

UNIVERSITY TERRACE BERKELEY HOMES

SELLER DISCLOSURE STATEMENT

Disclosures - September 30, 1994

GENERAL FORM OF ACKNOWLEDGMENT OF
SPECIAL TERMS AND CONDITIONS
UNIVERSITY TERRACE BERKELEY HOMES

The University Terrace Berkeley Homes development is subject to a number of covenants, conditions, restrictions, easements, and other features affecting the use of some or all of the Residences in the project. Attached is a brief description of each of these items, including an indication of the units affected.

I/we hereby acknowledge:

- that I/we have read and understood the explanation of those features of the University Terrace Berkeley Homes described in this Buyer Disclosure Statement;
- that I/we will be bound by the document provisions described in this Buyer Disclosure Statement;
- that I/we have received copies of the documents listed on the following page and I/we will accept and agree to the terms and conditions contained in such documents; and
- **that I/WE UNDERSTAND THAT EACH OF THE DOCUMENTS LISTED ON THE FOLLOWING PAGE IS LEGALLY BINDING IN FULL UPON PURCHASERS OF HOMES IN THE UNIVERSITY TERRACE BERKELEY HOMES DEVELOPMENT. I/WE RECOGNIZE THE IMPORTANCE OF READING AND UNDERSTANDING THE CONTENTS OF THESE DOCUMENTS. AS IN ANY LEGALLY BINDING TRANSACTION, I/WE AM ENCOURAGED TO SEEK LEGAL COUNSEL PRIOR TO PURCHASING A HOME IN THE UNIVERSITY TERRACE BERKELEY HOMES.**

Name (s) :

_____ (please print)

_____ (please print)

Signature (s):

Date:

Note: Each item of these Disclosures refers to "Affected Units". Unit numbers given correspond with the Condominium Map for University Terrace. In cases where the item affects every unit, "All" is noted.

LIST OF DOCUMENTS RELATED TO UNIVERSITY TERRACE THAT ARE INCLUDED WITH THIS DISCLOSURE PACKET AND ARE LEGALLY BINDING ON BUYERS

1. Purchase Contract, University Terrace Berkeley Homes.
2. Declaration of Covenants, Conditions and Restrictions for University Terrace Berkeley Homes (abbreviated in these disclosures as CC & R's)
3. Common Areas Lease By and Between The Regents of the University of California and University Terrace Berkeley Homeowners Association.
4. Sublease of Undivided Interest.
5. Property Use and Maintenance Regulations, University Terrace Berkeley Homes.
6. Architectural Guidelines, University Terrace Berkeley Homes.
7. Bylaws of the University Terrace Homeowners Corporation (Association).

CONDITIONS RELATED TO UNIT RESALE RESTRICTIONS, PRICES,
ENERGY CONSERVATION REQUIREMENTS AND TAX ASSESSMENTS

1. **RESALE RESTRICTIONS**

Affected Units: All

In recognition of the high cost of housing in Berkeley, California, the University of California, Berkeley, on behalf of the University of California and The Regents of the University of California ("The Regents"), has developed a faculty for-sale housing program ("Program") which provides full-time faculty and academic staff of the University with the opportunity to purchase housing at affordable prices. The program has been developed based on University-wide policies adopted by The Regents which have a stated objective of providing affordable housing to current and future faculty members.

In order to provide affordable housing both to initial buyers and to subsequent buyers, resale price restrictions have been placed on the housing (see **Article 13 and Article 14, pages 42 through 49** of the Declaration of Covenants, Conditions and Restrictions). These include a limit on the amount of appreciation that a buyer will be entitled to upon resale. The resale price limitations preclude the homes in University Terrace Berkeley Homes from serving as speculative investment vehicles. Resale prices are permitted to rise only to the extent of the increase in a particular index, as described in **Article 14, Section 14.2, pages 46 and 47** of the Declaration of Covenants, Conditions and Restrictions. For those persons whose principal objective in purchasing real estate is capital gain, it is strongly recommended that they consider acquiring a home in the unrestricted general market place rather than in the University Terrace Berkeley Homes.

The following calculations provide two examples of how a resale price would be determined:

Example A: Original Purchase Price:	\$200,000
Certified Capital Improvements Made by Owner:	\$ 10,000
Fair Market Value At Date Offered For Sale (Determined by Appraisal)	\$280,000
 National Consumer Price Index (all items) for all Urban Consumers ("CPI-U") at date of purchase:	100
CPI-U at date offered for resale:	110
 Faculty Salary Index ("FSI") at date of purchase:	100
FSI at date offered for resale:	115

The home may be sold for the lesser of fair market value or the price as increased by the greater of the two indices (CPI-U or FSI). In this example, the FSI has increased more than the CPI-U, 15% versus 10%. The resale price is computed as follows:

\$200,000 + \$15% increase =	\$230,000
+ certified capital improvements:	\$ 10,000
	\$240,000

As \$240,000 is less than the fair market appraised value of \$280,000, the maximum resale price would be \$240,000.

Example B: Original Purchase Price:	\$200,000
Certified Capital Improvements:	\$ 20,000
Fair Market Value At Date Offered for sale:	\$240,000
 CPI-U at date of purchase:	100
CPI-U at date offered for resale:	117
 FSI at date of purchase:	100
FSI at date offered for resale:	115

The home may be sold for the lesser of fair market value or the price as increased by the greater of the two indices (CPI-U or FSI). In this example, the CPI-U has increased more than the FSI, 17% versus 15%. The maximum resale price is computed as follows:

\$200,000 = 17% increase =	\$234,000
+ certified capital improvements	\$ 20,000
	<u>\$254,000</u>

As \$254,000 is more than the fair market appraised value of \$240,000, the maximum resale price would be \$240,000.

The resale restrictions in **Article 13, Page 42 through 44** of the Declaration of Covenants, Conditions and Restrictions (CC & R's) also specify the manner and order of offering the Residence and interest in the Residential Unit for resale within and outside the University community. Although **Article 14, Section 14.1 (e), page 45** of the CC&R's allows the unit to be offered for sale on the private market without price restriction in the event that there is no eligible faculty buyer interested in the unit and the University does not exercise its option to re-purchase the unit, **buyers are advised**

that all subsequent buyers will be subject to the same resale restrictions in the CC & R's, whether or not such subsequent buyers are affiliated with the University.

Buyer(s)' Initials _____

2. **RECO: Berkeley's Residential Energy Conservation Ordinance**

Affected Units: All

Berkeley's Residential Energy Conservation Ordinance (RECO) requires that a property meet certain energy conservation standards at the time of sale. The City of Berkeley may change these standards from time to time. A property which previously met the requirements may no longer meet the upgraded standards of the ordinance. Any required retrofitting and documentation to comply with the current ordinance shall be the responsibility of the seller. Upon resale, current owners should negotiate with prospective buyers on the cost of retrofitting to meet new requirements, if any.

