacted Northtown about a year ago offering to find a buyer if the lots were available to be sold. Jon and Diane H went to the City of Phoenix to see if the City would allow the sale of the lots, and was advised the City would allow it as long as it fit certain criteria: zoning, density, open space, retention, etc. The City it would require an amendment to Northtown's site plan. He had a map to show where the 9 lots were: along north side of Greenway Road. His proposal was that Northtown would initiate the process, survey and do the site plan modification, but that the buyer would take over the expenses when it came to engineering and subsequent steps. He has a possible buyer in mind already. He estimated it would cost Northtown about \$2,000 to do its part in the sale of the lots and take about 60 days to get it ready to be put on the market for sale. The \$45K price each would be less his 6% commission and less the about \$2,000 for the City of Phoenix. The buyer would pay for everything else. Jon said that in this transaction, he would be representing Northtown. The homes would be single family, one story and age restricted, and pay Northtown HOA dues.

Ted Wilson of Rose Asphalt gave a presentation. His company drilled the 5 core samples for \$400 that was approved in the July 2019 Board Meeting. He recommended a full remove & replace road job. All of Northtown would be done in 5 segments, each segment taking about 3 to 4 work days. The road in front of the clubhouse was done not long ago and it just needs to be sealed. He estimated this job for Northtown at the current material prices would be \$625,000. This would include milling and removing the old road surface and laying down 3 inches of new, using premium grade asphalt surface, including adjustments for the utilities. This price does not include the seal coating, another \$30,000 in a year, and does not include any of the parking lots. That price does not include doing a remove / replace on the stretch of road in front of the clubhouse, but does include fixing the 2 place each end of the newer pavement where the asphalt bulges. But that in a year after the work is done, all the street surface must be sealed at a cost of approximately another \$30,000. The roads would need to be re-sealed about every 5 years and with proper care, this new asphalt should have a life span of about 30 years. This work does not require a city permit, but would need a permit for dust mitigation. His core samples did not check the road base. If after starting the job, they discover places where the base is soft, that would have to be fixed at additional expense. As he drove around the streets, the only places he noticed that looked like it was "soft" was where 22<sup>nd</sup> Street meets Waltann Place and the other end of that section. His price includes fixing those two places. The process

would mean that for each of the five sections, the first work day the old road is milled. It is prepped the second day and paved the third work day. For day 1 and day 2, the affected homeowners would be able to drive on the streets the evening after the milling / prepping was done. The third day, the asphalt day, we would not drive on it until the following day. He recommended that we build into the price a 10%+ cost overrun into our reserves. Also for about another \$2,500 Rose Asphalt could do a bunch more cores into the road base to look for soft spots and we would know in advance if / what that extra work might be.

Manny San Miguel of Mutual of Omaha Community Association Banking Division. They do HOA loans. HOA loans are not mortgages and are not secured by real estate: not secured by the common area or clubhouse, not secured by the home lots in Northtown, not personally guaranteed by any Northtown officer(s) or homeowner(s). Northtown HOA would pledge our HOA assessments as collateral. So if we defaulted in the monthly payments, they would move against Northtown to receive our incoming HOA dues until the loan is satisfied. He said that in over 15 years making HOA loans, not one has defaulted, even through the real estate bust 8-10 years ago. He explained that the HOA's documents, CC&Rs, Bylaws, etc., have to allow the association to borrow money and have to allow the HOA dues income stream to be used as collateral. At this time, with the reserves in hand, and the anticipated sale of the lots, they were working on an HOA loan of about \$140K. They have a Quick Term Loan option based on the \$540 yearly assessment paid by Northtown owners, a 5 years loan maximum prequalified of \$158K, at 3.9% at today's rates. A 7 year would be max pre-qualified \$210K at 4% and a 10 year option at max of \$272K would be at 4.1%. This quick term loan has a flat fee of \$500. There is another loan option that could go higher but it has higher underwriting expenses. He calculated the monthly payments for the \$140K loan at \$1,424.10.