



November 3, 2022

Scottsdale Shadows - Regime II

7910 and 7920 E. Camelback Rd.
Scottsdale, Az. 85251

Bldg. 22 & 23

Scottsdale Shadows Regime II Owners

Re: *Scottsdale Shadows Regime II – 2023 Assessment Increase and Parking Garage Maintenance*

Dear Owners:

Your Board of Directors writes to update you on three pressing matters facing our Association. These matters are the necessity to increase the 2023 annual assessment on each unit which you pay monthly, commencing the maintenance of the parking garage, and options for the Association to obtain funds for the maintenance of the parking garage as well as lobby renovations and paving.

A. 2023 Annual Assessment

The Board of Directors is tasked with setting the Association's budget each year. For the operations fund from which the Association pays its bills, the Association will need a 10% increase in the monthly assessments levied against the owners to meet its operating expenses. The Association has experienced budget shortfalls of approximately \$50,000 in fiscal years 2021 and 2022, plus general inflation has increased the cost of goods and services that the Association procures.

In 2021 the Association's budget shortfall was caused primarily by a \$40,000 bad debt write off, which was attributable to one owner.

In 2022, the Association budgets shortfall was caused mainly by maintenance of certain items, such as air conditioning breakdowns and major leak under building that effected the air conditioning. Total Spent by year end to address needed repair and maintenance is approximately \$78,000.

Because of these shortfalls, the Association has been transferring money from other funds to its operating fund to pay the Association's monthly bills. The Association must increase its 2023 annual assessment to meet its ongoing operating expenses. Therefore, with this assessment increase, an owner of a 1,200 square-foot condominium, whose 2022 assessments are \$466.00 per month, will pay approximately \$512.00 per month in 2023.

B. Funds for Parking Garage Maintenance

As many of you know, the parking garage's roof must be fixed. The parking garage roof has experienced water leaks that have not been addressed over the past 20 years. The Board of Directors have obtained estimated cost for the repairs to the parking garage from Adam Zuis of Reconstruction Construction, Ltd. in conjunction with professional engineer Dennis Wipf of Gervasio & Associates Engineering. The estimated total to repair the garage is \$3,871,000 with an additional contingency of \$968,000. Such contingency may be for increasing in the prices of materials and labor or additional work not yet identified.

C. Paying for the Garage Repairs

To pay for the garage repairs, the Association must obtain a loan as it does not have the funds available in the reserve fund. The Board of Directors has obtained preliminary figures from lenders for a \$4,000,000 loan and a 6.5% interest rate with a 15-year amortization.

In 2023, to balance the budget adopted by the Board, the members must approve an amendment to the Association's Declaration in order for the Board to adopt a special assessment to pay for the necessary parking garage repairs. The special assessment would be \$8.75 or \$9.32 per square foot of your unit for three years. For example, 1200 square foot unit x \$8.75 x 3Yr = \$31,500 if you are able to pay all in full.

If you need financial assistance via the Association, the special assessment will include the interest. For example, a 1200 square foot unit X \$9.32 x 3yr = \$33,552 including the Associations financial interest (6.5%). Thus, the monthly special assessment payment in addition to your monthly assessment for a 1200 square foot unit equals = \$932.00 per month for three years.

You may be able to obtain your own financial method for the total of this special assessment as well.

The Board of Directors strongly requests that you approve this proposed amendment to the Declaration to allow the Association to levy a special assessment to be able to fund the necessary repairs to our parking garage. You will be receiving information on this proposed amendment and how to cast your vote shortly.

Sincerely,

Your Board of Directors

