



October 23, 2018

Re: Capital Expenditure Pass Through

VIA Hand Delivery

Dear Members of PDRra: Lois Shouse, Margaret Apodaca, Glenn Henshaw, Sharon Thoms, Eugena Marino, Mike McCarthy, Beth Ebben

Section 3(b) and Exhibit D of the long-term rental agreements (“Agreement”) between homeowners at Plaza del Rey and the owner of Plaza del Rey set forth the process by which projects mutually agreed to by the Board and Owner may be passed through to Homeowners under the Agreement. A copy of Exhibit D to the Agreement is attached to this letter as **Attachment 1** for your reference.

The purpose of this letter is to confirm our agreement with respect to the Fence Project (defined below) and commence this process with respect to three capital projects.

At a meeting with the Board on June 6, 2018, the Board requested a capital project, namely the replacement of a fence located behind the homes situated along Avenida Alondra. Owner is in agreement with this project and concurs it is both commercially reasonable and prudent. Owner has received a proposal for this project (hereinafter called the “Fence Project”) in the amount of \$73,568.00. The proposal is attached to this letter as **Attachment 2**. Based on Owner’s calculations, the pass-through for the Fence Project, would be in the amount of \$0.55 per month for the remaining term of the Agreement. The calculation of this amount is shown on **Attachment 5**. Since the Fence Project was requested by the Board and agreed to by the Owner, we consider the Fence Project to be mutually agreed upon as required by the Agreement and the Fence Project will be passed through to homeowners.

The second project which the Owner seeks the Board’s agreement to pass through is the replacement of the Property’s security system (the “Security System Project”). The Security System Project is generally described as follows: replacement of the server which runs the security cameras and access card systems to certain buildings; acquiring software that integrates the cameras and access cards; and integrating east clubhouse cameras and access cards with the rest of the system. The Security System Project will be completed by Sherlock Surveillance which Owner currently contracts with to maintain the security card system and security cameras. Owner believes the Security System Project is both commercially reasonable and prudent. The Security System Project is estimated to cost \$18,248.17 and the bid is attached as **Attachment 3**.



In the Agreement, the Board acknowledges that certain projects may be of the nature that need to be addressed prior to consultation with the Board and in such circumstances the Owner may proceed with the Project prior to obtaining the Board's consent to the pass-through. The Owner will proceed with the Security System Project during the process of consulting with the Board on the pass-through.

Owner believes the Security System Project is both commercially reasonable and prudent and that the Board's consent to the pass through may not be unreasonably withheld. Based on Owner's calculations, the Pass-through for the Security System Project would be in the amount of \$0.41 per month for the remaining term of the Agreement. **Attachment 5** to this letter sets forth the calculations of each of the pass-throughs described herein.

The third project which the Owner seeks the Board's agreement to pass through is the improvement of certain roads within the community (the "Community Roads Project"). Owner has received multiple bids for this project, and intends to select DRT Grading and Paving in the amount of \$252,700.00. The bids for the Community Roads Project are attached to this letter as **Attachment 4**.

Owner believes the Community Roads Project is both commercially reasonable and prudent and that the Board's consent to the pass through may not be unreasonably withheld. Based on Owner's calculations, the Pass-through for the Community Roads Project would be in the amount of \$1.88 per month for the remaining term of the Agreement. **Attachment 5** to this letter sets forth the calculations of said pass-through described herein.

As provided for in the Agreement, any pass-through shall be in addition to annual rent increases and shall be in addition to rent. Homeowners will receive 90 days' advance written notice of the pass-throughs.

If the Board desires to meet with management to discuss the Security System Project or the Community Roads Project, as set forth in Exhibit D, we suggest that the meeting take place in the conference room located near the main clubhouse on November 13, 2018, at the community's main conference room. We look forward to meeting with you to discuss these projects. If you have any questions in advance of the meeting, please do not hesitate to reach out to me.

PLAZA DEL REY MANUFACTURED HOME COMMUNITY

A handwritten signature in blue ink, appearing to read "K Manji", is written over a horizontal line.

Karim Manji, Manager

Cc: Jason Hagen; David Kingery

1225 Vienna Drive
Sunnyvale California 94089



(408) 734-2746 (Phone)
(408) 734-9707 (Fax)

Attachment 1
Exhibit D to Long Term Rental Agreement

Exhibit D

CAPITAL IMPROVEMENT PASS-THROUGH PROCESS

As stated in Section 3(b), in addition to Rent, Homeowner agrees to pay the cost of certain capital improvement projects implemented at the Property, including a return on capital of seven percent (7%). The capital improvement projects that may be passed through to Homeowner include the following: (i) any projects mutually agreed to by the Board and Owner, whether initiated at the request of the Boards or Owner; and (ii) the cost of any project mandated by any governmental agency (whether federal, state or local). These projects are referred to collectively as the "Projects." When used in this Agreement, Board shall mean the duly elected Board of Directors of the Plaza Del Rey Homeowner's Association. In this Agreement, when approval or mutual agreement of the Board is specified, such approval or mutual agreement of the Board shall mean the affirmative vote of a majority of the Board's members voting on the matter, notwithstanding any other provision of the Board's governing documents to the contrary.

