

**PARK PLAZA CONDOMINIUM ASSOCIATION
MINUTES
ANNUAL MEETING
January 25, 2022**

The annual meeting of the Park Plaza Condominium Association was held virtually over Zoom at 26 Avondale Lane, Beaver Creek, Colorado on January 25, 2022 at 3:00 p.m. The Zoom meeting was managed by Park Plaza's law firm Altitude Community Law.

Board members in attendance: Charles Kafadar, President, Les Baledge, Jeff Deem, Commercial Director, Julie Timparo, General Manager and Matt Szmyd, COO and Property Manager

Owners in attendance: Mike Cooper, Susan Josephs, Leigh Tobin, Maggie Henderson, Nancy Davisson, Bill Henry, Ron & AnneMarie Stricklin, Tac Justi, Dr. Cameron Shearer, Jim Fairchild, Shari Vines, John Whalen, Chris Stalder, Blaise de Franceaux, Jim Fallon, Alan Buffington, John Westerberg, John Modzelewski, Steven Szafara, Joanna Mitchell, Kent & Phyllis Sullivan, Robin Olson, Jill Grebler, Steven Torok, Ross Taylor, Stephanie Eubank, Lisa Richman, Jeri Hurst, Karla Kurtz, Amy McDowell, Connie Weaver, Frank Fernandes, Bob Campbell, Leslie Westland, Thomas Boova, Lim Nguonly, Joe Fallon

Other: David Firmin, Esq., Altitude Community Law P.C., Andrea Cicero, Legal Assistant, Altitude Community Law P.C., Chris Juergens, VDMA and Paul Backas, McMahan and Associates, L.L.C.

Call to Order: 3:07 p.m.

Introductory Remarks: Mr. Kafadar welcomed everyone to the meeting and introduced Mr. Baledge, Mr. Deem, Mr. Szmyd, Ms. Timparo, Mr. Firmin, Mr. Backas and Mr. Juergens.

Determination of Quorum: Mr. Szmyd confirmed that of the 72 proxies needed for quorum, over 80 proxies were recorded in addition to the owners present via Zoom, for a total of 117 units represented.

Consideration of Minutes of the Previous Meeting: Mr. Kafadar asked for comments on the January 19, 2021 annual meeting minutes. As there were no comments, Mr. Kafadar requested a motion to approve the minutes from January 19, 2021. Mr. Torok made the motion to approve and Ms. Weaver seconded. **Motion passed unanimously.**

Legal Update: Mr. Szmyd introduced Mr. Firmin and Altitude Community Law. Mr. Firmin noted there are new proposed bills coming from legislation being back in session. Altitude has also been working with Eagle County and Vail for the construction work and continuing to move this forward. It has been submitted, just waiting on comments. Things are proceeding as normal, it is just slower due to the pandemic, but there is no impediment from getting this done. Mr. Torok inquired if Vail was still supportive in the property swap. Mr. Deem confirmed yes, Vail is still interested; there is just quite an administrative process that must be gone through and that does take time. Mr. Firmin confirmed the entire Beaver Creek area is under one P.U.D. (Planned Unit Development) which has strict requirements that must be reported to Eagle County, which can cause administrative burden.

Election of Board Seat:

Mr. Kafadar noted the only seat up for election was the Commercial board seat and is happy to have Mr. Deem continue on the board in that position.

Audit Report:

Mr. Backas introduced his firm and discussed the Audit Report and audit. Discussed how financial statements are noted and logged and how numbers are verified. Accounts receivables are reviewed to ensure payments are billed according to the Declaration, are deposited timely, coded to the correct owner account. Also following up on delinquent accounts to collect on past due monies. Payables is also reviewed to confirm its related to Association business, submitted timely and coded correctly. Payroll expenses are reviewed and reconciled, as well as legal compliance issues. Audit financial statements were presented. Pretty common for associations with mixed use between commercial and interval owners to have a regular audit to confirm all allocation are correct. Audit covered by an independent auditor's report, which is referred to as an unmodified opinion. This means anyone using the financials can rely on them as being materially correct. The Balance Sheet and Income Statements were presented and discussed. Deposits are substantially up, almost \$2.5M in the operating fund (for day-to-day transactions), \$400K in Residential LCE fund and \$425K in GCE fund, totaling \$3.3M in revenue. \$419K PPP forgiveness also noted. Expenses also went up, making the total net income nearly \$1.2M. In October the Board approved transfer of \$500K to the Residential LCE fund and \$100K to the GCE fund as there is no need to maintain in the operating fund. Park Plaza has around \$770K invested in T-bills.

