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CONDOMINIUM DECLARATION AND SUPPLEMENTAL COVENANTS, CONDITIONS AND
RESTRICTIONS

INNER HARBOR VILLAGE CONDOMINIUM

RECORDED IN VOL 301 PAGE 158-241 OF OFFICIAL RECORDS

REQUEST OF POPE RESOURCES

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MARY E. GABOURY, JEFFERSON COUNTY AUDITOR

BY NOG DEPUTY

The Inner Harbor Village Condominium CC & Rs (following document) is for reference only. This document was "retyped" in MS Word by Douglas Barber (President of IHVCA in 2002-2003 and 2003-2004), reviewed by Gregg Hupp (Interim President 2005) and formatted for the IHVCA website by Jack McKay (IHVCA Secretary). The "official" CC & Rs document is located with the County Clerk at the Jefferson Co. Court House. Copies of the "official" CC & Rs are located at the South Bay Club House.

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CONDOMINIUM DECLARATION AND SUPPLEMENTAL COVENANTS, CONDITIONS, AND RESTRICTIONS

INNER HARBOR VILLAGE CONDOMINIUMS

THIS CONDOMINIUM DECLARATION (hereafter "Declaration") is made this 12 day of March, 1990, by POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP ("hereafter referred to as "Declarant").

WITNESSETH:

WHEREAS, Declarant is the Developer and Owner of certain real property located in Jefferson County, Washington, commonly known as "Inner Harbor Village Condominium", which is legally described in Exhibit A, attached hereto and incorporated herein by this reference (hereinafter "Inner Harbor Village Condominium"). Inner Harbor Village Condominium is or will be subject to this Declaration. Declarant expressly reserves the right to include and subject additional property to this Declaration in the future; and

WHEREAS, pursuant to the laws of the State of Washington, Declarant desires to develop the aforesaid property into a condominium community for the benefit of the residents therein; and

WHEREAS, Declarant desires to form a non-profit corporation for the management, maintenance, social, physical and aesthetic purposes of benefiting Inner Harbor Village Condominium Owners, Residents and Occupants, which non-profit corporation shall be known as the "Inner Harbor Village Condominium Association"; and

WHEREAS, Declarant therefore wishes to subject Inner Harbor Village Condominium to this Declaration and the covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations and easements (hereafter referred to as the "Covenants") hereinafter set forth; and

WHEREAS, it is agreed by acceptance of a conveyance, contract for sale, lease, rental agreement, any form of security agreement or instrument, or any privileges of use or enjoyment, respecting the property or any dwelling in the condominium development, and all property subsequently included, that this Declaration, together with the Survey Map and Plans referred to herein, states Covenants affecting a common plan for the condominium development mutually beneficial to all of the described dwelling units, and that this Declaration, and the Covenants herein, are binding upon the entire property and upon each such dwelling unit, and upon each Owner, Resident and Occupant, their heirs, personal representatives, successors and assigns, through all subsequent transfers of all or a part of the property or any security interests therein, without requirement of further specific interests therein, without requirement of further specific reference or inclusion in deeds, contracts or security instruments, and regardless of any subsequent forfeiture, foreclosures, or sales of dwelling units under security instruments

NOW, THEREFORE, Declarant hereby declares, covenants and agrees as follows:

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ARTICLE 1

DEFINITIONS

The following words, phrases, or terms used in this Declaration shall have the following meanings:

Section 1.1 "Annual Assessment" shall mean the charge levied and assessed each year against each dwelling unit pursuant to Article 16 hereof.

Section 1.2 "Articles" shall mean the Articles of Incorporation of the Inner Harbor Village Condominium Association defined below.

Section 1.3 "Assessable Property" shall mean each dwelling unit.

Section 1.4 "Assessment" shall mean an Annual or Special Assessment as provided in Article 16.

Section 1.5 "Assessment Lien" shall mean the lien created and imposed by Article 16.

Section 1.6 "Board" shall mean the Board of Directors of the Inner Harbor Village Condominium Association.

Section 1.7 "Bylaws" shall mean the Bylaws of the Inner Harbor Village Condominium Association.

Section 1.8 "Condominium" shall mean the horizontal property regime created by this Declaration and shall, upon the addition of phases as provided herein, automatically be expanded to include the properties incorporated under the subsequent phases. It is contemplated that each phase will add several buildings, with either two or four dwelling units per building, to the Condominium.

Section 1.9 "Condominium Common Area(s)" shall mean all Condominium Common Areas described in [Article 6](#).

Section 1.10 "Condominium Limited Common Area" shall mean those Condominium Limited Common Areas as provided in [Article 7](#).

Section 1.11 "Covenants" shall mean the covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations and easements, if any, set forth herein.

Section 1.12 "Declarant" shall mean Pope Resources, A Delaware Limited Partnership, organized under the laws of the State of Delaware, its successors and assigns, but only if such successors or assigns should acquire all or substantially all of Inner Harbor Village Condominium for the purpose of development. For purposes of this Declaration, and except where all or substantially all of Inner Harbor Village Condominium is involved, no individual, corporation, trust, partnership or other entity who or which has purchased a dwelling unit within Inner Harbor Village Condominium from Declarant, or whose title to such dwelling unit is derived from a person who has purchased a dwelling unit from Declarant, shall be deemed a successor or assign of Declarant.

Section 1.13 "Developer" shall mean and refer to Pope Resources, A Delaware Limited Partnership, and its successors and assigns, as set forth herein.

Section 1.14 "Development Period" shall mean that period commencing with the: recording of this Declaration and terminating upon the first to occur of (i) three (3) years from such commencement date; or (ii) written notice from Declarant to the Inner Harbor Village Condominium Association of termination of the Development Period.

Section 1.15 "Dwelling Unit" shall mean a residential unit composed of a suite of rooms and other enclosed spaces in a building. The boundaries of a dwelling unit are the unfinished interior surfaces of its perimeter walls, floors, ceilings, windows and doors, and the dwelling unit includes both the portions of the building so described and the air space so encompassed.

Section 1.16 "First Mortgage and First Mortgagee" shall mean, respectively (a) a recorded mortgage or deed of trust on a dwelling unit that has legal priority over all other mortgages or deeds of trust thereon; and (b) the holder of a first mortgage or deed of trust.

Section 1.17 "Governing Documents" shall mean the Articles of Incorporation and Bylaws of the Inner Harbor Village Condominium Association; the Master Declaration; this Declaration; and any applicable Inner Harbor Village Condominium Association rules and regulations, as from time to time may be amended.

Section 1.18 "Government Mortgage Agency" shall mean the Federal Housing Administration, the Veterans Administration, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association or the Federal National Mortgage Association or any similar entity, public or private, authorized, approved or sponsored by any governmental agency to insure, guarantee; make or purchase mortgage loans.

Section 1.19 "Inner Harbor Village Condominium" may include the property described in Exhibit A. , together with all subsequent property that the Declarant declares to be part of this condominium and subject to this Declaration.

Section 1.20 "Inner Harbor Village Condominium Association" shall mean the Washington non-profit corporation organized, or to be organized, by Declarant to administer and enforce this Declaration and to exercise all rights, powers and duties set forth in this Declaration, its successors and assigns.

Section 1.21 "Inner Harbor Village Condominium Association Rules" shall mean the rules and regulations for Inner Harbor Village Condominium adopted by the Board of Directors of the Inner Harbor Village Condominium Association

Section 1.22 "Interior Surfaces" where used in defining the boundaries of a dwelling unit or limited common area, shall not include paint, wallpaper, paneling, carpeting, tiles or other such decorative surface coverings or finishes. Said decorative finishes and coverings, along with fixtures and other tangible personal property (including furniture,

planters, mirrors, and the like) located in and used in connection with said dwelling unit or limited common area, shall be deemed a part of said dwelling unit or limited common area.

Section 1.23 "Master Association" shall mean the Washington non-profit corporation to be organized by Declarant to administer and enforce the Covenants and to exercise all rights, powers and duties set forth in the Master Declaration, its successors and assigns.

Section 1.24 "Master Declaration" shall mean the South Bay Master Declaration of Covenants, Conditions, Restrictions, Assessments, Charges, Servitudes, Liens, Reservations and Easements, which is binding upon all properties and dwelling units within Inner Harbor Village Condominium, as well as other properties within South Bay.

Section 1.25 "Member" shall mean any person holding a Membership in the Inner Harbor Village Condominium Association pursuant to this Declaration and without exception shall mean and refer to each Owner, including the Declarant, of a dwelling unit that is subject to assessment. Membership in the Inner Harbor Village Condominium Association shall be appurtenant to, and may not be separated from ownership of a dwelling unit.

Section 1.26 "Membership" shall mean a Membership in the Inner Harbor Village Condominium Association.

Section 1.27 "Occupant" shall mean any person, other than an Owner, in rightful possession of a dwelling unit within Inner Harbor Village Condominium.

Section 1.28 "Owner" shall mean the record owner of a fee simple interest in any dwelling, but excluding others who hold such title merely as security. A purchaser of a dwelling unit under a real estate contract shall be deemed an Owner hereunder, not the seller of said dwelling unit. An Owner shall include any person who holds record title to dwelling unit in joint ownership with any other person or holds an undivided fee interest in any dwelling unit.

Section 1.29 "Property" shall mean the land within Inner Harbor Village Condominium, as described in Exhibit A. Upon the addition of subsequent phases, the meaning of the word shall automatically include not only the original Phase I, but also all additional land included in the condominium by means of an Amended Declaration.

Section 1.30 "Resident" shall mean:

- (a) An Owner actually residing in a dwelling unit;
- (b) Members of the immediate family of each Owner and actually living in the same household in Inner Harbor Village Condominium with such Owner; or
- (c) Tenants/Renters.

Section 1.31 "Single Family" shall mean a group of one or more persons each related to the other by blood, marriage or legal adoption, or a group of not more than four (4) persons not all so related, who maintain a common household in a dwelling unit. For purposes herein, "single family" shall also include a corporation, partnership, or other entity that owns a dwelling unit for use by its directors, shareholders, employees, guests, and invitees.

Section 1.32 "Special Assessment" shall mean any assessment levied and assessed pursuant to the Special Assessment provisions of Article 16.

Section 1.33 "Survey Map and Plans" shall mean the survey map and the plans recorded simultaneously with this Declaration and any amendments, corrections, and addenda thereto subsequently recorded. Upon the addition of subsequent phases, the term shall automatically be expanded to include the foregoing and also the survey map and plans then recorded for each successive phase and any amendments, corrections and addenda thereto subsequently recorded.

Notwithstanding anything to the contrary contained herein, some of the terms defined above are also defined in the Horizontal Property Regimes Act and the Washington Condominium Act. The definitions in this Declaration are not

intended to limit or contradict the definitions of either Statute. If there is any inconsistency or conflict, the definitions in the Statute(s) will prevail.

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ARTICLE 2

PROPERTY SUBJECT TO THE DECLARATION

Section 2.1 General Declaration. Declarant proposes to develop Inner Harbor Village Condominium in several phases. The first phase will be subject to this Declaration upon recording. All dwelling units within Inner Harbor Village Condominium are hereby declared to be expressly subject to the Master Declaration recorded by Declarant, which Master Declaration is incorporated herein by this reference and made a part hereof as though fully set forth herein.

The Master Declaration and this Declaration are declared to be in furtherance of a general plan for the overall improvement of the various development components of Inner Harbor Village-and are established for the purpose of enhancing and perfecting the value, desirability and attractiveness of Inner Harbor Village and every portion thereof. The Master Declaration and this Declaration, as either may be hereafter modified or amended, shall run with the Inner Harbor Village Condominium property described in Exhibit A, and any other property subjected to this Declaration by Declarant, and shall be binding and inure to the benefit of Declarant, the Inner Harbor Village Condominium Association, and all Owners, Residents and Occupants, their successors and assigns, in Inner Harbor Village Condominium. Nothing in this Declaration shall be construed to prevent Declarant from dedicating or conveying portions of Inner Harbor Village Condominium, including, but not limited to, condominium common areas, streets, roadways and easements to any governmental entity or other individual or entity for other uses or purposes.

Section 2.2 Inner Harbor Village Condominium Association Bound. Upon issuance of a Certificate of Incorporation by the State of Washington, the Covenants contained in the Master Declaration and this Declaration, as may be hereafter modified or amended, shall be binding upon and shall benefit the Inner Harbor Village Condominium Association.

