

Board of Directors  
Oak Grove Condominiums

September 16th 2020

Most condominium associations in Oregon are required to conduct regular studies to evaluate their capital assets and determine the amount of funds that should be collected during the lifetime of those assets to ensure adequate money is available at a projected future date to repair, refurbish, or replace the assets as they wear out. Oregon law requires the review and updating of these studies annually. It also requires preparation of a maintenance plan to ensure that the assets are well cared for during their lifetime.

WCM has prepared two documents for the Oak Grove Condominiums (OGC) to inform the Board in these areas and to assist in the necessary analysis and planning for informed decision-making.

**Reserve Study (Pages 2 - 8)**. A Reserve Study identifies the major components of an association's physical assets which are expected to require funding during a period of one to thirty years for major repair, refurbishment, or replacement. The study estimates the useful life of those components and the cost of repair/replacement of those items at the appropriate times. The study then summarizes the amount of money the Board would have to dedicate each year to have the necessary funds available without requiring special assessments.

The Reserve Study is broken out into the following sections

Reserve Study General Information	Page 2-3
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**Maintenance Plan (Pages 8-9)**. A Maintenance Plan identifies on-going inspection, repair and maintenance items that should be completed at regular intervals to optimize the expected useful life of the association's assets.

These two documents are intended to (1) comply with the applicable state law, (2) provide a means to help protect the market value of the association's capital assets, and consequently each owner's property investment, and (3) protect current owners and future buyers from unexpected costs and special assessments.

The Board should carefully review these documents to ensure they accurately reflect the policies established by the Board and the requirements described in the association's governing documents. The Board should also regularly review the reserve account bank balances to ensure the anticipated funds are being properly allocated to the reserve accounts. Failure to maintain the proper reserve balances will have compounding negative effects on future association operations.

Sincerely,

Kurt Powell,  
Beth Powell,  
and Jon Eick

Community Managers

*Oak Grove Condominiums*

## RESERVE STUDY - GENERAL INFORMATION

Oregon Revised Statutes (ORS) 94.595 (100.175 for condominiums) requires homeowner associations to establish a Reserve Account and conduct a Reserve Study:

(2)(a) A reserve account shall be established to fund major maintenance, repair or replacement of all items of common property which will normally require major maintenance, repair or replacement, in whole or in part, in more than one and less than 30 years, for exterior painting if the common property includes exterior painted surfaces, for other items, whether or not involving common property, if the association has responsibility to maintain the items and for other items required by the declaration or bylaws...

(3)(a) The board of directors of the association annually shall conduct a reserve study or review and update an existing study to determine the reserve account requirements...

### Why does our Association need a Reserve Study?

The purpose of a reserve study is to estimate the cost to the association in future years of replacement or major repair/refurbishment of its capital assets with a useful life of one to thirty years and to calculate the funds necessary to be set aside in the current year to achieve that level of funding.

### GENERAL RESERVE FUNDING DECISION ALTERNATIVES

- **Funding levels.** A very conservative approach to funding is to commit funds based on 100% of the amount computed for each reserve element for each year until replacement. A less conservative and perhaps 'lowest acceptable' funding level is to commit funds sufficient to ensure that the total reserve balance always remains positive. Because not all elements require replacement in the same year, the effect of the second strategy is to 'borrow' funds for items to be replaced in a given year from the balance reserved for other items and then 'replacing' the funds in years when the 'replaced' item is not scheduled for expense. Many intermediate funding levels are available to the Board of Directors to use.
- **Interest allocation.** Interest earned on reserve fund balances can be dedicated to the reserve fund or it can be recorded as operating income. When an association determines the necessary allocation to reserves, the transfer of funds from the assessment collections (operating account) to the reserves can either be a full transfer (interest was recorded as operating income) or a transfer amounting to the difference between the determined allocation less the interest recorded directly to the reserve account.
- **Taxes.** Homeowners associations are subject to income/excise taxes on certain taxable income which often is primarily the interest earned on investments of funds in the reserve accounts. Since much of the interest is attributable to the reserve funds (which usually exceed excess operating balances), the association must determine whether tax payments will be made from the operating budget or allocated to the respective source of income. Since this is an annual expense, it usually is appropriate to budget for this expense in the operating budget.

