

FREQUENTLY ASKED QUESTIONS (FAQ)

Regarding the proposed revisions to the Bylaws and Declaration for Princeton Square

I. What is the greatest benefit of strengthening our Bylaws and Declaration?

Securing your property value is the greatest benefit of strengthening our legal documents. The primary purpose of any Association is to maintain Owners' property value. In Princeton Square, this is especially important during this time of rapid change in Forsyth County. Without restrictions and enforcement, deterioration cannot be halted. As properties become less attractive to buyers, values will fall. Strengthened legal documents provide greater control of the Community by the Community.

II. Why do current and some former board members favor converting from a Home Owner's Association (HOA) to a Property Owner's Association (POA)?

It is based on their experiences with enforcing compliance with the ACC Guidelines, collecting delinquent assessments, and the outcome of legal actions taken. Overall, stable POA law does a better job of protecting the Community than erratic HOA law.

COMMUNITY BENEFITS OF CONVERTING TO POA:

- A. POA law is based on GA statutes which are less subject to change. HOA law often changes due to lawsuits filed against Associations; therefore, HOA law is more volatile and less predictable.
- B. Explicitly protects Owners from being sued individually for claims against the Association.
- C. Provides 21 days rather than the current 15 day notice for any meetings.
- D. Holds renters liable for their actions.
- E. Amendments apply to everyone, not just those who voted to approve. Eliminates two categories of Owners – the approvers vs. the non-approvers.
- F. Puts buyers on notice about assessments; they cannot claim they didn't know.
- G. Shifts burden of legal costs to delinquent Owner to pay as opposed to the Association to collect:
 1. Automatic statutory lien; Association does not pay attorney \$200-\$300 to file lien in court.
 2. Liens are valid even if there are accidental misspellings.
 3. Buyer and seller are jointly liable until all funds are collected at closing.
 4. Association may foreclose and still leave the bank note in place.
 5. Judge cannot arbitrarily waive late charges, fines, or attorney fees.; Association does not risk losing what is owed.
- H. Limits challenges banks can make against future amendments.
- I. Establishes a homeowner approval range of 66% to 80% for all future amendments.
- J. Any regulations that are a violation of federal or state law may be amended automatically without a Community-wide vote (e.g., Americans with Disabilities Act).

III. Can we avoid foreclosures if we reject the POA?

No. Foreclosure already exists in our 1997 Declaration:

Section 8. Effect of Nonpayment of Assessments: Remedies of the Association: "Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of six percent (6%) per annum. The Association may begin an action against the Owner personally obliged to pay the same, or foreclose the lien against the property."

With no timeframe or dollar threshold, foreclosure could legally occur at any time. Conversely, POA law prohibits foreclosure until a delinquency reaches \$2,000. In addition, Association rules and regulations can stipulate a different threshold (e.g., \$3,000, \$5,000) before foreclosure is considered. Foreclosure is a last resort (i.e., nuclear option) when no other efforts succeed. Below are the key differences:

HOA foreclosure:

- Must pay the mortgage or any other liens prior to foreclosure.
- Must file lien in Court prior to foreclosure which incurs legal fees.
- May begin foreclosure proceedings at any point in time.

POA foreclosure:

- No requirement to pay a lien subject to first priority mortgage/security deed prior to foreclosure.
- No requirement for court filing of lien; it is automatically filed with the foreclosure.
- May begin foreclosure proceedings only after debt reaches \$2000.

IV. How do we currently collect a delinquent assessment?

An Owner receives notice of a late fee, suspended voting, and the option of a payment plan. The board approves all reasonable offers. Paying as agreed will restore voting. The current and future steps are:

- A. Assess 10% late fee – @ 31 days
- B. Suspend voting privilege – @ 31 days
- C. Payment plan – can be initiated by Owner at any time to halt further penalties
- D. Deactivate amenities key card – @ 60 days
- E. Continued notices of amount due and payment plan option – next 4 months
- F. Warning of impending lien – @ 6 months
- G. Lien – @ 7 months
- H. Garnishment – @ 2 years
- I. Foreclosure – when Association has no other recourse

In 2014, these steps have been successful in continually decreasing unpaid assessments:

<u>2014</u>	<u>Delinquency</u>	<u>*Approx # Owners</u>
April 1	\$ 52,810	88
May 1	\$ 44,472	74
June 1	\$ 34,146	56
July 1	\$ 29,963	49
Aug 1	\$ 27,788	46
Sept 1	\$ 11,781	19
Oct 1	\$ 8,755	14

On March 1, 2014, the delinquency roll over from 2013 was \$7,228.

