



Laguna Woods Village®

JULY 19, 2023, SUMMER REAL ESTATE FORUM ANSWERS TO REALTOR QUESTIONS

EPOXY PROGRAM

- 1. Is the epoxy lining program performed on all designated pipes or, if the pipe is in extremely poor condition and disintegrating, is it replaced?**

All sewer pipes are included in the remediation program. The lining process can be accomplished with up to 60% pipe remaining. When lining cannot be done, the pipe must be traditionally replaced, and this is done with prelined pipe.

- 2. Is a schedule in place as to when buildings will be epoxy lined?**

Staff creates the schedules for United Mutual and Third Mutual in November of the preceding year. This timeline allows buildings with the greatest need to be added to the plan of the succeeding year.

GENERAL/OTHER

- 1. Why does the Village decline to install smoke detectors prior to close of escrow? This position does not comply with the law.**

- a. United Mutual replaces smoke detectors on a 10-year cycle or when they fail.
- b. Third Mutual smoke detectors are the responsibility of the manor owner.

- 2. What, if anything, can Third Mutual and United Mutual do regarding slumlords?**

Manor lessees and the owner/shareholder share an agreement; the mutuals do not regulate matters between the two parties. Nonresponsive landlords can be reported to the Fair Housing Council of OC, who investigates these types of matters.

- 3. Some historical records were lost in the hack incident. However, permits for the paperless and/or ATF mutual consents—improvements recognized. However, if the alteration is structural, it's a more complicated issue to resolve.**

It is unclear if there is a question to answer. However, the IT department did recover all files impacted by the malware attack.

- 4. Docent tours are booked out for several months. Is there a possibility of scheduling additional tours to cure backlog?**

At this time, due to staffing and budget reductions we are at capacity and unable to add additional tours.

5. Why do some floors have one washer and dryer while others have two? Garden Villa homes?
The LH-21 buildings have two washers and dryers per floor, but the Garden Villas have only one set due to space (Garden Villa laundry rooms are smaller than the LH-21 rooms). The difference is seen in the location; LH-21 laundry rooms are in the exterior tower, while Garden Villas' laundry rooms are located in the middle of the buildings.

6. Agent provided photos of weeds on berms and stated some are five to seven feet tall. Can anything be done to remove the blight and potential fire hazard? Weeds are throughout gates 7 through 10.

Slope maintenance (berms) is contracted and budgeted at twice a year, in six-month increments. This level of service is dictated by the boards. Unfortunately, in springtime, weeds can grow significantly and, with all of the rain this year, they did grow quite tall. Crews are on their second round; all tall weeds will be eliminated soon.

7. One agent is aware that recently, tree roots were removed from a toilet and flooring was also removed. She opined that the tree must be removed to avoid a repeat event. Root pruning?

Without a manor number to investigate, we are unable to provide any information; however, any interruptions in mutual plumbing will be documented by the plumbing division and made available to the resident. It is possible to use this documentation to support a member's case to remove a tree. Such action can be initiated via the Landscaping Services Department by submitting a request for board consideration.

8. Who inspects outside contractor work before an invoice is paid?

All contract work is inspected by coordination staff, who ensure all work is done to the satisfaction of the mutual and all paperwork is in order. In the Damage Restoration division, inspection is handled on many fronts. VMS field staff ensures that estimates make sense and that the right amount of equipment is used for whatever task is at hand. Vendors must provide staff with regular progress updates and any deviations from the initial plan. Finally, administrative staff ensure that only contract pricing is used and management reviews all invoices prior to being sent for payment.

9. Request for return of contractor list.

Both mutuals abolished this list at the recommendation of counsel due to the possible legal implications. This will need to be brought to the boards by the owners and shareholders for reconsideration.

GRF TRUST FACILITIES FEE

1. There is a rumor that GRF plans to increase the trust facilities fee to \$10,000. Is this true?

No, this is not true. The fee was last updated 1/1/2022.

2. How is the GRF trust facility fee used?

The trust facilities fee fund was established in 2012 to maintain and improve recreational and other amenities available to all residents of Laguna Woods Village. A fee, allowed under Civil Code §4580, is imposed on all transactions involving the purchase of a separate interest in any of the community's common interest developments (United Mutual, Third Mutual and Mutual No. Fifty). The trust facilities fee is a fixed amount, as determined from time to time by the

trustee of the GRF trust. This fund receives monies through the aforementioned fee and interest earnings. Although this is not a required fund, the board shall determine the appropriate allocation to meet reserve expenditures.

a. What is the breakdown?

