

## **Letter from the Board Regarding Lid Repairs February 2020**

February 21, 2020

Re: Lid Repairs, a Lid Assessment and Operating Fund Assessment

Dear Homeowner,

Owners have asked for an update on lid repairs and the parameters of the proposed special assessment that is likely to be presented to the Owners in March 2020. This letter will discuss the proposed assessment to pay for the lid repairs being conducted now and those planned for the summer of 2020. Most of the work being completed this summer will be paid for by the proposed March special assessment of \$338, 125. However, the second two thirds of the Bldgs. 61/71 lid which will also be completed this summer will be paid for by a second special assessment in 2021. This allows the costs to be paid for in smaller increments over two years.

In addition, this letter will discuss a recent recommendation from the Finance Committee to recommend a second special assessment to cover a gap in the operating budget for the increased costs for our insurance coverage.

The figures in this letter are not the final allocation of lid repair costs. Some bids are still out. However, the letter forms the basis of the Board's discussion of what will be done when and when various tasks are to be paid for. The letter allows you to follow those discussions and understand what is being done and the resulting costs.

### **Lid Repairs.**

As discussed in previous letters to the Owners, leaks in the lids to several of our garages require significant and expensive repairs. The original bids were in excess of 1.3 million dollars. Those bids were not accepted, a new contractor was selected, and the project was broken into phases. Each phase will be paid for by borrowing from the reserve fund and after the work is completed the reserve fund is repaid through a special assessment.

Phase 1 work commenced last summer and will be completed this summer (2020). The proposed March assessment will pay for the repair of the lids around Bldg. 31, one third of the Bldgs. 61/71 lid, the Bldg. 51 lid and a repair of planter at the southeast corner of Bldg. 65 which has failed. These repairs include landscaping and screening.

Attached is a spread sheet prepared by Frank Montgomery, Board Treasurer. His spreadsheet lays out the numbers simply. This letter adds some context to those numbers. Final costs on screening are not available and a couple of smaller bids are not in. So, the final figure will change but the following is a close estimate of costs along with an explanation of what is being done.

The original bids to complete phase 1 of the repairs were made by Tatley Grund and McLeod and ranged from \$364, 280 to \$363,336 for all of phase 1. The Board rejected those bids. Prime received a bid from REM in the amount of \$365,000 which was accepted by the Board. None of these bids included landscaping costs or screening to provide privacy if arborvitae had to be removed.

### **Bldg. 31.**

The repairs to the planter at Bldg. 31 are close to completion. A second coat of Tremco has been applied pursuant to manufacturer's guidelines. The source of the Bldg. 31 leak was an arborvitae filled planter abutting the patio of Unit 31-213. That planter did not have a drain and was poorly waterproofed allowing water to get under the waterproofing and into the garage and a storage unit. A new drain was drilled and installed but was difficult to seal. This took time. While no visible water now appears in the garage or storage unit, the humidity levels within the storage unit are being closely monitored to ensure that the repairs have been successful.

The planter will be filled with rock to allow drainage and the surrounding area which was dug up for the new drain will be landscaped. Along the top of the planter, screening will be installed for privacy.

Privacy screening is needed because in many cases the arborvitae and in some cases maple trees have contributed to the failed lids or planters with their invasive roots and need for water. The arborvitae cannot be returned to the failed areas and some type of privacy screening is necessary.

The leading contender for this initial screening is a metal fencing product called Knotwood. Two tropical hardwoods (Ipe and Batu) as well as cedar are being considered. Samples of the hardwoods and cedar have been attached to posts behind the shrubs surrounding the circle on the pathway to the detention pond. The samples have been left partially bare with some areas treated with one coat of a clear preservative and another area with two coats of preservative. Samples of the Knotwood are usually kept on the lid at the south end of Bldg. 51. These samples will be available for inspection at both the February and March Board meetings.

Currently, we are seeking bids for installation of both wood and the Knotwood screening. When those bids come in, the Board will select what appears best given appearance, maintenance and cost. This initial screening at Bldg. 31 is a trial. Whatever is selected does not automatically become the final answer to the rest of the areas needing screening. We will see how it looks and the materials not selected will remain out in the weather to see how they work. If we do not like the initial results, another solution can be explored.

The costs for Bldg. 31 repairs are as follows. The Bldg. 31 portion of REM's bid was \$38,810. Repairs to the damaged storage locker add another \$3,500. Landscaping costs will be around \$5,400 (planters and pots, soil, rock and plantings). Screening costs will not be inexpensive and may exceed \$6,200 depending on what is selected. The projected costs for Bldg. 31 repairs come to \$53,910.