**NOTE: Delinquent amount includes late fees and possibly legal fees where applicable.*

V. Does the Board make the final decision on whether to approve the revisions to the Bylaws and Declaration?

No. The Owners decide whether to approve the revised legal documents. The revisions will go into effect only after 75% of Owners “consent and approve” the amended and restated documents. Like any other Owner, each board member is entitled to one vote.

VI. What is the benefit of limiting the number of occupants in a dwelling?

RE: Article 8.2 (a) Occupants

Occupancy restrictions began as public safety/fire concerns in HUD (Housing and Urban Development). For example, it is unsafe for 15 people, regardless of family status, to live in a 3 BR home. Any restriction must comply with the Fair Housing Act which prohibits discrimination based on sex, race, national origin, disability, color, age, creed, or familial status (i.e., children 18 years old and younger).

Attorneys advise against using the word “family” as its definition is often challenged in court; “immediate family” is too restrictive (e.g., no mother-in-law, father, cousin, brother, roommates). Instead, attorneys use a standard “2 people per bedroom” which is a rational standard. Based on 2010 US Census data, average family sizes are: US=2.61, GA=2.70, FC=3.1, and PS=3.52 (2014 Community Survey). If a buyer’s family size exceeds the restriction, the board will approve a variance as per the Fair Housing Act.

Restricting occupancy may seem unnecessary, but it is the only way to avoid dormitory, rooming house, and multi-family dwellings. As more students (e.g., UNG, Lanier Tech) and temporary laborers (e.g., roads, dealerships) move here, demand for shared housing will increase – particularly for rentals.

Proposed rewording of Article 8.2(a) Occupants – to clarify and better explain:

As of the date of recordation of this instrument, the maximum number of occupants in a dwelling on a Lot shall be limited to two (2) people per bedroom in the dwelling as originally constructed. "Occupancy," for purposes hereof, shall be defined as staying overnight in a dwelling for a total of more than thirty (30) days, either consecutive or nonconsecutive, in any calendar year. Upon written application, the Board shall grant variances to this restriction **to heads-of-households with more than 2 people per bedroom** in compliance with the provisions of the Fair Housing Act of 1988 or any amendments; that is, **discrimination is prohibited on the basis of sex, race, age, disability, color, creed, national origin, religion, or familial status. Familial status refers to the number of children 18 years or under.**

VII. What is the purpose of implementing a capital contribution fee for buyers?

The capital contribution fee is a useful tool that Associations are more frequency implementing. An amount equal to the annual assessment is collected from the buyer at closing. The capital contribution fee will benefit Owners by:

- A. Delaying an increase in the annual assessment.
- B. Offsetting budget shortfalls caused by delinquencies.
- C. Allowing funds to be allocated to projects of interest to the Members, without the need for a special assessment.

VIII. Why should I care how many homes are leased?

RE: Article IX. Leasing

Princeton Square was designed as an owner-occupied Community. There are 2% (6) rentals and no major problems. But Forsyth County is rapidly changing and our Community is almost 20 years old. Typically, as homes age more Owners want to sell. However, sales may be slow as older homes compete with newly developed Communities. Often, an easy solution for the Owner is to rent until the home sells.

This is not the best long term solution for the Community. Generally, rentals take longer to sell and deteriorate faster than owner-occupied homes. As more Owners opt to rent, a Community can quickly shift into the "high rental" zone (25% or more). The disadvantages of this are:

- A. Buyers perceive high rental communities as less stable and less family oriented
- B. Banks are reluctant to give mortgages to buyers in high rental communities (>25%)
- C. Absentee owners can be hard to locate, non-responsive, neglectful, and non-compliant – situations requiring legal decisions / cost.

A rental cap, allowed only under a POA, helps Communities avoid these situations. The original 5% cap would have permitted 13 rentals. However, due to your concerns these changes are proposed:

- A. Increase cap from 5% to 10% (i.e., 26 homes + unlimited number of qualified hardships).
- B. Add 3 new hardship cases: immediate military deployment, terminal illness, potential foreclosure.

This wording would be incorporated into *Article IX. Leasing* as follows:

9.4. Leasing Permits. An Owner's request for a Leasing Permit shall be approved if current, outstanding Leasing Permits have not been issued for more than **ten percent (10%)** of the total number of Lots.

