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Thoughts on Exterior Common Elements Repair Project

Background on Condominiums

- Condominiums by their nature are a problematic ownership structure. They require individuals to cooperate on short- and long-term repairs and maintenance to preserve the structural integrity and values of shared buildings. Many people buy into condominiums thinking doing so allows them to forfeit all responsibility for building upkeep, landscaping, etc.
- Boards of Directors for condominium/homeowner associations are composed of volunteers many of whom have no experience in the areas of expertise required for responsible property management. So most often, a condominium/homeowner association board will hire a management company to supervise contractors, send out requests for proposals, collect dues, pay bills, levy fines approved by the board, respond to owner questions and complaints, etc.
- Those boards of directors have a fiduciary responsibility to enforce the bylaws and preserving the association's assets. Beyond that they do not have a responsibility to a "community" comprised of owners of the individual units
 - normally, if any association has an active "community" it is created/managed by volunteers other than the directors
 - owners have a responsibility to stay informed about association matters and building status
 - many owners ignore notices sent by management on the behalf of the board, never visit the website to view documents, and never attend board meetings
- Board positions traditionally are difficult to fill. Since many people buy a condominium to avoid the responsibilities of home ownership, most do not want to invest the time it takes to oversee managing the property. Most board meetings are attended by only a few people unless there is a problem

- Reserve studies are, in my opinion, a gift. Companies charge several thousand dollars to plug numbers into a spreadsheet (and conveniently got states to make those "studies" a legal requirement) and spit out a report
 - reports are rarely accurate because they're not based on thorough inspections of building infrastructure (every single element that requires replacement is underpriced in the SPCA reserve study)
 - almost no condominium association fully funds their reserves. And because no one does it, no one does it. Owners who move from one condominium complex to another have gotten used to lower dues and balk at paying dues high enough to fully fund reserves
 - as a result, association after association after association finds themselves in the exact same predicament we now face

Background on Scholls Pointe from my own perspective

- These buildings were put up fast and cheap with an emphasis on cosmetics over structural integrity
 - many of the materials used in construction were the lowest possible quality
 - many shortcuts were taken to save money because the problems caused by those shortcuts (e.g. no protective flashing on the privacy walls) would not show up for 10-20 years by which time the original builders could not be held accountable
- From the time I first bought my unit in 2016, I have attended every single Board meeting. When they were in person, my spouse and I were often the only homeowners present. Even those who did attend the meetings did not do so consistently and often only when they have a complaint
- When I first started attending meetings, it appeared to me that the board was relatively new and was seriously concerned about the shortfall in reserve funds. This, I would guess, became apparent during the pipe replacement project (of which I know very little since I was not an owner at the time)
- The board has worked over the last several years to increase the reserve funding in an attempt to avoid exactly the problems we are facing at this time. But balancing owner's

objections to dues increase against the serious shortfall in reserves prevented them from reaching that goal before problems developed that were beyond what could be covered with reserve funds

- Annual meetings, the only time owners get a vote, rarely have a quorum physically present. Most people just turn in a proxy rather than take two hours out of their lives to
 - learn critical information about the buildings they live in and
 - choose the people who will make the decisions about how those buildings are maintained

Experience with comparable (scope and funding) project

- When I faced similar circumstances (\$2.1 million to repair a 52-unit condominium complex which required owners pay assessments averaging \$50,590/unit) in 2016 I heard every, single, solitary statement made by owners at the June 22 and July 13 meetings including:
 - blaming the management company and the board for the problems
 - blaming the management company and the board for not communicating (by people who never attended a board meeting until last week)
 - accusing the board and/or the management company of fraud
 - accusing the board and/or the management company of profiting off the project
 - accusing the board and/or the management company of getting kickbacks from contractors
- One of the things we did differently was try to include more people in the deliberation process. It only slowed us down. It did *not* change owner reaction one iota, especially because, until the magnitude of the assessment size was known, owners *still* did not come to board meetings (we went door to door, we posted notices in the mailroom and on individual unit doors, we sent emails and letters)
- We had the same three companies (and a fourth) bid on the project. We chose Charter Construction not because they had the lowest bid (they were second) but because we felt they would see the project through and work to minimize impact on owners (which they did)