Section 2.3 Superseded Declaration. With the exception of the Master Declaration, this Declaration supersedes and is made in full substitution for any prior covenants, conditions or restrictions which may have been imposed on Inner Harbor Village Condominium by Declarant or any of its predecessors in interest.

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ARTICLE 3

DEVELOPMENT IN PHASES

Section 3.1 Additional Phases. It is intended that this condominium be developed in phases. Declarant expects to complete several additional phases, but is not required to do so. Initially, phase 1 will be included in the Inner Harbor Village Condominium. For each subsequent phase following Phase 1, the Declarant shall execute and record an amendment to this Declaration stating that said subsequent phase (including the subsequent phase land, and all dwelling units, buildings and other improvements thereon) is included within the Inner Harbor Village Condominium. If all addition phases do not in fact occur, then the first phase, and any additional phases completed and subject to this Declaration, as amended, shall constitute a complete and fully operational condominium. All or any part of the property set forth in any Exhibits as additional phases, which are not actually developed or subjected to this Declaration, as amended, may be used for any lawful purpose by the Declarant. As additional phases do occur, and are subjected to this Declaration, as amended, then all completed phases combined shall constitute one complete fully operational condominium. Owners in a prior phase will utilize the condominium common areas and facilities for the subsequent phases and also share in the overall expense of the entire Inner Harbor Village Condominium.

Declarant shall complete subsequent phases in accordance with the plans and specifications prepared from time to time

by Declarant's architect. Improvements within subsequent phases will be reasonably consistent with improvements in prior phases in terms of quality of construction.

Section 3.2 Joint Use of Common Areas. When additional phases are completed and subjected to this Declaration, as amended, then the condominium common areas as defined in Article 6 shall include those in all phases completed and subject to this Declaration, as amended, and the definition of condominium limited common areas, as set forth in Article 7., shall include those in all completed phases.

Section 3.3 Phase Percentages. The percentage of undivided ownership in the condominium common area is set forth in Exhibit B for all dwelling units initially subject to this Declaration. This percentage is computed by taking as a basis the value of the dwelling unit in relation to the value of the "Property" as defined in RCW 64.32.010(14). As set forth in Exhibit B, the same formula shall be utilized to recompute the percentage of undivided ownership in the condominium common area in the event that additional dwelling units and property are added to the condominium as contemplated. Upon completion of additional dwelling units, and inclusion in the condominium development, the percentage of each dwelling unit within the condominium development will be recomputed in accordance with the above formula. The Amended Declaration adding additional dwelling units shall set forth the recomputed percentage for each dwelling unit within the Inner Harbor Village Condominium.

Section 3.4 Assessments Based On Percentage For Phasing. All Assessments provided for in Article 16, or otherwise provided for in this Declaration, shall initially be based upon the percentage of ownership shown in Exhibit B for Phase 1. Assessments after the inclusion of additional dwelling units shall be based upon the schedule of percentage of ownership as set forth in Exhibit B for the total number of dwelling units then included within Inner Harbor Village Condominium. The Declarant or Board of Directors may upon inclusion of any additional dwelling units to the condominium recompute the budget and the assessments, and impose the revised assessments

Section 3.5 Easements And Restrictions for Benefit of Additional Phases. There is hereby reserved to the Declarant, its employees, agents, representatives and assigns, an easement for access, construction, placement, maintenance and improvement of utilities and drainage over, under and across any portion of Inner Harbor Village Condominium, as described in Exhibit A, which is subject to this Declaration; as amended, together with easements in roadways and utility lines specified or established within Inner Harbor Village Condominium, along with the right to connect thereto for the purpose of completing any additional phase. The Declarant shall bear the cost of tie-ins to said utilities, drainage and roads, and will not connect in any manner that impairs or significantly reduces the quality of the existing services to any completed phases.

Section 3.6 Phased Amendment. It is specifically covenanted and agreed that Declarant, upon Declarant's sole signature, and as attorney-in-fact for all dwelling unit Owners with an irrevocable power coupled with an interest, may file an amendment to the Declaration (and to the Survey Map and Plans, if necessary), as provided herein, said amendment to contain and depict such information and data as is necessary to establish a subsequent phase as a part of the Inner Harbor Condominium. Such amendment will not require the consent of any other owner other than the Declarant so long as the percentage of undivided ownership in the condominium common areas remains consistent for the additional dwelling units with the schedule attached hereto as Exhibit B. The proposed location and configuration of the dwelling units and buildings may be changed.

The amended declaration shall declare the number of buildings and dwelling units in the additional phase and shall declare that the additional phase is subject to all provisions of the Governing Documents. In addition, the amended Declaration shall show the percentage of ownership in condominium common areas for the combination of all phases. Upon recording the amended declaration, survey map and plan, if necessary, the dwelling units and condominium common areas of the additional phase being added shall be integrated into and combined with all combined with all other completed phases and shall be a single condominium to the same effect as though they had been initially established as a single phase condominium.

Section 3.7 Protection Against Liens. Prior to recording amendments to the Declaration for addition of phases, the Declarant shall ensure that no lien, mortgage or other encumbrance arising out of the development of the additional phase shall be or remain a charge against the property, including the condominium common areas, in said phase.

Moreover, no lien, mortgage, or encumbrance arising out of development of any additional phase shall, under any circumstances, become a charge against the dwelling unit, condominium limited common areas, or condominium common areas of any part of a previously completed phase.

Section 3.8 Limitation on Declarants Rights. In order for Declarant to exercise its right to include additional phases as a part of this condominium, construction of the improvements for all additional phases shall be commenced within four years from the date of recording of this Declaration.

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ARTICLE 4

DESCRIPTION OF BUILDINGS

Section 4.1 Number and Location of Building. The first phase of the condominium will consist of 2 buildings, containing 6 dwelling units. The buildings are situated on the land described in Exhibit A hereto. Upon completion of all contemplated phases, there may be 18 buildings, containing 58 dwelling units. The additional buildings are intended to be situated on the Property identified on the survey may as "Phase 2" and "Future Phase". However, with the exception of Phase 2, construction of the additional phases is at the discretion of Declarant.

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ARTICLE 5

BUILDING AND DWELLING UNIT DESCRIPTION

Each Building in phase 1 initially subject to this Declaration is described in Exhibit C, including (1) the number of stories and basements, if any; (2) the number of dwelling units; and (3) the principal materials of which it is constructed. In addition, each dwelling unit initially subject to this Declaration is also described in Exhibit C, including (1) the number of each dwelling unit; (2) location; (3) approximate area; and (4) number of rooms.

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ARTICLE 6

CONDOMINIUM COMMON AREAS

Section 6.1 Description of Condominium Common Areas.

Condominium common areas are hereby conveyed and designated for common ownership solely by the Owners of dwelling units in Inner Harbor Village Condominium. The condominium common areas and facilities consist of those specified in the Horizontal Property Regimes Act, and Washington Condominium Act including and together with the following:

- (a) The land described in Exhibit A, together with additional land subsequently included within the condominium development;
- (b) The roofs, foundations, studding, joists, beams, supports, main walls (excluding non-bearing interior partitions of dwelling unit, if any), and all other structural parts of the buildings, to the unfinished interior surfaces of the dwelling unit's perimeter walls, floors, ceilings, windows and doors; that is, to the boundaries of the dwelling units as the boundaries are defined in the Statutes, and any replacements thereto, provided that the term "interior surfaces" shall not include paint, wallpaper, carpeting, tiles, or other such decorative surface covering or finishes;
- (c) Installation of central services such as power, light, cold water, pipes, conduits and wires, wherever they

may be located whether in partitions or otherwise, tanks, pumps, motors, fans, compressors, ducts; and, in general, all apparatus and installations existing for common use;

(d) The grounds, trees, gardens, landscaped areas, exterior fixtures, crawl spaces stairways, and walkways.

(e) The parking spaces not made condominium limited common areas appurtenant to dwelling units pursuant to Article 10;

(f) All other parts of the property necessary or convenient to its existence, maintenance and safety, or normally in common use;

Section 6.2 Easements of Enjoyment and Use. The condominium common areas outside the buildings within Inner Harbor' Village Condominium are hereby declared to be for the exclusive use and enjoyment of the Owners, Residents, Occupants and Guests of Inner Harbor Village Condominium, subject to this Declaration and the rights of the Inner Harbor Village Association as set forth herein. Every Owner, Resident, Occupant and Guest of the Inner Harbor Village Condominium Association, shall have a non-exclusive right and easement of enjoyment in and to the condominium common areas and facilities, outside the buildings (except the condominium limited common areas reserved for specific dwelling units) in common with all other Owners, Residents, Occupants and Guests, which easement shall be appurtenant to and shall pass with the title to every dwelling unit subject to the following provisions:

6.2.1 The right of the Inner Harbor Village Condominium Association to suspend the voting rights and right to use of the condominium common areas, to the extent allowed by Washington law, by any Owner, or those claiming a right through such Owner, (i) for any period during which any Assessment against such Owner's dwelling unit remains delinquent; (ii) for a period not to exceed sixty (60) days for any infraction of this Declaration or the Inner Harbor Village Condominium Association Rules; and (iii) for successive sixty (60) day periods if such infraction is not corrected during any prior sixty (60) day suspension period;

6.2.2 The right of the Inner Harbor Village Condominium Association to dedicate, grant or transfer such permits, licenses and easements for utilities, roads and/or other purposes consistent with the intended uses of the property within Inner Harbor Village Condominium subject to this Declaration or as otherwise provided in this Declaration, and reasonably necessary or desirable for the proper use, maintenance or operation of any portion of Inner Harbor Village Condominium, and which do not have any substantial adverse effect on the Members' use and enjoyment of the property within Inner Harbor Village Condominium ;

6.2.3 The right of the Inner Harbor Village Condominium Association to regulate the use of the condominium common areas and condominium limited common areas through the Inner Harbor Village Condominium Rules and to prohibit access to those areas, such as structural components, heating and ventilating systems, and other such condominium common areas and condominium limited common areas, not intended for general use by Members. The Inner Harbor Village Condominium Rules are intended to enhance the preservation of Inner Harbor Village Condominium for the safety and convenience of the users thereof and shall serve to promote the best interests of the Owners, Residents and Occupants of Inner Harbor Village Condominium;

6.2.4 The right of the Inner Harbor Village Condominium Association to close or limit use of the condominium common areas or condominium limited common areas, or portions thereof, while maintaining and/or repairing the same;

6.2.5 The right of Declarant, reserved hereby, to non-exclusive use of all condominium common areas outside buildings for display, sales, promotional, and other purposes deemed useful by Declarant and its agents, representatives and assigns in advertising and/or promoting Inner Harbor Village or the South Bay Community. This right shall permit Declarant to allow unlimited use by guests and prospective customers of all condominium common areas outside buildings and shall terminate at the end of the Development Period;

6.2.6 The right of the Inner Harbor Village Condominium Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the condominium common areas, and with written consent of eighty percent (80%) of the votes of Membership in the Inner Harbor Village Condominium Association, to

mortgage said condominium common area as security for any such loan, subject to all applicable Washington State laws.

Section 6.3 Delegation of Use. Any Owner may delegate, in accordance with the Governing Documents, his right of enjoyment to the condominium common areas to his tenants and guests. Tenants, guests and family members of an Owner may use the condominium common areas only in accordance with the Governing Documents, which may limit the number of guests who may use the condominium common areas and otherwise restrict usage. The Board of Directors may also promulgate rules and regulations limiting the use of the condominium common areas by co-owners with respect to any dwelling unit in co-ownership.

Section 6.4 Limitation By Statute. Notwithstanding anything to the contrary contained herein, use of the condominium common areas shall be restricted in any way mandated by Washington State law, including the Horizontal Property Regimes Act and/or the Washington Condominium Act, whichever is applicable at the time, and as either may be amended from time to time.

