

## Mountain Edge Condo HOA Update – March 2024

Hi all,

As discussed in the last update, lots of things in the works so time to catch everyone up on our progress...

### Sale of the HOA-owned employee rental unit (102)

1. The Town initially proposed a Category 1 deed restriction (includes occupant income cap and sale price appreciation cap) for the sale of the unit which would have decreased the value and sale price of the unit. We felt that a Category 1 deed restriction was unfair since the previous restriction was only that the occupant must be employed full-time in Gunnison County. We felt that applying the additional restrictions was an unfair burden on our HOA. The Town agreed, modified the restriction as we requested, and unanimously approved the document, clearing the way for us to market and sell that unit.
2. The plan will be to market and sell the unit with all proceeds escrowed, available only for funding capital projects required to restore the building. In order of priority these are the roof, the earthmoving and retaining wall project, and the parking lot – How far the funds will go on these three projects can't be reliably determined yet since we don't yet know the sale price or the final detailed costs of the projects. Needless to say, the funds will go a long way towards minimizing or eliminating any special assessments to pay for the projects.

### The roof and leaks

1. Fall 2023 Band-aid – The good news: A few previously-leaky units have made it through most of the winter without any leaks. The bad news: despite the band-aid repairs, several units have continued to experience leaks and resultant damage making it clear that we need to move ahead now with a definitive roof solution.
2. The source of the leaks – While it is evident that some of the leaks are due to faulty roof construction that could be corrected by better materials and assembly, it is also clear that many of the damaging leaks result from issues that require more than simply applying better materials more carefully. These two critical issues are: (1) The construction design of the low-slope roof sections over the 4<sup>th</sup> floor (mountain side) and 5<sup>th</sup> floor (Gothic Rd side) levels resulting in recurrent leaks due to ice dams and (2) Leaks and/or condensation surrounding the chimneys/flues exiting the roof. Neither of these issues have been or will be solved just by better roofing materials or assembly.
3. The solution – We need to finally do the definitive roof fix: (1) Reshape the roof to eliminate the low-slope sections of the roof (and thus also the transition between the sloped and flat sections) and (2) eliminate the chimneys/flues that penetrate the roof. Given the amount of leaking this winter, we target summer/fall 2024 to get this done.

4. The benefits of this solution – (1) Eliminate leaks and recurrent interior damage, (2) A long-lasting roof design with less penetrating objects/transitions to seal, (2) vastly improved insulation that will decrease owner heating costs, (3) elimination of liability due to 40 year-old fireplace flues, (4) estimated \$10-15,000 annual savings from reduced/eliminated shoveling.
5. The challenge of this solution – (1) Many owners will either lose a valued fireplace or need to spend time and money to convert to a direct exterior wall side-vented gas fireplace. There are roughly seven units (unofficially 101, 201, 301, 203, 303, 306, 406) with flues/chimneys that run along the building exterior wall without penetrating the roof and thus that do not impact the integrity of the roof or impact condensation under the roof. At least two units (102, 302) have previously converted their original fireplace to a direct side-vented gas fireplace with an exterior wall vent, thus no longer using the original flue which penetrates the roof. Those units will not be impacted by capping/eliminating the existing chimneys/flues. All other owners will need to either: (1) Permanently decommission their fireplaces or (2) convert to a direct exterior wall side-vented gas fireplace or (3) convert to an electric fireplace. This is also true for anyone on the 4<sup>th</sup> or 5<sup>th</sup> floors with an additional fireplace in a loft.

If you are one who agrees with trends away from solid and gas burning fireplaces (e.g., building codes, environmental and health concerns, and insurance costs), perhaps you will see this as an opportunity to make a change you already planned to make. For the rest of us, it's a good time to do some serious thinking and research in order to make an informed cost/benefit analysis. We all love flames but the chimneys need to go and if that means some of us (board members included) lose our flame fireplaces then that's what needs to happen.