A copy of the ordinance will be kept on file in the office of the Manager, Faculty and Community Housing, Auxiliary Enterprises and is available upon request.

Buyer(s)' Initials _____

3. **REAL ESTATE TAXES**

Affected Units: All

All University Terrace residences shall be separately assessed and taxed. Each owner shall be obliged to pay any taxes or assessments lawfully assessed by the County Assessor of Alameda County against his or her residence and his or her personal property. In no event shall The Regents be obligated to pay any tax as to which it would otherwise be exempt. All property taxes shall be paid promptly by the owners.

Property Taxes

Typically, property taxes and assessments in Berkeley, which is in Alameda County, can be estimated by multiplying the fair market value of the property at the time of purchase by 1.8% to determine the approximate annual property tax and assessment liability.

For example, on a unit valued at \$200,000, the annual property taxes and county and municipal assessments would be approximately \$3,600.

Because of the resale price restrictions and other factors, the University believes that the fair market value of the units in University Terrace may be less than the fair market value if the units were uncontrolled as to price and resale restrictions. Although the University has no basis for determining how the County Assessor will value these units, units may be assessed at a higher level than the purchase price. You may, however, appeal the assessment levels to the Assessor, but at this time, the University does not know how the Assessor would decide such an appeal.

In addition, the University understands that there is no exemption given for the leasehold, rather than fee, interest Buyers will hold in the land underlying the University Terrace units (the land that unit owners will lease from the University).

Property Transfer Tax

The City of Berkeley currently imposes a transfer tax of 1.5% on property sales. The initial sales of University Terrace units by the University and subsequent resales are subject to this tax. The City sets the level of the tax.

For initial sales from the University to first buyers, the University will pay 1/2 of the transfer tax and the buyer will pay 1/2 of the tax. For resales, the buyer and seller may negotiate which party will pay.

Buyer(s)' Initials _____

CONDITIONS RELATED TO SPECIAL AGREEMENTS
WITH THE CITY OF BERKELEY, AND CITY PROPERTY
ADJACENT TO UNIVERSITY TERRACE

4. CITY OF BERKELEY AGREEMENTS AND RESTRICTIONS

Units Affected: All

During the planning of the University Terrace Berkeley Homes, the University entered into certain agreements with the City of Berkeley regarding the property and its use. The University believes that it has reflected the specifics and intents of these agreements in this Disclosure document. Copies of Planning Commission and City Council Actions are available for review by contacting the Manager, Faculty and Community Housing, Auxiliary Enterprises.

Conditions of the agreements with the City are binding on residents of the University Terrace Berkeley Homes. Modification or suspension of the agreements would require formal action by the City of Berkeley.

The following Items in this Disclosure statement which address portions of the agreements with the City of Berkeley, or City regulations which apply to the property, should be carefully reviewed and understood before a commitment is made to purchase a University Terrace unit:

- Item 5: Public Park Spaces Adjacent to University Terrace
- Item 6: On-site "Tot Lot"
- Item 8: Street Parking Restrictions
- Item 10: Availability of Campus Parking Permits
- Item 14: Proximity of Strawberry Creek
- Item 16: Site Trees
- Item 18: Home Occupation Uses
- Item 25: Leasing and Renting of Units by Owners:
Rents and Rent Control

Buyer(s)' Initials _____

5. PUBLIC PARK SPACES ADJACENT TO UNIVERSITY TERRACE

Units Affected: All

Two parcels of land on the block occupied by University Terrace will be landscaped by the University and offered to the City of Berkeley for dedication as public park spaces under certain rules and conditions. **Attachment A** shows the location of these

Parcels A and B. **Attachment B** specifies the conditions for their use as public park spaces.

Buyer(s)' Initials _____

6. ON SITE "TOT LOT"

Units Affected: All

Part of the University Terrace development includes a "tot lot" or children's play area, the location of which is shown in **Attachment A**.

This play area has been designed for the use of children age 6 and younger, accompanied by a responsible adult or older sibling.

By agreement with the City of Berkeley, the tot lot will be open to public use during certain hours and under certain conditions specified in **Attachment B**. Public access to the tot lot will be along a pathway from the corner park property, Parcel B, as shown in **Attachment A**.

The University Terrace Berkeley Homes Homeowners Association will be responsible for maintaining the tot lot.

Buyer(s)' Initials _____

7. GARBAGE, RECYCLING, AND MAIL SERVICES

Units Affected: All

Garbage Collection

The City of Berkeley has a mandatory curbside garbage collection system. Private residences throughout the City are issued a wheeled plastic cart (various sizes are available) and must wheel the cart to the sidewalk or curb for each regular garbage pickup (usually one day per week).

Units 1 through 56 at University Terrace will be subject to this requirement. These units feature one of the following in which to store the garbage cart: 1) an enclosed storage space; 2) a concrete pad in the yard; or 3) 1611 Allston Way has a fenced enclosure at street level adjacent to the unit. Residents will be responsible for taking their carts to the curb each week.

Storage space for one garbage cart is provided for each unit; one cart is usually sufficient for the weekly garbage of a typical household. In some cases the spaces are large enough to accommodate more than one cart, but additional spaces should not be assumed.

Units 57 through 75, located in Building 9, will be provided with one central trash dumpster, located outside the building, instead of individual curbside carts. Residents of Building 9 will be responsible for carrying their trash to the dumpster. City crews will empty the dumpster on their regular pick-up schedule.

Recycling

A central, on-site recycling area is provided at University Terrace for the use of residents. The City of Berkeley has a program that arranges for the pick-up of recyclable materials such as glass, aluminum, and newspaper.

The University has provided the recycling area, but places no mandatory recycling requirements on University Terrace residents. The details of a voluntary recycling program are dependent on the services the City offers.

The Homeowners Association is responsible to assign a resident or contract for services to wheel the recycling carts to the curbside for pickup and return them to the recycling area on the appropriate day.

Mail Delivery

The United States Postal Service has regulations that require mail sent to new residential developments like University Terrace to be delivered to central mail kiosks instead of to individual front doors of residences.

The design of University Terrace includes a number of mail kiosks on the grounds where mail boxes will be located. Each kiosk features locked, individual mail boxes for specific units.

Building 9 has one central set of mailboxes in the north lobby of the building by the main entrance.