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ARTICLE 7

CONDOMINIUM LIMITED COMMON AREAS

Section 7.1 Description of Condominium Limited Common Areas. The condominium limited common areas and facilities are reserved for the exclusive use of the dwelling unit(s) to which they are adjacent or assigned, and consist of:

7.1.1 The decks, porches and/or patios adjacent and assigned to each dwelling unit as more particularly shown on the Survey Map and Plans, the boundaries of said decks, porches or patios being defined by the outside edge of the floor, fence or railing enclosing the deck, porch or patio;

7.1.2 The garage immediately adjacent to the dwelling unit as more particularly shown on the Survey Map and Plans, the boundaries of the garage being defined as the interior surfaces of the walls, ceiling and floors;

7.1.3 The driveway immediately adjacent to the dwelling unit as more particularly shown on the Survey Map and Plans, the boundaries of said driveway being defined by the outside edge of the pavement;

7.1.4 The attic space and crawl space adjacent to the dwelling unit as more particularly shown on the Survey Map and Plans; and

7.1.5 The storage area under the entry way adjacent to the dwelling unit as more particularly shown on the Survey Map and Plans.

Section 7.2 Appurtenant to Dwelling Units. The condominium limited common areas are strictly appurtenant to and pass with title to the dwelling unit(s) to which they pertain. Conveyance of a dwelling unit includes the exclusive right to the use of the condominium limited common areas appurtenant to that dwelling unit.

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ARTICLE 8

ACCESS

Each dwelling unit has direct access to a condominium common area walkway of the condominium, thence to parking areas and driveways of the condominium to public streets.

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ARTICLE 9

VALUE OF PROPERTY AND EACH DWELLING UNIT; PERCENTAGE OF UNDIVIDED INTEREST IN CONDOMINIUM COMMON AREAS

The value of phase 1 of the Inner Harbor Condominium is set forth in Exhibit B. The value of each dwelling unit, and the percentage of undivided interest in the condominium common areas appertaining to each dwelling unit initially subjected to this Declaration for all purposes, including voting, is set forth in Exhibit B. Upon the recording of an Amended Declaration to add additional dwelling units, the percentages shall be recomputed as set forth in Article 3 and Exhibit B. The values do not necessarily reflect the amount for which a dwelling unit shall be sold by Declarant, or others, and will not be altered by variations in sales price. The undivided interest in condominium common areas and the fee titles to the respective dwelling units shall not be separated or separately conveyed from its respective dwelling unit even though the description in the instrument of conveyance may refer only to the fee title to the dwelling unit.

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ARTICLE 10

PARKING

Section 10.1 Assignment to Dwelling Unit. Parking spaces, other than condominium limited common areas assigned to specific dwelling units, may either be held for common parking or rented, leased or otherwise utilized at the discretion of the Board of Directors of the Inner Harbor Village Condominium Association, who may adopt rules and regulations within the Inner Harbor Village Condominium Association Rules regulating parking as desired.

Section 10.2 Rental of Parking Spaces. Any rental of parking spaces by the Inner Harbor Village Condominium Association shall be terminable upon 30 days notice.

Section 10.3 Use of Parking Space. Parking spaces may be used for the parking of operable passenger motor vehicles and other vehicles to the extent not prohibited by any Governing Documents, as may be amended from time to time. The Board of Directors may direct, in writing, that any vehicle or other thing improperly parked or kept in a parking space be removed, and if it is not removed within four (4) days, the Board of Directors may cause it to be removed at the risk and cost of the Owner thereof. The written notice provided for herein shall be personally delivered or sent by certified mail to the Owner's address if known. In addition, the Board of Directors, or representative, shall place a written notice on the windshield of the vehicle. No further attempt at notifying the owner of the vehicle shall be required.

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ARTICLE 11

SINGLE FAMILY RESIDENTIAL USE IN INNER HARBOR VILLAGE CONDOMINIUM

Section 11.1 Single Family Residences. The buildings and dwelling units shall be used for single-family residential purposes only, and for the common social, recreational or other reasonable uses incidental thereto. Dwelling units may also be used for purposes associated with operation of the Inner Harbor Village Condominium Association and for management of the condominium. The Board of Directors shall also have the right and power to allow such other uses or purposes as it may from time to time deem appropriate. Use of all dwelling units shall be in accordance with, and subject to, the limitations and rules set forth in all Governing Documents as may be amended from time to time.

Notwithstanding anything to the contrary herein, Declarant shall also have the right and power to use said dwelling

units it owns for purposes it deems appropriate for promotion of sales, such as a sales office or model units.

Section 11.2 Tenants. The entire dwelling unit may be let to a single family tenant from time-to-time by the Owner, providing such tenancy shall not be less than six (6) consecutive months to the same tenant. No subletting shall be allowed. All leases and rental agreements for individual dwelling units shall be in writing and specifically shall be subject to each and every requirement covenant, conditions and restriction of the Governing Documents, and that any failure by the tenant to comply with the terms of the Governing Documents shall be a default under the lease or rental agreement and that the Owner grants to the Board of Directors and Managing Agent the authority to evict the tenant on the Owner's behalf for such default, upon only such notice as is required by law. If any lease or rental agreement does not contain the foregoing provisions, such provisions shall nevertheless be deemed to be a part of the lease and binding upon the Owner and the tenant by reason of inclusion in this Declaration. Neither the Board of Directors, nor the Managing Agent shall be liable to the Owner or the tenant for any eviction under this section that is made in good faith. Copies of all leases and rental agreements shall be delivered to the Inner Harbor Village Condominium Association Office prior to commencement of any tenancy.

Section 11.3 Master Declaration Land Use Covenants. Notwithstanding anything to the contrary herein, all dwelling units, to the extent applicable, are subject to all provisions of the Master Declaration, including those provisions relating to Land Use set forth in Article 4 thereof, as may be amended from time to time.

Section 11.4 Pets. In addition to the provisions contained within Paragraph 4.2.2 of the Master Declaration, no Pets (as defined in said Paragraph 4.2.2) shall be housed or confined outdoors.

Section 11.5 Declarants' Exemption. Nothing contained in this Declaration shall be construed to prevent the erection or maintenance by Declarant, or its duly authorized agents, of any buildings, utilities, structures, improvements or signs necessary or convenient to the development or sale of dwelling units within Inner Harbor Village Condominium.

Section 11.6 Disputes. The Inner Harbor Village Condominium Association shall have jurisdiction over activities permitted within the condominium limited common areas and condominium common areas. All disputes, complaints or matters of change in existing or future use restriction shall be submitted to the Board of Directors for determination, unless otherwise provided in the Master Declaration to be within the authority of the Architectural Review Committee. The decision of the Board of Directors or Architectural Review Committee, as applicable, shall be final.

Section 11.7 Maintenance of Dwelling Units, Condominium Limited Common Areas and Appurtenances.

11.7.1 Each Owner shall, at his sole expense, keep the interior of the dwelling unit and all equipment, appliances and appurtenances in a clean and sanitary condition, free of rodents and pests, and in good order, condition and repair and shall do all redecorating and painting at any time necessary to maintain the good appearance and condition of the dwelling unit. Notwithstanding anything to the contrary in this Declaration, each Owner shall also be responsible for the maintenance, repair, or replacement of any heating and ventilating equipment, plumbing fixtures, water heaters, fans, electrical fixtures, waste disposal and appliances which are in the dwelling unit, condominium limited common areas, or portions of the condominium common areas serving only that dwelling unit. Each Owner shall also replace any exterior or interior glass in the windows of his dwelling unit or condominium limited common area if such becomes cracked or broken.

11.7.2 Each Owner shall be responsible for care, maintenance, cleanliness, and orderliness of the condominium limited common areas that are appurtenant to his dwelling unit. Notwithstanding anything to the contrary, Owners may not modify or in any way alter their respective condominium limited common areas without prior written approval of the Architectural Review Committee.

11.7.3 Each Owner, Resident or Occupant shall be responsible for any damages to other dwelling units, condominium common areas or condominium limited common areas, which may result from failure to perform required maintenance or acts or omissions of the Owner, Resident or occupant, their family, guests or invitees.

Section 11.8 Internal Structure Changes. An Owner shall not make structural modifications or alterations in his dwelling unit, or installations located therein, without previously obtaining the written consent of the Inner Harbor

Village Condominium Association.

Section 11.9 Exterior Appearance. As provided herein, the Inner Harbor Village Condominium Association shall be responsible for the exterior appearance of the condominium. No Owner may modify or decorate the exterior of any buildings, or screens, doors, awnings, window coverings or other portions of any dwelling unit visible from outside the dwelling unit without the prior written consent of the Inner Harbor Village Condominium Association or in accordance with any existing rules. The Board of Directors is specifically authorized in the Inner Harbor Village Condominium Association Rules to specify a uniform color, material, and/or fabric for any window coverings in a dwelling unit. It is hereby mandated with regard to window coverings that the lining, backing, or other material visible from the exterior of a dwelling unit shall be white.

Section 11.10 Effect on Insurance. Nothing shall be done or kept in any dwelling unit or in any condominium limited common area or condominium common area which will increase the rate of insurance on the property without the prior written consent of the Board of Directors. Nothing shall be done or kept in any dwelling unit, condominium limited common area or in any condominium common area which will result in the cancellation of insurance on any part of the property, or which would be in violation of any laws.

Section 11.11 Use of Condominium Common Areas. No Owner shall place or cause to be placed on any condominium common areas, specifically condominium common areas used for transit, such as entry ways and stairways, any furniture, packages or object of any kind, which might impede transit, except by express written consent of the Board of Directors.

Section 11.12 Alteration of Condominium Common Area. With the exception of Declarant, nothing shall be altered or constructed in or removed from any condominium common area or facility, except upon the prior written consent of the Inner Harbor Village Condominium Association and compliance with all procedures required by law.

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ARTICLE 12

ENTRY FOR INSPECTION OR REPAIRS

The Inner Harbor Village Condominium Association or Declarant, their agents, employees or representatives may enter any dwelling unit and/or condominium limited common areas appurtenant thereto to affect repairs, improvements, replacements or maintenance deemed necessary or desirable. Except in cases of great emergency that preclude advance notice, the person or entity seeking entry shall cause the Owner, Resident or Occupant of the dwelling unit to be given notice and an explanation of the need for entry as far in advance of entry as is reasonably practicable. Such entry shall be made with as little inconvenience to the Owners, Residents, and/or Occupants as practicable.

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ARTICLE 13

SERVICE OF PROCESS

Thomas A. Griffin, whose address is 19351 A Eighth Avenue NE, Poulsbo, Washington, is the person upon whom service as provided in the Horizontal Property Regime Act and/or Washington Condominium Act shall be made. After organization of the Inner Harbor Village Condominium Association, service of process for the purposes provided in the statutes shall be made upon the registered agent thereof, as the same may change from time to time.

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ARTICLE 14

ORGANIZATION OF THE INNER HARBOR VILLAGE CONDOMINIUM ASSOCIATION

Section 14.1 Formation of the Inner Harbor Village Condominium Association. The Inner Harbor Village Condominium Association shall be charged with the duties and vested with the powers prescribed by law and set forth in the Governing Documents. The Articles of Incorporation and Bylaws of the Inner Harbor Village Condominium Association shall be adopted by Declarant and/or the Board of Directors. Neither the Articles, nor the Bylaws of the Inner Harbor Village Condominium Association shall, for any reason, be amended or otherwise charged or interpreted so as to be inconsistent with the Master Declaration, this Declaration or Washington law.

Section 14.2 Management By Declarant. Until a date three (3) years from the date of recording this Declaration, or such time as Declarant relinquishes such right, or an earlier time if mandated by Washington law, the Inner Harbor Village Condominium and Association shall be managed and organized as follows, at the discretion of Declarant:

14.2.1 Declarant may at such times as Declarant deems appropriate select as a temporary board three (3) to nine (9) persons who are either employees or representatives of Declarant or who own, or are purchasers of, dwelling units or are officers of corporations owning or purchasing such dwelling units. The Board of Directors shall have the full authority and all rights, responsibilities, privileges and duties to manage the condominium pursuant to the applicable Governing Documents and shall be subject to all provisions thereof.

14.2.2 Until such time as the temporary Board of Directors is selected, Declarant or a managing agent selected by Declarant shall have the power and authority to exercise all the rights, duties and functions of the Board of Directors, including but not limited to, enacting reasonable administrative rules, contracting for required services, acquiring insurance, and collecting and expending all assessments and Association funds. Any such managing agent or the Declarant shall have the exclusive right to contract for all goods and services, payment for which is to be made from any common or maintenance funds.

14.2.3 These requirements and covenants are made in order to assure that the property and condominium will be adequately administered in the initial phases of development.

