

Antigua Condominium Association

Minutes of the Meeting of the Board of Directors

(Executive Session)

October 4, 2024

The meeting of the Board of Directors of the Antigua Condominium Association was called to order by Randy Ditch, president, on October 4, 2024, at 3:20 p.m. at 8500 Coastal Highway, Unit 1303, Ocean City, Maryland. The meeting was held in person. The following directors were present: Mary Dischinger, Randy Ditch, Mike Falkner, Mike Keenan, Robert Mayer, Bonnie Medford and Ellen Schweiger. A quorum was present. Kat Ilkhani and Sheri Miller were not present.

The board members met prior to the meeting at the mockups East Coast Contracting made on the building on the wall across from the pool. The various mockups were viewed and discussed as to application and finished appearance. A mockup on a separate plywood board that was prepared by Ev-Air-Tight in October 2023 when it recoated three panels to fix leaks was also viewed. Kirk Parsons, the condominium's engineer, was present via phone to explain the mockups and processes.

Executive Session

The meeting was held in executive session pursuant to Maryland Condominium Act §11-109.1(a)(3), (4) and (6) relating to the East Coast Contracting coating contract.

East Coast Contracting

The three basic issues were whether the "skim coat method" or the "parge method" was acceptable; the preparation for the meeting with Tom Merson of East Coast Contracting; and the selection of a texture, that is, the final finish.

The "skim coat method" was East Coast's proposal to apply the texture in the silicone coating itself. One silicone coating would be applied to the bare concrete wall; an aggregate would be blown onto the first coating; when the first coat has sufficiently cured, the area would be brushed to remove any aggregate that had not adhered to the silicone coating; and, finally, a second coat of silicone would be applied. Different aggregate could be used, from a fine aggregate such as sand to larger aggregate. The finer aggregate would result in a smoother final texture and a larger aggregate would result in a coarser final texture. This method would require a skim coat on the concrete before the application of the first silicone coating to cover the imperfections in the concrete. A skim coat is a different material than the material in a parge coat and is about half the thickness of a parge coat.

The “parge coat method” is the manner in which the coating on the building is presently made. A parge coat is applied to the bare concrete and, before the parge has set, the texture is created in the parge itself by various tools, such as brushes or sponges. The texture is called the finish. A parge is a cementitious material that covers the imperfections in the concrete and creates the final texture.

The question of the lifecycle of a skim coat and a parge coat was discussed. One internet reference said that the useful life of a skim coat was 15 years and of a parge coat was 30 years. Robert asked Kirk about this. Kirk said that the useful life of a skim coat or a parge coat in residential construction will be shorter than on the Antigua because of the material that they are applied on. Residential properties are more likely to be constructed from wood studs and covered with plywood. A skim or parge coat, such as stucco, is applied to that material. Wood materials are more susceptible to water and moisture which diminishes the useful life of the skim or parge coating. The Antigua is a concrete building and the useful life of both a skim and parge coat is much longer. It was noted that the parge coat on the building is the original coating applied about 1977 or 1978 when the building was completed.

East Coast’s two change orders were for about \$125,000 for the skim coat and \$265,000 for the parge coat. The payment for the change order was discussed. The project budget included a 10% contingency reserve and an additional amount as well. Without any further contingencies, there is almost enough money in the project budget to absorb the cost of a parge coat. However, an allowance for further contingencies is necessary. For example, there is an allowance for repairing cracks and spalls in the concrete. While a reasonable estimate of the amount of repair work is included in the bid price, it is an allowance. If there are more cracks than anticipated, the condominium will pay for the additional work. On the other hand, if the allowance was overestimated, the condominium will not pay the full allowance and additional funds are available. Kirk made the estimate based on the condition of the concrete exposed in the three panels Ev-Air-Tight exposed during its leak repairs in October 2023. In any event, there is enough money in the Reserve Fund to fully pay for the parge change order without a further assessment.

The performance bond was discussed. Seth Merson said that the cost would be 1.5%, but Tom Merson recently thought it could be 3%.

Additional related work was discussed. The wash-off stations need to be rehabilitated. The pipes should be removed before the coating is done so the walls behind the pipes will be coated. These walls are on the ground level and will not be stripped to bare concrete. They will only be coated with the silicone coating. Lighting and signs should also be addressed for the same reasons.

The Dow warranty was discussed. Kirk’s view is that we look at it as purchasing a product that comes with a warranty and not as purchasing a warranty that comes with a product. The silicone product is, he says, a very good product that he has not had problems

with. He is looking at how it adheres, whether it cracks and whether it is watertight, among other factors. On these, he has had good results. The warranty does not cover workmanship. That part of the warranty is provided by the contractor, in our case, East Coast. Kirk cautioned that it is not unusual for a manufacturer to assert that the product performed, and the any failure was the result of the contractor not following the manufacturer's specifications.

