

Willamette Towers HOA Reserves Study 2016

General Notes, Followed by

Categories and Items: Descriptions and Comments

Reserves Study- General Comments:

The Reserves Study has a 30-year scope; that is, it includes the maintenance and replacement costs anticipated for capital expense items for the next 30 years. Items with a life longer than 30 years enter the study 30 years before the item is to be replaced or maintained.

This Reserves Study begins January 1, 2016. The year 2016 is considered year "0". Thus, an item listed for year "0" is scheduled to be done in 2016. One for year "1" is scheduled for 2017, etc.

Costs of individual items are based on past costs when possible; otherwise, bids or estimates from contractors are used, and, where neither of these are available, reserves study pricing charts or on-line estimators are used.

Contributions to the reserves are made for the next occurrence of any given item. For instance, if new roofing (original installation: 2005 with an expected life of 20 years) is scheduled for 2025 and again for 2045, the 2025 occurrence will be funded. Following that project, contributions will begin for the 2045 occurrence.

2016 Expense Summary

This is a listing of the projects scheduled for 2016.

Expense Summary by Year 2016-2021:

This is a critical time as major repairs to the plumbing and garage are expected as well as improvements to the interior lighting and the residence hallways flooring. At the same time, we are trying to build the reserves fund to a healthy state. The expense summary constitutes the plan for building repairs and upgrades for the given years.

WT 2016 Funding Study Modified Cash Flow Analysis:

This page contains lots of information. The column Calendar Year is self-explanatory, and let's ignore the columns Annual Interest and Annual Income Tax, as these are minor amounts.

Skipping to column 4, *Annual Expenses*, one sees the total expenses planned for any given year. Note that the years 2016 through 2021 match up with the totals given in the pages *Expense Summary by Year 2016-2021*.

To fund these expenses, the amount shown in column 2, *Annual Dues*, is proposed. The amount \$109,200 is the equivalent of an average of \$100 per month, per unit, or \$1200 per year. With the 2015 contributions to the reserves of \$90,000, \$109,200 is an approximate 20% increase.

The future drop in the *Annual Dues* beginning in 2023 is a bit misleading, as the cost for elevators and fencing will come into the 30-year scope in the future and will need funding.

It is anticipated that there will be \$70,000 in the reserves at the end of 2015 (noted at the bottom of the *Cash Flow* page). This is called the *Initial Reserves Fund*, and will be supplemented by 2016's *Annual Dues*. The total, minus the *Annual Expenses*, gives us column 6, *The Net Reserve Funds*. This is the amount projected to remain in the reserves fund at the end of the year.

The final column, *% Funded*, gives us a look at the health of our reserves. Generally, 50% Funded is considered OK, and 65% - 70% funded is considered healthy. 'Healthy' means that funding is available for current projects, reasonable funds are available for the future, and an emergency need can most likely be afforded. The *% Funded* for 2016, 4.4%, would therefore be considered anemic, a danger should an emergency arise.

But what does 4.4% *Funded* mean? If roofing from 2005 is to be re-done every 20 years and will cost \$100,000, we are halfway to collecting the needed funds. Half of \$100,000 is \$50,000, and thus we would need \$50,000 (10 years x \$5,000 per year) dedicated to the new roofing in the reserves fund at the current time to be 100% funded. The following year would require an additional \$5,000 contribution to remain 100% funded. If we are 6 years (40% of the way) toward an every-15-years project totaling \$15,000, we would need \$6,000 (\$15,000 times .4) in the reserves account to be fully funded. The software takes all of our projected future expenses and calculates the *% Funded*.

A goal for 2016 should be to attain a % Funded of 10%. If bids for the *Annual Expenses* come in lower than expected, this will move us toward that goal. An increase in the *Annual Dues* would do the same. Otherwise, some

expense planned for 2016 should be moved to 2017. This may bump 2017 projects to a later date, but such a change may be a matter of a few months or perhaps a year. The gain will be healthier reserves.

A change in *Annual Dues*, a re-scheduling of when an item occurs, or a change in the actual cost of an item can all affect the *Net Reserve Funds* and therefore the *% Funded*.