The budget vs. actual 2021 was presented. Board and Management are very in line with the budget. Along with the PPP forgiveness, combined expenses are under budget by ~\$80K, which accounts for the sizeable variance. There were not any Residential replacement expenses but there were some plumbing and mechanical work which benefited all owners, so that was charged to the GCE account. The schedule of future, major repairs replacements was presented, as required, to give the Board a guideline on how much money should be placed in each replacement fund. Pleased to report that not only do the accounting records look great, but the financial results also look great.

Mr. Torok asked how the Commercial expenses are accounted for. Mr. Backas advised that it is dependent on whether it is an operating or a replacement expense, but if it is clearly Commercial, those owners will pay for the majority of it out of their assessments, but the expense will be placed in the GCE replacement fund as that covers area that is open to all owners. Mr. Szmyd also confirmed the Commercial components have their own budget and noted all owners pay their own share per the allocations listed in the Declaration. Mr. Kafadar asked how Park Plaza's audit compares to other resorts in the area. Mr. Backas confirmed Park Plaza's financials look great but a lot of that also depends on what future projects are upcoming.

2022 Budget:

Mr. Szmyd presented the 2022 budget. He welcomed any questions regarding the same and if no questions, would request a motion to approve. Ms. Kurtz had a question regarding bonus night revenue. Mr. Szmyd confirmed it is for owners who book extra nights during the summer when not in use. Mr. Torok asked why assessment revenue increase appears so high. Mr. Szmyd the increase to reserves was \$300K, which is about 12.5% of the total increase. \$160K were increases in wages, insurance and utilities. The reserve study also dictates the amounts that need to be contributed to reserves regardless of whatever improvements need to be done. The reserve was under funded, had nothing to do with the pool project. This move brought Park Plaza to a position where the Board and Management felt that a special assessment would not be needed. Mr. Torok requested to confirm if a decision had been made to not take a loan for the long-term projects even though interest rates are low and construction costs are on the rise. Both Mr. Kafadar and Mr. Szmyd advised that a decision has not yet been made on that one way or the other. After all of the upcoming projects are discussed, the Board plans to send a letter to all owners this summer to discuss how the Board plans to fund these projects. If the homeowners really want these completed by December 2023, then they would need to contemplate a loan to accomplish this. Mr. Szmyd noted in order to obtain a loan, lenders analyze the reserve study, so it is important to keep the reserve in line. Mr. Kafadar confirmed the goal is to maintain Park Plaza's history of never implementing a special assessment.

As there were no other questions, Mr. Kafadar requested a motion to approve the 2022 budget. Mr. Cooper made the motion to approve and Mr. Fallon seconded. **Motion passed unanimously.**

Management Report:

Mr. Szmyd thanked everyone for their participation to approve the Limited Amendment for the Commercial hot tub and stairs project. Received all of the required approvals and is hopeful the stairs and storefront revivals will be completed by the Spring this year, Fall the latest. Vail's legal team just needs to finalize everything. Park Plaza and the Beaver Creek design review board will need to approve the final storefront design. Mr. Deem confirmed this project is at the finish line and is pushing it through as fast as it can. Mr. Torok had a question regarding acquiring the usage rights to space in the back of the building. Mr. Szmyd confirmed all of these changes will happen at once. Mr. Deem is confident Vail will approve the easement within 4 weeks.

Mr. Juergens presented the common area Refurbishment Plan. The desire is to bring Park Plaza to an elevated, luxury level. The lobby/front desk enhancements were discussed. The goal is to open up the space by eliminating the columns and create more lighting to make it more welcoming. The creation of a variety of seating in the front area is intentional to invite all kinds of people to the space to engage with each other. There is also a potential outdoor patio area upgrade being discussed to offer

outdoor breakfast seating in the summer. It would be a lovely feature that will create a nice experience for guests at Park Plaza.

The proposed fitness center upgrades will increase the fitness area 4-fold. The upper fitness area will have a balcony overlooking out as well as down to a lower level fitness room at the pool/spa level. Equipment improvements are also planned to fully enhance the amenity for all owners to enjoy.