9.5. Hardship Leasing Permits. A "hardship" as described herein shall include, but not be limited to the following situations: 1) a Lot Owner must relocate his or her dwelling outside the greater Atlanta metropolitan area and cannot, within six months from the date that the Lot was placed on the market, sell the Lot except at a price below the current appraised market value, after having made reasonable efforts to do so; 2) where the Owner dies and the Lot is being administered by his or her estate; and 3) the Owner takes a leave of absence or temporarily relocates and intends to return to reside in the Lot; **4) immediate military deployment; 5) terminal illness; 6) potential foreclosure.**

Also, the definition of hardship would be added: *a case with extenuating circumstances where a lenient stance is taken.* (Source: Black's Law Dictionary)

IX. Why restrict business use within a dwelling?

The proposed revisions lessen the restrictions in the 1997 Declaration.

Article VI. Section 1. Residential Use: *"No business use of a dwelling is permitted."*

The proposed revision (Article 8.1. Residential Use) would permit businesses under some conditions used by Associations to maintain the residential nature of a Community. An ancillary business may be conducted if it: 1) is not apparent or detectable by sight, sound, or smell; 2) does not involve visits by employees, clients, customers, suppliers, or other business invitees except delivery services (USPS, UPS, Federal Express, etc.); 3) conforms to zoning requirements; 4) does not increase Community traffic; 5) does not increase the Association's insurance premium or negatively affect its ability to obtain insurance; and 6) is consistent with the residential character of the Community and does not constitute a nuisance, hazard, or offensive use, or threaten the safety and security of residents.

X. How are the fines determined for non-compliance?

RE: Article 7.6 Enforcement

The best practices of five (5) local Associations were reviewed: Chattahoochee River Club, Cambridge, John’s Creek Montavon, Turnberry, and Olde Atlanta Club. In addition, the penalties in the 1999 Princeton Square ACC Design Standards (page 18) were considered.

The Proposed Penalties (below) are for typical violations for which most of us have received a warning letter at some time (e.g., mow lawn; weed beds; trim shrubs; move a boat; remove a dead tree). Almost all penalties are lower than those in the 1999 ACC standards.

All existing violations will be cleared from accounts when these amended and restated legal documents are approved by Owners. The non-compliance and penalty process will start over.

PRINCETON SQUARE
Proposed Penalties For ACC Non-compliance
(Finalized: November 10, 2014)

Most fines are LESS THAN those in the 1999 ACC Penalties. Fines are not intended to be a money-making scheme for Princeton Square. Instead their purpose is to:

- 1) eliminate the subjectivity of “up to” wording used in the 1999 ACC Penalties
- 2) ensure that all owners will pay the same fines
- 3) clarify owner responsibility for HOA legal fees incurred to maintain compliance
- 4) motivate owners to comply with ACC Guidelines.

FINE SCHEDULE	2014 PROPOSED PENALTY	PS 1999 ACC PENALTY
DAY 1		
1 st notice (30 days to comply)	Warning letter 1 (from AMG): cease and desist	Warning letter (to cease and desist)
DAY 31		
2 nd notice of same (or similar) violation not remedied or appealed (15 more days to comply)	Warning letter 2 (from AMG): \$50 fine <u>will be</u> assessed on Day 46 . (Days Lapsed: 31+15=46)	Up to \$50
DAY 46		
3 rd notice of same (or similar) violation not remedied or appealed (15 more days to comply)	Warning letter 3 (from Attorney): \$50 fine AND legal fees <u>have been</u> assessed; daily fine <u>will begin</u> on Day 61 . (Days Lapsed: 31+15+15=61)	Up to \$100
DAY 61		
4th and FINAL notice of: beginning of daily fine and Right of Self Abatement	Warning letter 4 (from Attorney): \$5 daily fine <u>has been</u> assessed and will continue until non-compliance is resolved.	\$10 daily fine until non-compliance resolved.
OTHER FINES		
Failure to pay penalty and/or costs to remedy	Lien	Lien
Failure to apply for ARC approval (whether or not ever approved)	\$250	Up to \$50

NOTE 1: The board has always made exceptions for hardship situations (e.g., death, illness). That WILL CONTINUE.

NOTE 2: See other communities’ penalties at www.princetonsquarehoa.com (Documents/Updated Legal Documents)