



To: Co-owners of Ridgewood
From: Association Counsel
Date: January 3, 2025
Re: Explanation of Proposed Amended Documents for Ridgewood

A. Introduction

The Board of Directors has been working with our firm to develop a new, updated set of Condominium Documents. The enclosed drafts are the product of their substantial work and input.

Condominium documents primarily serve two purposes: (1) describe what each Co-owner owns individually (i.e., their Unit) and what they own in common with other Co-owners (i.e., the Common Elements); and (2) inform all Co-owners of their and the Association's rights and obligations relative to the upkeep, use, and administration of the Units and Common Elements.

As condominium developments mature, updates are often necessary to remove outdated references, reflect changes in the law, and clarify operational aspects of the community.

Just as important, the condominium market changes and condominium developments must stay competitive to enhance market value. To maintain this competitiveness and protect market values, it is important to avoid high assessment levels. One effective way to protect against high or increasing assessment levels is to assign to Co-owners responsibility for items that all Units have, like Unit entry doors and windows, but that do not otherwise involve foundation, perimeter wall, ceiling, floor, or roof construction. By not placing this responsibility on the Association, the overall budget and the need to reserve for those items is reduced. Condominiums that do not assign more responsibility to Co-owners invariably have higher assessment levels.

Lastly, it is necessary to conform the governing documents to relatively newer conventional financing requirements. In a market where the majority of loans are sold in the secondary market, compliance with these regulations is vital to help ensure prospective purchasers will be able to obtain loans and that existing Co-owner loans can be refinanced.

1. Description of Governing Documents

There are four documents that the Board is proposing to revise. These are the Master Deed, the Condominium Bylaws, Corporate Bylaws and the Articles of Incorporation. The following briefly describes the Condominium's governing documents:

a. Master Deed. The Master Deed is drafted pursuant to the Condominium Act provisions and is the legal document that created Ridgewood. The Master Deed is recorded with Washtenaw County and against each Unit. The original Master Deed was recorded in 1992. The original Master Deed was Amended and Restated in 2020. The Master Deed generally includes provisions defining and assigning responsibility for the various property in the Condominium (i.e., Unit and Common Elements), outlining the easements that affect the Condominium, and specifying the mechanisms for amending the Master Deed, Bylaws and Condominium Subdivision Plan.

b. Condominium Bylaws. The Condominium Bylaws are Exhibit A to the Master Deed and are drafted pursuant to the Condominium Act. The original Bylaws were recorded in 1992. The original Bylaws were Amended and Restated in 2020. The Bylaw provisions generally include those relating to assessments, insurance, restrictions and document enforcement.

c. Corporate Bylaws. Your Condominium Documents were originally drafted so that the mechanics of operating the Association were included in a separate set of Corporate Bylaws. The Corporate Bylaws are not recorded and are drafted pursuant to the Nonprofit Corporation Act. The Corporate Bylaw provisions generally include those relating to the designation, number, term of office, qualifications, manner of election, duties, manner of removal and replacement of the directors and officers of the Association, as well as provisions relating to Association and Board meetings. The Corporate Bylaws were prepared in 2020.

d. Condominium Subdivision Plan. The Condominium Subdivision Plan is Exhibit B to the Master Deed and is drafted pursuant to the Condominium Act. The Condominium Subdivision Plan is a drawing of the Condominium that depicts the Condominium Common Elements and Units, utility systems serving the Condominium and easements affecting the Condominium. The Condominium Subdivision Plan also includes a survey of the Condominium. There are no changes being proposed to the Condominium Subdivision Plan.

e. Articles of Incorporation. The Articles of Incorporation are drafted pursuant to the provisions of the Nonprofit Corporation Act. This document is filed with the State and established the existence of Ann Arbor Ridgewood Condominium Association as a Michigan nonprofit corporation. The Articles were filed with the State in 1991.

2. Amendment Approval Requirements

a. Master Deed and Bylaws. To amend the Master Deed and Bylaws, the Condominium Act requires affirmative approval (i.e., must vote "yes") from 2/3^{rds} of those Co-owners eligible to vote. Assuming 2/3^{rds} of the Co-owners eligible to vote approve the changes, certain changes will also require the approval of 2/3^{rds} of the lenders with first mortgages recorded against the Units. First

mortgagees will have a 90-day voting window to respond. A first mortgagee's failure to respond is considered a "yes" vote.

b. Articles of Incorporation. The amendments to the Articles of Incorporation must be approved by 2/3rds of all Members.

