

**HUDSON OAKS TOWNHOMES  
SECTION 2  
OWNERS' ASSOCIATION, INC.**

**c/o RESC Corp  
P.O. Box 10849  
Houston, Texas 77206-0849  
Voice: 713-780-1940  
Fax: 713-780-2164**

December 15, 2022

Dear Hudson Oaks Section 2 Owner;

The Board has determined that the Hudson Oaks Section 2 Townhome Owners' Association, Inc.'s (the "Association") Annual Meeting should be scheduled to occur on January 9, 2023. The meeting will be held in the Trini Mendenhall Community Center located at 1414 Wirt Road in Houston, Texas at 5:30 PM.

A purpose of the Annual Meeting is to elect individuals to the open Board positions in accordance with the Condominium By-Laws and Declaration. There is one Board position with a three year term that begins January 9, 2023. An individual will be elected to this position if a quorum is present or represented by proxy. The current sitting Board members intend to continue in their current positions while the new Board member will fill the open seat.

Any owner interested in serving on the Board may contact me or RESC Corp. or submit their name for nomination at the Annual Meeting. The annual financial statements are also available online on the portal.

**The Board and Its Function**

The Association is a Texas corporation controlled by the 151 members. Membership is created by ownership of a condominium unit. Each member's percentage ownership is based on their condominium's square footage compared to the total square footage of the Project. The Board consists of five members. The Board members are not paid by the Association and are elected by the membership. The Association operates in conformance with the Condominium Declaration and By-Laws of record. These documents allow the owners, as a group, to continue the atmosphere and character of Hudson Oaks which has been an important part of maintaining the value of the Project.

The Board is responsible for establishing and collecting monthly assessments, maintaining the common elements and limited common elements as defined in the Condominium Declaration and providing for certain services. It is not the responsibility of the Board or the Association to repair, renovate or maintain individual units. The owner has the responsibility to perform duties, repairs and maintenance in accordance with the Condominium Declaration. The Association is responsible for the repair of an individual unit damaged as a result of a common element failure. The Board contracts RESC Corp. as a property management company to provide certain specific services and assist the Board in its duties. I strongly recommend that all owners carefully read the Condominium Declaration and By-Laws to understand the division of responsibility. These documents should have been a part of your closing documents received at the title company at the time of closing, or as called for in your sales contract. They are also available on the mobile-responsive internet system.

**Financial Position**

By the end of 2022, we anticipate reserves approaching \$105,000.00 and an additional \$32,000 in liquid assets. These balances have been diminished from the prior year resulting from inflation and increased costs experienced over the last two years. This issue is discussed elsewhere in this letter. This reserve is dedicated to maintenance of the common elements and is critical in establishing financial stability. The Association's financial stability directly affects the value and marketability of each home. One of the most critical evaluations a mortgagee makes before approving a loan is the viability of the Association and its ability to maintain and replace the common elements of the Project. We expect to improve our financial position in 2023.



The Association's expenses and budget are divided into four basic categories: direct operating; general & administrative; payroll; and capital improvements. Each of these expense categories behave differently and have increased during the year while assessments have not increased ( 0.00% in 2021 and 2022).

### **Direct Operating Expenses**

This is the largest category of expenses and is approximately 68% of the total budget. Most of the individual expenses in this category are for services dictated by the utility companies, the City of Houston or long term contracts. The Association has very little control over increases and must absorb them in order to service the property. For example, the following five expenses account for 57% of Total Direct Expenses:

Cable TV: This expense has increased 5% per year and will continue for an additional 6 years.

Courtesy Service: This expense has increased 10% over the last year but should remain stable for the next twelve months.

Insurance: This expense, the second largest expense line, increased 16% over the last year and could increase again this year. The total insured value of the project was increased to \$13,710,600. The major carriers continue to increase their premiums to cover disasters they may experience, regardless of where on the continent they may occur. The Association encourages each owner to review the Condominium Declaration and the Owner Information and Procedures Package concerning the need for each owner to maintain condominium insurance of their individual improvements and contents. The insurance maintained by the Association does not cover an individual owners improvements or contents. The property, general liability and umbrella policies renew on February 28.

Trash Removal: This expense has increased 7% during the last year and are expected to continue to increase.

Water and Sewer: This expense, the largest single line, increase 15% during the year and is expected to increase an additional 10% during coming year.

### **General & Administrative Expenses**

This expense category is less than 2% of the total budget and remained relatively stable except for licenses and permits. This line item is levied by the City of Houston and each year the City finds new ways to charge for permits and fines.

### **Payroll**

This expense category is approximately 20% of the total budget and has increased approximately 5% over the last two years. This category includes the entire payroll for the landscaping crew, maintenance supervisor and contract labor.

### **Deferred Maintenance**

The buildings of Hudson Oaks are now over 45 years old and signs of aging are reflected in the increased costs of maintaining the plumbing, sewer, fencing, exterior siding, exterior lighting, roofing and foundation systems. During 2022, the Association incurred approximately \$72,000.00 to maintain and repair these systems. According the Producer Price Index Report (PPI) the cost for goods used in residential construction (ex-energy), has risen 33% since the start of the pandemic. The same PPI reported service costs increasing 39% over the same period. We anticipate that these expenses will continue to increase as inflation remains.