Projects requiring mutual agreement. With respect to Projects that must be mutually agreed upon by the Board and Owner, such Projects may be requested by either the Board or Owner; any requested Projects must be both commercially reasonable and prudent; if a requested Project meets such standard, the non-requesting party may not unreasonably withhold approval. If Board and Owner are unable to agree on whether a Project is both commercially reasonable and prudent or if the non-requesting party is refusing to agree to a Project that is commercially reasonable and prudent, the Board and Owner agree to submit their differences to mediation before a neutral third party to attempt to reach agreement on the Project and pass-through. Owner and Board agree to use Project Sentinel in Sunnyvale if available or another neutral third party if Project Sentinel is not available. Any costs of this process shall be added to the pass-through if implemented or otherwise born equally between the Board and Owner. While it is recognized that the Board may consult the Homeowners, the determinations of these Projects and agreement to the pass-through is to be made by the Board and without the necessity of a Homeowner vote.

A party requesting a capital project for approval by the other party must provide sufficient documentation and justification to support the request and provide at least ten (10) business days for the non-requesting party to review the materials at which time the parties shall meet to discuss the project and reach a conclusion on whether a project meets the standards for a pass-through. If agreement is not reached, then the issue will be submitted to mediation as described above.

Owner and Board recognize and acknowledge that there may be Projects which Owner needs to address prior to consultation with the Board on a pass-through of such Project and in such circumstances, Owner may proceed with such Projects and thereafter seek the Board's approval to pass the costs through. The Board agrees to act in good faith with respect to such Projects and resulting pass-throughs and the Owner's decision to proceed with a Project before gaining consent to the pass-through does not adversely impact the ability to ultimately pass-through the cost. Similarly, if a number of smaller Projects are completed, these may be aggregated and submitted to the Board for approval of a pass-through of the entire amount.

Homeowner Initials

Government mandated projects. Projects mandated by any governmental agency (including the State of California or any of its departments or agencies, the Federal government or any of its departments or agencies, the County of Santa Clara or any of its departments or agencies, or the City of Sunnyvale including any of its departments or agencies). Excluding Projects that would be solely the Owner's responsibility under the MRL, these Projects may include any type of compliance related matter imposed on the Property from time to time even if the law or regulation under which the Project is imposed is in effect at the commencement of the Term or any Project related to newly imposed laws, rules or regulations.

General. Costs such as engineering, plans and specifications, and the cost of permits shall be included in the costs of any Projects for purposes of calculating the pass-through.

Any pass through shall be in addition to annual rent increases and shall be in addition to Rent. The amount of any pass-through must be paid in accordance with Section 6 of the Agreement.

The pass-through shall be calculated as follows: Cost per site will equal the total capital cost divided by total sites. The cost per site will be amortized over the useful life of the Project at a seven percent (7%) interest rate and if the Term ends before the pass-through is fully paid, the amount of the pass-through will be subsumed into the market rent under the next rental agreement.

If more than one Project is completed, then more than one capital improvement pass-through may be implemented.

Timing. Homeowners will receive 90 days advance written notice of any amount to passed-through to them under Section 3(b). The Board and Owner agree that Projects need not be completed in order to be passed-through and that calculation of any pass-through may be made on the basis of a signed contract. Should total costs of the Project change after a calculation of a pass-through has been made, then Owner and the Board shall meet to discuss the impact on the pass-through. In addition, the Board and Owner agree that pass-throughs may be implemented upon 90 days' prior written notice at any time during the Term (not just on an anniversary date).