The *% Funded* in 2021 of 7.7% is low for a number of reasons, and is likely to change in a positive direction. That year's repairs to the garage (about \$110,000) is speculative at this time, the cost to be determined following an engineering report scheduled for 2016. An amount of \$81,000+ is scheduled in the *Category Miscellaneous: Repair and Renew*. This scheduling is for convenience for items that need redone on an irregular, as needed, or emergency basis. Many of those items may well be deferred to future years.

WT 2016 Reserve Study Expense Item Listing

Explanations of all the Reserve Categories and Items

The following is an explanation of all the general Categories and the individual Items that make up the Reserves Study. First, the Expense Item Listing columns are defined, followed by the comments on individual items.

Reading the explanations side-by-side with the Reserves Study listings is the best way to understand the details of the study.

Definition of Terms used in the Expense Item Listing:

Reserves Items (Column 1): An item-by-item listing of all the projects in the Reserves Study. Note that the Categories, centered on the page, are arranged alphabetically.

Unit Cost: Some items are a single unit, and some number more than one (boilers, for example) or are calculated per individual unit, such as a cost per square foot.

No Units: The number of units of any given item, such as the number(units) of square feet of carpeting we have. Note that, in this case, "units" has nothing to do with WT residences, also commonly called units.

Current Cost When New: This is the cost of the item in 2016 dollars. This may be more than the original cost, because an inflation percentage multiplier has been used to bring the original price to the current year. Should there be a multiple number of units, this total will be the unit cost multiplied by the number of units adjusted for the current year.

Estimated Remaining Life: The number of years, counting from the current year 2016, until the project is scheduled.

Expected Life When New: The number of years the item will last, at which time it will probably be scheduled once again for replacement and contributions will begin to fund the next occurrence of the item.

Calendar Year: The next scheduled occurrences of the item. For an unknown reason having to do with the software, occurrences beyond the 30-year scope of the Reserves Study are sometimes listed.

Estimated Future Cost: The predicted cost of the item in the Calendar Year when it is scheduled for completion.

Raw Annual Payment: The yearly contribution to the Reserves that is required for the project to be fully funded. The Raw Annual Payment is calculated by dividing the Estimated Future Cost by the number of years in Estimated Remaining Life and applying that result divided evenly over the coming years. An item that is not yet within the 30-year scope of the study, such as the elevators, will show no Raw Annual Payment.

Comments on Categories and Items:

The following comments supply historical notes and other detailed information on the Categories and Items that make up the Reserves Study. "**Categories**", listed in **Bold**, are the broadly defined areas, and "**Items**", listed in **Bold Italics**, are the listings within any given Category.

A good method to fully understand the reserves is to read these comments side-by-side with the evaluations of future costs presented in the Expense Item Listing.

Architectural Exterior: Paint and Maintain

Paint Building Exterior 2009 Cost: \$112,484.

Paint Garage 2009 Cost: \$13,800.

The item **Seal Exterior Seams and Joints** is included in the 2009 **Paint Building Exterior** total.

Seal Aggregate Panels was not considered necessary during the 2009 painting. The seals (caulking) around the panels were part of the painting process, but there was no sort of sealant proposed for the panels themselves.

Maintain Brick (point up, clean and seal): There was no pointing up of the mortar in 2009. Removal of the white residue on the bricks was not successful, and so there was no sealing or other treatment of the brick.

Items showing no future cost can nonetheless be considered as projects on a schedule separate from the painting, and so are listed as Items even if the cost is \$0. In the future, they may be priced individually.

Wash the Building and **Wash the Garage** were items in the 2005 Reserves. While washing has not been a practice at Willamette Towers, it could be considered if needed. No estimate available.

Architectural Interior: Flooring

Flooring: Hallway Carpets- Labor

Labor to replace the carpets. The hallways have quite a number of specialized cuts around columns, door frames and thresholds.

Flooring: Hallway Carpets- Replace

Replacing all the carpets on the resident floors is proposed for 2016. More generally, the issue is new flooring. Options to carpeting have been suggested, such as tile at the elevator entry/exits, and finishing and staining the concrete.

Flooring: Linoleum- Ground Floor North Hallway

While past its estimated life, the linoleum may have continued life if cared for properly.

