

HVOA
Window Replacement Sub-Committee
Summary Report
July 20, 2018

At the April 17, 2018 HVOA Board meeting Gary VanWambeke, Peter Grant and Mike Lachman were appointed to form a Sub-Committee to prepare various options related to the Harbour Village window replacement project. This Sub-Committee has held five meetings to date and the following is a Summary Report to the Board of Directors together with a Window Bank Loan Financing Analysis.

BACKGROUND

- Current windows/doors are over 30 years old and replacement parts are becoming scarce,
- In the four buildings comprising 72 condo units, excluding the Clubhouse and all solid metal/wood doors, there are 288 total glass windows/doors consisting of 112 lanai window/doors and 176 back/side windows.
- There have been frequent complaints of window malfunctions, condensation issues and air leaks,
- Current building codes now require "Miami Dade" hurricane standard windows as well as hallway window egress features such as sliding windows.
- Our present Window Reserve Fund is significantly underfunded since it only began in 2016 and is based on an estimated replacement cost of \$500,000 (which excluded lanai door cost) spread over 20 years. Our current annual window replacement reserve is \$25,000 or \$29 per month/unit.
- As a Board, we have a responsibility to properly maintain our buildings and to minimize the impact of major storm and wind damage to our owner's personal property.

PROJECT ADVANTAGES

- There are many advantages associated with undertaking this replacement project sooner than planned, despite the additional financing costs associated with a Bank Loan, which include the avoidance of future rising construction costs and interest rates,
- There would be an ~85% improvement in window thermal insulation efficiency resulting in lower energy costs,
- Reduced risk from major storm damage to buildings and owner's property from high wind, hurricane events,
- Less maintenance issues associated with new windows/doors and we will be able to select the replacement style, i.e., "sliders vs. doors" and "grids vs. no grid",

- More usable space (approx 12 sq. ft.) on lanais and better exterior views if "slider" doors installed especially for one bedroom units and windows would be easier to clean,
- Increased unit resale value associated with new, "hurricane rated" sliding windows/doors,
- Minor decrease in personal contents insurance associated with "hurricane rated" windows,
- Reduced exterior noise levels and increased UV light protection.

PROJECT DISADVANTAGES

- Cost of window/door replacement estimates are \$513,000, \$669,000 and \$800,000 however, the lowest quote is still being investigated since it seems unrealistic,
- Securing a Bank Loan, thereby allowing the window replacement project to proceed sooner than currently planned, significantly increases the total project cost by \$131,000 to \$243,000 resulting from additional Bank interest incurred,
- If "sliders" are installed on lanai side, the County Building Code requires a ~3" floor "lip" (to prevent water entering the unit) which may be temporarily removed when the unit is occupied? Also, the "slider" encasement is 1" wider than the building wall thickness and will require exterior finishing trim.
- Condominium Document language may restrict "building appearance" changes and may also require an all Owner vote to proceed,
- Many owners do not want an increase in monthly HOA fees or additional assessments.

QUOTES & ANALYSIS

- Gary has obtained three window replacement quotes from Doers, GJC and Storm Shield with window replacement costs totaling \$513,000, \$669,000 and \$800,000, respectively, depending on window style & contractor:

Doers Windows Manufacturing - All windows/doors: new sliders \$513,139, existing door style (no grids) \$438,519,

GJC Window & Door (PGT) - Front windows/doors (112 windows) with 12% discount: new sliders \$400,064, existing door style (no grids) \$427,952; Side/back window replacement (176 windows) with 12% discount: \$268,802, with grids \$270,068.

Storm Shield Windows & Doors (Reliability) - Front windows/doors with no additional discount: new sliders \$544,768, existing door style (no grids) \$597,072, side/back window replacement \$255,376 with grids \$280,914.