Buyer(s)' Initials _____

CONDITIONS RELATED TO RESIDENT PARKING CONDITIONS
AND RESTRICTIONS AT UNIVERSITY TERRACE, IN THE VICINITY OF
UNIVERSITY TERRACE, AND ON-CAMPUS

8. STREET PARKING RESTRICTIONS

Affected Units: All

By agreement with the City of Berkeley, certain restrictions have been placed on public street parking by residents of the University Terrace Berkeley Homes.

The residents of each unit in the University Terrace Berkeley Homes will be entitled to purchase Residential Permit Parking permits from the City of Berkeley for use in a designated zone around University Terrace. The limits of this zone are shown in Attachment C.

The University estimates that approximately 45 on-street parking spaces were available in this zone at the time the agreement was made with the City. The exact number of spaces may change, due to City changes in loading zones, no-parking zones, and other parking regulation alterations.

This zone lies within a larger zone of public streets designated Residential Permit Parking Area "C" by the City of Berkeley. Vehicles parked on the public streets within Area "C" during certain hours are subject to citation if they are parked in the same location for more than two hours at a time, and do not display a valid permit sticker for Area "C".

Permits issued to University Terrace residents will be valid for on-street parking in the zone around University Terrace, but will not be valid in other portions of the City's Area "C". However, permits for the City's Area "C" which are held by non-University Terrace residents of the neighborhood will be valid in the special University Terrace zone. This could reduce the number of street parking spaces available to University Terrace residents.

The City's Area "C" currently ends in the middle of California Street and the middle of University Avenue; only areas east of California Street and south of University Avenue are included. On-street parking on the west side of California Street and on blocks further west is not presently subject to any Residential Permit Parking restrictions. This condition is subject to change by the City.

Buyer(s)' Initials _____

9. **ON-SITE PARKING RESTRICTIONS**

Affected Units: All

Article 4, Section 4.15, page 14 of the CC & R's describe parking restrictions for on site parking.

By agreement with the City of Berkeley, 91 on-site parking spaces were provided for residents of University Terrace and the adjacent 1601 Allston property. The University Terrace Homeowners Association may not permanently reduce the number of parking spaces without agreement from both the University and the City.

Any alterations in curbs or sidewalks, or addition or removal of driveways, or other parking and driveway changes that would affect the public streets surrounding University Terrace would require approval by the City of Berkeley.

Each owner of a University Terrace unit will be assigned one on-site parking space for the use of the residents of that unit.

Parking spaces are shown in Attachment E. The unit which you are considering purchasing is assigned parking space _____, highlighted on Attachment E.

Some of the assigned parking spaces are "compact" spaces because of constraints of the site, such as the required width of driveways. These "compact" spaces have smaller overall dimensions than a standard size parking space.

If the unit you are interested in purchasing is assigned a compact space and your car is too large for the space, the University may be able to offer you an alternative standard size space elsewhere on the site.

Options of choosing a standard size space over a compact space will be available on a "first come, first served" basis to buyers with signed purchase contracts. There will be a point at which the University will no longer be able to offer the option of choosing a standard space. The University retains the right to specify which standard spaces are available; buyers will not be able to choose from all "standard" spaces on site.

Any space reassignment will be effective at the point at which the purchase contract is signed, not before. This may mean that a buyer who is interested in trading for a specific "standard" space may lose the opportunity if another buyer is also interested in the space and signs a purchase contract first.

Residents will be responsible for keeping their parking spaces clean and orderly. The spaces are intended for parking, not vehicle repair.

Residents may, by mutual consent, make special arrangements with other residents for exchange or use of parking spaces within the restrictions described in the CC & R's.

However, ownership of each space may not be transferred, and a new Buyer purchasing a unit with a parking space that has a special use agreement attached to it has the option of ending that agreement, at which point owned parking spaces would revert to their original units.

Three on-site handicapped parking spaces are provided. These spaces will be not be initially assigned to particular units, but will be part of the common parking space owned and controlled by the University Terrace Berkeley Homeowners Association. Any physically handicapped resident may apply to the Homeowners Association for use of one of these parking spaces during his/her residency at University Terrace; the Homeowners Association may not unreasonably deny permission for this use, charge for the use of the space, or allocate the space to be used by a non-handicapped user in preference to a handicapped user.

Three unassigned visitor parking spaces are also provided at University Terrace. These will be under the control of the Homeowners Association. The Homeowners Association will be entitled to establish rules for the use of these spaces. It is assumed that the spaces may be used by visitors of residents, University staff and potential home buyers visiting University Terrace, and maintenance, gardening, and service vehicles.

Buyer(s)' Initials _____

10. ON-CAMPUS PARKING CONDITIONS

Affected Units: All

As part of the agreements with the City regarding the development of the University Terrace property, the University agreed that a "need-based" requirement for on-campus parking permits for faculty residents of University Terrace would be instituted, and at no time would more than a total of more than 25 permits for on-campus parking be outstanding to University Terrace residents.

The basis for this condition was the fact that University Terrace is within easy walking or bicycling distance of the campus.

The University has interpreted this requirement to apply to on-campus permits for use during weekday hours. For safety reasons, no restrictions would be placed on the ability of University Terrace residents to obtain permits for after-hours, night-time or weekend parking on the central campus.

In assigning permits, priority will be given as follows: 1) those with special needs, such as being physically challenged; 2) those who require a vehicle in relation to their jobs;

and 3) those who require a vehicle due to child care needs. Buyers interested in applying for an on-campus daytime permit should contact the Manager, Faculty and Community Housing, Auxiliary Enterprises. Parking permits will be issued by the Berkeley campus Parking and Transit Operations unit to Auxiliary Enterprises for distribution in accord with this program. The process includes the right of University Terrace residents to appeal to the Chancellor to reverse denial of a permit. Appeals should be made in writing to the Manager, Faculty and Community Housing, in Auxiliary Enterprises, who will then forward the request to the Chancellor.

Buyer(s)' Initials _____

11. **PARKING CONDITIONS ON JEFFERSON AVENUE**

Affected Units: All

The 2100 block of Jefferson Avenue, adjacent to the University Terrace Berkeley Homes, is not a City of Berkeley street but a private Right of Way (R.O.W.) It is divided into two portions in private ownership: the University retains ownership of the western half of the (R.O.W.), and the Roman Catholic Archdiocese of Oakland owns the eastern half. These conditions are shown in Attachment D.

The University's half of the R.O.W. has been enlarged and configured to provide parking spaces for University Terrace Berkeley Homes residents and residents of the 1601 Allston property (see Section 9 of these disclosures.).

The Archdiocese of Oakland generally uses the eastern portion of the R.O.W. for parking associated with its operations at St. Joseph the Worker Church, and St. Joseph's Elementary School. Typical parking users are staff and visitors at the Church and School, parishioners at the Church, and individuals attending events at the church and/or school.

