

Edgewater Villa Homeowners Association  
3001-3133 West 42<sup>nd</sup> Ave.  
Anchorage, Alaska

Wednesday, February 9, 2022

Re: Support for SB 143

Dear Sen. Revak, Chair Costello and Members of Senate Labor and Commerce,

First, two thank yous:

Senator Revak, thank you for introducing Senate Bill 143, and addressing this specific issue for homeowner associations like ours. We have been directly impacted by this issue, and know it is a serious risk for a small association.

Chair Costello and committee members, thank you for hearing and passing this bill out of committee! I urge your support of this bill when it comes to a vote, and hope it can be passed as soon as possible.

This letter shares impacts on our HOA from lack of protection in current law, and the benefits passing SB 143 would have on many homeowners in Alaska, like the neighbors we represent in this letter.

Edgewater Villa is located in West Anchorage, and was built in 1983, with 14 units in 7 identical buildings on a shared lot. We pay a property management firm a small fee each month to manage our books, support our annual meetings, and deal with contractors—the rest is done by a volunteer board of 3 people, representing the owners of the 14 units. The board handles business such as setting the annual meeting date and budget, reviewing modification requests and issues like delinquent payments or homeowner violations. Our assessment is \$325 per unit per month, including several services such as weekly trash service and lawn maintenance. Assessments are set by the board, and intended to only cover our current and future shared costs.

I share this detail because it is helpful to understand that homeowner associations, especially small ones like ours, very much rely on the good faith and participation of all our owners to function. We need people to serve on the board, we need all owners to promptly pay their monthly assessment and attend annual meetings, and to generally minimize negative impacts on their neighbors, since we live closely together. And we rely on each other to contribute financially to shared responsibilities: the structures of our buildings, the land underneath, and the savings we manage to be ready for major repairs and replacements. The financial impact of a major delinquency from one unit has a serious impact on all of us. Fortunately, our association is in a good financial position, with high compliance from owners and a solid reserve fund for major upkeep like roof replacements.

The problem this bill is seeking to fix is exactly what happened to our association several years ago: an owner had stopped paying both their mortgage and their monthly assessment. The HOA took the usual steps of going through the collection process, with no result. Our attorney advised that the HOA could foreclose on the owner as well, which the HOA attempted to do. However, because of the legal issue this bill seeks to fix (HOA was incorporated pre-1986), we were essentially unable to collect that unpaid

assessment (and now legal fees) and received no response from the lender who had foreclosed on the owner. While I was not serving on the board at the time, my predecessor estimated the total cost (dues, penalty fees, attorney fees) to be over \$16,000, which our small association simply had to take out of our savings. Soon after, we had to raise our dues by \$25/month in one year to start to cover the loss.

We are fortunate to have financially recovered, and that this didn't happen shortly before a planned major expense like a roof replacement, which we plan to pay for years in advance using our reserve budget, on which assessments are calculated. But with only 14 units, it would have only taken another major incident—significant emergency repair, another foreclosure—to create serious risk for all the owners' shared assets.

Because we are acutely aware of this issue, we have talked about and considered the benefit vs. cost of hiring an attorney and trying to update our bylaws, to incorporate the language now standard for newer associations. We knew it would cost thousands and require many entities (owners, lienholders) to consent. If it was easy, we would have done it years ago—for now, we just live with the risk of another unit going into foreclosure, leaving the rest of the units left to make up the deficit.

Again, our association very much appreciates consideration of this legislative fix, to protect small homeowners across the state who happen to live in homes built before 1986. Passing SB 143 would materially benefit many associations like ours, who are currently at risk of serious financial harm and are not equipped to address it, and are practically unable to change the rules on our own. We hope that what happened to us doesn't happen to another association; if SB 143 passes, we would all be better protected against this shared financial risk.

Thank you,

Anna Brawley

President, Edgewater Villa Homeowners Association