

Notes to share

Amendment 10

As anyone who witnessed the Cluster Committee meeting yesterday morning, it is apparent that there is still a way to go to gain approval from the county. That said, it was the first time the county ever publically admitted that they had “overcharged” us due to the flaws in the shadow rent formula.

Discussions with the County have been going on for a very long time, literally 5-6 years. I know that everyone who has worked on this, views this Amendment as a fresh start for the condo owners, with nothing owed to the County for any previous ground rent or previous repair account balances that the County had claimed we owed from the past, plus repayment to us for money the county overcharged us.

Here are a few of the potential benefits to owners.

- The amendment will provide significant funds, over \$3.7 million each year for the next 30 years to pay for COA’s share of needed repairs and renovations.
- These funds will significantly reduce the risk to condo owners of exposure to surprise or unplanned assessments.
- The resolution of this matter will create a dramatic reduction in legal fees as we end this massive legal effort of battling with the County.

In recent history, specifically 2022 & 2023, the 600 condo owners combined paid about \$6 million annually in Ground Rent. 100% of this money, the entire \$6 million has gone to the County as Ground Rent.

If Amendment 10 is approved by the Supervisors, in 2024, the 600 condo owners will pay about \$6.7 million in ground rent. This amount includes adjustments for the increases that were not taken in 2022 and 2023. Also, beginning in 2025, Amendment 10 establishes annual increases of 3.25%, not the 3.75% increases we paid previously.

However, most significantly, of this new \$6.7 million amount, the County will receive about \$3 million, and COA will receive over \$3.7 million to use for renovations and repairs. This split between the County and COA will continue each year in a similar fashion for the next 30 years. It is COA, not Essex, but COA alone that will receive this money.

- It is important that everyone understands that the ground rent payments are only one part of what all of us as owners pay each month. Ground rent is separate from the amounts paid for monthly maintenance fees to operate and maintain Marina City Club.

- While technically condo owners only own the air space in their units, under the Master Sublease, the condo owners are obligated to reimburse Essex, the Master Lessee, for significant portions of the maintenance and operational costs. This requirement is built into our governing documents.
- It is the combination of the ground rent and the maintenance fees that make up the total of what owners pay each month. The proposed Amendment 10 only deals with the ground rent portion.

Subject to final approval of Amendment 10, there are two parts that make up the \$3.7 million that COA will retain each year.

Beginning in January, 2024, of the amount that each unit pays each month for Ground Rent, one part will be deposited directly into a new COA Repairs bank account, and the second part will be deposited into the regular shared area operating bank account.

The second part will be used to pay the County its portion of ground rent. That County portion will be further reduced by Ground Rent Credits for the next 30 years with the Ground Rent Credits also being deposited into the COA Repairs bank account.

Both the County and Essex have agreed to subordinate their positions to COA, which secures COA's control over this newly established account, and this point is essential to maintaining COA's independence. The money that COA will be able to retain will be deposited into a bank account controlled by COA to be used to pay for COA's share of improvements and repairs to MCC.

The most significant benefits from this new amendment are:

- Retention of significant funds, more than \$3.7 million each year, for the next 30 years to pay for COA's share of needed renovations.
- A significant reduction in the risk of surprise or unplanned assessments.
- A large reduction in legal fees going forward as we stop the legal battle with the County on this matter.
- COA could choose to use the income stream of \$3.7 million (just over \$300,000 each month) as security for a line of credit to fund larger projects.

It is very important that good people run for the Board in the next election. The next board will have very important decisions to make as to how these new funds are used.

I am happy to respond to other questions. My email is erobin311@gmail.com Please put Question about Amendment 10 in the subject line.