### **Bldgs. 61/71.**

One third of the repair to the lid between Bldgs. 61 and 71 is in phase 1. This work will not be completed until the weather clears in May and June. The remaining two thirds of the Bldgs. 61/71 lid will be completed this summer in 2020 as well but paid for in a phase 2 Special assessment in 2021.

Three factors have slowed this portion of the project. The soil was found to be tightly bound with roots making its removal labor intensive and difficult. Injuries to the REM crew, not related to their work on our project, caused delays. Our staff was instrumental in allowing the soil and gravel to be successfully removed. Additionally, while water caused the weatherproofing to delaminate, where that water did not reach, the weatherproofing was firmly bonded to the lid. It has been very difficult to remove at times involving hand chiseling. The removal has been completed. However, the area involved is too large to tent and the sealing and water proofing must await clear weather. Other work is being accomplished such as installing new drains and work in the garage.

Landscaping will be minimalistic and have a Japanese style look with drought tolerant plantings and small trees in pots. The loop road bump outs and the rock area at the northwest corner of Bldg. 61 have a similar look.

REM's bid for one third of the Bldgs. 61/71 lid was \$119,064. Landscaping and irrigation work will be an additional \$26,500. Screening costs for the units 61-207 and 71-203 will be determined by our experience with the screening selected for Bldg. 31 and may run close to \$10,200. The landscaping will not be installed until the entirety of the Bldg. 61 and 71 lids are repaired, sometime this summer of 2020. The landscape costs for the entirety of the Bldgs. 61/71 lid will be a part of the initial 2020 assessment. The first one third of the Bldgs. 61/71 lid costs are \$156,365.

### **Bldg. 51**

The south end of Bldg. 51 has a small lid that abuts the patios to units 51-206 and 207. The lid has plantings and two now rather large Maple trees. Here again tree roots are an issue and the trees will have to be removed as well as all the soil. The lid surface will be cleaned and treated with an Elastomeric coating to match the surrounding patios. Pots with varied foliage will be installed.

Tatley Grund and McLeod bids were for \$183,911 and \$118,911 for Bldg. 51. REM bid \$51,249 to repair the Bldg. 51 lid. Because of the new design, Bldg. 51 has been rebid with Sound Waterproofing doing the work at an estimated cost of \$9,500 with an additional \$2,500 to \$3,800 for waterproofing membrane removal depending on what is found and needs to be done. With landscape costs of \$11,700 (10 containers with soil and plantings), the subtotal for repairs will be around \$25,200. However, soil removal is not included in Sound Waterproofing's bid. Scott is looking at using a vacuum truck for soil removal and other possible methods. Those costs are discussed below. There are no screening costs.

### **Bldg. 65**

A patio planter at the southeast corner of Bldg. 65 failed with water leaking into the garage. This was discovered after the bidding began on the other lid repairs and was not a part of the original cost projections. The arborvitae was removed, and the irrigation disconnected. This repair was put on hold. However, with the redesign of the repair to Bldg. 51 lid, the repairs to Bldg.65 are so similar that it makes sense to add this repair to phase 1 and have Sound Waterproofing complete this task at the same time as the Bldg. 51 lid repairs.

The bid for Sound Waterproofing is \$3,400. The bid for the removal of a pony wall is \$2,000. Removal of old waterproofing will cost \$2,500. There will be no landscaping

costs. Screening would be needed at a cost of \$2,200. The current estimate for Bldg. 65 repairs is \$10,100.

### **Miscellaneous Costs.**

Engineering costs, landscape architect for screen designs and other costs amount incurred during design and construction amount to \$37,550 and are a part of the initial assessment.

A contingency fund for cost over runs is included in the assessment in the amount of \$15,000.

### **Soil Removal Costs.**

Many of you saw the REM crew and our staff hand digging out the soil last summer on the first one third of the Bldgs. 61/71 lid. Soil needs to be removed this summer for the second two thirds of the Bldgs. 61/71 lid as well as the Bldgs. 51 lid and the Bldg. 65 planter. Right now, the best option appears to be a vacuum truck which will cost approximately \$40,000 for the soil removal for Bldgs. 51 and 65 and the second two thirds of the Bldgs. 61/71 lid. While this is expensive, hand soil removal is not an option and putting heavy equipment on the 61/71 lid is a high risk. Because soil removal is needed for the Bldgs. 51 and 65 repairs, the cost is being allocated to the March assessment.