Homeowner Initials

1225 Vienna Drive
Sunnyvale California 94089



(408) 734-2746 (Phone)
(408) 734-9707 (Fax)

Attachment 2
Fence Project Bid



ESTIMATE

Estimate #	746
Date	Jul 10, 2018

The Fence Man

Reg. No: CA License 546145
 4732 Bordwell Dr
 San Jose
 CA - 95118
 Phone: 4082471797
 donthefenceman@gmail.com

Estimate To:
 Bart Cortez

Products	Quantity	Unit Price	Amount
1936' of 6' fence - Board on Board style. 4x4 pt post 2x8 pt kick board. 1x8x5 fence board 2-2x4 solid rails with 1x1s all wood except post and kick board to be Redwood	1,936.00	\$38.00	\$73,568.00
Terms and Conditions NOTE: THIS PROPOSAL MAY BE WITHDRAWN BY US IF NOT ACCEPTED WITHIN 10 DAYS. TWO YEAR MATERIAL AND LABOR WARRANTY UNLESS STATED ABOVE. BALANCE DUE UPON COMPLETION.	Sub Total:		\$73,568.00
	Total USD:		\$73,568.00

1225 Vienna Drive
Sunnyvale California 94089



(408) 734-2746 (Phone)
(408) 734-9707 (Fax)

Attachment 3
Security System Project Bid



Sherlock Surveillance
1169 South 10th Street
San Jose, CA 95112
(866) 749-1440
info@sherlocksurveillance.com
www.sherlocksurveillance.com

ADDRESS

Plaza del Rey
999 Saratoga Ave.
San Jose, CA 95129

ESTIMATE 4886

DATE 08/28/2018

EXPIRATION DATE 09/13/2018

MEMO

*INTEGRATE SYSTEM

SALES REP

CLAUDIA KITCHEN

PHONE

866 749 1440

ACTIVITY	QTY	RATE	AMOUNT
GU-NU70864A 64 CHANNEL RACK MOUNTABLE NVR WITH STORAGE CAPACITY UP TO 8 HARRDRIVES AT 10TB EACH	1	4,200.00	4,200.00T
GU-HD10TB001 10 TB SURVEILLANCE GRADE HARD DRIVE	4	818.00	3,272.00T
GV-VMS F/32CHLS PLATFRM W/3RD, Geovision Gv-Vms F/32Chls Platform With 3Rd Party Ip Cam 24 LICENSE	1	1,060.00	1,060.00T
IR VANDAL DM.4MP 2.8-12MM WDR	2	628.00	1,256.00T
WALL BRACKET	2	65.00	130.00T
OE-350V6 650V/255W/6 OUTLET/LCD UPS	1	750.00	750.00T
Re-assign and document IP scheme for the 13 cameras at Club House East to conform to new VPN configuration	1	525.00	525.00
SLTA5100W-CMR 500' Cat5e Cable	1	179.00	179.00T
SPOE-SW401 4 Port POE Switch 33G	2	98.00	196.00T
Mount Camera, run cable from camera to DVR/NVR and adjust camera focus	2	389.00	778.00
Configure NVR (Video Recording Server) at Main Club House to receive video feeds from cameras at Club House East and integrate both Surveillance Systems	3	175.00	525.00
Integrate Access Control Systems from Club East into Main Club House	5	175.00	875.00
Configure and Set Up on Customer's Mobile Devices	2	175.00	350.00
Testing, training, and de-bugging	1	1,235.00	1,235.00
Miscellaneous network cable, screws, accessories, mounting brackets, tie wraps, etc.	1	175.00	175.00T
Install and Connect new UPS (UNIVERSAL POWER SUPPLY)	1	175.00	175.00
Set up desktop computer access to cameras and access control for office staff. Includes 3 workstations.	8	175.00	1,400.00T

Deposit Total = \$9124

Please note that this estimate assumes that VPN connection between East Club House and Main Club house will be provided by ICS (New PDR IT firm)

SUBTOTAL

17,081.00

TAX (9.25%)

1,167.17

SERVICE CHARGE FOR CANCELLATIONS
MADE LESS THAN 24 HOURS OF SCHEDULED APPOINTMENT
CALIFORNIA CONTRACTOR LICENSE #979143

TOTAL \$18,248.17

Accepted By

Accepted Date

SERVICE CHARGE FOR CANCELLATIONS
MADE LESS THAN 24 HOURS OF SCHEDULED APPOINTMENT
CALIFORNIA CONTRACTOR LICENSE #979143

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Sunnyvale California 94089



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Attachment 4
Community Roads Project Bid

Reliable Pavement Services, LLC

“Accountability, Competency & Integrity”

Consulting, Design-Build Plans, Bidders Spec's & Documents, Project Management
“Your very own, Pavement Management Professional”

Call: 408-858-2117 Email: Paveman59@hotmail.com CA Cont. License # 994739

Bid Proposal – Subcontract Agreement – Page # 1 of 2

Date: September 8, 2018

Re: Plaza Del Rey 2018 Paving Repairs
Address: 1225 Vienna Dr, Sunnyvale CA

Bid Includes: RPS, LLC bidders' packet of bid letter, pricing page & site plan

Concrete Replacement

1. Remove & replace 8” concrete valley gutters @ {180 SF} – see “price page” details
2. Install with dowels, 12” on center # 4 rebar, 3500psi, 1lb black, broom finish concrete

