Orchard Down Homeowners Association

P.O. Box 805
Albany, OR 97321

ODHA RESERVE STUDY 2021 - GENERAL INFORMATION

Why does ODHA need a Reserve Study?

HOAs are required to conduct regular studies to evaluate their capital assets and determine the amount of funds that should be collected during the lifetime of those assets to ensure adequate money is available at a projected future date to repair, refurbish, or replace the assets as they wear out. Oregon law requires the review and updating of these studies annually. It also requires preparation of a maintenance plan to ensure that the assets are well cared for during their lifetime. Oregon Revised Statutes (ORS) 94.595 requires homeowner associations to establish a Reserve Account and conduct a Reserve Study:

> "(2)(a) A reserve account shall be established to fund major maintenance, repair or replacement of all items of common property which will normally require major maintenance, repair or replacement, in whole or in part, in more than one and less than 30 years, for exterior painting if the common property includes exterior painted surfaces, for other items, whether or not involving common property, if the association has responsibility to maintain the items and for other items required by the declaration or bylaws…
>
> (3)(a) The board of directors of the association annually shall conduct a reserve study or review and update an existing study to determine the reserve account requirements…"

The purpose of a reserve study is to estimate the cost to ODHA in future years of replacement or major repair of its capital assets with a useful life of one to thirty years, and to calculate the funds necessary to be set aside in each budget year to achieve that level of funding. Reserve studies are reviewed and updated annually.

Components of the 2021 Reserve Study

1. Reserve Study (pages 1 - 7). The 2021 Reserve Study conducted by the ODHA Board, who was assisted by Willamette Community Management, identified and evaluated ODHA physical assets that will require funding during a period of one to thirty years for major repair, refurbishment, or replacement. The Board estimated the useful life of assets, a repair or replacement schedule, and the cost of repair or replacement at the scheduled times. The Board developed a plan for funding, and summarized schedules for funding under the assumption of fund availability without requiring special assessments.

2. Maintenance Plan (pages 8-10). The Board also developed an asset Maintenance Plan specifying inspections, repair and maintenance items to be completed at regular intervals, which will optimize the expected useful life of ODHA assets.

These two documents are intended (1) to comply with the applicable state law, (2) to provide means to protect the market value of ODHA capital assets, and thus each owner's property investment, and (3) to protect current owners and future buyers from unexpected costs and special assessments.

Owners and future Boards of ODHA should carefully review these documents to ensure they accurately reflect the policies established by the Board and the requirements described in the association's governing documents. The current and future Boards must regularly review reserve account bank balances to ensure anticipated funds are being properly allocated to reserve accounts. Failure to maintain the proper reserve balances will have compounding negative effects on future ODHA operations.

GENERAL RESERVE FUNDING DECISION ALTERNATIVES

1. Funding levels. A conservative approach to funding is to commit funds based on 100% of the amount computed for each reserve element for each year until replacement. A less conservative funding level is to commit funds sufficient to ensure that the total reserve balance always remains positive. Because not all elements require replacement in the same year, the effect of the second strategy is to 'borrow' funds for items to be replaced in a given year from the balance reserved for other items and then 'replacing' the funds in years when the 'replaced' item is not scheduled for expense. Many intermediate funding levels are available to the Board of Directors to use.

2. Interest allocation. Interest earned on reserve fund balances can be dedicated to the reserve fund or it can be recorded as operating income. When an association determines the necessary allocation to reserves, the transfer of funds from the assessment collections (operating account) to the reserves can either be a full transfer (interest was recorded as operating income) or a transfer amounting to the difference between the determined allocation less the interest recorded directly to the reserve account. In the current financial climate this approach is wholly insufficient to fund reserves for ODHA.

3. Taxes. HOAs are subject to income and excise taxes on certain taxable income which often is primarily the interest earned on investments of funds in the reserve accounts. Since much of the interest is attributable to the reserve funds (which usually exceed excess operating balances), the association must determine whether tax payments will be made from the operating budget or allocated to the respective source of income. Since this is an annual expense, it usually is appropriate to budget for this expense in the operating budget.