### GENERAL ASSUMPTIONS MADE IN THIS STUDY

- The reserve study is for budget and planning purposes. Therefore, the numbers depicted are estimates and will vary continuously depending on actual experience of quality of maintenance, wear and care by user actions, newly acquired knowledge about various equipment (e.g., improved maintenance procedures or manufacturer recalls), change in cost factors (inflation rate) and external factors such as weather.
- The values are "best guesses" and should be adjusted at least annually to meet the local environment and observable changes in the condition of the assets.

- Calculations shown in this report for the allocation of funds to reserve accounts do not include interest earnings, and therefore, are independent of interest rates earned on existing investments.
- An inflation rate of 2% has been used in computing future values of both replacement cost and assessment rate increases to allocate to reserve accounts. Changes in this rate may dramatically affect future cost estimates and must be updated at least annually to ensure reasonable projections.
- Life expectancies contained in this document assume that recommended maintenance on all elements will be performed by qualified personnel in a timely, consistent, complete, and professional manner to high industry standards.
- Values estimated in this report are based on (1) association cost and longevity experience with the respective element, (2) experiences of similar associations, (3) estimates from local vendors who have worked on similar projects, or (4) general industry expectations.
- The cost of regular day-to-day maintenance activities is to be included in the association's annual operating budget and is not provided for in this reserve study.
- The cost of removal and disposal of worn out components is included as part of the replacement cost.

#### **GENERAL CAVEATS**

- Although the information contained in this report is accurate and obtained from reliable sources in our opinion, we cannot guarantee nor assume liability for data, estimates, or opinions furnished by others in developing this analysis.
- We have not confirmed the ownership/title status of, nor liabilities/liens against, any of the property described in this report.
- Actual bid prices for any work to be performed in response to these plans may vary (sometimes substantially) from the planning projections contained in the study due to price levels or labor conditions existing at the time bids are obtained. In addition, the scope of work may be defined differently depending on individuals involved in the contracting process.
- State Law requires review of these documents annually. This review is critical because data influencing accuracy of the information used in decision-making changes continuously and often rapidly. The condition of the assets may be affected by harsh weather or usage conditions, costs may be affected by sudden changes in the inflation rate or stricter regulatory decisions, and member/user willingness to continue use of assets may change with economic conditions.

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## **OAK GROVE CONDOS RESERVE STUDY COMMENTARY**

The Oak Grove Condos Supplemental Dec Article 3.2, 7.2, Supplemental Dec Stage V - Article 4, 5 Amended and Restated Bylaws, Article 7.1 require the following maintenance responsibilities. The lists below are not exhaustive or complete. For a complete understanding of association and owner maintenance responsibility, the governing documents should be consulted.

**Association** All general and limited common elements, including exterior building surfaces, roofs, walls, exterior and interior portions of gutters, downspout, fences, trees, shrubs, grass, landscaped areas, walks, drains, sewers in or on common areas, exterior patios stairway entries and landings, parking spaces adjacent to each building, land, roadways, pathways, driveways, parking spaces, foundations, columns, girders, beam, supports, bearing and sheer walls, corridors, lobbies, stairs, entrances and exits of the building, central services up to the outlets within any units, community building,

**Owner** All maintenance and repairs to unit including windows and doors and any plumbing, heating or air conditioning fixtures, telephones, water heaters, automatic garage door openers, fans, vents, lighting fixtures and lamps, electrical outlets, blinds, garbage disposals, fireplaces, refrigerators, dishwashers, ranges, or other appliances and accessories that may be in or connected with such owners' unit. Each unit shall be bounded by the interior unfinished surfaces of its perimeter and bearing wall, floors, and ceilings.

### **General Observations:**

- All items were included in the study with the assumption that they were all installed in 2004.
- Depending on the desired look of the neighborhood, asphalt replacement (which is included in the study) may not be necessary depending on the frequency of sealcoating.
- Though the prices for asphalt repair and replacement were gathered this past year, prices for oil greatly influence the cost of sealcoating and asphalt maintenance.