Asphalt Pre-Patch – 3 streets of work

3. Remove damaged asphalt to a 2.5” depth in 35 locations {14,400 SF}
4. Clean and tack oil entire surface and edges... of all locations
5. Install 2.5” of compacted asphalt paving
6. Existing Petromat Fabric to be assumed and included in pricing
7. Raise utilities existing on site to new Overlay Paving elevations

Overlay Paving – 3 streets of work

8. Transition grind all asphalt to concrete edges with 1.75” to 0” transitions @ 4,577 LF
9. Transitions to be 6’ wide or wider, per you paving (machine) plan
10. Install Petromat Paving fabric to just under 52,000 of roadways to be paved
11. Install tack oil to all SF of pavement not covered with paving fabric
12. Install 2” of compacted asphalt paving – average depth with no area less than 1.25” (compacted depth) @ 62,152 SF

Full Depth Replacement (various “other” streets within community – to be marked by RPS

13. Remove damaged asphalt to a 5.5” depth in 20 locations {3,600 SF}
14. Grade and compact existing base rock & install tack oil to all vertical edges
15. Install 5.5” of compacted asphalt paving (2) lifts
16. Install oil & sand on all new joints
17. Note this work cannot be completed with any other work above
18. Replace all Striping @ work on entire project - (note this is an RPS item only)

DRT Grading & Paving...\$ 252,700.00 – week before or after Thanksgiving

Asphalt Surfacing...\$ 255,327.00 – week before or after Thanksgiving

Calvac Paving...\$ 269,650.00 – Week before Thanksgiving

Note: Pricing has been collected without any Collusion, whatever.

Note: All contractors in this bid selection process are “A rated” crews – by Reliable Pavement Services LLC

Reliable Pavement Services, LLC

“Accountability, Competency & Integrity”

Consulting, Design-Build Plans, Bidders Spec's & Documents, Project Management

“Your very own, Pavement Management Professional”

Call: 408-858-2117 Email: Paveman59@hotmail.com CA Cont. License # 994739

Bid Proposal – Subcontract Agreement – Page # 2 of 2

Date: September 8, 2018

Re: Plaza Del Rey 2018 Paving Repairs
Address: 1225 Vienna Dr, Sunnyvale CA

Bid Excludes:

1. Permits, Fee's or Professional Engineering
2. Remove vehicles from construction areas
3. Notifying tenants of construction schedules
4. Remove, replace or adjust utility or electric lines in top 18" of repair areas
5. Water sprinkler shut-off 48 hours prior and 24-hours after all paving operations
6. Repair of any sprinkler lines, sprinkler heads and/or landscaping replacement, caused during concrete or asphalt paving required procedure. (Paving companies are not skilled in these areas) – owners need to plan their own landscape contractor to be on site during or after the paving project.
7. Remove or replace “unsuitable” base materials (if required)
8. Remove or concrete asphalt thicker than quoted (additional fee's & costs required)

Notes:

1. Bids or Budget prices are subject to review in 30 days
2. Payment to Reliable Pavement Services, LLC by Owner/Manager net 30 days from completion.
3. Payment to Contractor of choice by RPS, LLC – within 7 days once job is paid in full.

Sincerely,

Rick Scheibley – Owner / President / Partner

Legal Notice: This bidders' scope of work (packet referred to above) is not intended for redistribution by any other person, company or entity, other than by the specific (job to job) permission of Reliable Pavement Services LLC. No bid may be solicited based on Reliable Pavement Services LLC paper work, other than by Reliable Pavement Services LLC. This includes but is not limited to Contractors, Clients of Reliable Pavement Services LLC, Property Managers or Property Owners.

Accepted: _____

Accepted By: _____

Date: _____

Owner Legal Name: _____

Billing Contact: _____

Trash Collection Date on Property (scheduling detail): _____



**Attachment 5
Pass Through Calculation**

The Fence Project

$\$73,568.00 \times 7\% \text{ interest} = \$78,717.76 \text{ total cost}$

$\$78,717.76 / 800 \text{ homes} = \98.40 per home

$\$98.40 / 15 \text{ years useful life} = \0.55 per month

The Security System Project

$\$18,248.17 \times 7\% \text{ interest} = \$19,525.54 \text{ total cost}$

$\$19,525.54 / 800 \text{ homes} = \24.40 per home

$\$24.40 / 5 \text{ years useful life} = \0.41 per month

The Community Roads Project

$\$252,700.00 \times 7\% \text{ interest} = \$270,389.00 \text{ total cost}$

$\$270,389.00 / 800 \text{ homes} = \337.99

$\$337.99 / 15 \text{ years useful life} = \1.88 per month