



January 14, 2024

Harbortown Homeowners Association

Board of Directors

## **Harbortown Building Envelope Review for January 22nd Board Meeting**

### **1. Introduction**

We appreciate the opportunity to work with Harbortown for these past few years, assisting with the reserve study and capital management requirements. I know addressing the multiple amounts of issues a board faces as a director is challenging. My efforts are to assist and offer an unbiased approach to your issues.

Through visual inspection of the property, the goal has been to identify components of concern and provide financial allowances for identified professionals to bring forth necessary action. The plan had been to aggressively focus on replacement and repair being identified to deal with the aging infrastructure and envelope components. The amount of funds required has continued to grow.

Concern about extensive damage that is not commonly visual became a focal point after the evaluation was completed by Wiss, Janney, and Elstner Associates (WJE), one of America's leading architectural and building engineering firms. This heightened the board's concern about damage and costs. We have worked with the board on these efforts to clarify conditions found by the professional experts and bring a foundation of information and capital requirements so the Board could continue to make necessary decisions. This report outlines an overview of activities addressed in and since the WJE Report of January 22, 2023.

### **2. Compliance with SB326**

California Senate Bill (SB326) has led to Section 5551 of the California Civil Code for Inspections of Exterior Elevated Elements (EEE). The requirement is to have an architect or engineer inspect and provide a report before January 1, 2025, of which the HOA met this requirement on time. The inspection included balconies, decks, porches, stairways, walkways/breezeways, and entry structures that are outside of the exterior walls of the building, as well as their supports and railings. Although only reviewed visually, some of the buildings were susceptible to significant settlement, and in a few instances, the soil conditions and settlement may have affected these elements. Within the report, 85% of the EEE was accessed for visual inspection. Based on this, the inspection was supplemented by opening finished materials. The report broke down three categories: safety issues, which were immediately repaired, high, and medium.

### **3. Next Steps and Challenges**

The next step was to work with the Board to find a professional company to complete the necessary drawings of EEE requirements, including bidding and quality control through supervision and inspection of any work completed by the contractor. This also allows the HOA to have a permanent record of requirements for the future. Ultimately, AVELAR, a professional envelope firm, was selected

to meet those requirements. Plans were delivered, but several months late. Although the firm was asked at this point only to bid the "WJE identified "high" deck requirements, there were questions about the contract bidders' instructions as the bids varied, some considerably. Also, we pointed out in

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our discussion with AVELAR that several portions of the areas that called for repair were limited to the EEE section, even if there was substantial rot in the plain view. We also prepared for the Board questions for AVELAR and the competing contractors we thought would assist in clarifying some of the questions the Board had and knowable questions for the bidders to differentiate capabilities. About half of the expenditure for the total AVELAR contract has been paid, primarily for the architectural plans and the bidding process. The remaining would be in awarding the bid and the quality control through inspection of the work as it is in progress and completed, ensuring the work meets the required specifications. To date, that portion has been placed on hold.

#### **4. July 2024 Board Letter**

In July 2024, we addressed the Board in a letter detailing concerns with the bids received, the scope of work identified, and advocating for a coordinated approach to preserve funds. From this, we recommended before proceeding with the EEE bids presented by AVELAR that we ascertain the extent of the current scope of work, not just “high” EEEs, potential savings in broadening the scope of work relating to future maintenance expenditures.

#### **5. Board Presentation**

This led to bringing to the Board a presentation that included:

- Educating what is included in a building envelope system
- Review of the WJE Report – SB326
- AVELAR’s scope of work
- Review of Deck results, identifying several questions and surmising the costs if both high and medium EEEs were addressed using the lower bids

With this, the Board engaged our efforts to produce appropriate material based on our letter and presentation.

#### **6. Outcomes of the Work**

The outcome of the work included:

- Satellite technology of the several Harbortown model buildings, providing imagery and measurements takeoffs
- Based on this information, the material and labor specifications cost were summarized as estimated, based on the facts used, to address completing a comprehensive building envelope restoration (CBER) for each building within Harbortown was estimated.
- A review of the deck (EEEs) from AVELAR provided that 113 of the 533 decks were addressed and costs to do the deck work alone, and shows 420 of the 533 EEEs were not currently in the Scope.

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- The Scope of work offered partial building sides incomplete, and in some cases, did not address the flow of water that may have caused the damaged area(s); other rot/damaged areas adjacent to the work, and could lead to redoing the work again once a comprehensive building envelope restoration takes place.
- Addressing the high priority decks, we concluded the costs at \$6,146,698, and the medium priority decks at an additional \$7,916,597, which would result in a cost of \$14,063,295 in today's costs. It should be noted that IQV would come in at \$15.3M, and they have extensive knowledge of the property and likely bid with that knowledge in mind.
- Address the financial impact of these costs to the HOA over the many years.
- Before moving on – recommended questions for AVELAR and contract bidders
- A recommendation is an invasive review of the property to be done to see if the overall damage was systemic or not.