14.2.4 Declarant shall have all of the powers and rights of the Board of Directors and Association as set forth in subparagraph 14.3 hereof during the Development period.

Section 14.3 Management by Board of Directors. At the expiration of such three (3) year period or before at the election of Declarant or as provided by law, all administrative power and authority shall vest in a Board of Directors and such officers as the Board of Directors may elect or appoint in accordance with the Inner Harbor Village Condominium Association's Articles of Incorporation and Bylaws as the same may be amended from time to time. The Board of Directors shall be composed of at least three (3) and no more than nine (9) members.

The Inner Harbor Village Condominium Association, through the Board of Directors, shall have the powers and authorities permitted by Washington State law, this Declaration, the Articles of Incorporation and the Bylaws, and shall acquire and pay for out of the Assessments provided for herein, to the extent available, all goods and services requisite to the proper functioning of the condominium, including, but not limited to the following:

14.3.1 Providing for all utilities and other services deemed necessary or desirable by the Board of Directors with regard to the condominium common areas.

14.3.2 Maintaining and landscaping, if applicable, the condominium common areas outside the buildings and other properties controlled by the Inner Harbor Village Condominium Association, including roads or streets, private driveways and parking areas, and storm water and drainage control systems, including, but not limited to, catch basins, piping, conveyance facilities, retainage and detainage ponds and oil separators within property then comprising Inner Harbor Village Condominium, which is subject to this Declaration;

14.3.3 Maintaining the exterior appearance of all buildings within Inner Harbor Village Condominium, which maintenance shall be limited to (1) painting; (2) roof repair and replacement; (3) gutters and downspouts; (4) siding repair and replacement; (5) exterior window cleaning; and (6) water lines from exterior of building to water meter.

14.3.4 Operating, maintaining (including insuring at the discretion of the Board of Directors) and rebuilding, if necessary, signs, monuments, walls, fences, and other improvements originally constructed by Declarant or the Inner Harbor Village Condominium Association within property comprising Inner Harbor Village Condominium property, condominium common areas and/or easements granted to the Inner Harbor Village Condominium Association, if any;

14.3.5 Paying real estate taxes, assessments and other charges on real estate within the Inner Harbor Village Condominium, including condominium common areas, to the extent not already taxed to the individual Owners;

14.3.6 Insuring all improvements which the Inner Harbor Village Condominium Association is obligated to maintain against damage by casualty as the Board of Directors deems appropriate;

14.3.7 Hiring, firing, supervising, and paying employees and independent contractors to carry out the obligations of the Inner Harbor Village Condominium Association as set forth herein;

14.3.8 Maintaining liability insurance and bonds to protect the Inner Harbor Village Condominium Association and the Board of Directors from any liability caused by occurrences or happenings on or about the condominium common areas or other property in Inner Harbor Village Condominium (including, but not limited to, errors and omissions insurance for the Board of Directors);

14.3.9 Maintaining workmen's compensation insurance for all employees of the Inner Harbor Village Condominium Association;

14.3.10 Purchasing goods, supplies, labor, and services reasonably necessary for the performance of the obligations set forth herein;

14.3.11 Establishing and maintaining such cash reserves, if any, as the Board of Directors may, in its sole discretion, deem reasonably necessary for the maintenance and repair of the condominium common areas and other Inner Harbor Village Condominium Association property, including, but not limited to, establishment and maintenance of an asset replacement fund;

14.3.12 Obtaining legal and accounting services deemed desirable for the proper operation of the affairs of the Inner Harbor Village Condominium Association, or the enforcement of this Declaration;

14.3.13 Entering into such agreements and taking such actions as are reasonably necessary and convenient for the accomplishment of the obligations set forth in this Declaration and the Governing Documents including but not limited to, the maintenance of all common areas, buildings, parking lots and, other amenities within Inner Harbor Village Condominium; and

14.3.14 Such other matters and powers as are provided under (1) the Articles of Incorporation and Bylaws; and (2) Washington State law, as may be amended from time to time, for a non-profit corporation or condominium homeowners association.

Section 14.4 The Inner Harbor Village Condominium Association Rules. The Board of Directors shall be empowered to adopt, amend, or repeal such Inner Harbor Village Condominium Association Rules as it deems reasonable and appropriate, which shall be binding upon all persons and entities subject to this Declaration, whether Members of Inner Harbor Village Condominium Association or not; provided, however, that the Inner Harbor Village Condominium Association Rules shall not discriminate among Members and shall not be contrary to or inconsistent with the other Governing Documents. The Inner Harbor Village Condominium Association Rules may also include the establishment of a system of fines and penalties for enforcement of such Rules and may, further, be established, modified or amended at any special or regular meeting of the Board of Directors.

The Inner Harbor Village Condominium Rules are deemed incorporated herein by this reference and shall have the same force and effect as if they were set forth in and were part of this Declaration and shall be binding on all persons

or entities having any interest in, or making any use of, any part of the common areas or any other property within Inner Harbor Village Condominium, whether or not Members of the Inner Harbor Village Condominium Association and whether or not copies of the Inner Harbor Village Condominium Association Rules are actually received by such persons or entities. Said Rules, as adopted, amended, modified or repealed shall be available for review at the principal office of the Inner Harbor Village Condominium Association, or such other location within South Bay as designated by the Board of Directors, to each person or entity reasonably entitled thereto. In the event of a conflict between any provisions of the Inner Harbor Village Condominium Association Rules and any provisions of the Master Declaration or this Declaration, the provisions of the Inner Harbor Village Condominium Association Rules shall be deemed to be superseded by the provisions of the Master Declaration and this Declaration to the extent of any such conflict. Any monetary penalties or fines imposed by the Inner Harbor Village Condominium Association Rules shall be treated as an Assessment which may become a lien against the Members' dwelling unit and enforceable in accordance with the provisions for enforcement set forth herein and/or any other remedies available under Washington law, as adopted or amended hereafter.

Section 14.5 Non-Liability of, Officials and Indemnification. To the fullest extent permitted by Washington State law, Declarant, and every Director, Officer, Committee Member, Manager(s), or other employees of the Inner Harbor Village Condominium Association and of the Declarant, shall not be personally liable hereunder to any Member, or to any other person or entity, including the Inner Harbor Village Condominium Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error, or negligence and shall be indemnified and defended by the Inner Harbor Village Condominium Association; provided, however, the provisions set forth in this Section 14.5 shall not apply to any person who has failed to act in good faith or has engaged in willful or intentional misconduct.

Section 14.6 Managing Agent. The Declarant during the Development Period, or Inner Harbor Village Condominium Association thereafter, through its Board of Directors, is authorized to employ a managing agent or other persons and to contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Inner Harbor Village Condominium Association. The Declarant during the Development Period, or Inner Harbor Village Condominium Association thereafter, through its Board of Directors, is also expressly authorized to enter into one or more management agreements with third parties in order to facilitate efficient operations and to carry out its obligations. It shall be the primary purpose of such management agreement(s) to provide for the administration, management, repair, and maintenance of the condominium common areas and other property within Inner Harbor Village Condominium, to the extent provided herein, and to assess, collect and apply the Assessments, and to enforce this Declaration.

The terms of the management agreement shall be as determined by the Board of Directors to be in the best interest of the Inner Harbor Village Condominium Association, and shall be subject to the Governing Documents. Any management agreement shall not exceed a term of one (1) year unless the terms thereof have been approved by a majority vote of the Inner Harbor Village Condominium Association, but may be renewed by agreement of the parties for successive one (1) year periods and shall provide for termination by either party with or without cause and without payment of a termination fee upon ninety (90) days' written notice; provided, however, that the Inner Harbor Village Condominium Association may terminate the agreement for cause immediately upon thirty (30) days' written notice, and provided further, that in the event of misconduct, the Inner Harbor Village Condominium Association may terminate the agreement immediately with no notice whatsoever.

The Inner Harbor Village Condominium Association is expressly authorized to contract with Declarant, or an affiliate, representative or company involving some or all of the same individuals as Declarant, in order to provide management, utilities and/or maintenance services or to perform any other duties of the Inner Harbor Village Condominium Association or the Board of Directors. Each Owner, Resident, and Occupant shall be bound by the terms and conditions of all management agreements entered into. A copy of all management agreements shall be available to each Owner upon request at the Inner Harbor Village Condominium Association Office, or such other location within South Bay as designated by the Board of Directors.

Section 14.7 Records and Accounting. The Inner Harbor Village Condominium Association shall keep, or cause to be kept, true and correct books and records. Financial statements for the Inner Harbor Village Condominium Association

shall be regularly prepared and available at the Inner Harbor Village Condominium Association Office, or such other location within Inner Harbor as designated by the Board of Directors, to all members as follows:

14.7.1 Within thirty (30) days after adoption of any proposed budget for the Inner Harbor Village Condominium, the Board of Directors shall provide a summary of the budget to all dwelling unit owners and shall set a date for a meeting of the dwelling unit owners to consider ratification of the budget not less than fourteen (14), nor more than sixty (60) days after mailing of the summary.

14.7.2 An annual report shall be available for distribution within one hundred twenty (120) days after the close of the fiscal year consisting of a balance sheet as of the end of the fiscal year, an operating (income) statement for the fiscal year, and a statement of changes in financial position for the fiscal year.

14.7.3 Unless required by Washington law, the annual report need not be prepared by an independent accountant, but it shall be accompanied by the certificate of an authorized Officer of the Inner Harbor Village Condominium Association that the statements were prepared without audit from the books and records of the Inner Harbor Village Condominium Association. If required by Washington law, the Inner Harbor Village Condominium Association shall provide a formal audit or other accounting requirements.

Section 14.8 Inspection of Books and Records. The Membership register, books of account and minutes of meetings of the Members, of the Board of Directors, and of Committees of the Board of Directors, shall be made available for inspection and copying by any Member at any reasonable time at the office of the Inner Harbor Village Condominium Association, or at such other place within South Bay as the Board of Directors shall prescribe. The Board of Directors may establish reasonable rules with respect to: (1) Notice to be given to the custodian of the records by the Member desiring to make the inspection; (2) hours and days of the week when such an inspection may be made; and (3) payment of the cost of reproducing copies of documents requested by a Member. Every Director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Inner Harbor Village Condominium Association and the physical properties owned or controlled by the Inner Harbor Village Condominium Association.

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ARTICLE 15

MEMBERSHIPS AND VOTING

Section 15.1 Dwelling Unit Owners. Every fee Owner of a dwelling unit, including Declarant, shall be a Member of the Inner Harbor Village Condominium Association. If any dwelling unit has been sold on contract, the contract purchaser shall exercise the rights of the Owners for purposes of the Inner Harbor Village Condominium Association. Membership shall be appurtenant to and may not be separated from ownership of the dwelling unit to which the Membership is attributable. There shall be only one Membership for each dwelling unit, which Membership shall be shared by all Owners of an interest therein.

Section 15.2 Declarant. Declarant shall be a Member of the Inner Harbor Village Condominium Association for so long as it owns any dwelling units, or a period of four years from recording this Declaration, whichever is longer; providing that Declarant may terminate membership at any time that it no longer owns any dwelling units within Inner Harbor Village Condominium.

Section 15.3 Voting. The total voting power of all Owners shall be one hundred (100) votes and the total number of votes available to Owners of any one (1) dwelling unit shall be equal to the percentage of undivided interest in the condominium common areas and facilities as set forth in Exhibit B.

Section 15.4 Right to Vote. The right to vote in Inner Harbor Village Condominium Association matters shall be subject to the following conditions:

15.4.1 No change in a Membership, resulting from a sale of a dwelling unit, shall be effective for

voting purposes unless and until the Board of Directors is given actual written notice of such change. If any Member casts a vote, it will thereafter be conclusively presumed for all purposes that said Member was acting with the authority and consent of all Owners of the Membership unless objection thereto is made at the time the vote is cast.

15.4.2 Any mortgagee who acquires title to a dwelling unit pursuant to a judgment, foreclosure or a trustee sale shall automatically become entitled to exercise all voting rights which the Owner of said dwelling unit would otherwise have had; providing that said Mortgagee notifies the Board of Directors of said changes as provided in Subsection 15.4.1. herein.