## 30 Year Summary

<b>Year</b>	<b>Estimated Contrib</b>	<b>Estimated Expense</b>	<b>Reserve Balance</b>
2020	27,500.00	129,534.13	277,965.87
2021	38,000.00	34,829.06	281,136.81
2022	40,071.00	32,297.38	288,910.43
2023	42,254.87	22,464.39	308,700.91
2024	44,557.76	54,379.29	298,879.38
2025	46,986.16	145,367.20	200,498.34
2026	49,546.90	89,737.52	160,307.72
2027	52,247.21	17,977.83	194,577.10
2028	55,094.68	7,019.68	242,652.11
2029	58,097.34	155,935.51	144,813.94
2030	61,263.65	30,804.29	175,273.30
2031	64,602.52	5,688.62	234,187.20
2032	68,123.35	61,638.16	240,672.39
2033	71,836.08	13,659.09	298,849.37
2034	75,751.14	70,936.37	303,664.14
2035	79,879.58	30,613.80	352,929.92
2036	84,233.02	8,141.03	429,021.91
2037	88,823.72	51,459.71	466,385.92
2038	93,664.61	44,255.53	515,795.00
2039	98,769.33	0.00	614,564.33
2040	104,152.26	122,713.61	596,002.97
2041	109,828.56	43,444.68	662,386.85
2042	115,814.21	37,550.27	740,650.80
2043	122,126.09	12,328.13	850,448.75
2044	128,781.96	410,756.12	568,474.60
2045	135,800.58	329,090.94	375,184.24
2046	143,201.71	359,679.43	158,706.52
2047	151,006.20	207,081.18	102,631.54
2048	159,236.04	213,401.19	48,466.39
2049	167,914.40	198,688.58	17,692.21
2050	177,065.74	123,710.63	71,047.32

## *Replacement Scheduling Assumptions*

Name	Total Current Replacement Cost in 2019 Dollars	Year Next Scheduled	Replacement Cycle in Years
Mailboxes Cleaned	520.20	2020	4
Trash Enclosure Repair	520.20	2020	5
Tree Work	3,121.20	2020	5
Siding - Pressure Washing	8,739.36	2020	3
Insurance Deductible.	2,080.80	2020	1
Painting, All Units Exterior Patio Doors	3,381.30	2020	7
Foyer Carpet Cleaning	2,653.02	2020	5
Windows Foyer Replace	54,100.80	2020	5
Gutters,Downspouts - All Buildings - partial replace	27,000.00	2021	25
Access Control - Exterior Gate Man Entrances	4,161.60	2021	20
Painting, Foyers Interior	10,846.17	2022	15
Exterior Lighting Replacement	17,697.20	2022	20
Restriping Parking Lot	2,400.00	2022	3
Concrete Repairs	3,060.00	2023	5
Clubhouse HVAC Replacement	6,297.54	2023	15
Deck Railing Replacement	9,129.51	2024	10
Access Control - Unit Keypad/Doorbell	20,287.80	2024	20
Access Control Gate Keypad/Pedestal	2,080.80	2024	14
Clubhouse Appliance - Microwave Replacement	520.20	2024	20
Clubhouse Appliance - Refrigerator Replacement	2,080.80	2024	20
Trash Enclosure Replace	7,282.80	2024	20
Asphalt Sealcoat	1,456.56	2024	7
Door - Patio Trim Replace	5,664.98	2025	15
Landscape Sprinkler System	3,125.36	2025	15
Foyer Entry Tile Replacement	15,854.66	2025	15
Clubhouse Furniture Replace	4,901.10	2025	20
Access Control Gates	10,404.00	2025	15
Foyer Entry Carpeting Replacement	6,762.60	2025	15
Painting, Clubhouse Interior	2,746.66	2025	15
Concrete Pressure Washing	6,179.98	2025	8
Foyer Interior Lighting Replacement	11,236.32	2027	20
Clubhouse Carpeting	7,282.80	2029	20

Replacement			
Deck Trex Replacement	99,878.40	2029	25
Gutters,Downspouts	-		
clubhouse - partial replace	1,211.03	2029	25
Painting, All Units Interior			
Foyer Doors	3,381.30	2030	15
Asphalt Overlay	14,565.60	2032	28
Fence Chain Link Replace	37,454.40	2034	30
Mailboxes, Replacement	4,161.60	2034	30
Clubhouse Appliance	-		
Refrigerator Replacement	2,288.88	2040	20
Doors - Clubhouse Replace	1,560.60	2044	40
Siding - replacement	425,100.00	2044	40
Doors - Foyer Entry Replace	10,143.90	2044	40
Windows Clubhouse Replace	5,202.00	2044	40
Roof - All Buildings Replace	218,932.00	2025-2026	20

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## **GENERAL MAINTENANCE PLAN INFORMATION**

Oregon Revised Statutes (ORS) 100.175 now requires homeowner associations to develop a maintenance plan “...for the maintenance, repair and replacement of all property for which the association has maintenance, repair or replacement responsibility...”

