

# Property Division

## *1. 1210 Kirkland Ave Strategy Overview*

### **Valuation and Core Position**

The Kirkland Avenue home shows a significant valuation discrepancy between my recent appraisal of \$2,700,000 and Christine's at \$2,504,000—a 7.8% difference, amounting to \$196,000. This gap affects our equity split and is key in determining fair buyout or sale terms. We both agree on the \$344,330 outstanding debt (including the primary mortgage and HELOC), which provides a baseline for division, refinancing, and maintenance discussions, supporting a fair process for both parties.

### **Separate Property Claim Challenges**

Christine's claim that her parents' mortgage contributions should be treated as her separate property complicates matters. These contributions, consistently labeled as “gifts” or “support,” lacked any formal loan terms, interest, or repayment requirements, aligning with my position that they were intended as shared gifts. Given our 25-year marriage, Washington's community property laws, and the commingling of these funds over time, the evidence supports treating this property as community property.

### **Refinancing Costs and Loan Advantage**

If Christine retains the home, she would typically need to refinance at today's ~7% rates, a substantial increase over our current rate of sub-3%. While refinancing would raise her monthly costs, allowing her to assume the current loan could represent a financial benefit, as she'd save on long-term interest. For equity, the buyout terms should reflect this loan advantage, especially since I would need to buy a home at current market rates, making my payout less valuable in comparison.

### **Capital Gains and Tax Benefits**

Selling the property now would enable us to use the \$500,000 capital gains exclusion, making a sale more equitable and reducing tax burdens. Beyond valuation, refinancing, and tax benefits, holding onto the home involves ongoing costs like property taxes, insurance, and maintenance. Given these recurring expenses, a sale could free Christine from future financial responsibilities tied to the property, a practical option if she finds retention financially challenging.

### **Preferred Outcome and Fallback Options**

**Primary Goal:** My preference is a pre-divorce sale to fully utilize the \$500,000 capital gains exclusion, split proceeds equitably, and avoid future refinancing or maintenance complexities. This strategy also minimizes our future market risks, leaving us both with a clean break.

**Alternative Proposals:** If a sale isn't feasible, a buyout is the next option, with adjusted terms to cover increased refinancing costs. These adjustments ensure fair compensation for my share without straining either party financially. A deferred sale could serve as a fallback if Christine insists on retaining the home temporarily but cannot buy me out immediately, though this is less ideal. In

such a case, we'd clearly define responsibilities for refinancing, maintenance, and sale triggers to avoid complications.

### **Structuring the Buyout or Deferred Sale**

If Christine insists on keeping the property, I aim to maximize my buyout amount by accounting for our appraisal value, her refinancing costs, and potential future tax liabilities. For a delayed sale, I'll advocate for clear triggers, structured cost-sharing for maintenance, and the right to initiate a sale under certain conditions, securing a reliable exit strategy.

### **Practical Considerations and Sale Triggers**

Including a clause for sale triggers based on market conditions (e.g., a minimum sale price or favorable interest rates) is essential if a deferred sale is necessary. This approach protects us from selling under unfavorable conditions, with timing tied to market value rather than an arbitrary timeline.

### **Avoiding Legal Costs and Maintenance Expectations**

Emphasizing potential savings on legal and litigation costs if we avoid contesting the separate property claim could add to the case for an immediate sale. By avoiding asset tracing and lengthy disputes, we benefit mutually from a straightforward division. I also intend to establish clear maintenance expectations, agreeing to sell the property "as is" and cover only essential repairs. This agreement minimizes future expenses, focusing on a clean, simple sale.

### **Overall Strategy**

My strategy for the Kirkland Avenue property focuses on guiding negotiations toward a sale while presenting a balanced view of all options. By discussing refinancing, maintenance, and tax implications, we can show these as practical considerations that highlight the sale's benefits. Starting with subtle financial concerns, moving to cost analysis, and framing the sale as mutually advantageous builds momentum without revealing a strong preference.

If Christine resists, we have fallback positions, from maximizing buyout terms to structuring a deferred sale with specific triggers. My primary goal remains a pre-divorce sale that optimizes tax benefits and allows a clean, equitable division.

## ***2. 116th Ave NE Condo Strategy Overview***

### **Valuation and Core Position**

The condo is valued at \$570,000, with approximately \$114,320 in debt, and is income-generating due to steady rental occupancy. Both Christine and I agree on its community property status, simplifying its positioning in negotiations. However, this property's high maintenance costs and HOA fees challenge long-term retention's viability, especially given Christine's investment-focused interest.

### **Tax Implications and Capital Gains**

Since this is an investment property, a sale could trigger capital gains taxes, as we won't qualify for the \$500,000 primary residence exclusion. Given the potential tax impact, it's worth considering if a structured sale timeline could help maximize returns. We may also need to factor in depreciation recapture, which adds a tax liability when selling a depreciated asset, and would increase Christine's buyout costs if she retains the condo.

### **Loan Rate and Refinancing Costs**

If Christine wants to retain the property, she would likely need to refinance to remove my name from the mortgage. Transitioning from our current low-rate loan to market rates could substantially raise monthly payments, making retention costlier. Including these potential refinancing impacts in the buyout terms, if she chooses to keep the property, aligns with ensuring an equitable division of property value.