GENERAL ASSUMPTIONS MADE IN THIS STUDY

- **The reserve study is for budget and planning purposes.** Therefore, the numbers depicted are estimates and will vary continuously depending on actual experience of quality of maintenance, wear and care by user actions, newly acquired knowledge about various equipment (e.g., improved maintenance procedures or manufacturer recalls), change in cost factors (inflation rate) and external factors such as weather.
- **The values are "best guesses" and should be adjusted at least annually.**
- Costs for removal and disposal of worn-out assets is included in the replacement cost.
- Calculations shown in this report for the allocation of funds to reserve accounts do not include interest earnings, and therefore, are independent of interest rates earned on existing investments.
- Asset life expectancies assume that maintenance on all elements will be performed by qualified personnel in a timely, consistent, complete, and professional manner to high industry standards.
- Values estimated in this report are based on association cost and longevity experience with the respective element, experiences of similar HOAs, estimates from local vendors, or general industry expectations.
- **The cost of regular maintenance activities is included in the ODHA annual operating budget and is not part of the reserve study or maintenance plan.** This includes expenses for landscaping and tree maintenance, which are part of a long-term landscape management plan.

GENERAL CAVEATS

- The Board believes that the information collected and contained in the study is accurate and obtained from reliable sources; the Board does not assume liability for data, estimates, or opinions furnished by others for this study.
- The Board did not confirm ownership or title status of, or liabilities or liens against, any properties in this study.
- Actual bid prices for work to be performed in the future may vary from planning projections, due to prices or labor conditions existing at the future time. The scope of work may also be defined differently in the future.
- **State Law requires review of these documents annually.** Annual review is critical because data used in decision-making change continuously and often rapidly. Condition of assets may be affected by harsh weather or usage conditions, costs may be affected by sudden changes in the inflation rate or stricter regulatory decisions, and member or user willingness to continue use of assets may change with economic conditions.

ORCHARD DOWN RESERVE STUDY COMMENTARY

The ODHA Declaration of Covenants, Conditions, and Restrictions (CC&Rs), Article VIII, requires the following maintenance responsibilities:

- Association: Common Areas including any landscaping, irrigation, walks, private roads, fences, retaining walls, signs, walkways, trails located in those tracts.
- Owner: All maintenance of Lots and Improvements thereon.

RESERVE STUDY HISTORY:

In April of 2013, Willamette Community Management completed the first reserve study for Orchard Down HOA. In September of 2013, the Board of Directors modified the data of the reserve study. The item "Irrigation Controls" useful life rose from 15 years to 30 years and the replacement cost decreased from $4000 to $400, "Irrigation Pipes/Heads useful life rose from 25 years to 30 years, and the surfacing on the NE asphalt pathway ("C" in map below) and the SW asphalt pathway ("G" in map below) were removed from the study. In 2013, the Board did not wish to save money to replace the asphalt pathways. Rather, the Board's intent was to maintain them perpetually without plans to re-build them. In 2020/21, this reserve study by the current Board includes funding to maintain and replace sections of the asphalt paths as needed.

ORCHARD DOWN SPECIFIC ASSUMPTIONS:

