**MEMORANDUM**

FROM: Howard Voeks, President, Hinman House Condo Association

TO: HHCA Members and Prospective Hinman House Owners

DATE: March 26, 2014

**RE: Rationale on Assessments at Hinman House**

People interested in buying an Evanston condo may wonder why the monthly assessments at Hinman House are relatively high compared to similar properties in the area. The rationale that has guided the Hinman House Condo Association’s board of directors over the past several decades is to set monthly assessments that will allow the Association both to invest in regular building maintenance and repair, and, equally important, to maintain a reserve fund to cover the cost of major capital improvements and repairs that can be anticipated in the future.

Because of this strategy, as of the date of this memo[[1]](#footnote-1) ***it is over 15 years since the last time Hinman House unit owners had to face a special assessment.*** ***Yet in that 15 years, HHCA has carried out almost $1.5 million in major capital improvements and emergency repairs***, all paid for through the Association’s regular budget by a constantly renewed reserve fund.

**List of capital improvements funded from financial reserves, without special assessment—1998–2013.**

| YEAR | PROJECT | COST |
| --- | --- | --- |

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| --- | --- | --- |
| 1998 | Elevator updates | $ 20,000 |
| 1999 & 2008 | Security camera system | $6,000 |
| 2001 | Boiler replacement | $80,000 |
| 2001 | East front entry improvements | $27,000 |
| 2001 | Garage interior painting | $13,000 |
| 2002 | Laundry room remodeling | $12,000 |
| 2002 | First floor lobby retiling | $10,000 |
| 2002–2009 | Riser replacement project—replace 9 risers | $322,000 |
| 2003 | Fire panel replacement | $22,000 |
| 2003–2009 | Masonry repair and tuckpointing | $264,000 |
| 2005 | Elevator cab remodeling | $10,000 |
| 2006 | Lobby furniture refurbishing | $3,000 |
| 2008 | Snow removal equipment (all-terrain vehicle) | $10,000 |
| 2009 | New garden/parkway plantings | $3,000 |
|  | **1998–2009 TOTAL** | **$802,000** |
| 2010 | 10 tier kitchen riser | $27,212.31 |
| 2010 | 07 tier bathroom riser | $37,378.74 |
| 2010 | Lobby redecorating | $5,950.00 |
| 2010 | Masonry repair and tuckpointing | $57.993.28 |
| 2010 | Replace roof fan | $1,850.00 |
| 2010 | Install RPZ valve | $18,257.00 |
| 2010 | Replace water pressure tank | $2,318.49 |
| 2011 | New main water supply pipe | $36,958.60 |
|  | **2010 TOTAL** | **$187,918.42** |
| 2011 | 11 tier bathroom riser | $39,550.00 |
| 2011 | Repave driveways | $53,120.00 |
| 2011 | Air conditioning unit for elevator control room | $5,915.00 |
| 2011 | Install new fire-safe trash chute hatches | $5,258.00 |
| 2011 | Fire-seal stairway masonry | $4,528.00 |
| 2011 | New hallway carpeting | $15,483.29 |
| 2011 | Reserve study | $2,135.00 |
|  | **2011 TOTAL** | **$125,989.29** |
| 2012 | Building electrical supply/wiring upgrade  | $2,000.00 |
| 2012 | Air conditioner equipment for Unit 101[[2]](#footnote-2) | $1,837.74 |
| 2012 | Replace 2 rooftop exhaust fans | $3,375.00 |
| 2012 | Refinish front sidewalk | $4,200.00 |
| 2012 | Elevator safety upgrade | $5,266.00 |
|  | **2012 TOTAL** | **$16,678.74** |
| 2013 | Building electrical supply/wiring upgrade  | $236,725.12[[3]](#footnote-3) |
| 2013 | 04/05 tier riser replacement | $76,689.90 |
| 2013 | Electronic door entry system | $30,473.00 |
| 2013 | New laundry room sink | $468.70 |
| 2013 | Elevator upgrade | $1,180.00 |
| 2013 | Replace 1 rooftop exhaust fan | $2,740.00 |
|  | **2013 TOTAL** | **$348,276.72** |
|  |  |  |
|  | **1998–2013 TOTAL** | **$1,480,863.17[[4]](#footnote-4),[[5]](#footnote-5)** |

In 2011 the HHCA board commissioned a reserve study, which is an evaluation by an architectural engineering firm and related engineering specialists to project what will be the costs the Association might incur in coming decades to repair and replace major building components. The HHCA board uses the reserve study to set up 5- and 10-year plans for scheduling major capital improvements, and to determine how much to allocate to the reserve fund to carry out these improvements, while also being prepared to respond to unexpected breakdowns of equipment or other emergencies.

In addition to careful investment in building maintenance and repair, HHCA also includes in its budget some other important expenditures that help to preserve asset value:

* Hinman House has a full-time building engineer living on site. This adds substantially to the comfort and convenience of living at Hinman House, and also ensures that any problem that might arise with building operation will be discovered and dealt with promptly and skillfully.
* The Association employs a professional management firm, Heil, Heil, Smart and Golee, to manage operation of Hinman House. This assures expert oversight of building operations, financial controls, contract bidding and performance monitoring, and other critical functions.

Whether a person contemplates long-term ownership at Hinman House or plans to stay only a few years, the Association’s strategy of investing prudently in building maintenance means that units at Hinman House will retain a high asset value. Buyers looking only at immediate or short-term costs may not appreciate the importance of this strategy. But buyers who want to get full value from their investment can appreciate that HHCA’s approach mirrors point-for-point the best financial practices recommended for condo associations.

Condo living should minimize the worries and hazards of home ownership, and the HHCA strategy aims to achieve that end for Hinman House unit owners, by giving owners confidence that they can plan their personal budget based on their monthly assessment, without fear of being hit by unexpected special assessments. Keeping the cost of ownership predictable also will help unit owners when they want to sell. A prudent buyer will recognize that HHCA’s strategy makes owning a unit at Hinman House a true bargain.

1. A separate document, History of Major Reserve Expenditures Since 1996, contains a list of capital projects that is updated annually. [↑](#footnote-ref-1)
2. Unit 101 is owned by the Association and provides housing for the on-site building engineer.

 [↑](#footnote-ref-2)
3. Project carried out primarily in 2013, with completion and some final payments made in 2014. The total listed here includes payments made through January 2014. [↑](#footnote-ref-3)
4. This total does not include legal fees paid for Association-sponsored appeals of real estate tax assessments. In the period from 2010 through 2013 alone, Hinman House unit owners saved a total of $235,000 on their real estate taxes due to reductions in assessments accomplished through these appeals. The Association paid the legal fees for the appeals ($30,435), without special assessments against individual unit owners. Appeals of reassessments in earlier years produced similar savings for unit owners, with the Association paying the legal fees without assessing individual owners. [↑](#footnote-ref-4)
5. HHCA plans to replace windows throughout the building in the near future (sometime beginning 2015 or after). The scope and cost of this project is such that it must be funded at least in part by special assessments. However, HHCA will finance the project so that unit owners can spread their payments out over a period of time, if they choose. Window replacement will be carried out without interrupting the schedule of other planned capital improvements to be funded from reserves, and without depleting the funds available for routine maintenance as well as any emergency repairs. [↑](#footnote-ref-5)