- The attached Window Bank Loan Financing Analysis shows the impact of this project on our monthly HOA fees based on the three Vendor quotes, loan terms and the starting year of the project,
- Our current HVOA Reserve is based on a 20 year replacement plan commencing in 2021 with windows being replaced every 5 years, building by building, which many owners may view as inadequate and inequitable, additionally, window replacement costs and interest rates will probably increase in future years.
- An all owner vote may or may not be required to move forward with an accelerated window replacement timetable which includes a window style change or a significant increase in monthly HOA fees or assessments,
- There seem to be three relevant paragraphs in our Association's Declaration of Condominium document which relate to the window replacement project, namely P9.1, P9.6 and P9.8 which state:

- P9.1 - Association Maintenance

"...The Association shall maintain the window installations originally installed by the Developer, or replacements thereof of like kind and quality. Same includes the window frame and encasement, the plate glass, and the exterior caulking thereof."

"...The Association shall, through the Board of Directors, have the authority to determine, when windows need to be replaced, the style of windows, and same shall not require a vote of the Unit Owners, it being understood that window styles change periodically, as do applicable codes."

- P9.6 - Alterations by Unit Owners (Note: The language in this paragraph appears to apply only to individual owner modifications.)

"...If the Board determines to permit any alteration or addition which is visible from the exterior of the premises, from any vantage, said addition or improvement must also be approved by the Unit Owners in the manner provided in Article 9.8 of the Declaration of Condominium, regardless of the cost or expense of such additional alteration."

- P9.8 - Alterations by Association

"There shall be no material alterations or substantial additions to the Common Elements or association real property by the Association, except as authorized by the Board of Directors. Provided, however, that if any such alterations or additions require or obligate the expenditure of Association funds of more than five percent of the Association's budget for the fiscal year in which the work is authorized, including reserves, the Board shall obtain approval of a two-thirds (2/3) of voting interests present (in person or by proxy) and voting at an Association meeting, or by written agreement of two-thirds of the entire voting interests. Necessary maintenance of the Common Elements, or Association Property regardless of the level of expenditure, is the responsibility of the Board of Directors."

- Bank loans are available to our Condominium Association if we decide to replace the windows sooner than currently planned. Currently, BB&T Bank is offers a 10 year loan at an interest rate of 4.54% and a 15 year loan at 5.25%. In June 2019 our Reserve Fund will have accumulated ~\$125,000 which could be used as an initial payment with the balance obtained by Bank financing.
- Alternatively, Peter proposed the Board consider amending the Condominium documents to shift responsibility for window replacement/maintenance to owners thereby allowing individual owners to replace their windows as needed; however, window standards would have to be created and some owners may never replace their windows thus mitigating overall building hurricane/wind protection. Additionally, this would require an all owner vote to amend the documents.

CONCLUSIONS

- The Committee agrees it would be best, for the benefit of all owners, if we upgrade to Miami/Dade standards and replace all of the building's glass doors and windows simultaneously and sooner than previously planned,
- The original \$500,000 Window Reserve estimate is insufficient for the replacement of all 288 glass windows/doors and the current 20 year phased window replacement timetable is not feasible or equitable,
- Whether we replace the windows in 2019 or in 3 to 5 years, our current Window/Door Reserve plan is significantly underfunded by at least \$170,000 or 33% which will necessitate an increase in our reserves in 2019 of at least \$11 per month/unit base on our present 20 year replacement schedule,
- Since the Doers Window quote is significantly less than the competing quotes we need to verify its accuracy and window ratings/quality. Regardless of which contractor we choose, we need to check multiple references and visit properties where they have replaced windows similar to ours,
- Peter mentioned other associations split their monthly HOA fees between operating expenses and assessments. For example, our current monthly HOA fee of \$419 could be split \$390 representing expenses and \$29 for window replacement. If we were to increase our monthly HOA fees to enable an earlier window replacement timetable this might be a preferred way to present our monthly fee structure,

RECOMMENDATIONS

- We believe the current 20 year Window Replacement plan is inadequate and we should seriously consider replacing our Building doors and windows in 2019 due to the increased threat of more hurricanes associated with "climate change" combined with the increasing future window replacement costs and interest rates over time
- We suggest evaluating the total project cost using the \$669,000 GJC window quote which seems the most realistic and represents the average of the three quotes.