Flooring: Lobby and East Entry

The ceramic tile was installed in 2007 at a cost of \$10,600.

Architectural Interior: Lighting

Lighting: North Hallway- Renew

The experience from replacing lights on the ground floor in 2016 will inform the 2017 replacement of all lighting on the residence floors.

Lighting: Residence Floors- Renew

Following the 2016 lighting upgrade on the ground floor, all the other hallway lighting will be replaced.

Architectural Interior: Lobby & Office Remodel

Lobby and Office Remodel

The **Lobby & Office Remodel** was done in 2011.

Designer and other fees equaled \$1500. The build by Neil Kelly cost \$15,420. **Lobby Remodel: Work by Others** was primarily the demolition of the walls and rebuilding them at the cost of \$12,243. The Lobby Art was installed in 2013 for \$1800.

Total for the above is \$31,318. It is expected that a future remodel will not require as much demolition and construction. For example, there may be little need for Work by Others.

Architectural Interior: Paint and Seal

Paint and Seal Interior was a 2007 project at a cost of \$40,914.

Boiler (Hot Water)

The original all-electric boiler, contained within a large tank, was replaced by two gas units in 2015 at a cost of \$80,301 with an additional \$21,181 for Work by Others, for a total of \$101,482.

Boiler: Replace Key Parts is the maintenance of the new boiler system as key parts reach the end of their useful life.

Doors

This Category lists our Main Entry doors and 3 North Stairway doors that need replacing soon. The East Entry and North Entry doors do not need replaced at this time. Otherwise, provision is made for the occasional replacement of North Porch/North Stairway doors and North Porch/Hallway doors in the category **Miscellaneous: Repair and Renew**. Funding is also available for some building interior doors, such as Janitor Room doors and Garbage Room doors, in **Miscellaneous: Repair and Renew**. There is no provision for the replacement of residence unit doors.

Electrical

Details are needed for the items **Replace Sub-panel in ECC Room** and **Replace Hallway Sub-panels**. **Electrical: Maintain and Repair** is a placeholder fund until bids are received and the work is scheduled.

Elevator

The elevators were re-built in 2014. With a 35-year life, they come into the 30-year scope of the Reserves in 2020; that is, payments for the replacement will begin in 2020. 2014 rebuild costs: Consultants- \$15,891; Work by Others- \$11,416; Elevator rebuild (OTIS)- \$357,640. Total: \$384,947 for 2 elevators. Funding for **Elevator: Refurbish- New Interiors** is presented in the category **Miscellaneous: Repair and Renew**.

Elevator: Replace Heat Pump

This provides for maintenance and replacement of the equipment that maintains a proper environment for the elevator room.

Garage

Garage: General Upkeep will likely be filled in when information is learned from the engineer's assessment planned for 2016. There is not a schedule for replacement of the garage, but, at 50 years, it has fulfilled its expected life. The aim is to be alert to problems and provide for its maintenance, a process beginning in 2016 with the item **Garage: Engineer Assess Structure**.

Garage: Upper Deck Re-surface was a 2010 project costing \$96,053 plus \$7592 to install additional drains for a total of \$103,645. It is anticipated that the engineer may suggest upper-level remediation by 2021, and an amount for this is provided in the Reserves Study.

Garage: Engineer Assess Structure:

This is a 2016 project to determine a short- and long-range strategy to maintain the integrity of the garage and to advise us of any specific work that needs to be done.

Miscellaneous: Major Items

Paving: Asphalt Overlay (north and south paved areas) is to add a new surface.

Paving: Asphalt Seal Coats should be performed every 5-7 years. This is a treatment of the existing surface that seals the existing asphalt and extends its life.

The item **Miscellaneous: Paving: Repair Sidewalks** is funded in the category **Miscellaneous: Repair and Renew**.

Ventilation: Clean is scheduled for 2017. There is a ventilation system for units on the south end of the building that vents out on each floor adjacent to the elevators. Another system for units in the center and north side of the building vents out on each floor at the north porches.

Miscellaneous: Repair and Renew

There are many Items that need done on an irregular or as-needed basis or as emergency items. The **Miscellaneous: Repair and Renew** Category is a method to create funding for these.