Options Available. The options available to us were discussed. There are three: (1) proceed with East Coast's original proposal which was to apply the silicone to the bare concrete, broadcast the aggregate texture onto the first coat, then apply a second coat of silicone; (2) use the same method but apply a skim coat before the application of the silicone and aggregate; and (3) apply a parge coat with the texture or finish created in the parge coat.

East Coast's original proposal. There are two issues with this proposal. The first is whether the silicone coating can be applied directly on the bare concrete and properly adhere. The second is the aesthetics of the finished walls. Silicone, Kirk advises, can be applied directly to the concrete without a skim or parge coat. An example is the Atlantis Condominium on 103rd Street in Ocean City. Several board members viewed it. The principal difference is that it was built from pre-cast concrete, not poured concrete as was our building. Pre-cast concrete is made in factories under controlled conditions. The finish is more consistent and smoother than poured concrete. It has fewer imperfections. Poured concrete is poured on-site and not in controlled conditions. It is subject to the weather and other factors. This results in more bug holes and imperfections. The Atlantis was originally coated with a coating applied directly to the concrete. The present coating is about 20 years old and, from the street level, looked like it was in good condition. It was re-coated in a mauve color which faded and was re-coated in the present beige/sand color about 2004.

The board eliminated this proposal because of the imperfections in our building. East Coast removed the coating on two panels as part of the asbestos testing. The bare concrete was painted with regular paint for the summer. While paint is thinner than the silicone coating and there will be two coats of the silicone coating applied, the imperfections are clear, especially when a photograph is taken and enlarged. While a silicone coating will cover some of the smaller imperfections, it will not cover larger ones. The final finish is not acceptable.

"Skim Coat Method." The skim coat method was also eliminated by the board. The concern was that, in Kirk's words, it is "not a common practice." The method has been successfully used with acrylic-based coatings, but Kirk has no experience with it and was unable to locate anyone with experience in it. No one in ETC's office had used it and two other engineers he spoke with had not used it. One raised an additional problem which is the time within which the aggregate can be broadcast onto the first silicone coating. There is a limited time within which this can be done. The silicone has a quick flash point, the point at which a thin crust forms on the silicone coating. It is a part of the curing process. At this point the silicone has not cured, but the thin crust that has formed prevents the aggregate from adhering to the first silicone coat. This means that the first coat of the silicone can only be applied in

relatively small areas so that the aggregate can be applied before the silicone reaches its flash point. This will result in a lot of smaller areas that will meet. The concern is for the appearances of the finished wall and how obvious the lines where the various areas meet will be when the panels and walls are finished.

The method has been done with acrylic-based coatings. The aggregate is added to acrylic-based coatings by the manufacturer. The proper amount of aggregate is mixed in each container of coating and the material, as mixed, is then applied to the surface. This will not be done with the silicone and the amount of aggregate added will depend on the skill level of the worker applying it. The risks are that there will be too much or too little. If there is too much, it can be too heavy for the silicone coating and cause the silicone to pull off the wall. If there is not enough, the texture may not look as expected. There is also the risk that it is not applied uniformly, especially with multiple workers applying it.

The Dow warranty does not clearly cover this application and there are too many potential issues with the actual application that Dow could point to as workmanship issues, not issues with the silicone product. There are no specs or instructions on this method.

Despite several months to find examples of the application of this method, neither East Coast nor Dow provided references until just before the recent meetings. They were projects at the Washington National Cathedral, the Arts Building at Princeton and a building in Brooklyn. None are ocean front. There is no example in Ocean City or close by. East Coast has, itself, not used this method with silicone.

In light of all of these considerations, the board rejected this skim coat method. We do not want to be the guinea pig.

“Parge Method.” The last method left was the parge method. The board considered a skim coat rather than a parge coat with the texture built into to the skim coat rather than being broadcast into to first silicone coat. Two coats of silicone would be applied over the skim coat. This skim coat alternative was also rejected. The mockups with skim coats hid some, but not all the imperfections in the concrete. A skim coat is half the thickness of a parge coat. There is less material to work with to create a texture or finish. Basically, we would be limited to the smoothest finishes. It was questioned whether the smoothest finish with the aggregate added could be reproduced with a skim coat. This was questionable because of the amount of material in the skim coat that could be used and achieve a uniform, consistent finish. Applying the silicone without any texture was also discussed. It would be very smooth. There are questions of the final appearance and subsequent repairs which would be more visible without some texture.

The board concluded that the parge coat was the best alternative for the Antigua. It is the method originally used on the building. It has been tried and shown to work. It has lasted for almost 50 years. It hides the imperfections and permits various finishes from which we can

select. We will not get a second opportunity if the method chosen does not perform as expected.

Funding the Change Order.

Funding the change order was discussed further. The December 31, 2024 projected balance in the Reserve Fund, not including the special assessment for the coating project, is about [redacted]. The project budget already anticipates withdrawing \$400,000 from the Reserve Fund. There will be about [redacted] added to the Reserve Fund in 2025 from the regular condominium fee. There will also be antenna rent and interest income. Without considering the additional antenna rent and interest income, the projected December 31, 2025, balance in the Reserve Fund is [redacted]. If the parge change order costs \$265,000, the projected December 31, 2025 Reserve Balance would be reduced to about [redacted].