- Continue to investigate the assumptions supporting the \$513,000 Doers Windows quote.
- The 2019 monthly HOA fees will have to be increased a minimum of \$11 to \$32 regardless of when we move forward with the window replacement project,
- If all the windows are replaced simultaneously, the Board could consider installing lanai "slider" windows to improve visibility, lanai space and reduce future maintenance costs,
- The Board needs to decide if the window replacement project should include the existing "grid" appearance which represents an additional cost,
- Before selecting a final vendor and commencing the project, we must obtain from Charlotte County a document stating the current Window code requirements to ensure we are obtaining proper bids. Additionally, we need to further examine the lanai side window/door encasement construction to accurately determine the "sliders" installation issues and cost.
- The Board should obtain an attorney's opinion to confirm, our interpretation of the Condominium Documents, that an Owner vote is not required to move forward with this project,
- Present committee findings to the Board of Directors for their review and discussion.

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Window Bank Loan Financing Analysis
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Contractor Quote	Notes	Doers	GJC	Storm Shield
Scenario 1: Replace Window in 2019, 15 year loan, 5.25% interest (Note 1)				
Window /Door Replacement Cost	(2)	\$513,000	\$669,000	\$800,000
Less: Window Reserve Down Payment		\$125,000	\$125,000	\$125,000
Required Bank Loan		\$388,000	\$544,000	\$675,000
Monthly Debt Service		\$3,119	\$4,373	\$5,426
Less: Current Monthly Window Reserve		\$2,083	\$2,083	\$2,083
Net Monthly Window Reserve Increase		\$1,036	\$2,290	\$3,343
2019 Monthly HOA Fee Increase Per Unit		\$14	\$32	\$46
Total Interest Paid		\$173,428	\$243,157	\$301,711

Scenario 2: Replace Windows in 2021, 15 year loan, 5.75% interest (Note 1)				
Window /Door Replacement Cost	(2)	\$513,000	\$669,000	\$800,000
Less: Window Reserve Down Payment	(3)	\$203,500	\$203,500	\$203,500
Required Bank Loan		\$309,500	\$465,500	\$596,500
Monthly Debt Service		\$2,570	\$3,866	\$4,953
Less: Current Monthly Window Reserve		\$2,083	\$2,083	\$2,083
Net Monthly Window Reserve Increase		\$487	\$1,782	\$2,870
2021 Monthly HOA Fee Increase Per Unit		\$7	\$25	\$40
Total Interest Paid		\$153,121	\$230,301	\$295,111

Scenario 3: Replace Windows in 2023, 10 year loan, 6.25% interest (Note 1)				
Window /Door Replacement Cost	(2)	\$513,000	\$669,000	\$800,000
Less: Window Reserve Down Payment	(4)	\$291,500	\$291,500	\$291,500
Required Bank Loan		\$221,500	\$377,500	\$508,500
Monthly Debt Service		\$2,487	\$4,239	\$5,709
Less: Current Monthly Window Reserve		\$2,083	\$2,083	\$2,083
Net Monthly Window Reserve Increase		\$404	\$2,155	\$3,626
2023 Monthly HOA Fee Increase Per Unit		\$6	\$30	\$50
Total Interest Paid		\$76,940	\$131,129	\$176,633

Notes

- (1) Bank loan interest rates are estimates based on current rates and projected future increases.
(2) This analysis assumes the Window Replacement Cost remains the same despite starting in 2019, 2021 or 2023 which is an unrealistic expectation considering rising building costs and inflation.
(3) Assumes increasing the monthly HOA window reserve fee by \$11 per unit in 2019 and continuing until 2021.
(4) Assumes increasing the monthly HOA window reserve fee by \$11 per unit in 2019 with a second increase of \$11 in 2020 totaling \$22 per unit continuing until 2023.