## **7. Invasive Work Completion**

After our last meeting with the Board, there was an agreement to move forward and review the condition of the building envelope. That work has now been completed:

**Outcomes:** The invasive work completed by SPS, the construction firm being performed at Point Pacific, of which the Board has had discussions, reviewed 29 buildings and provided a report that is part of this effort. Their well-expertise opinion is that the buildings have reached the end of their life cycle.

The overall estimate of completing a CBER approach to all the buildings is in the \$50M range. Again, our complete analysis is available and included with all of our documents, which will be reviewed with the Board.

From the invasive perspective, the only stone left unturned would be to have a review of this information done by building envelope science engineers or, more aggressively, have them do an additional review themselves. The scenario will most likely remain the same. However, we would offer recommendations for a well-seasoned firm if that is the wish of the Board.

## **8. Board Recommendations**

**A.** Add the 'medium' decks (WJE-identified EEE), expect \$15.3M in cost using the QVC quote, and continue the current work piecemeal. In the short term, the HOA would likely address another \$5M in cost. The deck fences, of which most are at their end, are set for \$100K a year and have not been started.

**B.** Continue to repair and replace portions of the envelope while addressing the identified "high" risk decks (WJE-identified EEE). Realistically of this direction is taken, not only would the HOA need to look at the cost of the high and medium decks (EEEs), but other unidentified areas, reasonably expecting in

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the neighborhood of \$15.3M, and also to comprehensively address the significant number of places that need to be repaired, and even then, there is paint cost, all the other decks, and deck fencing. Without comprehensively addressing this, it could well be over \$25M - \$30M, and the enviable life cycle would still not be addressed, which would mean doing the entire comprehensive building envelope renovation again shortly.

Using the \$15M costs for high and medium EEs

- Financially addressing on the high and medium EEs
  - \$15M @ 5% interest for 10 years: \$158,285.30
  - Totals \$6,087.90 a month by 312 units, each month \$507.32
  - Added to current monthly assessment \$777.00
  - Total unit assessment of: \$1,284.32

**C.** Limit repair and replacement to immediate building concerns and formulate a CBER approach over several years. The current configuration for comprehensive building envelope restorations: (with the assumption of no significant work on roofs (\$11,650,878.)

- Vinyl composite siding (such as what Pacific Pointe is using)
  - Estimated cost based on assumption 10/24 costs\* \$49,672,601
  - Estimated reduction of expenditures in current reserve: (\$15,691,278)
  - Net cost: \$33,980,783
  
  - Per unit: \$108,912.77
  - Reserve expenditure discount: \$50,292.28\*
  - Net per unit: \$58,620.49
  - 30 yr loan @ 5% each month: \$308.81
  - Net for current reserves: \$150.81
  - Operation monthly assessment: \$165.00
  - Total monthly assessment: \$918.62
  
- Other siding material costs:
  - Cedar \$56,981,122– No reserve discount
  - Cement \$49,289,444 Partial – needs to be determined

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\*Cost basis is based on the date quoted and assumed to be within 5-7% | Reduction of the reserve fund is based on current reserve numbers and primarily includes painting and deck fencing. These are assumptions for discussion purposes. These assumptions are basic and are based on fixed periods; other financial methods may be available and will be explored. The California fires could affect pricing, labor cost, and labor availability.

## 9. Process Recommendations

- **Alignment:** Develop board members, community members, and expert advisors who agree that the building envelope system needs to be replaced.
- **Restoration Approaches:** Outline fiscally responsible restoration approaches that:
  - Meet the board's fiduciary responsibility
  - Minimize financial impact on current and future owners
  - Increase property value
  - Consider phasing, elevation work, or larger-scale comprehensive renovation
- **Funding Opportunities:** Explore options such as bank financing, monthly assessments, and/or special assessments.
- **Communication:** Establish a formal communication format and cadence with the community to ensure owners are informed and engaged.

## 10. Suggested Next Steps

- **Workshop:** Engage in a 2-3 hour workshop to gain further insight into the process and develop familiarity with practical options unique to Harbortown.
- **Financial Modeling:** Use real-time financial modeling tools to explore costs and funding approaches.
- **Review of companies that can best address the various aspects of requirements**

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**11. Additional Information and Documents —**

We have prepared a website with the various outlines and documents we have worked on, so you have all the information mentioned in this memo. The link to the site is [HERE](#).

We look forward to the January 22<sup>nd</sup> meeting for our review and the Board's questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jay Grant'.

Jay Grant, Managing Partner

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