(4)(a) The board of directors shall prepare a maintenance plan for the maintenance, repair and replacement of all property for which the association has maintenance, repair or replacement responsibility under the declaration or bylaws or ORS 94.550 to 94.783. The maintenance plan shall:

- (A) Describe the maintenance, repair and replacement to be conducted;
  - (B) Include a schedule for the maintenance, repair and replacement;
  - (C) Be appropriate for the size and complexity of the maintenance, repair and replacement responsibility of the association; and
  - (D) Address issues that include but are not limited to warranties and the useful life of the items for which the association has maintenance, repair and replacement responsibility.
- (b) The board of directors shall review and update the maintenance plan described under this subsection as necessary.

This responsibility usually encompasses Common Elements and Limited Common Elements as defined in the governing documents, but may extend to certain other features in the community if the Association has a contractual relationship with owners for ‘common’ maintenance functions.

The principle component of such a maintenance plan addresses the valuable physical elements which an association owns and which are usually considered “capital investment” property which have a useful lifespan from one to thirty years. These properties are defined in the required reserve study and funded by the reserve account(s). However, the Board also must be cognizant of general maintenance requirements that are frequently not seen as having capital investment implications, but which occur on a repetitive day-to-day basis. For example, custodial functions and general repairs, such as removing moss from walkways, must be provided for in custodial service contracts. Mowing grass, controlling weeds, and maintaining irrigation systems must be provided for in landscape maintenance service contracts. Although many of these services do not directly affect capital replacement requirements, they contribute to the general appearance of the community and to owner satisfaction with the living environment, and likely contribute in an immeasurable way to the overall condition and lifespan of all association assets.

The purpose of any maintenance plan is to assist the Association/Board in preserving the value and life expectancy of its real assets by establishing a routine and systematic schedule of activities that will help assure longevity of those assets through proper operation and maintenance during their lifetime. The plan is a suggested sequence of events which must be regularly reviewed and adjusted based on actual experience of quality of maintenance, wear and care by user actions, newly acquired knowledge about various equipment (e.g., improved maintenance procedures or manufacturer recalls), and external factors such as weather. Actual procedures and specific timing of events should be governed by the manufacturer’s instruction manuals. Trained professional technicians (with proper knowledge, training, tools, and equipment) should generally be used to accomplish these services.

This plan cannot make important decisions for the Association/Board. Regular, complete, consistent maintenance activities will cost money in the present time period, but will reap benefits of significantly lower major maintenance and/or replacement costs in the future. The Association/Board must make the policy decisions which establish their tolerance for these trade-offs in risk versus cost.



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**OAK GROVE CONDOS MAINTENANCE SCHEDULING INFORMATION**

Category	Life (yr)	Frequency	Description
Asphalt Surface	30+	Annually	Inspect all asphalt surfaces for cracking, chipping, and other wear indicators, as well as damage from improper use. Repair as needed. Surfaces include curbing, parking bumpers, speed bumps, signage. Ensure ADA & other code compliance and absence of tripping hazards. Ensure all surfaces drain properly.
		5-7 years	A seal coat should be applied to all asphalt surfaces (pathways, parking lots, private streets) to protect against failure from water penetration. If a seal is not maintained, the asphalt will age quickly for alternate drying out in summer and freezing in winter. [An initial seal coat should be applied within 3 years of surface installation.]
		25+ years	Asphalt surfaces may require an 'overlay' after 25-30 years of life depending on the adequacy of seal coat maintenance and amount and type of traffic using the surfaces.
Roof (composition)	25	Annually	Have qualified service technician inspect roof surfaces annually (exterior and interior). Repair identified problem areas promptly to prolong useful life. Treat for moss accumulation annually or as recommended by the service technician. Remove debris when doing gutter/downspout inspections.

This plan is not a "Maintenance Handbook". It does not provide "how to" instructions for maintenance activities, terms of warranties, or provisions of contracts which the Board must negotiate with its service providers.