Many of these items accumulate full funding over a (somewhat arbitrary) 5-year period, and giving them a long life (such as 50 years) is simply a way of having no subsequent re-funding until the item is actually carried out.

If the Items are not needed when the funding is complete, they will simply be re-scheduled for the subsequent year, and the money reserved for the Items will already be in place, with no additional contributions to the Reserves required.

When a project is completed, it will be re-funded at the known actual cost.

The **Miscellaneous: Repair and Renew** Category, unlike the other categories found in the Reserves Study, is best thought of as a pool of money to be spent as needed, rather than a specific amount dedicated to a certain item at a certain time. Other methods to achieve the same result are possible, but this method is one way to ensure that needed funds are on hand.

The rather lengthy list of **Miscellaneous: Repair and Renew** items follows. The titles of the Items indicate the general Category from which each is drawn.

Architectural Exterior: Landscape- Prune Trees:

The city is responsible for the trees along Lincoln Street and has responded in the past when pruning was needed.

Architectural Exterior: Landscape- Repair Sprinkler Lines:

The sprinkler lines will be repaired when problems develop. It is believed that sections rather than whole lines will need to be replaced from time to time.

Architectural Exterior: Replace Glass- Commercial, etc.

It is anticipated that glass in the office or commercial units will need to be replaced, and this provides funding for replacement of 2-3 panels.

Architectural Interior: Ceilings: Repair and Renew:

From time to time, the ceiling tiles and the metal structural parts, need to be improved. Most of the ceiling tiles in Willamette Towers are a non-standard size that is no longer available. This item reserves some money to tackle any given section of a ceiling that requires improvement or replacement.

Architectural Interior: Flooring: Commercial Spaces

This provides funding to address re-flooring needs in the commercial spaces.

Architectural Interior: Flooring: Entry Rugs

This item is to replace the rugs outside and/or inside at the front entry to the building.

Architectural Interior: Lighting: Replace Ground Floor

This provides for upgrades or repairs to lighting through most of the ground floor, when needed. The north hallway is treated separately in ***Architectural Interior: Lighting: North Hallway-Renew***, but this covers all of the other ground floor lighting- the storage rooms, laundry room, commercial spaces, etc.

Architectural Interior: Metal Handrails

This provides funding for repairs and replacement of the metal handrails and porch railings and safety bars, as needed.

Doors: Commercial

This funding is for the replacement of at least one large entry door or double- door to a commercial space.

Doors: Exterior and Interior

This funding provides for the replacement of 3-4 exterior and interior doors, as needed. These doors are, for instance, the North Porch doors to the Hallways or Stairways, and internally; for example, the Storage Room, Laundry Room, Janitor Closet and Garbage Room doors. Resident Unit doors are not included, nor are they provided for elsewhere in the Reserves Study.

Elevator: Refurbish Interior

This item is to re-finish or replace the colored panels and the flooring in the elevators.

Garage: Maintain Drains

This provides for repairs and major cleaning of the garage drains, when needed.

Miscellaneous: Paving: Repair Sidewalks

Provides for the replacement of the pavement, whether in sections or entirely.

Miscellaneous: Air Conditioning:

This funds the occasional replacement of the office or of a commercial space air conditioner.

Miscellaneous: Office Equipment:

Reserves funds for the replacement of office equipment.

Miscellaneous: Office- Replace Furniture:

This provides some funding for new furniture.

Miscellaneous: Parking: Bicycle Racks:

Provides for the occasional replacement of bicycle racks.

Plumbing: Renew Recirculation Pumps:

Recirculation pumps are part of the hot water delivery system.

Plumbing: Renew Sump Pumps:

Provides for the replacement of the sump pumps when needed.

Plumbing: Restroom Equipment:

This funds the replacement, as needed, of toilets and sinks in the ground floor bathrooms.

Roof: Awning- Replace

Provides funds for removing or replacing the awning over the west side pavement.

Roof: Maintain Drains

This assures that the drains from the roof to the city storm water system are performing properly.