The University and the Archdiocese of Oakland expects to enter into mutual cross-easements guaranteeing that a clear zone will be maintained in the center of the R.O.W. permitting free and unrestricted passage for vehicles going to and from parking on both sides of the block. Copies of the cross-easement agreements will be available for review following execution of the agreements.

The easements will include an obligation of both parties (St. Joseph's parish and the University Terrace Homeowners Association) to be jointly responsible for the costs of repair and maintenance to the street surface of the 2100 block of Jefferson Avenue. Assessments paid by University Terrace residents will include an amount to be set aside as a reserve fund for this work.

These easements further provide that each respective owner will retain control of parking on its side of the R.O.W., and will inform those parking on the block of the

restricted nature of parking, in order to avoid parking conflicts, blocked access routes, and vehicles parking in spaces that have not been allocated to them.

Buyers at University Terrace should be aware that regular daytime use of, and evening and weekend events, at St. Joseph's Church and School will regularly result in vehicles parking on the east side of the R.O.W. and may, on occasion, produce considerable traffic on the block.

The University has further guaranteed to the City of Berkeley that a minimum 21 foot wide clear zone will be permanently maintained up the center of the R.O.W. for use by emergency vehicles, and that curbs and landscaping at the northern end of the block will be maintained in such a manner that emergency vehicles could enter or exit from that direction off of, or onto, Addison Street.

Access to and from Jefferson off Addison will be for emergency vehicles only; the northern end of the block of Jefferson is otherwise permanently closed to through traffic by any vehicles.

Buyer(s)' Initials _____

CONDITIONS RELATED TO NEIGHBORING LAND USES

12. PROXIMITY OF ST. JOSEPH'S CHURCH AND SCHOOL

Affected Units: All

Buyers of units in University Terrace should be aware that two non-residential uses --St. Joseph the Worker Church, and St. Joseph Elementary School--exist and operate adjacent to University Terrace.

Both of these institutions are active operations which bring school children, parishioners, staff, and special event attendees to their sites on a regular basis. St. Joseph's Church conducts religious services and other activities, and St. Joseph's Elementary School serves a student body of over 200 students; St. Joseph's School also operates after-school care and a child day care program. Both the School facilities and the Church sanctuary are rented for special events such as weddings, community organization uses, and other activities.

Both St. Joseph's Church and St. Joseph's Elementary School are owned and operated by the Roman Catholic Archdiocese of Oakland.

The University has no information that current activities and uses will or will not continue, makes no warranty or guarantee to buyers regarding the future use or disposition of these properties, and has no direct control over their use, other than the parking and street easements and agreements described in Section 11 above. Most major changes in use or sale to another private owner of the Church and School properties would be governed by the City of Berkeley's regulations and procedures governing land use; these regulations generally require notice to neighboring residents of major proposed changes in use, and opportunities for the public to comment on use changes and appeal decisions by the City's land use bodies, including the Planning Commission and the Zoning Adjustments Board.

Buyer(s)' Initials _____

13. USE OF 1601 ALLSTON LAND AND BUILDINGS

Affected Units: All

The parcel of land currently identified by the 1601 Allston Street address (and shown on Attachment A) is a building and adjacent courtyard and grounds which were originally used by the Sisters of the Presentation as a convent.

This parcel is separate from the University Terrace Berkeley Homes, and currently remains under University ownership and control.

(a) Use by the University Students' Cooperative Association

The University has entered into a 4 year lease with the University Students' Cooperative Association to operate the building as a residence for upper division, graduate, and re-entry students. The University Students' Cooperative Association is an independent, non-profit organization founded in 1933. The USCA currently owns or leases 17 properties in Berkeley and houses more than 1,200 UC students.

USCA residents of 1601 Allston have private bedrooms and share common living, dining, kitchen and bathroom areas, and share responsibility for the preparation of meals and upkeep of the property.

Copies of the lease and use agreements between the University and the University Student's Cooperative Association are available for review.

USCA occupancy of the building began in Summer, 1993. Full occupancy consists of 25 residents.

(b) Relationship of 1601 Allston to University Terrace

1601 Allston is operated as a residence separate from University Terrace. Residents of 1601 Allston are not entitled to use of, or access to, common areas or grounds of the University Terrace Berkeley Homes without formal permission of the Homeowners Association. The University has incorporated provisions in the 1601 Allston lease that should serve to safeguard residents of the University Terrace Berkeley Homes against unreasonable noise or other disturbance by residents of 1601 Allston.

By agreement with the City, the occupancy of 1601 Allston will be initially limited to 20 individuals. The residence has 25 private bedrooms. The University has agreed that it will ultimately support a proposal from the USCA to the City to increase the occupancy to 25 individuals if lease conditions are met.

Also by agreement with the City, residents of 1601 Allston will be allocated 10 off-street parking spaces.

Future Uses and Conditions of 1601 Allston

When the four-year USCA lease expires, the University reserves the right to reuse 1601 Allston for other purposes than USCA use, or to sell the property. However, the University has agreed with the City that the property will be used for residential purposes and that freshman/lower division students will not be housed there during University ownership.

The University has reserved the right to demolish or alter the building to create new residences within the City's zoning regulations. Current City zoning would permit a total of 5 single family residences to be created on the 1601 Allston parcel without a

variance. One option would be to remodel the building on the site for additional faculty housing, although there are presently no plans or proposals to do this.

If the property were to be sold by the University, any private purchaser would be subject to City zoning and regulation.

Buyer(s)' Initials _____

SPECIAL CONDITIONS RELATED TO THE UNIVERSITY TERRACE SITE

14. PROXIMITY OF STRAWBERRY CREEK

Affected Units: All

Strawberry Creek traverses a portion of the University Terrace site in a culvert located approximately 15 feet below ground. This is the same creek that traverses the University campus.

The culvert is an approximately 72 inch concrete pipe. The approximate line of the creek culvert is shown on Attachment A. The culvert passes below parking areas, south of Building 7, between Building 6 and 8, and beneath the Parcel B park which will be offered for dedication to the City of Berkeley. The best information available to the University indicates that the creek was culverted in the 1920's, and the creek bed above the culvert was filled at that time.

The University commissioned soils studies and a survey and inspection of the creek culvert as part of studies preparatory to design and construction of the University Terrace Berkeley Homes. Copies of these studies will be placed on file with the University Terrace Berkeley Homeowners Association, and will be available for review by prospective buyers and residents. The University makes or implies no warranty about the condition of the creek, culvert, or soils other than those conditions described in these studies.

As a result of these studies, special foundations were designed and engineered for Buildings 6, 7, and 8.