- there were problems; there are always problems
- Charter resolved every issue (including ones caused by a problematic subcontractor who was dumped when the problems became apparent – one of the reasons to go with a general contractor) with no pushback; they didn't consider the job complete until the board was satisfied with their work
- Once the assessment and construction timeline was known, owners could sell their units although those who waited and sold them after the construction project was complete were able to get a much better price

Example of project in which owners sued board/management company

- Some of the owners who threatened to sue brought up another project for a condominium complex that used the same management company as an "example" of how the management company was "profiting" off rehabilitation projects. After some research I learned
 - owners of that association stopped the project via a lawsuit.
 - the lawsuit succeeded in delaying the project and those delays cost the homeowners about 50 percent more (in both higher costs and more extensive damage because the buildings continued to deteriorate) when the work was finally completed
 - in addition to the higher constructions costs, owners, who ultimately lost the lawsuit, also had to pay all attorney fees and legal expenses (for both sides since if you sue a HOA, you're essentially suing yourself and win or lose you pay all of those costs)
 - the lawsuits prevented owners who needed to move from being able to sell their units during the entire time that the matter was being litigated

Reasons to accept the board's decision

- If the board doesn't sign a contract the prices (and assessments) will immediately increase because contractors are offering very short price guarantees in the face of rapidly increasing material costs

- Construction prices are increasing rapidly for several reasons
 - an extreme shortage of construction workers precipitated by more than 1 million dead and 25-52 million disabled from Covid-19 just in the U.S. (since construction workers were considered "essential" they were among the first impacted by those deaths/disabilities)
 - monopolies in the supply chain are taking advantage of extreme labor shortages in other areas (manufacturing, shipping, support services) to raise prices/profits (some corporations have leveraged the pandemic to increase their profits by triple digit percentages) beyond what the market would allow if there was competition
 - the cost of materials produced with fossil fuels, such as shingles is increasing even more rapidly
- Recessions do not typically result in lower construction prices over time. In addition
 - while waiting for the remote possibility that prices will come down, the buildings will continue to deteriorate and any potential savings will be eaten up by the need for additional repair work
 - if prices do not come down, owners will pay both the increased prices *and* to repair the additional damage
 - the additional damage could cause some owners to lose the use of their decks (this actually occurred in project where I lived and some owners were prohibited from going out onto their decks as a result)
 - homeowners will experience water infiltration into their units through failing roofs and sliding glass doors (this also will increase costs as those type of damages are paid by the HOA)
 - all of these factors will have a very negative impact on property values and units will become even more difficult to sell as
 - interest rates increase
 - banks refuse to write loans for deteriorating buildings
 - buyers shy away from how bad it *might* get
- If the roofs are not done when the decks are repaired, there will be no money available when the roofs need replacing in the very near future (less than two years) *and* the cost of

shingles and labor will be significantly higher than today

- the board will not be able to get a loan to pay for the replacements because it will still be paying off the loan needed to repair the decks (one of the reasons the deck project was delayed was because the pipe replacement project loan had not been paid off)
- owners will not have the option of making monthly payments and will be required to pay off the roof assessment in full leaving them with a choice of
 - coming up with the lump sum required to replace the roofs
 - taking out their own loan
 - selling their unit at a loss
- Taking shortcuts (overlaying the roofs rather than replacing them) only
 - pushes problems further down the line when they will be more expensive to address
 - leaves owners with no recourse if the overlay fails as no reputable contractor will warranty that type of work
- Most contractors don't have the resources to handle the scope of work required for a project of this size which is why the engineer solicited bids from only the three companies
 - many of the people individuals might know who they think will provide a better bid are more likely to be found working as subcontractors