15.4.3 If any lender to whom Declarant has assigned, or hereafter assigns, as security, all or substantially all of its rights under this Declaration succeeds to the interests of the Declarant by virtue of said assignment, the absolute voting rights of the Declarant as provided herein shall not be terminated thereby, and such lender shall hold the Declarant Membership and voting rights on the same terms as they were held by Declarant.

Section 15.5 Transfer of Membership. The rights and obligations of Membership in the Inner Harbor Village Condominium Association shall not be assigned, transferred, pledged, conveyed or alienated in any way except upon conveyance of an Owner's dwelling unit by contract or deed, intestate succession, testamentary disposition, foreclosure of a mortgage or deed of trust, or other legal process pursuant to the laws of the State of Washington or the United States.

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ARTICLE 16

COVENANT FOR ASSESSMENTS AND CREATION OF LIEN

Section 16.1 Creation of Lien and Personal Obligation of Assessments. The Declarant, for each dwelling unit hereinafter established within Inner Harbor Village Condominium, hereby covenants and agrees, and each Owner by acceptance of a deed or contract therefore (whether or not it shall be so expressed in such deed or contract) is deemed to covenant and agree to pay to the Inner Harbor Village Condominium Association the following Assessments established hereunder: (i) Annual Assessments; and (ii) Special Assessments for capital improvements or other extraordinary expenses or costs. The Annual and Special Assessments, together with interest, costs and reasonable attorneys' fees, shall be joint and several personal debts and obligations of the Owner(s) and contract purchasers of dwelling units for which the same are assessed as of the time the Assessment is made and shall be collectible as such. The amount of any Annual or Special Assessment assessed to any dwelling unit and the Owner and/or purchaser thereof, plus interest and costs, including reasonable attorneys' fees, shall be a lien upon such dwelling unit, the appurtenant limited common areas and the exclusive use thereof. The lien for payment of said Assessments shall have priority over all other liens and encumbrances, recorded or unrecorded, except as may be otherwise limited by Washington State law. Suit to recover a money judgment for unpaid Assessments shall be maintainable without foreclosure or waiving the lien securing the same.

Section 16.2 Annual Assessments. In order to provide for the operation and maintenance of the Inner Harbor Village Condominium Association, including the establishment of replacement and maintenance reserves, the Board of Directors in each year, commencing in 1990, shall assess an Annual Assessment against each dwelling unit where there has been issued an Occupancy Permit for sixty (60) days or more. Each dwelling unit shall be responsible for paying the Annual Assessment or a pro rata share thereof, based upon the number of months remaining in the Association's fiscal year. The amount of the Annual Assessment shall be established by the Board of Directors, but shall be determined with the objective of fulfilling the Inner Harbor Village Condominium Association's obligations under this Declaration. If the amount assessed hereunder as an Annual Assessment in any year should be determined insufficient by the Board of Directors to meet the requirements of the Inner Harbor Village Condominium Association, then, subject to the maximum limitations for Assessments herein, the Board of Directors may levy a Supplemental Annual Assessment assessed to the Owners in like proportions as the Annual Assessment for the sole purpose of meeting the anticipated deficiency.

Section 16.3 Uniform Rate of Assessment. The amount of any Annual or Special Assessment shall be determined for

each dwelling unit based upon the percentage of undivided ownership in the condominium common areas. Annual Assessments shall be collected in advance on a monthly, quarterly, or annual basis at the discretion of the Board of Directors. Special Assessments may be collected as specified by the Board of Directors unless otherwise determined by resolution of the Members of the Inner Harbor Village Condominium Association approving the Special Assessment at the meeting approving the Special Assessment.

Section 16.4 Maximum Annual Assessment. The initial Annual Assessment year shall commence on the sixtieth (60th) day following the issuance of the first Occupancy Permit for a dwelling unit within Inner Harbor Village Condominium, and each subsequent Annual Assessment year shall correspond with the fiscal year of the Inner Harbor Village Condominium Association. The Annual Assessment to be established by the Board of Directors may not exceed a certain amount (the "Maximum Annual Assessment") determined in accordance with the following provisions:

16.4.1 During the initial Annual Assessment year, the Maximum Annual Assessment against each dwelling unit shall be \$1,464.00 per year (\$122.00/month).

16.4.2 Effective with commencement of the first full fiscal year (which is the fiscal year commencing after the initial Assessment) and continuing through the fifth (5th) full fiscal year, the Maximum Annual Assessment may be increased by the Board of Directors without a vote of this Membership by a maximum of twenty percent (20%) over the previous year's Annual Assessment. Any such increase shall be effective at the beginning of each fiscal year. Beginning with the sixth (6th) full fiscal year, and each subsequent fiscal year thereafter, the Maximum Annual Assessment may be increased by the Board of Directors without a vote of the Membership by a maximum amount equal to the greater of either (1) five percent (5%) over the previous year's Annual Assessment, or (2) the percentage increase in the Consumer Price Index, Seattle/Everett Metropolitan Area (or such other closest geographic area available), published by the Department of Labor, Washington, D.C., or successor governmental agency, between the first day of the previous full fiscal year and the first day of the current full fiscal year. Any such increase shall be effective at the beginning of each fiscal year.

16.4.3 The Maximum Annual Assessment may only be increased above the amount set forth in Subsection 16.4.2 above, if there is a prior consent of a majority of the outstanding votes of the Membership who are voting in person or by proxy at a meeting duly called for this purpose.

Section 16.5 Special Assessments for Capital Improvements and Extraordinary Expenses. The Inner Harbor Village Condominium Association may levy a Special Assessment for the purpose of defraying, in whole or in part, the cost of any acquisition, construction, reconstruction, repair or replacement of a capital improvement upon any condominium common areas, buildings, structures, fixtures or other improvements within Inner Harbor Village Condominium, or for the purpose of defraying other extraordinary expenses, including increased maintenance expenses; providing, that in any fiscal year the Board of Directors may not, without the vote or written consent of a majority of the outstanding votes of the Membership, levy Special Assessments for that year which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Inner Harbor Village Condominium Association for that fiscal year. Nothing herein shall preclude the Inner Harbor Village Condominium Association from levying Special Assessments that extend over more than one fiscal year. The provisions of this Subsection are not intended to preclude or limit the assessment, collection or use of Annual Assessments for the aforesaid purposes.

Section 16.6 Notice and Quorum. Written notice of any meeting called for the purpose of taking any action under Section 16.4 and 16.5 of this Article shall be sent to all Members not less than thirty (30) days or more than sixty (60) days in advance of the meeting. At any such meeting called, the presence of Members or of proxies entitled to cast twenty five percent (25%) of all the votes (exclusive of suspended voting rights) of the Membership shall constitute a quorum.

Section 16.7 Establishment of Annual Assessment Fiscal Year Period. The Annual Assessment fiscal year for collection of Assessments shall be designated by the Board of Directors.

Section 16.8 Billing and Collection Procedures. The Board of Directors shall have the right to adopt procedures consistent herewith for the purpose of levying and collecting Annual and Special Assessments. The failure of the Inner

Harbor Village Condominium Association to send a bill to a Member shall not relieve any Member of his liability for any Assessment under this Declaration, but the Assessment Lien therefore shall not be foreclosed or otherwise enforced until the Member has been given not less than thirty (30) days' written notice, at the address of the Member on the records of the Inner Harbor Village Condominium Association. Such notice may be given at any time prior to or after delinquency of such payment. The Inner Harbor Village Condominium Association shall be under no duty to refund any payments received by it even though a dwelling unit is sold during an Assessment Period; successor Owners shall be given credit for prepayments, on a prorated basis, made by prior Owners. The Inner Harbor Village Condominium Association may charge new Members who become such during an Assessment Period an administrative fee related to the issuance or reissuance of new Membership cards, if applicable, and updating Membership records.

Section 16.9 Collection Costs and Interest on Delinquent Assessments. Any delinquent installment of Annual or Special Assessment shall bear interest from thirty (30) days after the due date until paid at a uniform rate established by the Board of Directors, which rate shall not exceed the maximum interest rate legally allowed by Washington State. The Member shall be liable for all collection costs, including attorneys' fees incurred by the Inner Harbor Village Condominium Association. The Board of Directors may also record a Notice of Delinquent Assessment against any dwelling unit as to which an Annual or Special Assessment is delinquent and constitutes a lien, and may further establish a fixed fee to reimburse the Inner Harbor Village Condominium Association for its costs associated with recording such notice of lien, processing the delinquency and recording a notice of payment, which fixed fee shall be treated as a collection cost of the Inner Harbor Village Condominium Association secured by the Assessment lien.

Section 16.10 Evidence of Payment of Annual and Special Assessments. Upon receipt of a written request by a Member or any other person, the Inner Harbor Village Condominium Association shall, within fifteen (15) days, issue a written certificate stating (a) that all Annual and Special Assessments (including interest costs and attorneys' fees) have been paid with respect to any specified dwelling unit, as of the date of such certificate, or (b) if all Annual and Special Assessments have not been paid, the amount of such Annual and/or Special Assessments (including interest, costs and attorneys' fees, if any) due and payable as of such date. The Inner Harbor Village Condominium Association may make a reasonable charge for the issuance of such certificates. Any such certificate, when duly issued as herein provided, shall be conclusive and binding with respect to any matter therein stated as against any bona fide purchaser of, or lender on, the dwelling unit in question.

Section 16.11 Declarant Subsidy. For the first two (2) years following recording of this Declaration, Declarant shall subsidize the financial operations of the Inner Harbor Village Condominium Association in the event all Annual Assessments and every other revenue source (income) received by the Inner Harbor Village Condominium Association fails to equal or exceed the actual expenses incurred during the fiscal year. The terms and conditions of the subsidy shall be established by written agreement between Declarant and the Inner Harbor Village Condominium Association. Declarant shall have no obligation for any such short fall resulting from the levying of any Annual Assessment in an amount less than the maximum authorized, unless the same has been previously approved in writing by Declarant. The subsidy contemplated herein shall automatically terminate at the second anniversary of the recording of this Declaration, unless terminated prior thereto due to the self-sufficient financial condition of the Inner Harbor Village Condominium Association.

Section 16.12 Omission of Assessments. The omission by the Declarant or Board of Directors of the Inner Harbor Village Condominium Association before the expiration of any fiscal year to fix the Annual Assessment hereunder for the next year, shall not be deemed a waiver or modification in any respect of the provisions of this Declaration, or a release of the Owner from the obligation to pay the Annual Assessment, or any installment thereof for that or any subsequent year, but the Annual Assessment fixed for the preceding year shall continue until a new Annual Assessment is fixed.

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ARTICLE 17

ENFORCEMENT OF PAYMENT OF ANNUAL AND SPECIAL ASSESSMENTS AND OF ASSESSMENT LIEN

Section 17.1 Inner Harbor Village Condominium Association As Enforcing Body. The Inner Harbor Village Condominium Association shall have the right to enforce the provisions of this Declaration. However, if the Inner Harbor Village Condominium Association shall fail or refuse to enforce this Declaration or any provision hereof for any unreasonable period of time, after written request to do so, then any Member may enforce them on behalf of the Inner Harbor Village Condominium Association, but not at the expense of the Inner Harbor Village Condominium Association, by any appropriate action whether in law or in equity.

Section 17.2 Inner Harbor Village Condominium Association Remedies to Enforce Payment of Annual and Special Assessments. The Inner Harbor Village Condominium Association may enforce payment of any delinquent Annual or Special Assessments, together with all interest, collection costs, and attorneys' fees, by, among other things, taking the following actions, concurrently or separately:

17.2.1 Bring a lawsuit to recover judgment against the Members personally obligated to pay the Annual or Special Assessments; or

17.2.2 Foreclose the Assessment Lien against the dwelling unit in accordance with the then prevailing Washington law relating to either judicial or non-judicial foreclosure; The remedies provided herein are cumulative and the Board of Directors may pursue them, and any other remedies that may be available now or in the future under Washington law.

Section 17.3 Superiority of Assessment Lien To Homestead. To the full extent allowed by Washington law, the Inner Harbor Village Condominium Association's lien on each dwelling unit for Assessments shall be superior to any homestead exemption now or hereafter provided by the laws of the State of Washington or any exemption now or hereafter provided by the laws of the United States. Since the Owner will receive a copy of this Declaration prior to Closing and/or the Declaration is recorded of public record, the acceptance of a deed subject to this Declaration shall constitute a voluntary and informed waiver of the homestead right by the Owner and an acknowledgement that the lien should be paid prior to any homestead claim. The Assessment Liens of the Inner Harbor Village Condominium Association shall be subordinate in all cases to any Assessment Liens of the Master Association established by the Master Declaration.