This projected balance needs to be adjusted for projects to be done in 2024 and 2025 that have not yet been done. These are replacement security cameras (\$12,500); bathroom renovations (\$17,319); and parking lot asphalt repaving (\$68,193). The amounts are those in the Reserve Study. The camera number in the Reserve Study is actually \$40,000 because work schedule for prior years was deferred. The present proposals are closer to \$18,000. If these projects are completed in 2024-2025 at the Reserve Fund amounts, the projected December 31, 2025 balance would be about [redacted].

The Reserve Study projects a 2025 year-end balance of about \$245,000. The bathroom renovations and the repaving of the parking lot will likely cost more than the Reserve Study anticipated because of the inflation assumption. The December 31, 2025 anticipated Reserve Fund balance exceeds the Reserve Fund Study amount [redacted].

It appears that there are sufficient funds in the Reserve Fund to fully pay for the proposed change order without using any of the contingency funds in the original coating project budget and that the December 31, 2025 balance in the Reserve Fund meets or is close to the required fund balance.

The favorable outlook for the Reserve Fund is due in part because the Reserve Study annual contribution was based on tearing out the existing modified bitumen roof and rebuilding it at a projected cost of \$337,372 in 2022. We did not do that. Instead, we put a roof coating on the existing roof for \$88,000 plus additional required repairs. There was a savings of about \$200,000. In addition, all the antenna rents went into the Reserve Fund. These were contributions in addition to the Reserve Fund required contributions for several years.

When the coating project is completed, it will be necessary to commission an update Reserve Study to determine the 2025 year-end funding level for the Reserve Fund. The Reserve Study assumed an annual inflation rate of 2% which has been exceeded. The coating project itself will cause a change in the required Reserve Fund annual contribution by reducing the annual amortization of future re-applications of the silicone coating. Presently, the acrylic-

based elastomeric coating is re-applied every seven years. The new silicone-based coating will be re-applied every 15 to 20 years. Estimates have been made for additional inflation, re-amortization of the periodic re-coatings, deferred projects, and potential additional projects. The outlook is encouraging, but a fuller and better analysis requires the completion of the coating project and a revised Reserve Study.

Motions

At the conclusion of the discussion, Robert moved that we proceed with the parge coat alternative. Mike Falkner seconded the motion. The motion passed with seven directors voting in favor, none opposed and two absent. The directors voting in favor of the motion were Mary Dischinger, Randy Ditch, Mike Falkner, Mike Keenan, Robert Mayer, Bonnie Medford and Ellen Schweiger. Kat Ilkhani and Sheri Miller were absent.

The makeup of the negotiating committee was discussed. Robert moved that Randy, Bonnie, Mike Keenan and he be appointed to the negotiating committee with Randy as the chair and spokesperson. The motion passed on a voice vote without opposition.

Negotiating Issues

The board discussed the confidence that we needed in East Coast to proceed further. The issues of performing on time, without further change orders, and the quality of their work were discussed. It was noted that confidence is difficult to gauge. How East Coast presents itself and handles the negotiations are important factors in determining this.

Tom Merson, East Coast's president, and Seth Merson who was in charge of formulating the bid will be present at the meeting. The meeting is expected to be at the Antigua on Monday morning, October 7, 2024 and be conducted in person. Kirk Parsons will also be present.

Issues to be discussed are the performance bond and its cost; the cost of the parge change order; start dates and the expected completion date; whether there will be 10 swings fully staffed; the site supervisor; coordination with East Coast Shutters; and confidence in East Coast Contracting. Do they want the job?

The authority of the negotiating team was discussed. It was discussed whether the board would delegate to the negotiating team the authority to agree on the change order and the price or whether any proposal would have to be brought back to the board for approval. Mike Keenan thought that we would get the best proposal if the negotiating team had final authority to reach an agreement. Otherwise, East Coast would likely feel that the board would come back with a lower cost proposal and would, therefore, not start with its best and lowest proposal, expecting further negotiations and requests for concessions.

After the board reached a consensus, Robert moved and Ellen seconded that the negotiating committee have the full authority to reach a final agreement with East Coast Contracting without further board approval. The motion passed with seven directors voting in

favor, none opposed and two absent. The directors voting in favor of the motion were Mary Dischinger, Randy Ditch, Mike Falkner, Mike Keenan, Robert Mayer, Bonnie Medford and Ellen Schweiger. Kat Ilkhani and Sheri Miller were absent.

Adjournment

Robert moved and Mary seconded that the meeting be adjourned. The motion was passed on a voice vote without objection. The meeting was adjourned at 4:45 p.m.

Respectfully submitted,

/s/ Robert Mayer
Robert Mayer
Secretary