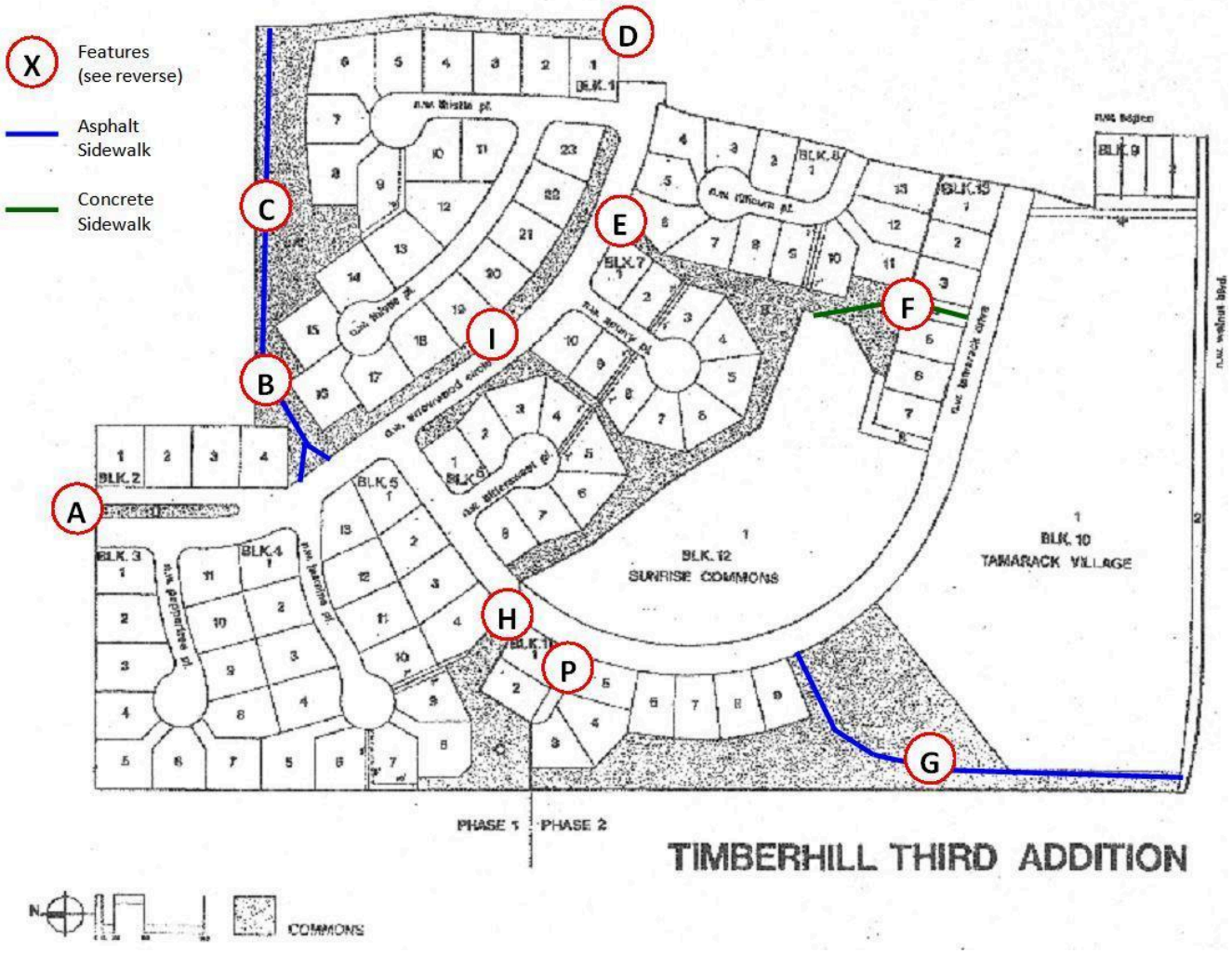
- This community was developed in the late 1970's and early 1980's. Most features (paths, landscaping features, irrigation) were installed during that period. Unless more recent replacements have been documented (stairs, walls), features are considered 'original' installations.
- While the existing asphalt paths are estimated to be 30-40 years old, with proper maintenance and regular seal coating their useful life should significantly exceed 30 years (i.e., the scope of reserve studies). The condition of the paths suggests that replacement in sections is now within the 30-year scope of the current Reserve Study; line items have been included to provide path repair or replacement in 2024/25 and every ten years thereafter.

- This study does not take into account inflation. Rates are often difficult to assess, and annual study revisions are required by law, so that values proposed will be revised on an annual basis.

Assets excluded from this study:

- Replacement of concrete sidewalks, since their useful life should significantly exceed 30 years (scope of reserve studies). This applies only to sidewalks in common areas. It also assumes continuing inspection and corrective action when damage or deterioration is detected. A refurbishment line item is provided for this activity. In 2011 the City of Corvallis adopted a procedure for the City to maintain sidewalks in the public right-of-way.
- Tree and shrub replacement in the "street or park strips", because the City of Corvallis owns this property, and maintenance falls under the same 2011 policy.
- Mailboxes. These are the owners' and USPS responsibility.

