

## Edelweiss Haus

### **Board minutes - March 9, 2022, 4PM Mountain time (executive session to discuss recent real estate transaction)**

Board member attendees: Hilary Williams, Ellen Carpenter, Greg Guster, Chris Faris, Patricia Spross

All Seasons attendees: Jim Simmons, Mike Howe, Mario Salazar

The following topics were discussed:

**Proceeds of sale of unit 200** – Hilary will share the Unit 200 settlement sheet and closing documents with Mike Howe so that he can record the funds that need to be moved to the reserve under the revised HOA governing documents. Buyer has reached out to All Seasons because there is some damage to the interior walls. Chris and Hilary will draft a notice to the owners to announce the sale.

**Tax implications of sale of unit 200** – Mike presented an analysis, which he developed in consultation with Mumford, the firm that prepares tax returns for the properties managed by All Seasons. His conclusion was that the HOA needs to spend \$115K before 12.31.23 in order for the proceeds to be non-taxable to the HOA. Mike documented his analysis in an email to the board after the meeting. The text of the email is below:

As you know, the Edelweiss Haus Homeowners Association (Association) recently sold common space. The IRS has a Revenue Ruling 70-604 which allows the Association to roll forward any excess revenues over expenses based upon the sale of this space into calendar year 2023. This would make any proceeds from the sale of this space tax exempt for the elected year. The Association would need to spend the full amount of proceeds by the end of calendar year 2023 to keep the amount tax exempt. If the Association does not use the full amount of these proceeds during the elected year, any amount remaining at the end of the elected year would be considered taxable. This election would need to take place, in an open board meeting, by the board to be recognized by the IRS.

In review of the annual expenses of the Association for 2022, the Association budgeted to spend ~\$385,000 on operating expenses and capital reserve contributions. Under IRS Rev RUL 70-604, the Association could use the proceeds of this sale towards the member dues and capital reserve contributions for calendar year (CY) 2023. In my estimation, member dues and capital reserve contributions will be ~\$400,000 for CY 2023, which is an ~3% increase from CY 2022. This would leave an amount of ~\$115,000 (\$515,000 sale of space less \$400,000 member dues/capital contributions) of excess revenues over expenses at year-end 2023 from the sale of the space that would need to be spent during either calendar year 2022 or 2023 to remain tax exempt.

Mike also advised that reserves should be 30-50% of the value of the projects on the reserve study. A determination of reserve adequacy will need to be made once the reserve fund study is completed.

**Fireplace fire in B building unit** – owner is Lynn Butterfield. According to the fire marshal, the fire was caused by renovation work that added combustible material around the gas fireplace. Therefore, the issue is confined to this one unit; All Seasons has not been contacted by the fire marshal for any HOA issues discovered during the fire.

**Jim's spring project list** – so far, Jim wants to accomplish the following projects on the “envelope” of the buildings

- Foundation repairs
- Drain trench on side of building
- Signage upgrades
- Key box removal from exterior of buildings
- Upgrade internet service
- Carpet cleaning
- Landscape upgrades
- Repair to C building fire system

Mario added the following:

- Repair of tile in lobby which will prevent flooding
- Repair of the east side building wall

Ongoing maintenance includes the repair of the zone valves for the heating system which controls the flow of hot water into the units. PC Lodging had advised All Seasons that this was an ongoing issue.

**Ellen's list** – Mario has already been tackling some of the items, including upgrading the garage door exits. He has been in touch with PC Lock for pricing. Other items have been added to Jim's list, e.g. the carpet cleaning.

Patricia suggested that separate electric metering should be considered given that usage varies based on occupancy and issues such as an occupant's charging of an electric vehicle using HOA electricity.

**Other building issues:**

- There is a night time remodel going on in Unit S (owner is Sean Ahearn). There are 2 by 4's in the unit; the floor and kitchen are being replaced. Mario said that any remodel which requires a building permit should be disclosed beforehand to the HOA. One of the reasons is the requirement to have a port a potty. Chris reminded the group that the HOA prohibits any construction during ski season.
- All Seasons has been in touch with this owner. Jim will draft an email to the owners regarding the requirement to inform the HOA of construction that requires a building permit.

**List of projects on reserve fund study** – Hilary recommended that the increased funds in our reserve resulting from the sale of unit 200 be guided by the reserve study. There is a concern that maintenance has been deferred because of the low level of reserves. Discussion ensued as follows:

- Jim said that sound practice is to have an independent firm conduct a reserve study every 6 years.
- Hilary reached out to PC Lodging (Rhonda) during the call. There has not been a third party reserve study. The reserve analysis presented at the 2021 annual meeting was an internal document prepared by PC Lodging.
- Cost for a professional firm to do a study is \$2-3K.
- A majority of the board subsequently agreed to move forward with a reserve study prepared by a third party professional.

### **Other business**

**Lobby sale next steps** – tabled for now.

**Owner involvement on future upgrades** – the board decided to develop recommendations based on the reserve study before opening it up to owners, possibly via a survey monkey per Jim's recommendation.

**Hot tub** – Chris asked whether the hot tub could be kept open year round, based on demand from his renters. Right now, the pool and hot tub are closed in October/November and from 4/15-5/31. Jim said that 90% of the properties managed by All Seasons keep their pool/hot tub open year round. Based on budget numbers, the cost to keep the hot tub open would be about \$3250 per month or \$13K for the 4 additional months. Hot tub temperature is 104 degrees. Right now, the jets do not turn off because the 60 minute timer is broken. All Seasons will look into a repair.

**Next board meeting** - 3/23; 5PM Mountain time.