



**Newport I Condominium Corp**

Board of Directors

August, 8,2022

All Unit Owners Newport I Century Village,

Deerfield Beach Florida

Dear Unit Owners:

 **Heads up regarding 2023 Newport I Association costs and the cost of condominium ownership in future**

We wanted to make you aware of a number of issues that are coming together in CVE and in Florida. Though many of these changes are positive, to protect your investment and home, the changes will impact 2023 and future fees significantly. These are nothing like we have experienced in the past and everyone will be affected

Before getting into the details, following is a summary of the direct and indirect issues and their impact.

1. Insurance – continued and additional dramatic increases in premiums, changes in deductibles and more scrutiny by underwriters to remain insured
2. Roof- increased inspections and in some cases requiring replacement at 15 years vs 20
3. Florida State Legislature Bill SB4-D- a response to the Champlain Towers collapse in Surfside
4. Reserves (Other) - as buildings age there are new inspections and studies
5. Economy- impact of inflation, supply chain issues on replacement costs
6. Prices for professional services- competition for specialty professionals required to carry out the inspections, studies and work e.g., structural engineers and will result in higher prices and shortages of qualified individuals
7. **Insurance**

The percentage increase over 2022 that our Insurance Broker (Plastridge) is suggesting would be a 35-40% increases. There will also be a change due to the higher Appraisal for the value of our building (almost $2.0 million vs almost $1.7million previously). The Appraisal was done in August 2022 and an updated report is required every 5 years. The estimated impact of the increase in Insurance will be (on average) $43.00 per month.

Insurance underwriters are in the mode of reducing their risk exposure by increasing our share of that risk. Our Hurricane deductible was 2% in 2021, 3% in 2022 and the lowest deductible for 2023, 5%. Using the revised appraisal for our building, now just under $2.0 million. this would mean that we must pay the first $99,200 loss from a hurricane. Josef Hass, our Treasurer and I are discussing how much to add and how long to amortize this risk. It will likely be some increase to the monthly coupon starting in 2023 and/or the portion of an additional special assessment at time of loss to cover any shortfall and/or bank loan. Assuming we decide to amortize the full cost over 10 years, $99,200, would add $35.00 per month to our coupon starting 2023. If we reserved half $17.00.

1. **ROOF**

Our roof is almost 15 years old, last replaced after hurricane Wilma, 16 years ago. These roofs have a typical life span of 15 to 20 years, before they need to be replaced or restored. Insurance underwriters aware of the age of the roofs are actively doing their own inspections of them and in some cases, associations have received letters from their underwriter demanding that their roofs be replaced, or they would not be insured. The notice to replace the roofs also provides little time to do so, often 30 days and supplies and roofers are in high demand. The cost to replace roofs has also increased. At the end of 2022 , our Association will have $34,400/$45,000 with 5 years remaining out of 20 years. Based on the best information available current roofing costs have up to doubled. We are reserving for $75,000. ($30,000 increase over the remaining 5 years) This will increase the monthly coupon (on average) $21.00 per month. If our insurance underwriters indicate that they will not accept roofs over 15 years, we may need to get a Roofing Consultant to do some tests (moisture etc). In some cases, underwriters still did not accept these expert reports and some Associations had to resort to Special Assessments and/or Bank Loans. We hope that this will not be necessary.

We will increase fees to make up for these shortfalls for funds needed to replace or restore our roof, based on the useful life of 20 years, unless advised otherwise by our Insurance broker. Of course, they will shop the Florida market but as we pointed out in past, there are few underwriters willing to cover 40+ year old Florida condominiums.

 **3. The Florida State Legislature recently passed a bill (SB 4-D): “Building Safety Act for Condominium and**

 **Cooperative Associations”.**

Condominium buildings, 3-stories and above in Florida are faced with more onerous requirements in terms of Bill SB4-D and correspondingly higher costs that will increase more rapidly due to short time line for these higher buildings to comply.

This law is a direct response to the collapse of Champlain Towers in Surfside last year, and has significant cost implications for every Florida condominium and unit owners in condominium building, 3-stories and above.

At present the only requirement for our Association will be to report to the Florida Department of Business and Professional Regulation (DBPR) reporting due before 1/1/2023 – expected to be done by management company- that we are a 2-story building.

Buildings over 3 stories will require:

* + Milestone inspection Phase 1 (visual) – due by 12/31/2024 – funding in 2023.
	+ Milestone inspection Phase 2 (more invasive) – pending results of Phase 1 inspection.
	+ Structural Integrity Reserve Study (“SIRS”) – due 12/31/2024 – funding in 2023.
1. **Reserves (Other)**

We passed the required Broward County 40-year inspection work and must do a 10-year recertification which are more comprehensive and must be done by specially licensed professionals, i.e., Structural Engineers. We will budget $10,000 for this (incl a guesstimate for any work also required), which will not add any significant amount to the monthly coupon.

It is not a legal requirement, to do a professional Reserve Study. We do fund reserve accounts for major infrastructure items that will require future replacement or significant repair. However, we are planning a professional reserve study that could find items that need to be added that are not funded and items that are underfunded. This will be budgeted for 2024 and is estimated to be a one-time $3,000. and add an estimate $10.00 to the monthly coupon in 2024. We would likely repeat the study once again before the 10-year recertification.

1. **Prices for materials and Professional Services**

The current economy is influenced by material shortages, and rising inflation. The changes that we described will fuel increasing costs and competition for the same professional resources to perform the required work.

You can expect to be hearing more about this from the board. We wanted to give you a heads up and explain and try to quantify some of the estimated impact so that you can begin to plan for these changes. The board is faced with having to fund some significant undertakings to comply with the law, remain insured and also to deliver on our Fiduciary responsibility. Everyone is affected and we will do our best to try to mitigate the increase, recognizing that some of us are on fixed incomes.

We will be having budget meetings but, in the meantime, welcome all questions.

Best regards. Enjoy the beautiful hot weather.

*P.S. We have no idea how the CenClub and Master Management Coupons will change or how services may be affected. I am sure that there will be news coming. Please keep these costs as well as other related costs like FPL, your own personal condo insurance etc. all of which have been going up.*

Sincerely,

Allan Schlar President

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