The pool improvements were discussed with the goal of these improvements to make the pool a key feature. The pool will not be moved or replaced, just upgraded. A large sauna and changing rooms to be added to the back of the pool area. The outdoor spa area renovations were displayed. Staying within the existing wall, there will be 2 spas in this area with enhanced seating and lighting. This will greatly increase load capacity and creates a beautiful space and experience not currently present in the Beaver Creek area. A slide presentation (provided as an attachment to these Minutes) was given to illustrate how the upgrades are projected to appear. Next step is to proceed with this through design development.

Ms. Kurtz inquired if the outdoor flooring will be heated. Mr. Juergens confirmed that will be likely. Ms. Westland asked about patio access, will guests be able to come in the spa area from the outside path? Mr. Juergens noted it would depend on what Park Plaza decides from a security perspective. Mr. Szmyd noted it should be an exit only area. Ms. Westland requested to confirm if the indoor spa in the pool will be heated. Mr. Juergens confirmed that is being worked out, but it should be heated and the waterfall will be recycled pool water, not hot tub water. Ms. Westland inquired if the restrooms would be gender identified. Mr. Juergens noted that is a possibility. Mr. Taylor had a question about adding windows to the existing pool area to open up and add fresh air. Per Mr. Juergens, the pool area needs to be climate and mechanically controlled, but fresh air will be pumped in. Mr. Torok asked if the areas are separated, will the fitness areas be ventilated and also will the patio area be heated to be used all seasons? Mr. Juergens confirmed that yes, that is the general intention. Mr. Whalen requested to know how long it will be to accomplish these renovation projects. Mr. Kafadar hopes they will be done by December 2023. There are several hoops to jump through and many details to finalize so the Board thinks a modest loan to accomplish this will be needed. Finances would change dramatically if owners decide they want to stretch these projects over a few years.

Mr. Szmyd presented the capital project spreadsheet which ties into the financials. As mentioned, there are 2 different funds for monies to come out of to keep the Residential LCE projects separate from the GCE projects. The uncertainty of construction costs makes these figures just best guesses for now. The hope is to bid during spring/summer months and confirm actual costs when the contracts are signed. From there will be able to send a letter to the owners breaking down all of the anticipated costs

and timeframes for completion. Hopeful this project will stay within the \$3M mark that has been set. There are also 2 major projects with fluctuating numbers, the window replacement and interior condominium upgrades. Both of these are also in the estimated mark of \$3M. Reserve contributions will increase from 2023 – 2025 by about 6%. Goal is to get everything done by 2026 and paid off by 2030. The general consensus is to have these projects completed soon rather than later; construction costs are rising, so it makes more sense to borrow the money to complete the projects now. Mr. Nguon asked if there will be a one-time special assessment. Mr. Szmyd noted the goal is to accomplish these projects through regular dues and not implement a one-time assessment. Mr. Baledge explained how money is spent to address items at Park Plaza in a triage manner. Mr. Taylor asked about the projected dues for 2030. Mr. Baledge confirmed costs increase over the last 2 years have been for operating costs, so can anticipate operating costs will go up and the 6% increase over 3 years in capital to drive these projects. The Board has been focused on completing the lobby and pool area projects as owners have advised these are the key items that will enhance both owner and guest experiences as well as property values. Once lobby project is completed, can go back to the owners to see how aggressive they would like the Association to be on the additional improvements. Mr. Torok requested confirmation of breakdown on dues increases. Mr. Baledge advised the budget reflects a 6% increase in the capital budget and 3.5-4% in operating for a total dues percentage increase of ~10% even though the money is funneled to different funds.

Mr. Taylor asked Ms. Timparo if still seeing about 40% of owners renting their units at around 40% and if there is any pushback on rental increases. Ms. Timparo confirmed yes rates are increasing, they are a bit blended due to earlier bookings, but around 30 – 40% of owners rent their units for winter. Trying to find a balance between filling the rooms and selecting a good rate. The amenities are highly desired, so need to find a way to satisfy both the owners and the renters. Mr. Szmyd confirmed the rates are comparable for the area and are set lower than most resorts like Park Plaza. In the beginning of the season, rentals were slow due to the lack of snow, but now Park Plaza is fully booked so able to increase rates for the end of December and into January due to this strong demand. Rates are currently trending above historical. Once all the new amenities are added, Park Plaza will really be able to set higher rental rates. Mr. Deem confirmed Park Plaza is well positioned in the Village and in a great position to expand the amenities.