The following summarizes the significant changes to the Master Deed, Bylaws and Articles of Incorporation. Please note that this Memo does not take the place of reading the proposed documents; rather, this Memo seeks only to call your attention to the most significant changes in the documents and is not exhaustive. Please also note that references below are to the new Article and Section numbers, as opposed to the old:

B. Proposed Amended and Restated Master Deed

1. We added a table of contents and paragraph headings for ease of reference.
2. We incorporated applicable provisions of the past amendment into the proposed documents.
3. In Article III, we added additional definitions for phrases that are used in the documents, including Electronic Transmission, Good Standing, and Percentage of Value.
4. In Article IV, Sections 1A & B, descriptions have been reworded a bit (but not changed as that would require unanimous consent) to better describe certain Common Elements. We also added descriptions for Common Elements not previously described, including street lighting system, mailbox stands, insulation, attics, entryway signs and improvements, and retaining walls.
5. We updated Article IV, Section 2 so that responsibilities for the Common Elements and other items in the Condominium are described in more detail. This will help eliminate any confusion as to who is responsible for specific items. Responsibilities are also changed so that, in addition to the current responsibilities, Co-owners will also be responsible for Unit entry doors and windows, however, all Units with original windows installed by the developer will be entitled to a one-time replacement, if (i) the Board deems the replacement required, and (ii) the Unit of the windows that needs to be replaced is still owned at the time of the needed replacement by the Co-owner that owned the Unit on the date the Amended and Restated Master Deed is recorded with the Register of Deeds. Other than as specified, the Association will still be responsible for maintaining, repairing and replacing the General Common Elements, and for maintaining, repairing and replacing the Limited Common Element driveways, parking spaces, porches, walkways, stairs and landscaping strips.
6. We placed additional provisions in Article IV, Section 2, to make clear that modifications and alterations are not Common Elements and must be maintained by Co-owners who install them, and to specify that Co-owners may not hold the Association responsible for repairs not authorized or contracted for by the Association. These are clarifications and not changes in responsibility. We also added Section 2D to reflect the Condominium Act provisions that allow for the assessment of unusual expenses only to Units involved.

7. We reworded the easement provisions in Article IX to make clear that the Association has an easement not only to perform its maintenance and repair duties relating to the Common Elements and Units, but also to enforce maintenance standards throughout the Condominium. This is simply a matter of clarification and does not change any existing rights.

C. Proposed Amended and Restated Bylaws

1. We combined the two sets of Bylaws for greater convenience of use.

2. As with the Master Deed, we added a table of contents and paragraph headings for ease of reference.

3. We modified Article II, Sections 3B and C to remove the specific \$7,500.00 reference and to instead provide a floating limitation on assessments for additions to Common Elements of 4% of the annual operating budget. The percentage limitation is designed to make sure that future amendments are not required simply due to changes in the value of money.

4. We modified Article II, Section 3D by removing the requirement that the Association fund the reserve only by regular monthly payments. We also modified this Section to help ensure compliance with current conventional mortgage underwriting requirements.

5. We revised Article II, Section 4 to reflect that the current late fee is \$25 per month, and to reflect that the Board may revise late fees by rule. We added a 10-day grace period before there is an automatic imposition of the late fee.

6. Article III now contains a mediation clause that permits the Association to mandate mediation of Co-owner disputes rather than the expensive alternative of litigation.

7. In Article IV, Section 1A, we added more specific requirements of the type of insurance the Association must carry. We also added a provision to Section 1B specifically pointing out that Co-owners should obtain an endorsement to their insurance policies to cover instances where the Co-owner may be required to pay the Association's deductible.

8. In Article V, Section 7, we included mortgagee and guarantor notification provisions in accordance with Fannie Mae and Freddie Mac guidelines.

9. We amended Article VI, Section 1, to incorporate occupancy restrictions on the number of people residing in a Unit in accordance with City ordinances.

10. We revised Article VI, Section 2 to permit the Association to charge reasonable administrative fees for reviewing, approving and monitoring lease transactions. We further added a provision that Co-owners are responsible for updating the Board of their current mailing address and phone number, as well as all occupant's names and, if applicable, phone numbers. Lastly, we updated the lender exemptions to meet current mortgage financing underwriting requirements.

