



## Walnut Creek Mutual No. Sixty-Eight

### **Notice of Second Town Hall Meeting Friday, March 24, 2017 at 1:30 p.m. Fireside Room – Rossmoor Gateway Complex**

To: Members of Mutual 68

From: Your Mutual 68 Board of Directors

Re: **Second Town Hall Meeting to Discuss Special Assessment  
March 24, 2017 at 1:30 pm, Fireside Room – Rossmoor Gateway Complex**

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#### **Topics to Be Discussed:**

- Board recommendation for a Special Assessment to address the 3101-3103 Grey Eagle situation
- Options for paying the Special Assessment – lump sum or monthly
- Review of alternatives to mitigate damage caused by the landslide

**Your voice is important in making decisions as to how we meet this challenge together. Please come to the meeting and participate.**



## Walnut Creek Mutual No. Sixty-Eight

To: All Members of Walnut Creek Mutual No. Sixty-Eight

Re: **Update Regarding Special Assessment**

Dear Members:

The Walnut Creek Mutual No. Sixty-Eight Board of Directors wrote to you on February 14, 2017, to update you regarding earth movement and resulting damage to the Mutual's Common Area and related improvements at 3101 and 3103 Grey Eagle Road. Our letter also discussed a potential buyout of the Manors located at 3101 and 3103 Grey Eagle Road, and options for mitigating the earth movement and related damage (collectively, "Landslide Mitigation Measures"). Our recent letter also notified you of a proposed Special Assessment designed to raise the funds required to pay for the Landslide Mitigation Measures. On February 20, 2017, the Mutual held a Town Hall meeting at which the members were provided with an opportunity to ask questions about the proposed Landslide Mitigation Measures and Special Assessment before they were asked to vote to approve the Special Assessment. We now write to provide you with further updates regarding the status of the Landslide Mitigation Measures and Special Assessment.

### **First Town Hall Meeting**

The February 20, 2017 meeting was very well attended (approximately 170 members were present) and a number of topics were discussed including the scope and timing of the Landslide Mitigation Measures.

At the meeting, some members expressed concern that the proposed purchase price for the buyout of the two affected units was based solely on one professional, independent appraisal. In response to these concerns, the Mutual commissioned two additional professional, independent appraisals for each unit. The new appraisals bracketed the original appraisals, i.e., the second appraiser determined higher values for the Manors than the first appraiser, the third appraiser determined a lower value for the Manors than the first appraiser. The Board has proposed to average the three appraisal values and the affected owners have agreed. The buyout prices have been established as follows: 1) \$1,558,333.33 for 3101 Grey Eagle Drive; and 2) \$1,565,000 for 3103 Grey Eagle Drive. The Mutual's buyout of the affected units is contingent upon member approval of the Special Assessment.

In addition to purchasing the two affected Manors, the Board has been evaluating numerous options about what to do with the affected units following repurchase. The options range from razing the two Manors and performing minor annual grading of the site to removing the Manors from the site and installing them on a site to be developed elsewhere, or on the existing site after extensive soil repairs have been performed. After evaluating the spirited opinions that discussion of these options generated at the Town Hall Meeting, and after considering the recommendations of the Mutual's geotechnical experts, the Board has determined that the most efficient and economical course of action is to 1) Remove the Manors and their foundations from the site and recycle all materials, and 2) Excavate the remaining lots to a point below the landslide plane and rebuild the

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Mutual's common area soil. The repaired lots will have geogrid and an extensive drainage system, and are designed to be stable and provide support to the Mutual's adjoining Common Area improvements. These lots will not be appropriate home sites following these mitigation efforts.

The Board and its geotechnical consultants have worked very hard to develop the proposed Landslide Mitigation Measures to reflect the needs of the community and to respond to member concerns. Now **your** support is needed to approve the proposed Special Assessment to fund the Landslide Mitigation Measures, including buyout of the two affected units and mitigation of the Mutual's Common Area.