Section 17.4 First Mortgage. The Assessment Lien provided for herein shall be subordinate to any First Mortgage lien and any liens for taxes and other public charges which by applicable law are expressly made superior.

Section 17.5 Superiority. Except as above provided, the Assessment Lien shall be superior to any and all charges, liens or encumbrances which hereafter in any manner may arise or be imposed upon each dwelling unit, except for any lien arising from the Master Declaration in favor of the Master Association. Sale or transfer of any dwelling unit shall not affect the Assessment Lien; provided, however, that if the sale or transfer is pursuant to foreclosure of a First Mortgage or pursuant to any judicial sale or proceeding, the purchaser at the mortgage foreclosure, deed of trust or judicial sale, shall take the dwelling unit free of the Assessment Lien. However, such purchaser shall take subject to all Annual and Special Assessments, and the Assessment Lien thereof, accruing subsequent to the date they acquire title to the dwelling unit.

Section 17.6 Rentals. From the time of commencement of an action to foreclose a lien for non-payment of delinquent assessments against a dwelling unit that is not occupied by the Owner thereof, the Inner Harbor Village Condominium Association shall be entitled to the appointment of a receiver, which receiver shall collect from the lessee thereof the rent for the dwelling unit as and when due. If the rental is not paid, the receiver may obtain possession of the dwelling unit, refurbish it for rental up to a reasonable standard for rental units in this type of condominium, rent the dwelling unit or permit its rental to others, and apply the rents first to the cost of the receivership and attorneys' fees thereof, then to the cost of refurbishing the dwelling unit, then to applicable charges, then to costs, fees, and charges of the foreclosure action, and then to the payment of the delinquent Assessments.

Section 17.7 Suspension of Membership. In addition to the remedies set forth herein, and not to the exclusion or prejudice thereof, the Board of Directors may also suspend a Member from the inner Harbor Village Condominium Association and the privileges of Membership for non-payment of Assessments.

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ARTICLE 18

USE OF FUNDS

Section 18.1 Purposes for Which Inner Harbor Village Condominium Association Funds May be Used. The Inner Harbor Village Condominium Association shall apply all funds collected and received by it for the common good and benefit of the Members by devoting said funds, among other things, to the construction, alteration, maintenance, provision, and operation of the condominium common areas and other property within Inner Harbor Village Condominium, which may be necessary, desirable, or beneficial. The following are some, but not all, of the areas in which the Inner Harbor Village Condominium Association may seek to provide for such common benefit: Social interaction among Members, maintenance, operation, repair and improvement of buildings, condominium common areas and other property within Inner Harbor Village Condominium, maintenance of liability insurance, communications, transportation, health, utilities, public services, safety, security and indemnification of Directors, Officers, employees and representatives of the Inner Harbor Village Condominium Association as provided for herein.

Section 18.2 Inner Harbor Village Condominium Association Rights in Spending Funds From Year to Year. To the full extent allowed by Washington law, the Inner Harbor Village Condominium Association shall not be obligated to spend in any fiscal year all the sums received by it in such year (whether by way of Annual or Special Assessments, fees or otherwise), and may carry forward as surplus any balances remaining. The Inner Harbor Village Condominium Association shall not be obligated to reduce the amount of the Annual Assessment in the succeeding fiscal year if a surplus exists from a prior year and the Inner Harbor Village Condominium Association may carry forward from year to year such surplus and reserves as the Board of Directors in its discretion may determine to be desirable.

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ARTICLE 19

MAINTENANCE

Section 19.1 Condominium Common Areas, Portions of Condominium Limited Common Areas, and Portions of Public Rights-of-Way. Unless otherwise provided herein, the Inner Harbor Village Condominium Association shall maintain or provide for the maintenance of all condominium common areas, including landscaping and the exterior of buildings; condominium limited common area driveways adjacent to dwelling units; condominium common area parking spaces; and landscaping located within any Public Right-of-Way within Inner Harbor Village Condominium.

Section 19.2 Assessment of Certain Costs of Repair. In the event that the need for maintenance or repair is caused through the willful or negligent act or omission of the Owner, Resident or Occupant, their guests or invitees, the cost of such maintenance or repair may, in the discretion of the Board of Directors, be charged directly to the Owner of the dwelling unit and shall be payable in accordance with the time period established by the Board of Directors. A lien shall secure repayment and be enforceable in the same manner as other Assessments provided herein. In addition, damage caused by fire, storm, flood, earthquake, riot, vandalism or other abnormal wear from use and the elements shall be the responsibility of each Owner and not included in the maintenance provided by the Inner Harbor Village Condominium Association, unless insured for such damage at the discretion of the Board of Directors.

Section 19.3 Improper Maintenance and Use of Dwelling Units. In the event any portion of any dwelling unit or condominium limited common area is used or maintained so as to present a public or private nuisance, or as to substantially detract from the appearance or quality of the surrounding buildings or dwelling units, or in the event any portion of a dwelling unit is being used in a manner which violates the Master Declaration or this Declaration applicable thereto, or in the event the Owner of any dwelling unit is failing to perform any of its obligations under the Master Declaration or this Declaration, the Board of Directors may by resolution make a finding to such effect, specifying the particular conditions which exist, and giving notice to the offending Owner that unless corrective action is taken within fourteen (14) days, the Board of Directors may take such action at said Owner's cost, which costs and expenses shall be immediately charged to the Owner and shall be payable in accordance with the time period set by the

Board of Directors. A lien shall secure repayment and be enforceable in the same manner as other Assessments provided for herein.

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ARTICLE 2

RIGHTS AND POWERS OF THE INNER HARBOR VILLAGE CONDOMINIUM ASSOCIATION

Section 20.1 Inner Harbor Village Condominium Associations Rights and Powers as Set Forth in Articles and Bylaws.

In addition to the rights and powers of the Inner Harbor Village Condominium Association set forth in this Declaration, it shall have such rights and powers as are set forth in the Governing Documents. Upon incorporation, a copy of the Articles and Bylaws shall be available for inspection and copying at the office of the Inner Harbor Village Condominium Association, or such other location as designated by the Board of Directors within South Bay, during reasonable business hours.

Section 20.2 Contracts With Others for Performance of Inner Harbor Village Association's Duties. Subject to the restrictions and limitations contained herein, the Inner Harbor Village Condominium Association may enter into contracts and transactions with others, including Declarant and its affiliated companies, and such contracts or transactions shall not be invalidated or in any way affected by the fact that one or more Directors or Officers of the Inner Harbor Village Condominium Association, or Members of any Committee, are employed by or otherwise connected with Declarant or its affiliates, provided that the fact of such interest shall be disclosed or known to the other Directors acting upon such contract or transaction, and provided further that the transaction or contract is fair and reasonable.

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ARTICLE 21

INSURANCE

Section 21.1 Insurance Coverage. The Board of Directors shall obtain and maintain at all times as a common expense a policy or policies of insurance and bonds required to provide:

21.1.1 Fire insurance, with extended coverage endorsement, in an amount as near as practicable to the full insurable replacement value (without deduction for depreciation, but less any other deductions which the Board of Directors may find reasonable after consultation with insurance consultants) of the condominium common and limited common areas and the dwelling units, with the Board of Directors named as insured for the benefit of owners and mortgagees as their interest may appear, or such other fire and casualty insurance as the Board of Directors shall determine to give substantially equal or greater protection insuring the owners, and their mortgagees, as their interest may appear. Said policy or policies shall provide for separate protection for each dwelling unit to the full insurable replacement value thereof, (limited as above provided), and a separate loss payable endorsement in favor of the mortgagee or mortgagees of each dwelling unit, if any.

21.1.2 General comprehensive liability insurance insuring the Board of Directors, the Inner Harbor Village Condominium Association, the Owners, Declarant and Managing Agent against any liability to the public or to the Owners of dwelling units and of the condominium common and limited common areas (including, but not limited to, owned and non-owned automobile liability), the liability under such insurance shall not be less than Three Hundred Thousand Dollars (\$300,000.00) for any one person injured, One Million Dollars (\$1,000,000.00) for any one accident and Fifty Thousand Dollars (\$50,000.00) for property damage (such policy limits to be reviewed at least annually by the Board of Directors and increased in its discretion).

21.1.3 Workmen's compensation insurance to the extent required by applicable laws.

21.1.4 Fidelity bonds if deemed necessary by the Board of Directors, naming the members of the Board

of Directors, the Managing Agent and such other persons as may be designated by the Board of Directors as principals, in an amount equal to at least one-half of the total estimated cash to be collected as Assessments each fiscal year.

21.1.5 Insurance against loss of personal property of the Inner Harbor Village Condominium Association by fire, theft and other losses with deductible provisions as the Board of Directors deems advisable.

21.1.6 Such other insurance as the Board of Directors deems advisable.

Section 21.2 Owners Additional Insurance. Each Owner may obtain additional insurance respecting his dwelling unit as contemplated by Washington State law at his own expense. No Owner shall, however, be entitled to exercise his right to maintain insurance coverage in any manner, which would decrease the amount which the Board of Directors, on behalf of all the Owners, will realize under any insurance policy which the Board of Directors may have in force on the condominium at any particular time. Each Owner is required to and agrees to notify the Board of Directors of all improvements by the owner to his dwelling unit the value of which is in excess of One Thousand Dollars (\$1000.00).

Any Owner who obtains individual insurance policies covering any portion of the condominium or dwelling unit other than personal property belonging to such Owner is hereby required to file a copy of such individual policy or policies with the Board of Directors within thirty (30) days after purchase of such insurance, and the Board of Directors shall immediately review its effect with the Board of Director's insurance broker, agent or carrier.

Section 21.3 Insurance Proceeds. Insurance proceeds for damage or destruction to any part of the insured property shall be paid to the Board of Directors on behalf of the Inner Harbor Village Condominium Association which shall segregate such proceeds from other funds for use and payment as provided herein. The Inner Harbor Village Condominium Association acting through its Board of Directors shall have the authority to settle and compromise any claim under insurance obtained by the Inner Harbor Village Condominium Association and the insurer may accept a release and discharge of liability made by the Board of Directors on behalf of the named insured under the policy.

Section 21.4 Additional Policy Provisions. To the extent deemed practicable and desirable by the Board of Directors, after consultation with the Inner Harbor Village Condominium Association's insurance broker, agent or carrier, the insurance policy or policies required shall:

21.4.1 Provide that the liability of the insurer thereunder shall not be affected by, and that the insurer shall not claim any right of set-off, counterclaim, apportionment, proration, or contribution by reason of any other insurance obtained by or for any dwelling unit Owner;

21.4.2 Contains no provision relieving the insurer from liability for loss occurring while the hazard to such buildings is increased, whether or not within the knowledge or control of the Board of Directors, or because of any breach of warranty or condition or any other act or neglect by the Board of Directors or any dwelling unit Owner or any other persons under either of them;

21.4.3 Provide that such policy may not be cancelled (whether or not requested by the Board), except by the insurer giving at least sixty (60) days' written notice thereof to the Board of Directors and every other person in interest who shall have requested such notice of the insurer.

21.4.4 Contain a waiver by the insurer of any right of subrogation to any right of the Board of Directors, and the Inner Harbor Village Condominium Association, or either against the Owner or lessee of any dwelling unit; and

21.4.5 Contain a standard mortgagee clause which shall:

(a) Provide that any reference to a mortgagee in such policy shall mean and include all holders of mortgages of any dwelling unit or dwelling unit lease or sublease, in their respective order and preference, whether or not named therein;

(b) Provide that such insurance as to the interest of any mortgagee shall not be invalidated by

any act or neglect of the Board of Directors or dwelling unit Owners or any persons under any of them;

(c) Waive any provision invalidating such mortgagee clause by reason of the failure of any mortgagee to notify the insurer of any hazardous use or vacancy, any requirement that the mortgagee pay any premium thereon, and any contribution clause; and

(d) Provide that without affecting any protection afforded by such mortgagee clause, any proceeds payable under such policy shall be payable to the Board of Directors.

