

Tanglewood Hills Condominiums- A Letter from the Board of Directors

August 21, 2019

Dear Tanglewood Hills Homeowners,

This letter is to provide an update on the Envelope Repair Project the Board has been investigating for the last several years. Please note: it is intended to update owners but can also be used to provide general information to occupants, tenants, potential buyers or sellers and realtors in the community.

That said, this letter does not replace due diligence, or summarize all of the information available to every owner through the HOA document review request process. This communication may not be relied on as a basis for a lease, loan, sale or other financial transaction and the Association, its Managers and Attorneys do not make any representations or warranties about the information. Some of the statements are forward looking and could be speculative. This letter is not intended as an exhaustive or complete factual disclosure and may be incomplete.

Recap

In the summer of 2017, the Board hired J2 Building Consultants. The purpose was twofold: to perform necessary building evaluations, and then from that information, provide expert recommendations for repair.

1. The Board tasked J2 with developing a property-wide Feasibility Study to conduct an assessment of our building(s) condition, and provide recommendations regarding potential scope, timing and cost for repair, maintenance and/or replacement of common area elements. The study included the back-wall leaks (the focus of the recent litigation which resulted in a settlement) as well as all other exterior building elements. That study was concluded and presented to the Board and homeowners at the annual meeting in April of 2018. It was posted to our community web page at that time and has remained there since. **www.tanglewoodhoa.org**
 - The general findings of the study concluded that our property was in need of significant repairs to multiple structural components including: exterior walls, front entries and rear decks and their structural components.
2. The Board asked J2 to help us translate the Feasibility Study into a general scope of repairs from which contractors could provide real world bids. This general scope was not a final scope of work, but rather a starting place to ensure the Board could compare the bids equally.

The Process and the Steps We Have Taken

J2 provided the Board with a general scope and we received initial bids from four (4) contractors specializing in multifamily dwellings, like our community here at Tanglewood Hills. The Board, alongside the Building Committee, reviewed these bids and found that the first round bidding resulted in estimates far higher than we anticipated. The Board, with the assistance of the Building Committee, then embarked on a process to revise the general scope.

- One of the largest cost drivers was City of Lake Oswego and code compliance mandate.
 - Due to the date our property was constructed, the front stairs do not meet today's current building codes. As designed they are serviceable, however out of current code compliance. The City was requiring us to rebuild them in their entirety,

bringing them up to today's code for the rise and run. This would have meant the need to significantly extending the staircases, causing major cost implications due to the number of areas affected such as sidewalks, parking lots & concrete footings. Another huge cost driver in doing this, was the need to accommodate temporary egress alternatives for all upper units during the construction phase.

- After months of negotiations with the City, we received a positive response on our fourth appeal. They did not fully approve this exemption to code, as that is only formally possible when building plans are submitted for approval, however, the response was enough to move forward with that end goal in mind.
- With the City's response, the Board and J2 reconfigured our original scope of work documents, reflecting (now revised) changes to the front entries, as well as overall cost reductions in material selections and other aspects related to reducing the overall budget. We re-approached three of the four original bidding contractors asking for updated estimates based on that new information. All three Contractors submitted new documents and the Board conducted interviews with each company.
- One of those contractors was I&E Construction. After reviewing some of their previous projects, as well as receiving a highly positive response when we stressed the need for flexibility in figuring out the most cost sensitive final scope, the Board selected I&E construction as our contractor and we entered into an agreement with them shortly thereafter.
- Near the end of May, the Board along with the Chair and Co-Chair of the Building Committee, J2 Consultants and Management Trust, met with I&E Construction to begin the process of selecting a final scope of work for our project. From that meeting, several additional items were flagged that required further research and cost analysis, however the meeting was very successful and was another giant leap forward towards the construction phase of the envelope repair project.
- J2 Consultants have also been retained by the Board to oversee the construction phase of the project. They will act in an oversight role, ensuring all phases of the project are completed as designed and in addition will be acting in a budgetary oversight role.

Next Steps and Timeline

We anticipate that a finalized scope of repairs will be made in August or September. Once in place, the board will enter into a formal contract with I&E based on that finalized scope. At the same time, J2 consultants will submit building plans to both the city of Lake Oswego and Mt. Park, as both entities must approve all plans. During that same time line, the Board will make a final determination of funding and put those plans into motion. We hope to be under construction before the end of 2019 or early 2020.

Once the finalized scope has been determined, a special meeting with Homeowners, our Contractors and our Building Consultants will be announced. The project plans will be presented and these experts will be on hand to walk us through general details as well as answer homeowners' questions.

Potential Funding, Homeowner Contribution and Preliminary Budget

The Board will carefully balance the finalized scope with funding needs and sources. Potential funding could come from accumulated reserves, litigation proceeds, increased regular assessments, a special assessment or monthly special assessments to service the common expense (payments) of a long term (20 year+) bank loan.

- The Board is sensitive to the financial impact on owners in considering what course of action to pursue. However, it is essential to remember that the Board is charged with the obligation to repair, replace and maintain the common elements (Declaration Section 4.2) and limited common elements (Declaration Section 5.2) at common expense allocated among the owners. It is important for homeowners to understand that in one form or another, owners will pay for the costs of repair.

Once the final scope has been determined, the Association will begin to make long-needed repairs while protecting the properties value and ensuring it is maintainable and attractive well into the future.

During the initial bidding process, four companies submitted bids based on a preliminary scope generated by J2 consultants. All four of the bids submitted back to us were higher than we anticipated, including one nearing \$15 million dollars. These figures, while addressing the significant and property wide repairs that are needed, were in the Board's view, untenable and would put a financial burden on our community greater than we could sustain.

Those initial bids, triggered the revising of plans, appealing to the City, revising materials and working hand in hand with our Building Consultants and Contractors to reduce costs wherever possible.

We are now estimating costs to be around \$8.5 million dollars to complete the envelope repair project. While this is a significant cost, this project will address all of the necessary exterior repairs property wide: new siding, new windows and rear sliders, new decks, new front steps and landings. It will also solve our ongoing issues and water intrusion problems on the exterior walls, primarily the back elevations and the sliding glass doors.

As reference, here is an **estimated** breakdown of the additional moneys that would be required of each unit, per month, for the term of a 20 year bank loan, servicing an \$8.5 million dollar loan. ***Please Note, these numbers are estimates ONLY and should NOT be considered firm numbers. They are ONLY intended for the purpose of providing estimated payments based on the current information available, final figures are subject to change, and depending on the other sources of funds, it may possible to borrow less than the full amount.***

- Current assessment of \$329 a month = additional payment of \$173 a month
- Current assessment of \$374 a month = additional payment of \$197 a month
- Current assessment of \$434 a month = additional payment of \$228 a month
- Current assessment of \$509 a month = additional payment of \$267 a month
- Current assessment of \$569 a month = additional payment of \$299 a month

As always, the Board encourages homeowners to attend board meetings in person to stay up to date on board discussions and new information. Note, Oregon law permits the association to refuse to disclose the details of contracts under negotiation in order to protect the integrity of the bidding process, and so any specifics about bidding and contracts under negotiation might not be available.

Thank you, Tanglewood Hills Board of Directors