### **Payment of Special Assessment**

In order to meet its obligations with regard to the Landslide Mitigation Measures, the Board seeks approval of the Members to levy a Special Assessment of up to \$4 million dollars. If the entire amount is needed (and it appears that at least initially this will be the case), each of the units will be assessed at \$17,000 for a total assessment of \$3.995 million.

The Board recognizes that many members may not be able to pay their Special Assessment in full by the due date. The Mutual intends to pursue a loan from a bank that specializes in loans to homeowners associations. This will enable the Mutual to offer individual homeowners the option to pay their Special Assessment in monthly installments over the term of the loan.

If the Special Assessment is approved, all members will be sent an "Option Form" and asked to tell the Mutual whether they intend to pay the Special Assessment: 1) in a lump sum; or 2) in monthly installment payments. If members do not return the Option Form by the due date specified by the Board, the Board will presume that the members have decided to pay the Special Assessment in a lump sum.

Those who choose to make monthly payments to pay the Special Assessment will pay the base Special Assessment amount, interest and administrative fees. The interest rate for the term loan will be locked in when the loan is approved, but we anticipate that it will be around 5%. The total monthly payment will include the assessment principal, interest and a \$2.50 per month administrative fee to collect and keep track of monthly payments. Additionally, a voluntary lien fee of \$350.00 can be paid upfront or over the first three months of payments (\$116.67 per month for three months). Owners who pay the Special Assessment over time may pre-pay their portion of the Special Assessment at any time.

### **Voluntary Liens**

Each owner who elects to pay their Special Assessment obligation over time will be required to sign an agreement creating a lien on his or her unit. This will give the Mutual an immediate secured interest in owners'

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promise to pay. Owners who pay their portion of the Special Assessment in a single, lump sum payment will not have to sign such an agreement.

The purpose of the voluntary lien, in part, is to better assure those who choose to make a lump sum payment that everyone else will pay their share of the Special Assessment as well. The voluntary lien agreement will allow the Mutual to begin collection efforts quickly, before a delinquency gets large and difficult to resolve. Additionally, the voluntary lien agreements will be recorded. This will help ensure that owners paying overtime pay the remaining balance of their share of the Special Assessment if they sell, refinance, etc.

Upon payment in full of the balance of the Special Assessment, accrued interest, late charges (if any) and any amount still owed toward the cost of the voluntary lien agreement, the lien on the owner's unit will be promptly released.

The legal expense to prepare voluntary lien agreements is \$350 per unit paying over time. This includes the cost to pull a current grant deed, the cost to prepare a voluntary lien agreement to be signed by each record owner and recording costs. Owners will be permitted to pay this amount up front or over a three (3) month period, at \$116.67 per month.

### **Special Assessment Election**

The vote necessary to approve the Special Assessment is a majority of a quorum, with quorum defined by Civil Code Section 5605(c) as more than 50% of the owners. This means that at least 118 valid ballots must be received, and the Special Assessment will be approved if more than half of the voting owners (a minimum of 60) vote in favor of the Special Assessment.

If the Special Assessment passes, owners will be given written notice that the Special Assessment was approved and formally notified of the deadline for payment. In addition, if the Special Assessment is approved, each member will also be sent an "Option Form" to inform the Mutual if that member intends to participate in the payment plan and voluntary lien program. Those who do not return their Option Form by the deadline referenced therein will be presumed to have chosen a single, lump sum payment.

Maintaining the Mutual 68 development is one of the primary duties of the Mutual's Board of Directors. Preserving property values is important to everyone. The Board believes that the proposed Landslide Mitigation Measures and accompanying Special Assessment are necessary and in the best interests of all owners. The Board urges all of you to vote in favor of the Special Assessment. **If you have questions or would like more information, please plan to attend the Second Town Hall Meeting on March 24, 2017 at 1:30 pm in the Fireside Room – Rossmoor Gateway Complex.**