There is no breakdown. These funds simply go into reserves and are treated just like any other contributions to reserves.

b. How does someone get the fee waived?

The trust facilities fee is a fixed amount as determined from time to time by the trustee of the GRF trust. The entirety of each such fee, when and as paid by the purchaser(s) shall be deposited into the trust facilities fee fund and shall be applicable to all such transactions, **excluding the following transfers of a separate interest:**

1. Where ownership of a separate interest is joined between a current beneficiary of a trustor and a nonbeneficiary spouse, domestic partner or other relative of such beneficiary;
2. Where ownership of a separate interest is transferred to a nonbeneficiary of a trustor by gift or through inheritance from a beneficiary of a trustor;
3. Where ownership of a separate interest is transferred by a beneficiary of a trustor to the current qualifying resident (as defined in the bylaws of each trustor) of the separate interest, where the transferor has never been a qualifying resident and has previously paid a trust facilities fee;
4. Where ownership of a separate interest is being transferred to a trust whose settler or principal beneficiary is the transferor, or to another trust for estate planning purposes;
5. Where ownership of a separate interest is purchased by a current owner, who has held interest in their current interest for at least two years.

INSURANCE

1. **Building 5499: An up-to-down leak occurred from a second-floor vacant unit to the first-floor unit. The resident at the first-floor level believes owner above is responsible for damages to unit/personal property.**

Without the manor number, information is limited. The mutual does not get involved in matters between residents. The recommendation is that the residents contact their HO4/6 insurance provider, who will be the best resource in these situations.

2. **Can United Mutual ask for proof of insurance from members and sublessees/lodgers?**

This issue has been discussed on many occasions by the board. There is no authority in either United's occupancy agreement or bylaws relating to members, sublessees/lodgers obtaining insurance, but it is strongly recommended, as United's insurance does not cover personal property.

OPEN HOUSE – SIGNAGE/PROCESSES

1. **Can Security personnel enforce the branded real-estate sign restrictions? Consider allowing multiple agent signs at an intersection rather than permitting just one sign per intersection.**

Real estate sign policies are being enforced; however, it may be a challenge to observe all signs that are not compliant. If you see a nonstandard sign, please notify Security personnel at **949-580-1400**. The matter of allowing multiple agent signs at an intersection is under review.

2. Is there a better process for allowing people through the gate to attend open houses?

A new process is being implemented that will enable potential buyers to notify the gate attendant that he/she/they want(s) to visit an open house. The potential buyer should have the property address and the agent/brokerage name, and present a valid driver's license. The potential buyer will be given a short form to complete and granted access. We will announce a start date in near future.

PEST CONTROL

1. Will every building ultimately be fumigated for termites? Vendor may not be performing thorough, quality inspections. They apparently do not inspect crawl spaces, which are rare, but appurtenant to a unit.

The vendor is inspecting according to the contract. The mutuals have set a budget and staff schedules as many buildings as possible within that budget. If residents find signs of termite activity, they may contact Resident Services to request staff investigate and conduct spot treatments, which can be more than effective to the eradication of pests.

2. There are no firewalls in some attics; code did not require them when units were built. When it comes to rodent control, the HOA does not take responsibility for rodents. Therefore, one owner may spend a couple thousand dollars to address voids that allow critters into his unit, but others in the building do nothing. Are attics considered "common areas?"

Attic space is considered common area. However, if an alteration is added, the resident is responsible to make any repairs or maintain the alteration and any part of the building affected by the alteration. The most common case of this is an alteration HVAC unit, which requires building wall penetration. Subsequently, those penetrations must be sealed to keep rodents and other animals out of the buildings; this is the responsibility of the resident.

RESALES / LEASING PROCESS

FINANCIAL – CREDIT CHECK REQUIREMENTS

1. Multiple requests for boards to revisit financial qualifications for high-net-worth individuals. Asset depletion formula. Perhaps the lending community can provide their asset calculations. This matter is under review.

2. How long must asset accounts in United Mutual be seasoned?

Acceptable assets are those considered to be liquid, marketable or income producing. Only aged accounts (180 days or greater) will be considered.

3. When considering assets, a buyer might have a rental property whose tax return has their income reduced because the property is being depreciated. The HOA board does not include this to help with increasing income to help them qualify. Mortgage lenders will make this adjustment to help a borrower qualify. It is not uncommon. Why doesn't the HOA make this adjustment?