Buyers should be aware that the City of Berkeley has an ordinance prohibiting construction of permanent structures over, or within 30 feet on either side of the center line of a creek within the City limits. A copy of this ordinance is available for review. Because of this ordinance, the University and City negotiated a site design that created a minimum 60 foot wide zone without new structures above the creek bed.

City regulation also makes the owners of property through which creeks pass responsible for the maintenance of culverts or creek beds on their property.

The City is entitled to consider opening the creek culvert on Parcel B of the park dedication. Similarly, the University Terrace Berkeley Homeowners Association would be entitled to consider opening the creek on the portion of the culvert which passes beneath University Terrace land.

Buyer(s)' Initials _____

15. **FORMER USES OF THE SITE**

A. Brick Structure of Unknown Use

Affected Units: Units 42, 43, 44, 45, 46, and 47 in Building 6

During site preparation work for the construction of University Terrace, a buried brick structure of indeterminate use was discovered. The location of this structure is shown on Attachment A. The original use or purpose of the structure is unknown. An archaeological consultant was retained to excavate around the structure and analyze it and artifacts discovered in its vicinity.

A copy of the consultant's report is available for review. Artifacts discovered and removed from the vicinity of the structure included various items (broken glass and ceramics, wood fragments, etc) that were apparently part of household garbage buried on the site.

The structure was not removed; instead, as part of construction work, its stability was analyzed by an engineer. It was filled with concrete, and the foundation of Building 6 was constructed above and around the structure.

B. Former Cemetery

Affected Units: All

During historical research on the background of the University Terrace property, it was determined that the previous owners, the Sisters of the Presentation, maintained a small cemetery on the site in which members of their Order were buried. In the early 20th century the City of Berkeley adopted an ordinance prohibiting burials within the City of Berkeley limits, and burials in the cemetery were formally exhumed and moved to Mountain View Cemetery in Oakland.

The exact location of the site of the former cemetery on the University Terrace property has not been identified; no visible traces of the cemetery location remained when the University acquired the site, and the Sisters of the Presentation were unable to produce any recollection or documentation on its former location. From the known locations of other buildings and landscape features, it is likely that it was located in the southwestern portion of the property, in the general vicinity of Building 6; however, research has not confirmed or disproved this supposition.

No identifiable evidence of any burials was discovered during the extensive excavation and grading that preceded construction of University Terrace, with the exception of some pieces of metal that may have been part of a burial casket handle. These were found in the refuse-filled brick structure (described in Item 13. A. above).

C. Abandoned Well

Affected Units: 57 through 75, in Building 9

During construction of University Terrace, a well was discovered on the property at the southwest corner of Building 9. The well was a brick-lined structure, approximately 50-60 feet deep, cylindrical and approximately 6 feet in diameter, and, at the time of discovery, filled with water to within a few feet of the surface.

Attachment A shows the approximate location of the well. At some point in the past the well was covered with a concrete cap and the foundation for Building 9 was constructed across it.

During construction work the well was examined by an archaeological consultant; the consultant's report is available for review. The well was then, in accord with State regulations, filled with gravel and concrete, and the new foundations of Building 9 were redesigned to take its presence into account.

D. Sites of Demolished Buildings

Affected Units: All

Since 1877 a number of buildings housing churches, convents, parochial schools, and related uses have existed on the University Terrace site. Most of these structures burned or were demolished prior to University acquisition of the property in 1991.

During construction of University Terrace, brick foundations and other artifacts indicating the location of some of the buildings were discovered in the vicinity of Building 1 and the adjacent, on site parking lot. The exposed portions of these structures were removed during site preparation and grading.

A historical report is available describing the previous buildings, their known uses, and their locations.

E. Abandoned Tank

Affected Units: Units 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 in Building 1

During excavation for concrete foundations for stairways leading to the second floor units located in Building 1, an abandoned underground tank was discovered. The approximate location of the tank is shown on Attachment A.

The tank was made of metal and measured approximately 5 x 12 feet. It was located beneath a portion of the pavement of Jefferson Avenue and the sidewalk on the western side of the street; it has been completely buried below the concrete and asphalt, and no surface traces were visible.

When the tank was discovered, the University stopped construction work in that area, notified appropriate government agencies, and hired environmental consultants to evaluate and remove the tank.

Traces of oil were found in the tank and in portions of the soil surrounding it. The tank was removed, as was all soil that was identified as containing traces of oil.

Because of its nature and location, it is possible that the tank once stored heating oil that was used in the former Sisters of the Presentation convent, which was located just west of the tank location. The convent building was vacated, and burned in 1966.

The University has, to its knowledge, complied with all applicable regulations and removed any contaminated soil and will install any required monitoring wells to check groundwater purity along the western side of Jefferson Avenue.

Copies of environmental consultant reports and other documentation related to the tank are available for review.

F. Asbestos

Affected Units: All

During construction work in Building 9, some building materials containing asbestos were discovered. These were either removed or encapsulated in accord with applicable regulations on asbestos.

During construction of the on-site parking lot between Buildings 1, 2, and 3, a buried container, apparently a building water heater, was discovered. This container had insulation containing asbestos. It was most probably associated with the original convent building which stood in the same location and burned in 1966.

The asbestos was removed, and the excavation where the water heater was found was filled and surfaced with asphalt.

The University has, to the best of its knowledge, complied with all applicable regulations and procedures concerned with identification and safe removal of on-site asbestos.

Buyer(s)' Initials _____

16. **SITE TREES**

Affected Units: All

A number of trees were retained from the original grounds of Presentation High School, and incorporated into the landscaping of University Terrace. Retention of these trees was an important element of the environmental review and approval process for University Terrace. The CC & R's contain conditions governing the disposition of these trees. Residents and the University Terrace Berkeley Homeowners Association are constrained from arbitrarily removing the trees.

Buyers should note the proximity of specific trees to their unit, and understand that shadows, leaf fall, and other impacts of the trees are conditions associated with the purchase of the property. Attachment D shows the location and description of these trees.

Buyer(s)' Initials _____

SPECIAL CIRCUMSTANCES RELATED TO UNIVERSITY TERRACE
BUILDINGS AND UNITS

17. **DECKING MATERIAL**

Units Affected: Three bedroom townhouses and Units 60 through 75, Building 9

Most three bedroom townhouse units and almost all units in Building 9 at University Terrace have private decks located on the second floor of each building. The decks have been constructed and sealed to prevent water leakage into the building. Drains have also been installed to properly drain the decks of rainwater or other accumulated water.

Buyers of three bedroom Townhouse units should examine the decking yearly for damage caused by the elements. If damage occurs, the decking should be repaired. Failure to maintain and repair the decks may result in water leakage into the building. Placement of heavy furniture and sharp objects on the decks may damage or penetrate the sealant, and should be avoided.