11. We modified Article VI, Section 3 to incorporate the Condominium Act provisions relating to the rights of persons with disabilities. We also added provisions to make clear that, if applicable, Common Element modifications and alterations must be performed by licensed and insured contractors, and that a Co-owner may be required to execute a recordable agreement relating to the modification or alteration.

12. We modified Article VI, Section 8 to permit the temporary presence of recreational vehicles for such things as loading and unloading, to include a detailed definition of commercial vehicle, and to prohibit non-emergency maintenance or repair of vehicles, non-operational vehicles and vehicles with expired license plates. We also updated the parking provisions to require that occupants first park their vehicles in their garage, and appurtenant parking space, before utilizing the general common element parking spaces.

13. We revised Article VI, Section 9 to make clear that drones and fireworks are prohibited unless in compliance with the Association's rules and regulations or specifically permitted by the Board.

14. We amended Article VI, Section 10 to reflect the Condominium Act provision specifying that Co-owners have the right to fly an American flag up to 3' x 5'.

15. In Article VI, Section 11, we removed the provisions requiring a thirty-day period before rules become effective as it is not necessary or required.

16. We revised Article VI, Section 13, to indicate that Co-owners may install landscaping without Board approval so long as such landscaping is in accordance with the Association's published rules; otherwise, prior approval is required.

17. We revised Article VI, Section 14 to inform Co-owners they must maintain Smoke Detectors, Minimum Degree Requirement, and Carbon Monoxide Detectors, and must implement reasonable precautionary maintenance and winterization measures with respect to any vacant Unit. It is important that Co-owners implement these items as it will help protect the Co-owner's Unit, other Units, and the Common Elements. We also revised this Section to provide that the Co-owner is responsible for damages caused to Common Elements by failure of items or Elements that are the Co-owner's responsibility to maintain regardless of whether there was negligence. This will help the Association avoid paying for expenses that arise from damage caused by a Co-owner or their occupants. We also made clear that Co-owners have a duty to report any damage to Common Elements as soon as the damage is discovered.

18. Article VI, Section 16 is new and provides that the cost of enforcing these provisions will be paid by the Co-owner in violation.

19. In Article VII, Section 3, we included additional mortgagee and guarantor notification requirements as mandated by Fannie Mae and Freddie Mac.

20. In Article IX, Section 3, we removed the reference to a specific day for holding the annual meeting. This Section also provides that the Association will hold its annual meeting at a date, time and place as the Board of Directors determines, provided that at least one meeting is held in each calendar year. We also added a provision that allows the date of the annual meeting date to be changed for convenience. This provides more flexibility to help ensure that the Association can hold the Annual Meeting when it is anticipated that most Co-owners will be able to participate.

21. In Article X, Section 1, we implemented a policy for Directors who become delinquent.

22. We revised Article X, Section 3 to make clear that the Association has the right to assign assessments as collateral, which will help facilitate lending to the Association if desired.

23. Article X, Section 15 now contains fidelity insurance requirements that meet mortgage underwriting requirements.

24. We revised Article XII, Section 4 to reflect the Condominium Act's requirements, which states that Associations with annual revenue over \$20,000 must have an annual review or audit completed by a CPA.

25. We revised Article XVI to satisfy necessary due process concerns and to clarify how fines and hearings are to proceed and how continuing and multiple violations will be treated. We also updated the schedule of fines contained in Section 3.

D. Proposed Amendment to Articles of Incorporation

We added or revised 4 Articles to the Association's Articles of Incorporation. The first Article, which outlines the purposes for which the Association is formed, was revised to be consistent with the provisions contained in the Condominium Bylaws. The second and third Articles contain provisions providing the level of indemnification and protection allowed to volunteer directors and officers pursuant to the Michigan Nonprofit Corporation Act. Under the Act, these provisions must be contained in the Articles to be effective. The fourth Article reflects the Bylaw provisions that specify it takes a majority of all Co-owners in good standing to remove a director.

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Please again note that this Memo is not intended as a substitute for a complete reading of the proposed new documents. This Memo seeks only to call your attention to the most significant changes in those documents and is not exhaustive. You are encouraged to completely read the proposed new documents.

Very truly yours,
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