Asset Map (Reserve Studies 2013 and 2021)



Features Descriptions (see asset map above and images below):

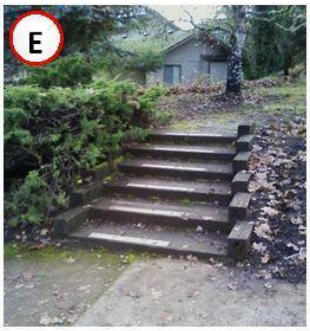
A	**Traffic Island in Arrowood Dr.** Approx 300' long by 30' wide; an additional 75' length proceeds north to Sitka Pl. **This asset was included in previous studies but was removed in 2021 because it now falls under the landscape plan.**
B	**Wood railings.** Each rail is ~28' long; top rail is 3x10"; bottom rail is 3x6". Supported by 5 (each rail; total 10) 6x6" posts; height 4' above ground. The "bridge" is an asphalt path over metal culvert with "railings" on both sides. **The current study discontinues plans for replacement because the railing is not necessary for safety.**
C	**NE asphalt path.** Width 8', ~500' east of "bridge", 170' west of "bridge", 45' and 65' connector paths to Arrowood Pl. Condition: some moss, surface degradation in some spots with buckling. Path needs routine cleaning and minor repairs within five years.
D	**Aspen stairs:** retaining wall concrete blocks (9 steps, 36 blocks), no connecting paths. Condition: new. Minor cosmetic repairs.
E	**Arrowood stairs:** Pressure-treated wood, 6 steps, no connecting paths. Condition: worn. Each step is composed of three 6' long 6x6" boards, two 18" 6x6 side boards, and metal stair tread. These stairs must be replaced to increase safety (date: 2022).
F	**Concrete sidewalk.** Width 5', ~104' installed by OD developer, ~162' installed by Sunrise Commons developer. Condition: serviceable. Two raised joints will require repairs (date: 2023).
G	**SW asphalt path.** Width 8', ~728' connecting Walnut Blvd and Tamarack Dr. Condition: surface degradation in some spots with buckling. Path needs routine cleaning and minor repairs within five years.
H	**Tamarack stairs:** Retaining concrete block, 7 steps (total of 136 blocks). Short retaining wall on both sides. Condition: excellent.
I	**Irrigation controls.** On east side of Arrowood between Spurry Pl and Tamarack Dr. In the past used to irrigate park strip on east side of Arrowood between Thistle and Tamarack. **Current study has no plans for replacement, irrigation has been discontinued.**
P	**Private driveway:** serves five owner properties. Not ODHA responsibility, no plans for maintenance or replacement.





















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Funding Information
(Organized by the replacement schedule)

Schedule to meet requirements						
Map ID	**Project Title**	**Lifespan (yrs)**	**Year Next Sched**	**2021 Estimated Replacement Value**	**2022 Estimated Replacement Cost**	**annual allocation**
E	Arrowood stairs – install block	30	2022	1,887.70	5,000.00	166.67
F	Concrete path – repair joints	5	2023	966.65	3,000.00	600.00
G	SW path - asphalt – repair/replace	10	2024	795.7	10,000.00	1,000.00
C	NE paths - asphalt – repair/replace	10	2025	795.7	5,000.00	500.00
D	Aspen stairs - block repair	30	2028	1,032.99	1,000.00	33.33
H	Tamarack stairs - block repair	30	2030	1,060.21	2,000.00	66.67
A	Traffic Isl. / general (discontinued)		N/A	2,208.21	-	
B	Railings (discontinued)		N/A		-	
C	NE path - sealing - discontinued		N/A	795.7	-	
G	SW path - sealing - discontinued		N/A	795.70	-	
I	Irrigation (discontinued)		N/A	2,054.23	-	
	Total			11597.09	26,000.00	2,366.67

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30-year summary of funding or reserve account