The Association experienced a significant number of pin hole leaks in building pipes that are the responsibility of the Association. The individual owners also experienced numerous individual unit pipe leaks during the year. The Association incurred approximately \$16,000.00 on this pipe replacement/ plumbing repairs.

Despite the significant aforementioned price increases, a number of improvements were implemented during the year as follows:



→Exterior Building Repair and Painting: The repair (replacement of rotten or damage wood) and painting of building exteriors continued this year. Sides of Buildings 17 and 18 were repaired and painted during the year.

→Fencing: Nineteen patio fences were replaced during year which included a number of gate and post replacements.

→Landscaping: Ten large and numerous small trees were removed during the year. The trees were either diseased or were compromising the buildings' foundations. These expenditures were more than \$5,800.00.

→Carports: Four carport roofs and posts were replaced during the year 2021.

→Driveway and Sidewalks: twelve sidewalk sections were removed and replaced

→Roofing Repairs: Two large roof repairs occurred during the year on Building 2 and 16.

### **2023 Budget and Assessments**

The actual increases in costs experienced from the start of the pandemic, coupled with limited assessments increases (0% in 2021 and 2022), have diminished the Association's needed cash reserves. The Board has completed the 2023 budget and analyzed each expense category. The objective of improving cash reserves while maintaining the buildings continues to be a priority. Building maintenance and repairs for the new year are budgeted at \$111,120.00. The financial statements for the year ending December 31, 2022 and the budget will be available in January 2023 through the mobile-responsive internet system. These funds are budgeted for the following projects:

→Exterior Building Repair and Painting: The repair (replacement of rotten or damage wood) and painting of building exteriors will continue. Approximately \$16,800.00 is budgeted for these improvements.

→Landscaping: As a number of trees on the property reach full maturity, we expect to incur additional costs to remove and replace them. In addition, the landscaping will be improved within certain budget limits.

→Roofs: The roofs of Building 6 and 7 are budgeted for replacement. Estimated costs for this replacement is \$24,000.00.

The Board understands that a number of owners rely on a fixed income and any increase in the monthly assessment is a burden. The Board's responsibility includes considering these issues while maintaining the property, its value and its' marketability. The Board has determined that a 10% increase in assessments will be necessary for the year 2023. The attached schedule summarizes the increases by Unit Type. The Board will continue to monitor all costs and expenses and will strive to minimize any future increase. If you do not have internet service, please contact RESC Corp and the new assessment information will be forward to you by mail. The mobile-responsive internet system provides various alternatives for paying assessment. If you pay by written check, please make all payments payable to Hudson Oaks Townhomes Section 2 Owners Association.

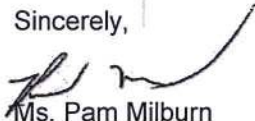
### **General Information**

Please thoroughly read the *Hudson Oaks Section 2 Owner Information and Procedures* booklet and other documents included in the mobile-responsive internet system. The Association has experienced a number of issues with individuals leasing homes at Hudson Oaks. Most of these issues relate to the residents not being informed about our Rules and Regulations. All owners should be aware of new provisions in the Rules and Regulations that require individual owners to inform their residents of these Rules and Regulations and transmit lease information to RESC, Corp., the property manager. All of this information can also be accessed on the mobile-responsive internet system. Noncompliance with these provisions will subject the owner to fines and penalties. This document contains a number of contact numbers for your convenience. The mailing address for RESC Corp is P.O. Box 10849, Houston, Texas 77206.

Every owner should be aware that, in accordance with the Condominium Declaration, they are responsible for all ducts, lines, utility pipes, lines, systems, and fixtures that serve only their Unit. This responsibility includes the chimney system, air conditioning system, dryer and stove vents and plumbing lines that are not contained within the walls of the Unit. A memo included in the new mobile-responsive internet system describes owner responsibilities in greater detail. The Board recommends that all owners consider the age of these systems and have routine maintenance and repair performed on an annual basis. A related issue is acquiring and maintaining condominium insurance to reduce the financial burden when these systems do fail.

Please remember the Association belongs to all of the owners. We encourage owners to attend the quarterly meetings. Your support is appreciated and we welcome any suggestions or comments. We live in a respected community, and it is through your support, efforts and cooperation that it continues to be a great place to live. May you have a wonderful holiday season and a Happy New Year.

Sincerely,

A handwritten signature in black ink, appearing to read 'Pam Milburn', with a long, sweeping flourish extending to the right.

Ms. Pam Milburn  
President

Hudson Oaks Townhomes Section 2 Owners' Association, Inc.

Attachments:                      Summary of Assessment Increases by Unit Type

**HUDSON OAKS TOWNHOME SECTION 2 OWNERS ASSOCIATION, INC.**  
**INCREASE IN UNIT ASSESSMENT BASED ON 10.00% APPROVED INCREASE**  
**DECEMBER 31, 2023**

UNIT TYPE	2022 MONTHLY ASSESSMENT	PERCENTAGE INCREASE	ROUNDED MONTHLY DOLLAR INCREASE	ROUNDED 2023 MONTHLY ASSESSMENT
A	250.00	10.0%	25.00	275.00
B	306.00	10.0%	31.00	337.00
C	357.00	10.0%	36.00	393.00
D	397.00	10.0%	40.00	437.00
E	466.00	10.0%	98.98	513.00