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ARTICLE 22

EASEMENTS

Section 22.1 General Easement. It is intended that in addition to rights set forth in the Horizontal Property Regimes Act and/or Washington Condominium Act, the Owner of each dwelling unit has an easement in and through each other dwelling unit and the condominium common areas and condominium limited common areas for all support elements and utilities, including, but not limited to, wiring, heat, service and plumbing and for reasonable access thereto, as required to effectuate and continue proper operation and maintenance. Without limiting the generality of the foregoing, each dwelling unit and all condominium common and condominium limited common areas are specifically subject to an easement for the benefit of each of the other dwelling units in the buildings for all duct work for the dwelling units, for fireplaces, and all flues or chimneys. In addition, each dwelling unit and all condominium common areas and condominium limited common areas are specifically subject to easements as required for electrical wiring and plumbing, for any air conditioning lines and equipment, for each dwelling unit, and for any master antenna cable system. Also, each dwelling unit as it is constructed, is granted an easement to which each other dwelling unit, condominium common area or condominium limited common area is subject to an easement for the location and maintenance of all original equipment, facilities and utilities for such dwelling unit. The specific mention or reservation of any easement in this Declaration does not limit or negate the general easement for all common facilities reserved by law.

Section 22.2 Maintenance Easement. An easement is reserved and granted to the Declarant and the Inner Harbor Village Condominium Association, its Officers, Directors, agents, employees, representatives and assigns, upon, across, over, in, and under the condominium common areas, condominium limited common areas, and dwelling units to enable the Declarant and/or the Inner Harbor Village Condominium Association to perform the duties and functions which it is obligated or permitted to perform pursuant to this Declaration.

Section 22.3 Future Utility Easements. Commencing at the termination of the Development Period, or such earlier time that Declarant terminates its interest in the Inner Harbor Village Condominium Association, the Inner Harbor Village Condominium Association shall have the right to grant easements, licenses and permits upon, across, over and under the condominium common areas and condominium limited common areas for drainage and for the installation, replacement, repair and maintenance of utilities, including, but not limited to, water, sewer, gas, telephone, electricity and cable television systems; providing said easements, licenses and permits shall be (1) consistent with the intended use of said properties; (2) reasonably necessary or desirable for the proper use, maintenance and operation of said properties; and (3) substantially without adverse effect on the enjoyment of said properties by the Members.

Section 22.4 Rights of Declarant Incident to Construction. An easement is reserved by and granted to Declarant, its successors and assigns, for use, placement of materials, access, ingress and egress over, upon, under and across the condominium common areas and condominium limited common areas, including, but not limited to, the right to store materials thereon and to make such other use thereof as may be reasonably necessary or incidental to Declarant's construction and sales activities within Inner Harbor Village Condominium; provided, however, that no such rights or easements shall be exercised by Declarant in such a manner as to unreasonably interfere with the occupancy, use, enjoyment, or access by any Owner, Resident, or Occupant to the condominium common areas or condominium limited common areas, except on a temporary basis. The easement created pursuant to this subsection shall automatically cease at the termination of the Development Period or upon the sale of the last dwelling unit in Inner

Harbor Village Condominium by Declarant, whichever is later.

Section 22.5 Easements Deemed Created. All conveyances of dwelling units hereafter made, whether by the Declarant or otherwise, shall be construed to grant and reserve the easements contained herein, even though no specific reference to such easements or to this Article 22 appears in the instrument of such conveyance.

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ARTICLE 23

FIRST MORTGAGEES

Section 23.1 Notice of Action. Upon written request to the Inner Harbor Village Condominium Association, identifying the name and address of the First Mortgagee and the address of the property which is subject to such first Mortgage, each such First Mortgagee shall be entitled to timely written notice of:

23.1.1 Any condemnation loss or casualty loss which affects a material portion of Inner Harbor Village Condominium;

23.1.2 Any delinquency in the payment of Assessments or charges owed to the Inner Harbor Village Condominium Association by the Owner of the dwelling unit subject to a First Mortgage held by such First Mortgagee, or any default by such owner in any obligation under this Declaration, if the Board of Directors has actual knowledge of such default and such delinquency and/or default remains uncured for a period of sixty (60) days.

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ARTICLE 24

DAMAGE OR DESTRUCTION; RECONSTRUCTION

Section 24.1 Initial Board Determinations. In the event of damage or destruction to any part of Inner Harbor Village Condominium, the Board of Directors shall promptly, and in all events within sixty (60) days after the date of damage or destruction, make the following determination with respect thereto employing such advice as the Board of Directors deems advisable:

24.1.1 The nature and extent of the damage or destruction, together with an inventory of the improvements and property directly affected thereby.

24.1.2 A reasonably reliable estimate of the cost to repair and restore the damage and destruction, which estimate shall, if reasonably practicable, be based upon two or more firm bids obtained from responsible contractors.

24.1.3 The anticipated insurance proceeds, if any, to be available from insurance covering the loss based on the amount paid or initially offered by the insurer.

24.1.4 The amount, if any, that the estimated cost of repair and restoration exceeds the anticipated insurance proceeds therefor and the amount of assessment to each dwelling unit if such excess was paid as a maintenance expense and specially assessed against all the dwelling units in proportion to their percentage of interest in the common areas.

24.1.5 The Board of Directors' recommendation as to whether such damage or destruction should be repaired or restored.

Section 24.2 Notice of Damage or Destruction. The Board of Directors shall promptly, and in all events within ninety (90) days after the date of damage or destruction, provide each dwelling unit Owner with a written notice

summarizing the initial Board of Directors determination made under Section 24.1. If the Board of Directors fails to do so within said ninety (90) days, then any dwelling unit Owner may make the determinations required under Section 24.1 and give the notice required under Section 24.2.

Section 24.3 Definitions: Restoration; Emergency Work.

24.3.1 As used in this Article 24, the words “repair”, “reconstruct”, “rebuild” or “restore” shall mean the improvements to substantially the same condition in which they existed prior to the damage or destruction, with each dwelling unit and the condominium common and limited common areas having substantially the same vertical and horizontal boundaries as before. Modifications to conform to then applicable governmental rules and regulations or available means of construction may be made.

24.3.2 As used in this Article 24, the term “emergency work” shall mean that work which the Board of Directors deems reasonably necessary to avoid further damage, destruction or substantial diminution in value to the improvements and to reasonably protect the Owners from liability from the condition of the site.

Section 24.4 Restoration By Board of Directors.

24.4.1 Unless prior to the commencement of repair and restoration work (other than emergency work referred to in subsection 24.3.2) the dwelling unit Owners shall have decided not to repair and reconstruct, in accordance with the provisions of either subsection 24.5.3 or 24.6.3, the Board of Directors shall promptly repair and restore the damage and destruction, use the available insurance proceeds therefor, and pay for the actual cost of repair and restoration in excess of insurance proceeds secured as a common expense which shall be specially assessed against all dwelling units in proportion to their percentages of interest in the condominium common areas.

24.4.2 The Board of Directors shall have the authority to employ architects and attorneys, advertise for bids, let contracts to contractors and others, and to take such other action as is reasonably necessary to effectuate the repair and restoration. Contracts for such repair and restoration shall be awarded when the Board of Directors, by means of insurance proceeds and sufficient assessments, has provision for the cost thereof. The Board of Directors may further authorize the insurance carrier to proceed with repair and restoration upon satisfaction of the Board of Directors that such work will be appropriately carried out.

24.4.3 The Board of Directors may enter into a written agreement in recordable form with a reputable financial institution or trust or escrow company that such firm or institution shall act as an insurance trustee to adjust and settle any claim for such loss in excess of Fifty Thousand Dollars (\$50,000), or for such firm or institution to collect the insurance proceeds and carry out the provisions of this Article.

Section 24.5 Limited Damage; Assessment Under \$3,500. If the amount of the estimated assessment determined under subsection 24.1.4 does not exceed Three Thousand Five Hundred Dollars (\$3,500) for any one dwelling unit, then the provisions of this Section 24.5 shall apply:

24.5.1 The Board of Directors may, but shall not be required to, call a special Owners’ meeting to consider such repair and restoration work, which notice shall be given simultaneously with the notice required to be given by the Board of Directors under Section 24.2 above. If the Board of Directors shall fail to call such meeting, then the requisite number of dwelling unit Owners, within thirty (30) days of receipt of the notice given by the Board of Directors under Section 24.2 above, or the expiration of such sixty (60) day period, whichever is less, may call such special Owners’ meeting to consider such repair and restoration work. Any meeting called for under this Section 24.5.1 shall be convened not less than ten (10) nor more than twenty (20) days after the date of such notice of meeting.

24.5.2 Except for emergency work, no repair and restoration work shall be commenced until after the expiration of the notice period set forth in Section 24.5.1 and until after the conclusion of said special meeting if such meeting is called within said requisite period.

24.5.3 A unanimous written decision of the dwelling unit Owners will be required to avoid the provisions of subsection 24.4.1 and to determine not to repair and restore the damage and destruction in accordance

with the original plans, as amended by subsequent amendments, if any; provided, that the failure of the Board of Directors or the requisite number of dwelling unit Owners to call for a special meeting at the time or in the manner set forth in Section 24.5 shall be deemed a unanimous decision to undertake such work.

Section 24.6 Major Damage: Assessment over \$3,500. If the amount of estimated assessment determined under subsection 24.1.4 exceeds Three Thousand Five Hundred Dollars (\$3,500) for any one dwelling unit, then the provisions of this Section 24.6 shall apply:

24.6.1 The Board of Directors shall promptly, and in all events within ninety (90) days after the date of damage or destruction, provide written notice of a special Owners' meeting to consider repair and restoration of such damage or destruction, which notice shall be delivered with the notice required to be provided under Section 24.2 above. If the Board of Directors fails to do so within said ninety (90) day period, then notwithstanding the provisions of any Governing Documents with respect to calling special meetings, any Owner may within fifteen (15) days of the expiration of the ninety (90) day period, or receipt of the notice required to be provided by the Board of Directors under Section 24.2 above, whichever is less, call a special meeting of the Owners to consider repair and restoration of such damage or destruction by providing written notice of such meeting to all Owners. Any meeting held pursuant to this Section 24.6 shall be called by written notice and shall be convened not less than ten (10) nor more than twenty (20) days from the date of such notice of meeting.

24.6.2 Except for emergency work, no repair and restoration work shall be commenced until the conclusion of the special Owners' meeting required under subsection 24.6.1.

24.6.3 A concurrence in writing of more than eighty percent (80%) of the Owners of the individual dwelling units will be required to avoid the provisions of Section 24.4 and to determine not to repair and restore the damage and destruction; provided, however, that the failure to obtain said eighty percent (80%) concurrence in writing shall be deemed a decision to rebuild and restore the damage and destruction in accordance with the original plans, as amended by subsequent amendments, if any; provided, further, that the failure of the Board of Directors or Owners to convene the special meeting required under Section 24.6.1 within the time period herein, be deemed a unanimous decision not to undertake such repair and restoration work.

Section 24.7 Decision Not to Restore; Disposition. In the event of a decision under either subsections 24.5.3 or 24.6.3 not to repair and restore damage and destruction, the Board of Directors may nevertheless extend such of the insurance proceeds and common funds as the Board of Directors deems reasonably necessary for emergency work (which emergency work may include, but is not necessarily limited to, removal of the damaged or destroyed buildings and clearing, if any), and the property shall thereafter be held and distributed as follows:

24.7.1 The property shall be owned in common by the Owners and shall not longer be subject to this Declaration or to condominium ownership;

24.7.2 The undivided interest in the property owned in common which appertains to each dwelling unit shall be the percentage of undivided interest previously owned by such Owner in the common areas and facilities;

24.7.3 Any mortgages or liens affecting any of the dwelling units shall be deemed transferred in accordance with the existing priorities to the percentage of the undivided interest of the Owner in the property as provided herein; and

24.7.4 The property shall be subject to an action for partition at the suit of any Owner, in which event the net proceeds of sale, together with the net proceeds of the insurance of the property, if any, shall be considered as one fund; such fund shall be divided into separate shares one for each Owner in a percentage equal to the percentage of undivided interest owned by each such Owner in the property; then, after first paying out of the respective share of each Owner, to the extent sufficient for the purpose, all mortgages and liens on the undivided interest in the property owned by such Owner, the balance remaining in each share shall then be distributed to each Owner respectively.