Year	Beginning Balance	Allocation	Expenses	Ending Balance
2022	21,166.67	2,366.67	(5,000.00)	18,533.34
2023	18,533.34	2,366.67	(3,000.00)	17,900.01
2024	17,900.01	2,366.67	(10,000.00)	10,266.68
2025	10,266.68	2,366.67	(5,000.00)	7,633.35
2026	7,633.35	2,366.67	-	10,000.02
2027	10,000.02	2,366.67	-	12,366.69
2028	12,366.69	2,366.67	(4,000.00)	10,733.36
2029	10,733.36	2,366.67	-	13,100.03
2030	13,100.03	2,366.67	(2,000.00)	13,466.70
2031	13,466.70	2,366.67	-	15,833.37
2032	15,833.37	2,366.67	-	18,200.04
2033	18,200.04	2,366.67	(3,000.00)	17,566.71
2034	17,566.71	2,366.67	(10,000.00)	9,933.38
2035	9,933.38	2,366.67	(5,000.00)	7,300.05
2036	7,300.05	2,366.67	-	9,666.72
2037	9,666.72	2,366.67	-	12,033.39
2038	12,033.39	2,366.67	(3,000.00)	11,400.06
2039	11,400.06	2,366.67	-	13,766.73
2040	13,766.73	2,366.67	-	16,133.40
2041	16,133.40	2,366.67	-	18,500.07
2042	18,500.07	2,366.67	-	20,866.74
2043	20,866.74	2,366.67	(3,000.00)	20,233.41
2044	20,233.41	2,366.67	(10,000.00)	12,600.08
2045	12,600.08	2,366.67	(5,000.00)	9,966.75
2046	9,966.75	2,366.67	-	12,333.42
2047	12,333.42	2,366.67	-	14,700.09
2048	14,700.09	2,366.67	(3,000.00)	14,066.76
2049	14,066.76	2,366.67	-	16,433.43
2050	16,433.43	2,366.67	-	18,800.10
2051	18,800.10	2,366.67	-	21,166.77

Note: "allocations" are from annual budgets, while "expenses" are based on the proposed 30-year maintenance schedule.

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MAINTENANCE PLAN - INFORMATION

Oregon Revised Statutes (ORS) 94.595 now requires homeowner associations to develop a maintenance plan "…for the maintenance, repair and replacement of all property for which the association has maintenance, repair or replacement responsibility…":

> (4)(a) The board of directors shall prepare a maintenance plan for the maintenance, repair and replacement of all property for which the association has maintenance, repair or replacement responsibility under the declaration or bylaws or ORS 94.550 to 94.783. The maintenance plan shall:
> (A) Describe the maintenance, repair and replacement to be conducted;
> (B) Include a schedule for the maintenance, repair and replacement;
> (C) Be appropriate for the size and complexity of the maintenance, repair and replacement responsibility of the association; and
> (D) Address issues that include but are not limited to warranties and the useful life of the items for which the association has maintenance, repair and replacement responsibility.
> (b) The board of directors shall review and update the maintenance plan described under this subsection as necessary.

This responsibility usually encompasses Common Elements and Limited Comment Elements as defined in the governing documents, but may extend to certain other features in the community if the Association has a contractual relationship with owners for 'common' maintenance functions.

The principal component of such a maintenance plan addresses the valuable physical elements which an association owns and which are usually considered "capital investment" property which have a useful lifespan from one to thirty years. These properties were defined above in the reserve study, and they are funded by the reserve account.

The Board is cognizant of general maintenance requirements that are frequently not considered as having capital investment implications, for example, custodial functions and general repairs, such as removing moss from walkways. Conversely, tree and shrub maintenance, mowing grass, controlling weeds, and maintaining irrigation systems are provided for in landscape maintenance plans and service contracts. Although these services do not directly affect capital replacement requirements, they contribute to the general appearance of the community and to owner satisfaction with the living environment, and they contribute to the overall condition and lifespan of all ODHA assets.

