

To: Beaumont Park Townhome

Owners From: BPTOA Board of Directors

Date: April 28, 2018

Re: Amendment to Declaration of Covenants, Conditions, Easements and Restrictions for Beaumont Park Townhomes Article V, Section 9

Capitalization or Initiation Fee. Upon the conveyance of ownership of a Unit, including all resales, an initiation fee shall become due and payable to the Association by each new Owner. The amount of the initiation fee shall be Two Thousand Dollars (\$2000), to be paid immediately upon the conveyance of ownership. The Board may periodically adjust the amount of the initiation fee. Such adjustments shall not exceed ten (10) percent annually.

The Capitalization or Initiation fee shall not be deemed to be an advance payment of any assessment and may not be paid in lieu of any assessment. The initiation fee shall be the personal obligation of the new Owner and shall constitute a lien against the Unit.

Notwithstanding anything to the contrary herein, no initiation fee shall be due as the result of a conveyance of a Unit to an Owner's spouse, child, or a corporation, partnership, company or legal entity in which the Owner is a principal.

What is a Capitalization or Initiation Fee?

A Capitalization or initiation fee is a one-time charge that is assessed upon the transfer of title of any property in the subdivision.

Who typically pays the Capitalization or Initiation Fee?

A Capitalization or Initiation fee will be charged to the incoming new homeowner at closing. This is an actual charge to the buyer but could be negotiated between the parties while negotiating a contract. (Please be sure to indicate this on any Seller's Property Disclosure when you list your property to sell.)

All regular Assessments for the Annual Dues will be prorated between buyer and seller at closing unless otherwise stated in their Purchase and Sale Agreement.

Who does this affect?

Current homeowners and subsequent homeowners who transfer title of any property in Beaumont Park Townhomes

If the proposal is passed, when does it go into effect?

The Board of Directors has approved a date of July 1, 2018

How much would the proposed Capitalization or Initiation Fee be?

It is proposed that the Capitalization or Initiation fee be set at \$2000.00.

The HOA Board of Directors retains the right to change this fee on an annual basis. The annual adjustment can be no higher than 10% per year without a vote of the homeowners.

Why do we need this proposed Capitalization or Initiation Fee?

The HOA runs on a very tight budget. The main source of funds comes from the Monthly Assessments. The HOA expenses generally consist of landscaping and townhome community-owned property; insurance; water; electricity; attorney fees; postage; and other sundry expenses. We have to keep a Reserve Fund as well. This fee will go directly into the Reserve Account for future repairs and replacements of buildings, streets, roads, sidewalks.

Will this new Capitalization or Initiation Fee prevent my HOA Monthly Assessment from increasing?

It depends. The HOA establishes the amount of the Monthly Assessment based on estimated annual Assessment collections and the estimated expenses for the upcoming year. An amount for a Reserve Fund is also included in the budget.

The HOA can't predict the number of homes that will be sold in a given year. As an example, in prior years, several homes were sold each year. Because of the uncertainty related to the number of homes that may be sold in a particular year, it would be difficult for the HOA to estimate impact that the proposed Initiation Fee may have on future reserve needs.

However, as homes sell and as the initiation fee is collected, this will become a source of revenue to the reserve fund.. These additional funds collected may lessen the burden on homeowners/ Association.

Do other neighborhoods have similar Capitalization or Initiation Fees?

Many neighborhoods already charge an initiation fee when a home is sold. Also, it has been observed that more and more subdivisions who had not previously charged an initiation fee, are adding initiation fees to make up for lost revenue.

Thank you for your consideration of this proposed change to the BPTOA's Covenants & Restrictions.