POLICY 2026-1 RELATING TO APPLICATIONS FOR THE IMPOSITION OF SPECIAL ASSESSMENTS

WHEREAS, Article IV, 1. Section d. of the Stagecoach Declaration of Covenants, Conditions and Restrictions establishes the procedure for the imposition of a special assessment against identified Lots for the purpose of construction, re-construction or repair of "capital improvements" serving the identified Lots, and

WHEREAS, the language in the Covenants implies that any Director may, by motion, initiate the process to impose a special assessment; and

WHEREAS, the SPOA Board finds that it is in the best interests of the Association to also provide a procedure for Lot owners to petition the Board of Directors for the imposition of a special assessment,

NOW, THEREFORE, the SPOA Directors adopt the following policies:

I. Capital Improvements Subject to Special Assessment:

a. **Meaning of the term "capital improvements."** The term "capital improvement" is most commonly used to describe a process that is relevant to the taxation of income. The IRS classifies an expenditure as a capital improvement if it meets any one of three tests: betterment, restoration, or adaptation. **Betterment** means the work fixes a pre-existing defect, materially increases the property's capacity or productivity, or results in a material upgrade. **Restoration** applies when you return property to a working condition after it has deteriorated or when you replace a major component. **Adaptation** covers any work that converts property to a new or different use.

The term "capital improvements" in the Stagecoach Covenants means the end result of the betterment, restoration or adaptation of property. With respect to restoration, the term "capital improvements" also includes the periodic repair of improved property and the periodic removal of temporary or permanent impediments to use of the property. [In this regard, the Directors' interpretation may vary from the definition of capital improvement in a taxation context].

b. **Ownership of the property being improved.** The Covenant provisions apply to property owned by SPOA, property owned by Lot owners and property owned by third parties that serves property owned by SPOA or property owned by Lot owners. So, for example, the Covenant provisions would apply to improvements to road right of ways owned by Routt County. Similarly, the Covenants would apply to construction of electric lines owned by Yampa Valley Electric Association but installed on property owned by SPOA or Lot owners.

c. **List of types of construction or repair that would fall within the Covenant provisions.** The following types of construction and repair are covered by the Covenant provisions [This list is not intended to be exclusive, and will be amended in the future as experience dictates]**:**

1. Construction of a new road within a platted road right of way.
2. Construction of a new sewer main [including laterals required to be constructed as part of the process].
3. Construction of a new water main [including laterals required to be constructed as part of the process].
4. Construction of new electric trunk lines.

II. Procedure To Implement Owner Application For Imposition Of A Special Assessment

a. Application. Any SPOA owner seeking the imposition of a special assessment shall submit a signed application to the Projects and Compliance Manager on a form provided by the PCM. The application shall include, among other things, a description of the proposed improvement and a list of the Lots that the applicant seeks to assess to pay for the improvement. It the proposed improvement does not constitute a "capital improvement" as described above, the PCM may refuse to accept the application, or may choose to accept the application with reservations as to whether the proposed improvement is covered by the Covenant provisions. It the applicant does not own one or more of the Lots the applicant proposes to assess, the application will be rejected by the PCM.

b. Reimbursement of Applicant and Proposed Contribution by SPOA. In the application the Lot owner shall state whether they are requesting a monetary contribution to the cost from SPOA and in what amount and shall state whether they are seeking reimbursement of any cost they have incurred in preparing the application. If they are seeking reimbursement, they must supply an invoice or contract stating the amount of the payment, and proof that they have paid the amount shown.

c. **Documents Required in Addition to Application.** To complete the application process, a Lot owner must submit to the PCM, in addition to the application, certain additional documents as described below:

1. **For extensions of an electric trunk line:**
   - (i.) A map prepared by YVEA, or otherwise, showing the proposed location of the electric trunk line.
   - (ii.) A construction estimate from YVEA showing the amount of the payment required by YVEA.

2. **For a new sewer or water main:**
   - (i.) Fully engineered, stamped plans prepared by a licensed civil engineer sufficient to support an application for necessary construction permits.
   - (ii.) At least one written construction bid or detailed estimate from a licensed contractor that shows total project cost, unit pricing (if applicable), contingency amount, and bid expiration date.
   - (iii.) Proof, in the form of minutes, or a letter showing that Morrison Creek Metropolitan Water and Sanitation District has approved the construction, and upon what terms. The fact that a proposed water or sewer main may be eligible for the reimbursement provisions provided by statute, shall not be grounds to reject the application. However, the Lot owner may be required to sign an agreement that they will waive such reimbursement or assign all rights in that regard to SPOA as a condition for having their application reviewed by the SPOA Directors.

3. **For all other new construction**:
   - (i.) Fully engineered, stamped plans prepared by a licensed civil, electric, mechanical or structural engineer, as the case may be, sufficient to support an application for necessary construction permits.
   - (ii.) If the improvement includes a structure, plans prepared by a licensed architect sufficient to support an application for necessary construction permits.
   - (iii.) To the extent necessary, such additional opinions and plans as may be necessary to support an application for necessary construction permits.
   - (iv.) At least one written construction bid or detailed estimate from a licensed contractor that shows total project cost,

unit pricing (if applicable), contingency amount, and bid expiration date.

4. **For all repair and restoration projects:**
   (i.) At least one written construction bid or detailed estimate from a licensed contractor that shows total project cost, unit pricing (if applicable), contingency amount, and bid expiration date.

d. **Submission of Application for Review and Action.** When the PCM has confirmed that the application is complete, they will sign and date the application and return a copy of the signature page to the applicant. The PCM will then prepare a form of Resolution and a proposed letter to Lot owners and forward the application, additional documents, resolution and letter to the Directors and notify the General Manager to schedule the application for hearing at a regular meeting of the Directors.