### **Appreciation and Market Conditions**

The condo market in tenant-friendly areas often differs from single-family homes. Given positive trends in the complex and the condo's good condition, now may be an optimal time to consider selling. Alternatively, if Christine prefers to retain it, this favorable market environment could justify an increased buyout cost. Addressing these market dynamics will help frame whether the timing of a sale aligns with maximizing overall portfolio value.

### **Maintenance and HOA Fees**

The condo has regular maintenance and HOA fees that impact its profitability. Given their impact on net rental income, outlining a forecast of expected HOA and maintenance expenses will highlight the management demands that would fall solely on Christine post-divorce. By emphasizing these practical cost factors, we can position a buyout or sale as a streamlined approach, minimizing future management burdens.

### **Tenant Lease Timing and Flexibility**

The current tenant provides steady income, yet lease timing may affect any potential sale or inspection. Aligning the sale with lease expiration, if practical, would facilitate a smooth transition and avoid complications with tenant turnover. This timing consideration also supports structuring a deferred sale or buyout if Christine wishes to wait for the lease to end.

### **Preferred Outcome and Fallback Positions**

**Primary Goal:** Agree to sell after the current lease expires to maximize value and ensure a smooth tenant transition.

**Alternative Proposals:** If Christine prefers to retain the condo, I would propose that she assumes the higher refinancing costs and depreciation recapture liability in any buyout. Other fallback options include deferring the sale with clear timing triggers (such as lease expiration or interest rate changes) or structuring a buyout that includes HOA, maintenance, and tax considerations.

By keeping these points focused on financial analysis and portfolio efficiency, we position the condo's disposition as a practical investment choice, aligning with Christine's broader portfolio

needs. This approach should support a balanced, rational division without indicating a personal preference, guiding the negotiation toward a clear, equitable outcome.

### *3. Timeshare*

The timeshares involve two distinct units with different values, seasonal availability, and maintenance obligations, allowing for a targeted division strategy aligned with our individual interests. This approach includes detailed timelines, contingency planning, and structured leverage points to support negotiations on related assets.

#### **Valuation and Core Position**

The two-bedroom unit was initially valued at \$70,000, with Christine currently estimating it at \$35,000, while we did not value it. The three-bedroom unit was originally valued at \$120,000, with Christine valuing it at \$60,000 against my \$0 assessment. Both units are debt-free, which simplifies division by removing any loan considerations.

#### **Distribution Strategy**

My objective is for Christine to retain the two-bedroom unit, which has a lower annual maintenance fee of \$X and a lower transfer cost of \$Z, in line with her preference for minimizing ongoing expenses. I would retain the three-bedroom unit, which has a higher maintenance fee of \$Y but is at the preferred resort. The two bedroom is not my favorite but I will not mention that.

#### **Key Negotiation Points**

##### **1. Maintenance Costs**

- **Two-bedroom fees due:** [specific month], manageable for Christine's preference for lower holding costs.
- **Three-bedroom fees due:** [specific month], aligning with my ability to leverage the unit's rental income potential despite higher fees.

##### **2. Seasonal Availability and Rental Income Potential**

- The three-bedroom's access to peak-season weeks increases rental income potential, making it the preferred option for me if I pursue rental opportunities.

##### **3. Transfer Costs**

- The two-bedroom's transfer cost of \$Z is lower than the three-bedroom's cost of \$W, further supporting a division that limits Christine's immediate financial obligations related to transfer expenses.

#### **Risk Management**

To ensure a smooth transfer process and minimize potential complications, I propose the following structured safeguards:

- **Timeline:** All transfers should be completed within ??? days of the agreement, ensuring a clear and efficient process.
- **Backup Plan:** If transfers exceed 90 days, implement [specific action, such as a temporary holding agreement or an extension plan with defined terms].
- **Independent Maintenance Obligations:** Document that each party is solely responsible for their unit's maintenance fees, creating a clean division of future financial responsibilities.
- **Special Assessment Agreement:** A written understanding that each party handles special assessments independently, preventing post-divorce disputes.
- **Contingency for Transfer Issues:** Define a protocol to follow if the resort complicates or blocks any transfer, ensuring a contingency plan is in place for any delays.

### Negotiation Leverage

To strengthen our position and facilitate fair outcomes, I would propose several leverage points:

- **Valuation Adjustment:** I can accept a higher valuation on other disputed assets in exchange for a lower valuation on the timeshares, creating balance across the division.
- **Offset for Distribution Ratios:** Using timeshare allocation to offset any distribution ratio disputes provides flexibility and fairness across asset divisions.
- **Link to House Separate Property Claim:** By linking timeshare division to resolving the separate property claims, I can potentially secure more favorable terms on this critical asset.

This approach positions each of us with responsibility for the unit that best aligns with our goals, balancing valuation through midpoint adjustments and reinforcing protections for future costs and responsibilities. The leverage points support an equitable outcome, integrating the timeshare division with broader asset negotiations and contingency planning for a seamless transition.

## 4. Timeshare