Roof: Seal 13th Floor Patios (Roofs) and North Porches

The 13th floor patios (as they are called in the original building designs) are also roofs for the areas directly below. The integrity of the patios as roofs needs to be maintained, and treatment of the north porches to preserve the integrity of the concrete should also be assured.

Security- Call Box:

Repairs are needed from time to time on the call box at the entry. \$1,500 was spent in 2009.

Security: Cameras

The security cameras were installed 2010-2011 at a cost of \$4,455. It is anticipated that they will need upgraded or replaced at some time.

Security: Equipment for Garage Entry and Exit Gates

This is for motors and other equipment that operates the garage entry and exit gates. This is not for the structural part of the gates.

Security: Key/Fob/EntryGuard System:

Updates to the fob reader system is occasionally required. In 2014-2015, \$5,169 was spent to upgrade the system.

Security: Lighting- Exterior

Repair and upgrades to our outside lighting are carried out when needed. This includes the garage lighting. Most recently, work was done in 2010 on the garage upper-level lighting at a cost of \$2,599. The style of lighting on the garage lower level was changed to fluorescent bulbs in 2009 at a cost of \$3,350.

Plumbing

Plumbing: Miscellaneous:

This is a catch-all account for any follow-up to the extensive plumbing work planned for 2016 through 2019 or other conditions that arise. While many small plumbing repairs are made year-to-year, records show more extensive work from 2010-2015 totaled \$10,581 in repairs and \$8,155 in insurance compensation (not a typical reserves item).

Plumbing: Replace 12th Floor Laterals:

The horizontal runs of plumbing are where certain problems are most likely to occur. This project will replace the lateral (horizontal) plumbing pipes in the 12th floor ceiling. It is expected that this will provide an opportunity to install shut-offs at the top of each stack, and this will help isolate problem areas when repairs are needed without water shut-off being building-wide.

Plumbing: Replace Stack Valves- Phase 1:

Along the horizontal plumbing on the ground floor, this project will ensure that the valves for the individual stacks operate and can cut off flow to the stacks that are targeted. This continues the work that was begun in the boiler room in 2015.

Plumbing: Replace Stack Valves- Phase 2:

As with Phase 1, so this continues replacement of the ground floor stack valves, treating the valves that are in the storage room and completing the replacement begun in 2015.

Plumbing: Restore Drainage, East Side

The storm water drainage on the east side is broken and needs to drain properly.

Plumbing: Engineer Assess Updates

This provides for an engineer who will assess our plumbing system and advise us on plans for the future.

Roof

Roof: Consultant:

The 2005 consultant (Joe Dworkin) cost was \$7,000. Since the next roof is an overlay and not a full tear-off, perhaps a consultant will not be required. This remains an item in case one is desired.

Roof: Building Roof and Flat Roofs (4)

In addition to our main roof, a roofing job will include the elevator and stairway top roofs, and the east and west portico roofs. The main roof was re- done in 2005, including a full tear-off of the existing roof and a new TPO (sheet membrane) roof installed for \$121,000 (Umpqua Roofing). It is anticipated that our next roof will be an overlay and therefore less expensive. Cost given is for the overlay of the existing roof.

Roof: Re-roof 2nd Floor Patio

The 2nd floor patio is also the roof for the spaces below. This area was re-roofed in 2010 at the cost of \$26,356. Re-roofing includes removal and replacement of the pavers that create the patio surface. Dirt and grit accumulate between and under these blocks and should be monitored from time to time to ensure that the roof surface and drainage have integrity.

Security

Security: Garage Roll-up Gates

This is the structural component of the Garage entry gates. Replacement of the equipment is covered in the category **Miscellaneous: Repair and Renew**. The entry gate was changed from a single-gate entry to both ramps to a double-gate entry in 2009 at a cost of \$9,954 for the gates and electrical Work by Others costing \$1,200- Total: \$11,154.

Security: Fencing

The fencing was completed in 2005 at a cost of \$50,000. With a 50-year life, it does not enter the scope of the 30-year Reserves Report until 2025.

The camera system is covered in the category **Miscellaneous: Repair and Renew**.

Windows: Replace Glass and Frames

There is no provision for replacing the windows or the window frames at Willamette Towers.