At this point in time, staff uses the net amount for business and rental income, which is a more conservative approach. The financial guidelines are written for the benefit of the corporation's financial integrity, which may not align with assisting purchasers to qualify.

4. Why must co-occupants show proof of income?

In accordance with its CC&Rs, Third Mutual requires that co-occupants satisfy applicable financial qualifications. United Mutual does not require that co-occupants show proof of income.

5. Why do the mutuals care about a tenant/co-occupant's credit score?

In Third Mutual, members may obtain/perform both background and credit checks on new lessees/renters and check references provided by the lessee/renter to protect such member's interests, given that the member will be held responsible for the acts and/or omissions of their lessees/renters who violate Third's governing documents. In United Mutual, members are required to obtain/perform such background checks for the same reason, but United shall have no liability for a member's failure to do so. Members are not required to ask for an applicant's credit score for co-occupants, as no rents are to be paid during the occupancy.

6. The HOA will ask for a credit report from buyers or tenants. How does the HOA use this information?

Neither the mutuals nor VMS use any credit report information received from an applicant.

GENERAL

1. What is the current rate of lease activity in Third Mutual and United Mutual?

Lease and sublease activity at the end of July 2023 was 28.8% and 12%, respectively.

2. What is the time frame between receipt of the resale package to the close of escrow?

The average turnaround time for the last several months has been 20 business days.

INSPECTIONS

1. Ground fault circuit interrupters (GFCI) outlets: Although the first inspection report mentions that one or more outlets lack a GFCI, and the seller must correct the problem before close of escrow, your maintenance policy then considers the outlet as altered and declines to service it after the safety concern is resolved. Should this policy be revisited with respect to this "alteration?"

- a. United Mutual replaces outlets as needed; GFCIs are added where required by the electrical code. If an outlet has been altered prior, then it can be done as a chargeable service with the material being provided by the residents. Find the list that allows this at [United Mutual Non-Emergency Maintenance Chargeable Services](#).
- b. Third Mutual is not responsible for manor outlets; however, this can be fixed as a chargeable service with the material being provided by the owner. Find the list that allows this at [Third Mutual Non-Emergency Maintenance Chargeable Services](#).

2. Can we tighten the lag time in getting water heaters replaced before the close of escrow? What is the cost for VMS staff to replace a water heater?

The need to replace a water heater is noted on the first inspection; a chargeable service request should be made as soon as possible to allow plenty of time before escrow closes. However, to allow more time, the listing agent should check the age of the water heater and instruct the member to submit a chargeable service request *before* ordering the first resale inspection. Third Mutual's nonemergency chargeable service cost to replace a water heater is currently \$1,721.

3. On a resale inspection in Third Mutual, can the first inspection include checking if the toilets are low flow? The inspector is already at the property and could check all toilets at the same time they check the water heater. Sellers often need to pay someone to do toilet certification, and it increases the amount of paperwork as well. This is often an extra burden on the seller, the realtor and the escrow office to collect the required information and documentation.

- a. In 2019, the State of California mandated the use of low-flow toilets and fixtures. Third Mutual does not govern toilets, which are the responsibility of the owner, including the inspection of them during resale. Third Mutual's policy states that a water heater must be replaced during the resale process if it is older than 10 years and, because of this policy, inspectors must check the water heater to ensure policy compliance.
- b. United Mutual replaces all nonaltered toilets with low-flow toilets; however, it is assumed that all toilets in United Mutual are low flow. In 2018 and 2019, United Mutual directed staff to create a program to replace all mutual-owned toilets not in compliance with the 1.28 gallons per flush.

4. Please clarify the stepping-stone policy. How can a seller in Third Mutual become compliant so that stepping stones do not have to be removed in order to close escrow?

The mutuals have adopted landscaping policies that require stepping-stone installation to be approved by the mutuals' boards of directors through a variance request prior to installation. Find Third Mutual's stepping-stone policy and request form at [Third Mutual Stepping-Stone Policy](#). If the stepping-stones do not comply with the policy, they will be removed. No unauthorized/hazardous walkways or other avenues of pedestrian traffic may be installed, either through the placement of stepping stones or otherwise, that may interfere with community landscaping maintenance operations or may pose a threat to the health, safety or well-being of residents, guests or employees. The existence of stepping-stones under these conditions is prohibited, and they will be removed.