

Village Highland Roof Replacement – Assessment Analysis and Status

This Highland Highlights brief is intended to aid residents in understanding the evolution of the roof replacement financing and related district reserve assessment levels, and what will happen to district reserve assessments when the roof replacement loan is paid off.

Background

As many of the Highland residents who were around during the deliberations regarding the roof replacement might remember, there was a lot of fluctuation in the possible approaches and timing during the FY10 – FY13 (Fiscal Year) time period. The timing and level of funds and associated district reserve assessments required for the roof replacement would be very dependent on when the replacement needed to be done, what type of roofing materials should be used, what the cost of the replacement would be, and how to pay for it.

In FY11, it was assumed that funds would only need to be set aside for roof repairs until the scheduled roof replacement would be done way out in FY32 and FY33. Therefore, \$500,000 each in FY11 and FY12 were added to the district reserves to cover these costs and the monthly district reserves were slightly increased to accrue the funds needed in the future. Roofing consultants were performing their analysis of the roofs at that time, but the results were not yet known.

Recommendations from the roofing consultants were that the condition of the roofs – dry rot, etc. – necessitated that the roofs be replaced much sooner than originally planned, preferably as soon as FY14 and FY15. This pulled the roof replacement in by 18-19 years. The final decision was to replace the roofs over the three-year period of FY14, FY15 and FY16.

In 2014, the Highland district reserve fund balance was \$1,329,200. The total cost of the roofing project was \$4,579,500. Therefore, substantial additional funds were required to pay the roofing company. It was determined that a loan would be secured to cover these costs. Taking out this loan would avert excessive district reserve assessments that would be levied in 2015 and 2016. A 10-year, variable interest rate loan was secured, and then in 2016, that 10-year loan was replaced by a \$1.3 million loan over 5 years at a lower fixed interest rate.

What are reserve assessments?

The fiscal year reserve budget for each District/Village, and related Club reserve assessments, are forecast numbers based on the best judgement of what the schedule and costs will be in the future for replacement and repair of existing structures (painting, patio enclosures/fences, roofs, etc.). The 30-year district reserve forecast is reviewed on an annual basis and the forecasted repair or replacement project costs are updated every year and reflected in the estimated future costs. District and Club reserve assessments are set based on the annual review and update.

When will the Highland roof replacement loan be paid off?

The payoff date is November 2021.

Will district reserve assessments change for those paying monthly when the loan is paid off?

When the loan is paid off in November 2021 (FY22), the monthly Highland district reserve assessment is not expected to change (be reduced or increased) from the district reserve assessment budgeted for FY22, which is expected to be based on the FY21 district reserve assessment plus an increase of approximately four percent.

Will district reserve assessments change for those who chose the early pay off option when the loan is paid off?

At the March 2017 DAC meeting Highland residence owners were offered a one-time opportunity to immediately pay off their remaining portion of the roof replacement loan in a lump sum payment versus paying off their remaining portion of the loan via regular monthly district reserve assessments. This option afforded the

opportunity to avoid paying accrued interest yet would be subject to a modest prepayment fee. Residents who chose this option were required to make an application and the prepayment no later than April 21, 2017.

Residents who chose early payoff were afforded a monthly district reserve assessment credit of \$67.94 per 1000 Adjusted Floor Area (AFA) against the budgeted district reserve assessment for each fiscal year the loan was outstanding. The monthly district reserve assessment credit currently being received will expire in November 2021 coincident with the loan payoff.

Analysis of increases and decreases in Highland district reserve assessments since FY10

In Table 1 below, the actual evolution of the district reserve assessment by adjusted floor area (AFA) for each villa/condo can be tracked from FY10 to FY21. There were two very large increases in district reserve assessments in FY12 and FY13 to help cover the costs of the accelerated roof replacement project. In FY16 it was determined that additional funds would be necessary to cover roof replacement costs in the FY14-16 time period and a decision was made to take out a 10-year, \$1.3 million loan rather than significantly increasing Highland district reserve assessments again or calling for a special assessment. The \$1.3 million, 10-year loan was refinanced to a 5-year loan in FY16 to save on interest payments. Of note is that in FY19 and FY20, reductions were made to the Highland monthly district reserve assessments to reflect the reduction in district reserve amounts needed to make the accelerated payments, and in order to establish a new baseline for district reserve collections to meet the replacement and repair need (painting, patio enclosures/fences, roofs, etc.) forecasted for Village Highland over the next 30 years, including the next roof replacement project which will be scheduled out about 35 years.

Assessment by Fiscal Year and AFA								
FY	Base Assessment			Assessment by Villa AFA (\$)				
	AFA 1000 (\$)	Diff. (\$)	%	1300	1600	1800	1900	2100
10	45.80							
11	50.84	5.04	11	66.09	81.34	91.51	96.60	106.76
12	99.50	48.66	96	129.35	159.20	179.10	189.05	208.95
13	145.03	45.53	46	188.54	232.05	261.05	275.56	304.56
14	149.39	\$4.36	3	194.21	239.02	268.90	283.84	313.72
15	153.87	\$4.48	3	200.03	246.19	276.97	292.35	323.13
16	158.49	\$4.62	3	206.04	253.58	285.28	301.13	332.83
17	164.81	\$6.32	4	214.25	263.70	296.66	313.14	346.10
18	164.81	\$0.00	0	214.25	263.70	296.66	313.14	346.10
19	141.21	-\$23.60	-14	183.57	225.94	254.18	268.30	296.54
20	115.08	-\$26.13	-19	149.60	184.13	207.14	218.65	241.67
21	119.73	\$4.65	4	155.65	191.57	215.51	227.49	251.43

Table 1: Provides a historical record of the evolution of monthly Highland District Reserve assessments by AFA. The assessment values in the above table are for those residents who are paying off their portion of the roofing loan through their monthly district reserve assessment. Residents who paid off their portion of the loan in FY17 receive a ROOF CREDIT of \$67.94 per 1000 AFA on their monthly statements, which will expire in November 2021.

All Highland Residents: If you have any questions, PLEASE send them to the DAC email address, "villagehighlandsdac@gmail.com". The Highland DAC will collect all questions and provide the answers to all Highland residents.