

Oak Knoll Roof Replacement

Background

As many Oak Knoll residents may be aware, the unit building roofs are nearing the end of their useful lives. The existing roofs are approximately 20 years old. Unfortunately, the fire rated sheathing used in the roofing industry at the time was later found to be defective and has led to the need to replace roofing on an earlier basis. Specifically at Oak Knoll, this sheathing is beginning to fail near the common walls between units and repair of only those areas would not be practical or cost-effective. In the fall of 2016, the board commissioned an engineering study of the building roofs by Falcon Engineering. The engineers concluded that the roofs should be replaced within the next two to three years. The replacement cost, inclusive of necessary related repairs and replacement to items such as chimney cladding, soffits, and gutters was estimated at \$1.1 million including construction contingency. The board has begun planning for this project to take place in the spring/summer of 2019. Due to efficiencies in construction and funding, the board is also planning for full replacement of the building's wood cladding as part of the project at an estimated additional expense of \$130,000.

Current Status of Unit Capital Funds

We began the current 2016-2017 fiscal year with a balance of \$554,000 in unit capital funds (garage capital and landscape reserve are not included in this figure as they cannot be used towards unit capital expenses). \$125 of the current \$370 monthly dues payment is dedicated to unit capital funding for a total funding of \$120,000 for the current year. We are forecasting approximately \$40,000 in actual unit capital expenses in 2016-2017 with a forecast ending balance of \$634,000 plus interest earned as of June 30, 2017.

Project Funding

In addition to the major roofing project as proposed above, we have a responsibility to continue to contribute to the capital fund so that future projects in line with our long term capital reserve spending plan can be achieved on an ongoing basis. The board would also like to balance past contributions by residents with the future benefits of the roofing project while minimizing the financial impact to current unit owners. In other words, the board does not feel that one major special assessment of thousands of dollars per unit would be the most equitable or desirable way to fund this major project, although a small special assessment of \$240 per year or \$60 per quarter over the next two fiscal years is proposed to help build up the reserve fund prior to beginning the project. As the benefits of the project will be spread out over many years, we are beginning to plan for obtaining a HOA loan. Current projections show that a loan of approximately \$600-\$700 thousand over a 7 year term would allow for unit contributions to remain at approximately their current level over the term of the loan while maintaining an adequate reserve balance to fund continuing capital obligations in line with the long-term plan per the capital reserve study completed by Falcon Engineering in 2017. Please see the attached schedules for detailed financial projections through 2026.

Skylights and Roof Vents are the Unit Owner's Responsibility

All skylights will need to be replaced as part of the roofing project. Please note that per Restrictions, Covenants, Easements, p. 43, paragraph 1.a (1) of the governing documents, skylights are the

responsibility of the individual unit owners. Currently, a non-operating (non-opening) skylight has been estimated in the \$2,000-\$3,000 range with operating skylights potentially somewhat higher. Unit owners should begin to plan for this expense which will be billed to the unit owners based on the actual unit(s) selected and installed. We anticipate working with the construction company and unit owners to offer a selection of operating/non-operating models to be selected by the unit owners and installed during the roofing project by the construction company.

Many units, especially interior units, have dryer vents and bathroom exhaust fans that vent to the interior attic space. As this is not to current code and presents humidity and interior air quality issues, all vents will need to be vented to the roof as part of the roofing project. Per Restrictions, Covenants, Easements, p. 44, paragraph 1.a (2) of the governing documents, this vent work is also the responsibility of the individual unit owners. Unit owners should also begin to plan for this expense which will be billed to the unit owners based on the actual unit(s) selected and installed. Venting expense will vary based on individual unit requirements, but Falcon Engineering has estimated an approximate cost per vent of \$300. Unit Owners may estimate 2-3 vents per unit.

Summary of Additional Expenses to Unit Owners

July 2017-June 2018 Fiscal Year - \$240 special assessment (\$60 per quarter)
July 2018-June 2019 Fiscal Year - \$240 special assessment (\$60 per quarter)
Spring/Summer 2019 – actual construction – skylight(s) and vent installation(s) billed to owners