- a. Decommissioning existing fireplaces: Since the chimney will be removed and capped, if you choose to just do away with an existing fireplace it will be necessary to properly decommission it.
- b. Converting to direct exterior wall side-vented gas fireplace: We're trying to get information on the feasibility and cost of this approach for those who wish to try that conversion. With changes in code, refusal of some contractors (e.g., Fireplace Company, Gunnison) to take on the liability of working on older/existing systems, and variability in complexity based on unit location in the building this is not straightforward. While it is our hope that anyone hoping to make this conversion will be able to do so, we need to be transparent and admit that we are not yet able to say that with confidence, and conversion may be costly.
- c. Electric fireplaces: Electric fireplaces have some clear pros and cons but it's challenging to fully evaluate them because it is such a fast-changing and fast-improving market – it seems clear that within a few years, the choices may be far more/better than what is now available. While they are more efficient than gas (i.e., nearly all the electricity used is converted to heat) they can only put out

about 1/10<sup>th</sup> the BTUs of gas. So, they function about like a good electric space heater (5000 BTU with standard dedicated outlet; 10000 BTU with 220V) but with the appearance of a flame fireplace. The visual appearance varies widely from very artificial to pretty realistic (for info/example see <https://www.youtube.com/watch?v=cxssMsfqDAw&t=466s> ) and flame/smoke/spark appearance is the area of greatest innovation and change compared to earlier models. They can be mounted on a wall, built-in from scratch, or inserted into existing hearths, requiring only a dedicated electrical outlet/circuit and not requiring venting. This plug-and-play feature means that even the most costly electric fireplace will likely be far less expensive than installing and venting a new gas fireplace. Some of us plan to go this route, although we may wait a little while to buy so we can watch the market evolve and mature.

- d. As with all such projects, any of the above changes require approval by the board, so they can be tracked and to show that the work is done safely by appropriate contractors.

We know this will be a significant disappointment for some owners – but thus far by failing to take these steps the HOA has paid >\$100,000 for a new roof, several repairs including >\$20,000 in 2023, \$10-20,000/year of roof shoveling, drywall repair and painting, year-after-year of extra heating costs, increased property management expenses, some bad feelings, and a ton of time and worry. The Board has both thoroughly reviewed past roof examinations/recommendations and has sought new evaluations – it is evident that anything less than redesign and reconstruction is inadequate. Finally putting this behind us and being able to put our future time and resources to other matters will be a great win for all of us and allow us to be future-focused on improving Mountain Edge.

In order to get this done now but efficiently, safely and fairly, we're open to and interested in any suggestions. Since some owners will not be impacted and the impact on others will vary based on their choices and circumstances, the burden in both disappointment and cost will not fall evenly on all owners. We're happy to look at any approach that is fair.

### **The other big items**

1. HOA management – In February, the board met and decided to change our HOA management from Crested Yeti to Toad Property Management. Following that meeting but before we had finalized details or notified Crested Yeti, Crested Yeti notified us that they had decided not to renew our contract at the end of May – so, both sides felt it was a good move. We're very pleased that Toad has agreed to work with us given their great resources and experience; experience both with general management and with helping to manage the large projects ahead. Crested Yeti will continue to provide management until the current contract ends (May 27, 2024). When we have the contact information that you should use to contact Toad, we'll pass that along. For now, Bill Gavenas [bill@crestedyeti.com](mailto:bill@crestedyeti.com) is still the point of contact to reach the board.

2. Earthmoving and retaining wall project – Still a go (see information and drawings from last update). Whether it will be done simultaneously with the roof or in sequence will depend on what funds the unit 102 sale brings and, as always, contractor availability.
3. The parking lot – Also still a go but without a target date. The other projects are big projects and it would be very unlikely and a very happy surprise if the unit 102 sale brought in enough funds to complete the roof and the retaining wall project with funds left for the parking lot. So, as in the recent past we'll need to wait and see.
4. Future conversion of the spa – As mentioned in the last update, the plan will be to convert the spa to a two bedroom, two bath rental unit, owned by the HOA. To make the conversion affordable, we've been floating a creative strategy that has been well-received by some local employers: We would enter into an agreement with an employer in need of employee housing for them to pay for the construction of the unit. In return, they would be able to have a \$0 lease from the HOA and be able to house employees without payment to us for as long as it takes for them recoup the construction costs and to receive a reasonable return. Back-of-napkin calculations suggest that this would be around 7.5 years. At the end of that period, the lease would end, control of the unit would return to the HOA and we would then long-term rent the unit as an EHU. So, although we would not see rental income for several years, the construction would be paid for by someone else, we would create a new long-lasting income stream for the HOA, and we would add another community EHU to the very limited supply. We're a bit focused on the items above, but plan to get all ducks in a row soon to be able to start marketing the spa conversion concept to find the best partner.

As always, please give feedback if you wish and we'll continue to keep you posted.

Your Board of Managers