Section 24.8 Miscellaneous. The provisions of this Article 24 shall constitute the procedure by which a determination is made by the Owners to repair, restore, reconstruct or rebuild. By the act of accepting an interest in

the property, each Owner and party claiming by, through or under such Owner hereby consents and agrees to the provisions hereof. In the event that any provision of this Article 24 shall be determined to be invalid or unenforceable by any court of competent jurisdiction, such determination shall not affect the validity of any other provision of this Declaration. The purpose of this Article 24 shall be to provide a fair and equitable method of allocating the costs of repair and restoration and making a determination for repair and restoration if all or a portion of the improvements are damaged or destroyed. The provisions of this Article 24 shall be liberally construed to accomplish such purpose. By unanimous vote of the Owners, which vote shall be taken within one hundred (100) days after the damage or destruction the Owners may determine to do otherwise than provided in this Article 24.

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ARTICLE 25

CONDEMNATION

Section 25.1 Consequences of Condemnation. If at any time or times during the continuance of the condominium ownership pursuant to this Declaration, all or any part of the property shall be taken or condemned by any public authority or sold or otherwise disposed of in lieu of or in advance thereof, the provisions of this Article 25 shall apply.

Section 25.2 Proceeds. All compensation, damages, or other proceeds therefrom, the sum of which is hereinafter called the "Condemnation Award", shall be payable to the Inner Harbor Village Condominium Association.

Section 25.3 Complete Taking. In the event that the entire property is taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance thereof, the condominium ownership pursuant thereto shall terminate. The Condemnation Award shall be apportioned among the Owners in proportion to the respective undivided, interest in the condominium common area; provided, that if a standard different from the value of the property as a whole is employed to measure the Condemnation Award in the negotiation, judicial decree, or otherwise, then in determining such shares the same standard shall be employed to the extent it is relevant and applicable. On the basis of the foregoing principal, the Board of Directors shall as soon as practicable determine the share of the Condemnation Award to which each Owner is entitled. After first paying out of the respective share of each Owner, to the extent sufficient for the purpose, all mortgages, and liens on the interest of such Owner, the balance remaining in each share shall then be distributed to each Owner respectively.

Section 25.4 Partial Taking. In the event that less than the entire property is taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance thereof, the condominium ownership hereunder shall not terminate. Each Owner shall be entitled to a share of the Condemnation Award to be determined in the following manner:

25.4.1 As soon as practicable the Board of Directors shall, reasonably and in good faith, allocate the Condemnation Award between compensation, damages, or other proceeds.

25.4.2 The Board of Directors shall apportion the amounts so allocated to taking of or injury to the condominium common areas or condominium limited common areas which in turn shall be apportioned among Owners in proportion to their respective undivided interests in the condominium common areas.

25.4.3 The total amount allocated to severance damages shall be apportioned to those dwelling units which were not taken or condemned.

25.4.4 The respective amounts allocated to the taking or injury to a particular dwelling unit and/or improvements an Owner had made within his own dwelling unit shall be apportioned to the particular dwelling unit involved.

25.4.5 The amount allocated to consequential damages and any other takings or injuries shall be apportioned as the Board of Directors determines to be equitable in the circumstances.

25.4.6. Notwithstanding anything to the contrary herein, if an allocation of the Condemnation Award is

already established in negotiation, judicial decree, or otherwise, then in allocating the Condemnation Award the Board of Directors shall employ such allocation to the extent it is relevant and applicable.

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ARTICLE 26

PROCEDURES FOR SUBDIVIDING OR COMBINING

Section 26.1 Procedure. Subdivision and/or combining of any dwelling unit(s), condominium common areas and facilities, or condominium limited common areas and facilities are authorized only as follows:

26.1.1 Any Owner of any dwelling unit or dwelling units may propose any subdividing or combining of a dwelling unit or dwelling units, and appurtenant condominium common areas or condominium limited common areas in writing, together with complete plans and specifications for accomplishing the same and a proposed amendment to the Declaration, Survey Map and Plans covering such subdividing or combining, to the Board of Directors, which shall then notify all other Owners of the requested subdivision or combination.

26.1.2 Upon written approval of such proposal by seventy-five percent (75%) of the Owners, and upon unanimous prior written approval of the first mortgagee(s) and Owner(s) of the dwelling unit(s) to be combined or subdivided, the Owner making the proposal may proceed according to such plans and specifications; provided that the Board of Directors may in its discretion (but it is not mandatory that the Board of Directors exercise this authority) require that the Board of Directors administer the work or that provisions for the protection of other dwelling units or condominium common areas or reasonable deadlines for completion of the work be inserted in the contracts for the work.

26.1.3 The changes in the Declaration, Plans and Survey Map, if any, shall be placed of record as amendments, with the Owner proposing the changes to incur the expenses associated therewith.

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ARTICLE 27

LIMITATION OF LIABILITY

Section 27.1 Liability for Utility Failure, etc. Except to the extent covered by insurance obtained by the Board of Directors pursuant hereto, neither the Inner Harbor Village Condominium Association nor the Board of Directors (or the Declarant or Declarant's managing agent exercising the powers of the Board of Directors) shall be liable for: Any failure of any utility or other service to be obtained and paid for by the Board of Directors; or for injury or damage to person or property caused by the elements, or resulting from electricity, water, rain, dust or sand which may lead or flow from outside or from any parts of the buildings, or from any of its pipes, drains, conduits appliances, or equipment, or from any other place; or for inconvenience or discomfort resulting from any action taken to comply with any law, ordinance or orders of a governmental authority. No diminution or abatement of Annual or Special Assessments shall be claimed or allowed for any such utility or service failure, or for such injury or damage, or such inconvenience or discomfort.

Section 27.2 No Personal Liability. So long as a member of the Board of Directors, or Inner Harbor Village Condominium Association committee member or officer, or Declarant or Declarant's managing agent exercising the powers of the Board of Directors, has acted in good faith without willful or intentional misconduct, upon the basis of such information as may be possessed by such person, then no such person shall be personally liable to any Owner, or to any other party, including the Inner Harbor Village Condominium Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence of such person, except to the extent that there is insurance to cover the losses.

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ARTICLE 28

TERM; AMENDMENTS; TERMINATION

Section 28.1 Term; Method of Termination. This Declaration shall be effective upon the date of recordation hereof and, as amended from time to time, shall continue in full force and effect for a term of twenty-five (25) years from the date this Declaration is recorded. From and after said date, this Declaration, as amended, shall be automatically extended for successive periods of ten (10) years each, unless there is an affirmative vote to terminate this Declaration by the then Members casting one hundred percent (100%) of the total votes at an election held for such purpose. No vote to terminate this Declaration shall be effective unless and until the written consent to such termination has been obtained, within a period from six (6) months prior to such vote to six (6) months after such vote, from all First Mortgagees. If the necessary votes and consents are obtained, the Board of Directors shall record a Certificate of Termination in the Jefferson County records. Thereupon this Declaration shall have no further force and effect.

Section 28.2 Amendments. Except as otherwise provided by Washington law, this Declaration may be amended by obtaining approval of seventy five percent (75%) of the total outstanding votes of the Membership of the Inner Harbor Village Condominium Association, provided that there shall also be full compliance with all other provisions hereof. Any amendment altering the value of the Condominium or a previously sold dwelling unit, or any amendment altering the percentage of undivided interest in the condominium common areas as set forth in Exhibit B shall require the unanimous consent of the Owners. Any amendment to this Declaration shall be recorded with the Jefferson County Auditor as an Amended Declaration.

Section 28.3 Declarant Amendments. Notwithstanding anything to the contrary in this Declaration, during the development period Declarant shall have the right to file Amended Declarations with regard to any phases added to the Inner Harbor Village Condominium as provided herein without the need for any voting, approval or signatures.

Section 28.4 Right of Amendment If Requested by Governmental Mortgage Agency or Federally Chartered Lending Institutions. Notwithstanding anything to the contrary herein, Declarant reserves the right to amend all or any part of this Declaration to such an extent and with such language as may be requested by Governmental Mortgage Agencies and to further amend to the extent requested by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of this Declaration, or by any federally chartered lending institution as a condition precedent to lending funds on the security of any Lot(s). Any such amendment shall be effected by the recordation, by Declarant, of an Amended Declaration duly signed by the authorized Agents, Officers or Directors of Declarant, as applicable, with their signatures acknowledged, specifying the Governmental Mortgage Agency, the federal, state or local governmental agency or the federally chartered lending institution requesting the amendment and setting forth the amendatory language requested by such agency or institution.

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ARTICLE 29

REFERENCE TO SURVEY MAP AND PLANS

Section 29.1 Reference to Survey Map and Plans. The Survey Map and Plans were filed with the Jefferson County Auditor simultaneously with the recording of this Declaration under Auditor's File No. 329056.

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ARTICLE 30

MISCELLANEOUS

Section 30.1 Interpretation of the Covenants. Except for judicial construction, the Inner Harbor Village Condominium Association, by its Board of Directors, shall have the exclusive right to construe and interpret the provisions of this Declaration. In the absence of any adjudication to the contrary, the Inner Harbor Village Condominium Association's construction or interpretation of the provisions hereof shall be final, conclusive and binding as to all persons and property benefited or bound by the covenants and provisions hereof.

Section 30.2 Severability. Any determination by any court of competent jurisdiction that any provision of this Declaration is invalid or unenforceable shall not affect the validity or enforceability of any of the other provisions hereof.

Section 30.3 Rule Against Perpetuities. If any interest purported to be created by this Declaration is challenged under the Rule Against Perpetuities or any related rule, the interest shall be construed as becoming void and of no effect as of the end of the applicable period of perpetuities computed from the date when the period of perpetuities starts to run on the challenged interest.

Section 30.4 References to the covenants in Deeds. Deeds to and instruments affecting any dwelling unit in Inner Harbor Village Condominium may contain the Covenants herein set forth by reference to this Declaration; but regardless of whether any such reference is made in any deed or instrument, each and all of the Covenants shall be binding upon the grantee-owner or other person claiming through any instrument and his heirs, executors, administrators, successors and assigns.

Section 30.5 Successors and Assigns of Declarant. Any reference in this declaration to Declarant shall include any successors or assignees of Declarant's rights and powers hereunder.

Section 30.6 Gender and Number. Wherever the context of this Declaration so requires, words used in the masculine gender shall include the feminine and neuter genders; words used in the neuter gender shall include the masculine and feminine genders; words in the singular shall include the plural; and words in the plural shall include the singular.

Section 30.7 Captions and Titles. All captions, titles, or headings of the Articles and Sections in this Declaration are for the purpose of reference and convenience only and are not to be deemed to limit, modify or otherwise affect any of the provisions hereof or to be used in determining the intent or context thereof.

Section 30.8 Notices. Unless otherwise required by the Governing Documents, notice of any meeting, action or proposed action by the Inner Harbor Village Condominium Association, Board or Directors or any Committee to be given to any Owner shall be deemed satisfied if notice of such action or meeting is given in person or by regular mail, postage paid, not less than three (3) days prior to the date such notice is effective. Each Owner shall register his mailing address with the Inner Harbor Village Condominium Association for the purposes of such notice. All notices, demands, or other notices intended to be served upon Declarant, the Board of Directors or the Inner Harbor Village Condominium Association shall be sent by certified mail, postage prepaid, to the business office of the Inner Harbor Village Condominium Association. This Section shall not be construed to require that any notice be given if not otherwise required.

IN WITNESS WHEREOF, POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP, has hereunto caused its authorized officials to execute this Declaration as of the day and year first above-written.

POPE RESOURCES, A DELAWARE
PARTNERSHIP. Declarant,

LIMITED

by POPE MGP, Inc., a Delaware
Partner

corporation, its General

By: _____

George H. Folquet, President
and Chief Executive Officer
STATE OF WASHINGTON)

) ss.

County of Kitsap)

On this day of 12th day of March, 1990, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared George H. Folquet, to me known to be the President and Chief Executive Officer of Pope MGB, Inc., a Delaware Corporation, which is known to me to be the General Partner of Pope Resources, A Delaware Limited Partnership, the partnership that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said partnership, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute the said instrument.

WITNESS MY HAND AND OFFICIAL SEAL hereto affixed the day and year first above written.

Linda Sue Rowland

NOTARY PUBLIC in and for the

State of Washington, residing

At Poulsbo

My commission expires: 7-9-96

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