### **Costs for Owners.**

The following is a breakdown of how the March lid assessment will affect the owners. While these are not final figures, they are close and a special assessment of approximately **\$338,125** looks likely.

Here are estimates of what it would cost four typical units:

A unit of approximately 2000 square feet with an ownership interest of .543% amounts to an assessment of \$1,836.

A unit of approximately 1500 a square foot with an ownership interest of .397% amounts to an assessment of \$1,342.

A unit of approximately 1000 square foot with an ownership interest of .261% amounts to an assessment of \$883.

A unit of approximately 750 square foot with an ownership interest of .200% amounts to an assessment of \$676.

### **The \$75,000 Assessment.**

At the budget meeting last December, the budget that was approved included a fee of \$5,000 payable to the HOA whenever a unit was sold. That fee was budgeted as revenue to the HOA in the amount of \$75,000. Because of concerns expressed by the Owners, a legal opinion was sought as to whether this fee was proper.

The Board has considered the transfer fee issue closely and sought advice from its attorneys. The issue was brought up again in the Finance Committee on February 18, 2020. Finance Committee recommended that the March meeting include the approval of a second special assessment if the transfer fee is not used. If the revenue from the transfer fee is not forthcoming, it must be replaced by some other revenue.

The Finance Committee also recommended that if any transfer fee is used that it be modified so that a formula is used based upon the ownership interests of each unit like our homeowner dues.

During the drafting of this letter the Board came to a consensus that it was more appropriate to offer the Owners the option of a special assessment of \$75,000 rather than a reformulated transfer fee. There is not \$75,000 to cut in the budget except for possible contributions to the reserve fund. Given the rise in repairs to our building due to ageing, that would not be a wise decision. If a reformulated transfer fee is to be used in the future, it would be after a more detailed consultation with the Owners.

This second assessment will need Board approval and will be discussed at the February 26 Board meeting.

### **Costs for Owners.**

The following is a breakdown of how the special assessments of \$75,000 will affect Owners.

#### **If another \$75,000 were added to the special assessment, the following additional costs to each unit would be:**

A unit of approximately 2000 square feet with an ownership interest of .543% amounts to an assessment of \$407 with the total combined assessment being \$2,243.

A unit of approximately 1500 a square foot with an ownership interest of .397% amounts to an assessment of \$298 with the total combined assessment being \$1,640.

A unit of approximately 1000 square foot with an ownership interest of .261% amounts to an assessment of \$196 with the total combined assessment being \$1,079.

A unit of approximately 750 square foot with an ownership interest of .200% amounts to an assessment of \$150 with the total combined assessment being \$826.

The combined special assessment will cost each owner approximately **2.58** times their monthly homeowner dues.

### **Phase 2 and 3**

What will happen next? This summer will be very busy finishing what is remaining in phase 1 work and the start of phase 2 which will encompass the rest of the Bldg. 61/71 lid. Hopefully the costs for the rest of the Bldg. 61/71 lid will parallel the first one third and cost around \$240,000. Since the tasks discussed above will occupy most if not all the spring and summer, the 2021 special assessment will most likely be based on the completion of the Bldgs. 61/71

lid. Next year's special assessment will be a bit lower, but additional tasks and costs could raise the cost a bit higher.

During the fall and winter of this year planning for Phase 3 in the summer of 2021 will begin and may require new bidding. Phase 3 is the repair to the walls and planters along the roadside of Bldgs. 61 and 71 as well as the large berm abutting the waterside of the Bldg. 61/71 lid. The Bldg. 55 lid is also a part of phase 3. It is too early to speculate on those tasks and costs. While we have bids for that work, they need to be reviewed again to see if what we have learned so far can guide us to appropriate methods and possible cost reductions.

### **Conclusion.**

These expenses are not easy to look at. However, they are necessary and vital and while landscaping and screening costs are significant, the Board is sure that Point Edwards Owners do not want to diminish the appearance and value of our community. There have been significant successes in reducing costs and an effort to keep Owners apprised of what is going on, what is planned, and what are the resulting costs. That will remain the Board's primary task. Hopefully the cost reductions we have made will carry on into the next phases. That will be a challenge we aim to meet.

Mike Mitchell, PEHOA President

(Document ID 1156) Lid Repairs Expenses 2019-20 (Financial Information)