The purpose of this maintenance plan is to assist the ODHA Board in preserving the value and life expectancy of its real assets by establishing a routine and systematic schedule of activities that will help assure longevity of those assets through proper operation and maintenance during their lifetime. The plan is a suggested schedule that must be regularly reviewed and adjusted based on actual experience of quality of maintenance, wear and care by user actions, newly acquired, and external factors such as weather. Trained professional technicians (with proper knowledge, training, tools, and equipment) should be used for these services.

This plan cannot make important decisions for future Boards. Regular, complete, consistent maintenance activities will cost money in the present time, but will reap benefits of significantly lower major maintenance and replacement costs in the future. Future Boards must make policy decisions that establish their tolerance for trade-offs in risk versus cost.

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ORCHARD DOWN HOA MAINTENANCE SCHEDULING INFORMATION

Category	Life (yr)	Frequency	Description
Asphalt surface	30+	annually	Inspect all asphalt surfaces for cracking, chipping, and other wear indicators, as well as damage from improper use. Repair as needed. Surfaces include curbing, parking bumpers, speed bumps, signage. Ensure ADA & other code compliance and absence of tripping hazards. Ensure all surfaces drain properly.
		7-10 years (pedestrian paths only)	Ideally a seal coat should be applied to all asphalt surfaces to protect against failure from water penetration and alternate drying out in summer and freezing in winter. A longer time period for seal coating is considered for ODHA, since all asphalt has foot traffic only. Additionally, most asphalt paths are constantly in the shade, making seal coating less necessary and less successful.
		30+ years	Asphalt surfaces may require an 'overlay' after 30 years of life depending on the traffic load. Sections of both the NE and SW asphalt path will need to be repaired or replaced in the next 30 years. A total of $10,000 every ten years has been budgeted for this.
Barkdust	2	as needed	Apply new layer of barkdust 3" thick as needed. The Board has in the past chosen not to install barkdust in the common areas.
		seasonally	Inspect for thinning areas, washouts, and scattered bark. Rake or sweep to return bark to proper area and distribute evenly.
Concrete surfaces and stairs	30+	annually	Inspect surfaces for appearance, continuity and proper operation. Surfaces include concrete path near Sunrise Commons and Tamarack, and three concrete block stairs. Ensure code compliance and absence of tripping hazards. Ensure all surfaces drain properly.
Landscape	10	seasonal	Ensure the landscape contractor regularly inspects the condition of all elements of the landscape environment (turf, shrubs, trees, drainage, irrigation and 'natural' areas) and informs ODHA about deficiencies and makes recommendations for correction. Maintenance of landscape features themselves is not covered in this plan.
Mailboxes	30	annually	Mailboxes in ODHA are the responsibility of the USPS. However, owners and ODHA should inspect mailboxes periodically to ensure functional and appearance standards. Remove graffiti immediately.
Irrigation controls and sprinkler heads	10-15	N/A	There is not more expectation to maintain the irrigation hardware.
Railing	30	Annually	Inspect for condition. Watch for loose posts and rails, debris, damaged hardware. Maintenance is a City of Corvallis responsibility, report deficiencies to the City. Start negotiations as to whether City is willing to replace railing.

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Maintenance schedule for the next 30 years

Schedule to meet requirements																				
Map	Project	Lifespan	Year	2021	2022															
ID	Title	(yrs)	Next	Estimated	Estimated	annual	30 year Maintenance schedule													
			Sched	Replacement	Replacement	allocation	Year													
				Value	Cost		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
E	Arrowood stairs – install block	30	2022	1,887.70	5,000.00	166.67	5,000.00											3,000.00		
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I	Irrigation (discontinued)		N/A	2,054.23	-															
	Total			11597.09	26,000.00	2,366.67	5,000.00	3,000.00	10,000.00	5,000.00	0.00	0.00	4,000.00	0.00	2,000.00	0.00	0.00	3,000.00	10,000.00	5,000.00

2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051
		3,000.00					3,000.00					3,000.00			
								10,000.00							
									5,000.00						
0.00	0.00	3,000.00	0.00	0.00	0.00	0.00	3,000.00	10,000.00	5,000.00	0.00	0.00	3,000.00	0.00	0.00	0.00