Covenants Update Process

Watersong Community Association

July 2015
Outline

• Background
• Forming the Committee
• Proposing Revisions
• Generating the Combined Draft
• Obtaining Committee Review / Approval of Draft
• Obtaining Legal Counsel Review of Draft
• Generating Summary of Substantive Changes
• Distribution of Final Proposed Combined Version to Membership
• Obtaining Vote by the Membership
• Filing Approved Covenants with the County Recorder
• Distribution of Revised, Approved Covenants to the Membership
• Summary
Background

- Watersong consists of 3 sections consisting of 110 lots developed over the course of 10+ years
  - Covenants for each section developed as each section was built-out
- Original developer plan was for Watersong to be exclusively villa residences, however 2nd and 3rd sections built out as primarily single family (SF) residences with a few villa lots
  - Result was 3 sets of covenants with many inconsistencies in restrictions applied to villa and SF residences resulting in confusion amongst residents
- Initial primary goal was to revise covenants for all 3 sections to remove inconsistencies
  - Secondary goal was to clearly define which lots were villas and SF to address concern of escalating costs of villa services that would result if villa lots were to re-classify as SF
  - As change process progressed, goal was added to combine into a single set of covenants to simplify future changes and maintain consistency of restrictions
Forming the Committee (1/3)

- Request made at bi-annual open meeting of members to form a committee to revise and update covenants for all 3 sections
  - Volunteers asked to commit approximately 1 year of involvement to complete effort
  - Members from all 3 sections asked to participate in change process
- Volunteers began ~monthly meetings
  - 1st step was to elect a chairman
  - 2nd step was to outline steps for proposing revisions and setting milestones

Revision Process Transparency and Traceability Keys to Assuring Credibility of Committee and Confidence in Members
Forming the Committee (2/3)

- Steps Used to Revise Covenants

1. Convert existing covenants into electronic format
2. Identify similarities and differences between each section’s covenants
3. Review each article and section as a group and discuss potential revisions
4. Document proposed revisions and generate draft of revised covenants
5. Obtain legal counsel review of draft revisions
6. Incorporate comments and generate final revised covenants
7. Generate summary of substantive changes
8. Distribute revised covenants to membership for review
9. Hold vote of membership
10. File approved covenants

Watersong
Forming the Committee (3/3)

- Original revision plan: ~10 months
  - Actual effort closer to 16 months
Proposing Revisions (1/3)

• A spreadsheet was used to help compare the 3 sections and highlight differences
  – Once each section’s covenants was in electronic format, each article / section imported into spreadsheet cells
  – “IF( = )” formulas used to identify differences and similarities between sections
  – Aided in reviewing each section for desired updates & revisions
Proposing Revisions (2/3)

<table>
<thead>
<tr>
<th>Article</th>
<th>Section</th>
<th>Sub-Section</th>
<th>IF (=) Formulas Used to Highlight Commonality</th>
</tr>
</thead>
<tbody>
<tr>
<td>VII 7</td>
<td>37</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VII 7</td>
<td>38</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Section One

Section Two

Section Three

Spreadsheet used to identify differences & similarities between sections

Text Highlighting Used to Emphasize Revisions
Proposing Revisions (3/3)

• Where differences between sections’ restrictions that must remain in the combined covenants, spell out those differences by lot# or property type
  – Examples are setbacks, flood protection grades, villa vs. SF restriction differences, etc.

• Use “change tracking” or text highlighting to facilitate communication of revisions to committee members as review process progresses
Generating the Combined Draft

- Word processor used to generate a combined draft of the revised covenants
  - Text from spreadsheet exported to word processor to avoid typos
- Versions created showing changes made to each section’s original covenants
  - Used to convey changes to each member’s respective section’s covenants
Obtaining Committee Review / Approval of Draft

• Combined draft and section change versions distributed to all committee members for review
  – Comments / corrections incorporated as required
Obtaining Legal Counsel Review of Draft

• Following committee approval of final draft, legal counsel review was performed
  – Comments / revisions incorporated as required
Generating Summary of Substantive Changes

• This is a 1 page top-level summary of all changes being made to the covenants
  – Distributed to membership along with final proposed combined covenants
  – Use to help focus members review of the combined covenants to the changes being made
Distribution of Proposed Changes to Membership

• “Section Changes” versions and summary distributed for review

• Members also notified that a vote will be held at an open meeting and all members were requested to participate in vote
Obtaining Vote to Approve Changes

• Vote to approve revised combined covenants by the membership held at open meeting
  – 75% of members required to vote FOR the changes to pass
  – Notary Public on hand to notarize each vote
• Substantive changes summary reviewed with members prior to voting followed by Q&A session
• Door-to-door solicitation of votes may be required following meeting to secure necessary majority vote to pass proposed changes
Filing Approved Covenants

• Approved covenants and notarized votes filed with the county recorder’s office
Distribution of Approved Covenants

• Approved covenants distributed to the membership
  – Email .PDF file of filed version and link to county recorder’s office web site provided to members
  – Hardcopies made and distributed to those members without computer or email
Summary

• Participation by members from all sections in change process
  – Transparency of process key to credibility
• Obtain legal counsel review of proposed changes
• Notarize votes
• File Approved Covenants

QUESTIONS?