The University and its contractor will provide to buyers and the Homeowners Association information describing the materials and construction methods used in the decks, and recommendations on maintenance and use. The Homeowners Association and buyers will be responsible for maintaining the decks properly, including maintaining drains so water drains properly off the decks.

Buyer(s)' Initials _____

18. **LIQUID FURNITURE**

Units Affected: Three bedroom townhouses, Two bedroom upper Units 29, 31, 47 and 56, and Units 60 through 75, Building 9

No waterbed or other items of liquid-filled furniture shall be placed in any portion of any Unit unless such item shall conform to the pounds per square inch weight limitation and placement required by the structural specifications for the Unit and unless, at the option of the Association, the Owner shall provide evidence of insurance as described in Section 1940.5 of the California Civil Code. (See Article 4, Section 4.2, page 12 of the CC & R's.)

Buyer(s)' Initials _____

19. HARDWOOD FLOORS

Units Affected: Three bedroom townhouses, Two bedroom upper Units 29, 31, 47 and 56, and Units 60 through 75, Building 9

Each Owner of a Unit which is immediately above another Unit shall install and/or maintain carpeting or other padded floor covering on all areas of the floor (including stairways) in his or her Unit on which foot traffic normally takes place. (See Article 4, Section 4.3, page 12 of the CC & R's.)

Buyer(s)' Initials _____

20. COMMON UTILITIES

Affected Units: 57 through 75, in Building 9

Units in Building 9 share the following utilities/services: heating, water and trash collection. One bill for each utility or service will be provided for the entire Building.

An estimate of the cost of these utilities/services is built into the Homeowners Association assessments, with a portion assigned to all University Terrace units to cover the cost of utilities to the common spaces in the building (ground level common room and restrooms) which are available for use to all residents. Thus, owners of units in this building will have relatively high Homeowners dues and relatively low personal bills for gas and electricity (mainly range, stove and lighting).

Buyer(s)' Initials _____

21. UTILITY EASEMENTS

Units Affected: All

A number of underground utility easements will apply to the University Terrace property. These will include easements for electric power and gas lines along the abandoned portion of Jefferson Avenue, and an easement for a fire sprinkler system water line running from the University Terrace property to the 1601 Allston property.

The practical effect of these easements will essentially be that should maintenance, repair, replacement, upgrades, or other work on the underground utilities be necessary, utility companies or other easement beneficiaries may have the right to enter University Terrace and undertake such work, within the boundaries of the easement.

This would result in some temporary disruption to parking, pathways, and or other portions of the common grounds, and possibly noise and other disturbance during construction work.

Buyer(s)' Initials _____

22. SPRINKLER SYSTEMS

Units Affected: All

Each home in University Terrace is equipped with an automatic sprinkler system to suppress fires. Neither the general contractor, the University, nor the Association will be responsible for any damage to specific units, common areas or the possessions of residents that occurs as a result of an action or negligence of an owner, other resident, or visitor, which results in the accidental activation of a sprinkler or sprinklers.

Installation of this system was a requirement of the State of California Fire Marshall's office, which reviews and approves University construction plans. The sprinkler systems are intended to improve fire safety by suppressing and preventing the spread of fires within units and common spaces of the buildings.

Each sprinkler system is professionally installed, and was inspected and tested before the unit was made available for occupancy. The University will provide the Homeowners Association and individual buyers with information on the proper care and maintenance of the sprinkler systems. Homeowners must submit periodic checklists on their sprinkler condition to the Homeowners Association and must permit a visual inspection by a certified sprinkler inspector every five years.

The sprinklers can be activated by heat and sudden jolts or impacts. Each individual sprinkler will produce a considerable amount of water in a very short period, and it is not possible to turn off an accidentally activated sprinkler immediately; the Berkeley Fire Department must be summoned by calling 911.

Buyer(s)' Initials _____

CONDITIONS RELATED TO RESTRICTIONS ON USE OF UNITS
AND COMMON FACILITIES

23. HOME OCCUPATION USES

Affected Units: All

University Terrace units have been designed with the special needs of faculty residents in mind; most units incorporate a study so faculty residents may conveniently work at home.

However, the units are intended for residential use, not for the operation of home occupations or businesses which would cause disturbance or difficulty for other residents or surrounding neighbors.

Some home businesses and occupations may be permitted under City of Berkeley regulation. Berkeley has regulations governing the formal use of residences for "home occupations" or businesses. **Article 4, Section 4.1, pages 11-12**, of the CC & R's specifies that University Terrace residents are entitled to apply for, and receive, a home occupation permit from the City under the same conditions as other Berkeley residents, and other conditions related to home businesses at University Terrace. Typically a City of Berkeley home occupation permit restricts customer visits and deliveries, emissions, noise, and the amount of square footage in the residence that can be used explicitly for business purposes.

Buyer(s)' Initials _____

24. COMMON FACILITIES

Affected Units: All

University Terrace includes an approximately 900 square foot common room in Building 9, adjacent common bathrooms, and outdoor facilities, including a large central commons west of Building 9, a smaller commons and tot lot area south of Building 7, and various pathways, entrances, and other landscape features.

All of these facilities will be owned in common and controlled by the Homeowners Association, and will be available for use by University Terrace residents.

As specified in section 6 of these Disclosures, certain conditions apply to the use of the tot lot.

As specified in the CC & R's, the Homeowners Association has the discretion to set rules for use of the commons room in the existing building. No specific use is

assumed or required for this room. The CC & R's note that the room may be used for a child care facility (providing it serves site residents among its users), but do not require or assume this use.

Buyers of units that face or overlook the commons room and its outdoor patio--particularly buyers of units on the west side of Building 9--should be aware that the Commons room may be used for events which may generate noise. In any event, all residents will have recourse to petition the Homeowners Association and request additional controls on, or changes in, the use of the commons room/patio. The Homeowners Association will have final control over use and regulation of the Commons room.

Buyer(s)' Initials _____

25. LEASING AND RENTING OF UNITS BY OWNERS

Affected Units: All

Leasing Conditions

Owners may lease and rent their units for residential purposes. Owners are limited under **Article 14, Section 14.7, pages 48 and 49** of the CC & R's to a leasing period totalling 13 (thirteen) months in any 36 (thirty six) month period. Leases may be for a full 13 months or any portion of 13 months (for example, two sabbaticals taken at different times, or three separate summer periods).

Leases for longer than 13 months are acceptable in conjunction with a longer academic leave of the Owner, approved by the Chancellor; the lease may only last for the duration of the academic leave.