Ms. Eubank asked if the window replacement project would be completed in phases. Per Mr. Szmyd, yes and they are looking to spread out this project across 2 – 3 vertical phases. The pool area and lobby will need to be shut down to completely remodel, so that area could be done potentially next summer, would not be performed during winter season.

Mr. Torok inquired about the low marketing budget listed. Mr. Szmyd confirmed this year's marketing budget is actually \$5K and also includes advertising and travel agent commissions. COVID has slowed things down but moving forward now with additional materials; the money will be well spent. Money has already been spent on advertising photos. Google also came in for a walkthrough to update Google maps.

8 Fractionals units sold in 2021, currently one under contract. Fractionals have been in higher demand recently due to high cost and low general availability in the area. No new building is occurring in the Valley. Ms. Davisson asked about the issues with the website not showing correct Park Plaza rental listings. Mr. Szmyd noted it is a 3rd party website, but is working with them to get it fixed. Mr. Richman reported fractional listings do not always show the updated photos with the new furnishings. Mr. Szmyd will reach out to the brokerage firms with the new photos for them to update the listings so Park Plaza can be properly represented.

Open Discussion:

Mr. Taylor inquired about the elevator shut down. Mr. Szmyd noted the service elevator had a pump and a motor go out. Elevators are hydraulic and have the problems typical of hydraulic elevators (pump failures, oil leaks, etc.) and the problems get fixed as soon as possible. Obtaining parts and labor continue to drive delays. Would love to have a different type of elevator system but just have to maintain and repair what they have. Mr. Baledge confirmed it would cost a lot of capital to completely change the elevator system and owners are more likely to rather fund servicing the current elevators than pay the high cost for new, different ones. Mr. Kafadar said Park Plaza is receiving much better service through Schindler than did with Otis. Mr. Taylor then asked about adding a wheelchair ramp to the entrance way system. Mr. Szmyd agreed this should be installed. One had been installed back in November, but it was ran over and broken just one month later. When the front area and entrance is remodeled, a sidewalk ramp will be included in those plans.

Ms. Eubank asked if the exteriors would be updated to comply with other buildings? Mr. Szmyd is unsure which components would need to be in compliance with other surrounding buildings. Mr. Kafadar believes this is in regards to the Commercial exterior renovations Vail is handling. Mr. Kafadar confirmed these renovations are in the works. Mr. Szmyd confirmed most of the balconies were touched up and painted in the summer. Mr. Deem noted the store front remodels are Commercial updates and will have different materials while still fitting in the building's appearance. Main issue above the storefront is the railings. They are being looked into for something more sustainable. Nothing concrete to present to the owners right now. Mr. Szmyd confirmed the railings were sanded and painted this summer. A full building repaint bid was obtained for \$200K, and could be slated for 2025/2026. It is more important to replace the windows first before painting the building. But if window project gets pushed off, can make painting the building a higher priority. The

wood siding is still in good shape and the stucco is not deteriorating.

Ms. Hurst inquired about parking seemingly being used by non-resident users. Mr. Szmyd admitted parking is not perfect and has always been a bit of a headache, but really trying to manage things as best as possible. Mr. Kafadar noted they are looking into potentially connecting the entrance code to the room key.

Mr. Whalen asked about the borrowing capacity for a loan to better evaluate between self-funding and using the loan. Mr. Szmyd confirmed interest rate on this type of loan would be around 4% and they look at it like a business so that money going to operating fund is what can be used to pay the loan in combination with the reserve account and study to see how much you have funded to determine how much you can borrow. Mr. Firmin confirmed the Association would be pledging the right to receive future income and that type of loan comes with a specific interest rate. Mr. Baledge asked if there is enthusiasm to accomplish projects with a special assessment and avoid interest costs and did not receive any encouragement for a special assessment. A hybrid move of securing a loan along with building reserves seems highly supported. Mr. Taylor requested to know if an action plan for the financing and timing of projects would be sent out. Mr. Kafadar confirmed this will be done by way of the previously mentioned letter to the owners breaking down all of the anticipated costs, funding and projects that will be completed that will go out over the summer. Mr. Baledge congratulated the owners for being so supportive and constructive, it is greatly appreciated. Mr. Kafadar likewise is appreciative of the support. Their comments all have merit over the years and still do today.

Adjourned:

Mr. Kafadar requested a motion to adjourn. Mr. Fallon made the motion and Mr. Nguonly seconded. **Meeting adjourned at 5:02p.m.**

Submitted by:
Andrea Cicero
Legal Assistant
Altitude Community Law P.C.