Leasing that does not comply with Article 14, Section 14.7 of the CC & R's gives the University the right to buy back the unit.

These restrictions are intended to maintain the faculty residential and owner-occupied character of University Terrace.

Rents and Rent Control

Buyers are advised that the City of Berkeley has a Residential Rent Stabilization & Eviction for Good Cause Ordinance adopted by Berkeley voters in 1979, and since amended, which controls conditions, rents, and evictions in rental units throughout Berkeley.

At the present time, under the law, newly constructed units are exempt from the Rent Stabilization Ordinance, and it is the University's understanding that University Terrace

would be considered newly constructed housing. However, the Rent Stabilization Ordinance is subject to change by voter initiative.

Buyer(s)' Initials _____

26. UNIT ALTERATIONS PRIOR TO, OR AT, THE POINT OF PURCHASE

Affected Units: All

Because University Terrace was built under one comprehensive contract with a general contractor, alterations to units will not be possible prior to purchase.

The University is not in a position to accept requests for, or make, any specific changes to units prior to unit purchase.

This construction approach enabled the University to reduce project costs, and sale prices, because the contractor is assured of the opportunity to complete all 75 units according to agreed upon plans and construction schedules, without the prospect of extensive alterations to particular units.

The contractor was obligated to deliver the units in a finished condition for a fixed price. Any special features or changes in particular units have an effect on the price and are outside the contractor's legal obligation to the University.

Numerous individual changes, or complex changes, would quickly escalate the price of the housing, and endanger the University's ability to enforce its warranty with the builder.

Alterations may not be made to units until after escrow has closed and the unit is in the buyer's ownership and control.

Buyers interested in making extensive changes to unit interiors--for example, repainting, recarpeting, installation of extensive built-ins, or other features--should consider making arrangements to delay their occupancy of their unit until after work is completed.

Buyers are reminded that all exterior changes, and some interior changes, are subject to approval of the Architectural Review Board for the University Terrace Homeowners Association, as described in the CC & R's and the Architectural Guidelines for the Project. Approval of changes should not be assumed.

Buyer(s)' Initials _____

27. PRIVATE YARDS.

Affected Units: All

A number of units are provided with private, fenced yards and patios. While residents have a wide range of landscaping and use options within their private yard spaces, some restrictions on landscaping will apply. These are intended to ensure buildings can be maintained property and to protect adjacent units and passersby from undesirable impacts. They are described in the CC & R's.

Buyer(s)' Initials _____

28. PETS

Units Affected: All

Article 4, Section 4.6, Page 12, of the CC & R's provide that Owners will be limited to no more than "two usual and ordinary pets" (excluding fish but including caged birds), with no pet exceeding 100 pounds in weight.

Under the same section, the Homeowners Association is entitled to prohibit the keeping of any animal that constitutes a nuisance to other Owners.

Buyer(s)' Initials _____

29. SAFETY AND SECURITY

Units Affected: All

As in many other urban communities, Berkeley is subject to occasional threats to person and property. In recent years, the total percentage of crimes for the University Terrace Berkeley Homes area have been slightly below average for Berkeley overall.

Buyers should take normal precautions to secure their units (i.e., locking windows and using the deadbolt locks provided with each entry door) and, as anywhere in Berkeley, to be aware of their surroundings when entering and exiting their automobiles and when walking after dark.

In an emergency requiring police, fire or medical attention, dial 911 from any public or private telephone. No coins are required for 911 calls from public telephones.

Buyer(s)' Initials _____

UNIVERSITY OBLIGATIONS AND RELATIONSHIP TO UNIVERSITY TERRACE

30. LIMITS ON OWNERSHIP RIGHTS - REQUIREMENTS TO RESELL

In order to maintain University Terrace as a development serving and benefitting individuals employed at the University of California at Berkeley, the following conditions apply:

The owner must use the University Terrace home as his or her principal place of residence. However, the home may be periodically rented (see Section 25 above for a description of the conditions under which a University Terrace unit may be rented).

Section 13.5 and Section 13.6, pages 42 through 44 of the CC & R's place restrictions on ownership.

If an owner ceases to be employed by the University, he or she must sell his or her unit within time periods specified by the CC & R's in Section 13.6.

An exception is that if the owner retires from the University or terminates employment because of disability, the right of ownership continues until the owner's death.

Section 13.5 provides exact definitions of retirement and disability.

Spouses of owners are entitled, after the owner's death, to continue to own the unit until their death or their remarriage, providing the unit continues to be their principal place of residence (see **Section 13.6 (b)** of the CC & R's).

Please read Sections 13.5 and 13.6 of the CC & R's carefully to understand the conditions under which ownership may be continued, or must be ended.

Buyer(s)' Initials _____

31. UNIVERSITY RELATIONSHIP TO UNIVERSITY TERRACE

The University of California has developed University Terrace as a service for faculty and employees of the Berkeley campus. The development and regulation of University Terrace has been modeled on successful faculty housing developments at other UC campuses.

The University's long term interest is that University Terrace will remain a community, affordable and beneficial to its faculty and employees.

The University's role in University Terrace includes, but is not limited to:

- a. the development and delivery of the housing to eligible buyers;
- b. certain rights and obligations during the initial years of occupancy (defined and described as the "Declarant Control Period" in the CC & R's);
- c. certain rights related to the resale of units;
- d. leasing and management of unsold and temporarily rented units.

The University owns the land and buildings of University Terrace, and leases both the land and buildings to the Homeowners Association under the Common Areas Lease; a copy of this lease is provided with these Disclosures.

Each buyer will have a Sub-Lease with the Homeowners Association granting the buyer rights to use and occupy a particular unit; a copy of this Sub-Lease is provided with these Disclosures.

The University's rights under the Common Areas Lease include, among other things, the following rights as Ground Lessor:

- a. collecting rent;
- b. requiring the Homeowners Association to maintain insurance for the buildings and project;
- c. requiring the Homeowners Association to maintain the buildings and property properly;
- d. overseeing (through the Architectural Review Board) architectural changes to the buildings and property.

As developer of University Terrace, the University has certain obligations to deliver the housing to buyers in an acceptable and finished condition.

Buyers should be aware that University Terrace is not intended as a University-run housing development. After the Declarant Control Period expires, effective ownership and operational control of University Terrace and legal and financial responsibility for University Terrace will be placed largely in the hands of the Homeowners Association and individual Owners.

The Homeowners Association will be responsible for actions and services including:

- a. raising sufficient funds through fees and assessments for maintenance, upkeep, and operation as described in the CC & R's;
- b. payment of common area utilities;
- c. maintenance of building insurance and sufficient reserves to cover reasonably anticipated repairs/replacement of portions of the building structures and systems;
- d. Any unforeseen costs that are not the result of a legally established liability.

Buyer(s)' Initials _____

32. OWNERSHIP AND OCCUPANCY

A. Buyer Eligibility

Section 13 of the CC & R's sets forth conditions for determining eligibility of buyers for University Terrace.

The right to make determinations of eligibility for initial buyers and eligibility for resale purchasers is vested in the Chancellor of the University of California at Berkeley. The Chancellor may delegate the exercise of this right to certain other University officers or representatives, as s/he may from time to time determine.

The Chancellor has the option, under the CC & R's, to extend the right to purchase University Terrace units to any employees of the University of California at Berkeley.

At the time of this writing, the right of determining eligibility for purchase has been delegated to The Vice Chancellor.

She has instructed that individual eligibility should be limited to 1) Lecturers with security of employment; 2) ladder rank faculty members; 3) faculty emeriti; and 4) career staff employees who have passed probationary requirements at U.C. Berkeley. In addition, The Chancellor has extended eligibility to career employees (faculty and staff, where applicable) of University of California, San Francisco, University of California Office of the President, and Lawrence Berkeley Laboratory.

B. Rentals of Unsold Units

The University Terrace sales program is planned to result in the sales of all units within an approximately three year period, ending in mid-1996.

Sale of all units is not, however, guaranteed within this period. Economic and market conditions, the University's level of new faculty hires, and or changes in academic or administrative policy may have unforeseen impacts on the rate of sales.

Temporarily unsold units may be rented. Rental income is necessary to help offset the financial carrying costs of the unsold units, and avoid charging higher sales prices.

The University will endeavor to rent unsold units to permanent faculty, visiting scholars, and other University employees, but does not guarantee that renters will be drawn exclusively from these groups. Renters will be entitled to use of on-site common areas, but will not have ownership rights or voting rights within the University Terrace Homeowners Association.

The University will pay Homeowners Association fees for unsold units, and will manage the rentals.

Buyer(s)' Initials _____

33. OPERATING BUDGET AND REPLACEMENT RESERVES

Affected Units: All

The Homeowners Association will annually adopt an operating budget which will pay for common expenses, such as insurance on the buildings, grounds maintenance, and utilities in the common areas.

The operating budget will be funded out of monthly assessments charged to each unit. Owners will be responsible for paying the assessments for the units they own; the University will pay the assessments for unsold units, so the budget will be fully funded.

Reserves

The Association is also required to set aside reserves each year to pay for projected major repairs to, and replacement of, the grounds and buildings. These reserves would be earmarked to pay for costs such as reroofing the buildings, repairing the exterior stucco, and repaving the parking areas.

The size of the reserves is based on estimates of the present costs of major replacement items. The reserve account(s) will be dedicated to the purposes for which it is created; interest earned on the money put into reserves will be used to increase the amounts available for major repairs and replacements and provide a "cushion" against inflation and unforeseen cost increases.

The existence of the reserves does not, however, guarantee that special additional assessments will not be needed in the future, if construction or other costs are greater than expected.

Management Fees

The Association budget also includes funds for "management fees" which would be paid by the Association to a management company or individuals to oversee the day to day affairs of the Association, arrangement for maintenance and repairs, pay bills, etc. In the initial "Declarant Control Period" defined in the CC & R's, the University has the option of choosing the management system, but once the entire project is turned over to its owners, the Association will be entitled to choose and hire its own consultants, managers, and contractors according to provisions in the Homeowners Association Articles of Incorporation.

Ground Lease Rent

The budget includes funds to pay a "ground rent" to the University at \$35 per month, per unit (for the first year's budget). This money will be used by the University to pay for its ongoing expenses related to University Terrace.

The University sets the ground rent fee; it is not under the control of the Homeowners Association. The fee may be increased based on inflation according to a formula that is described in **Section 6.1. page 2** of the Common Areas Lease By and Between The Regents of the University of California and the University Terrace Homeowners Corporation.

Utilities

The budget includes money to pay for common area utilities, such as lighting and water for the grounds and landscaping, and for the indoor common areas in Building 9.

The budget does not include the costs of individual unit utilities which will be the responsibility of each homeowner.

Changes To The Budget

Once the Homeowners Association controls the budget, all the members of the association will have an opportunity to vote on the annual budget. This will usually occur at an annual general meeting of the Association.

The Board of Directors of the Association will have the responsibility for preparing a draft budget and presenting it to the Association for approval.

Charts Related to This Item #33

Chart A shows how assessments will be charged to each unit. Not every unit will have the same assessment. The first year assessments are expected to average about \$162 per month per unit, but will vary by unit, as explained below. There are two formulae for determining portions of the assessments:

Chart B shows the replacement reserves that have been established for the project and the amount to be contributed to each reserve category. As described above, replacement reserves are funds set aside to pay for specific items of major maintenance and repairs.

Chart C is the proposed First Year budget for the Association. This shows, in dollar amounts, how much is proposed to be assessed the first year following completion of construction, and how it will be allocated.

Chart A illustrates the following divisions of budget items between units:

- a. Some of the assessments will be charged to all units based on their square footage.

Unit square footage will be taken from the square footage on the Condominium Plan.

To determine how much each unit should pay, the Association will take the total amount budgeted for these items and divide it by the total square footage for all units.

This will produce an assessment cost per square foot. The cost per square footage will then be multiplied by the specific square footage of each unit to determine the assessment for each unit.

Example:

If annual costs totalling \$20,000 are budgeted according to this method, and the project contains 100,000 square feet, the cost per square foot would be:

\$20,000 divided by 100,000 = 20 cents per square foot.

A unit of 1,300 square feet would pay:

**20 cents times 1,300 square feet = \$260 / per year,
or \$21.66 per month, in addition to the other fixed
assessments.**

The assessments charged in this manner will cover Association costs such as building insurance, building maintenance reserves, etc, where the costs would vary with unit size (for example, a 700 square foot one-bedroom unit will pay less of the insurance than an 1,800 square foot three-bedroom unit).

- b. Another portion of the assessments are costs that will be assessed to Building 9 units only, for expenses that affect only Building 9. These include the elevator maintenance and repair, and the common heat, hot water and water systems for the building.

These additional assessments will mean that Building 9 units will pay higher fees than comparable units in Building 1 through 8. However, the additional fees paid by Building 9 residents for maintenance and repair of common systems such as the heating system will benefit all Building 9 residents in the long term. (Building 9 residents will also experience significantly lower utility bills than other residents.)

Chart A shows in dollar amounts the approach to calculating the assessments that would be paid by a particular unit during the first year.

Buyer(s)' Initials _____