



MEMORANDUM

Date: February 11, 2008
To: Board of Directors
From: Jeff Ziegler, General Manager
Subject: Renovation Update

Since the Special Board Meeting on January 31st, work has proceeded on finalizing the construction contract with G & J Development in the amount of \$221,671.14 for Phase II of the Clubhouse renovation project including the kitchen shell, storage shell and patio canopy. We have been working with legal counsel to fine tune the AIA document A107 as well as the Escrow Instructions to serve as personal assurance from the contractor in lieu of a performance bond. Our drafts from legal counsel are in the hands of G & J waiting for final production.

In light of the concern expressed at the Special Meeting regarding the Escrow Instructions, I have asked counsel to make direct reference to those instructions in the construction contract. Furthermore, I asked counsel for her opinion as to the protection this personal assurance provides Heritage Highlands. In her opinion, upon the agreement of the contractor to the terms of the Escrow Instructions as set forth, HH will be better protected than if the contractor put up a bond. She has added safeguard to avoid any delay in release of funds to HHHOA to cure any default. The current drafts of both documents are in my office and available for inspection by Board Members.

We are hopeful the contracts can be finalized and signed this week to permit mobilization onsite before the end of this month. Coordination and access to the Clubhouse will be a closely monitored and well posted to residents. However, confusion is still to be expected.

Attached to this report, you will find the current renovation expenses through January 29th totaling \$556,099.00. Now that the Executive Team is back in the community and active, our first task will be to re-address and update the budget as set out in September 2007. We now have more complete estimates and value engineering to refine the overall budget. Furthermore, we can now recognize that \$38,207 of interest was earned during 2007 on renovation investments. Best projections also indicate that an additional \$35,000 interest could accrue to the project by the end of 2008 before all funds are liquidated

The Executive Team plans to interview two candidates to serve as Project Coordinator for the balance of the Clubhouse project within the next week. The details and demands to follow on the Clubhouse renovation are significant and will add substantially to the current workload of the Maintenance Supervisor and the General Manager. We would anticipate seeking a detailed-orientated individual with building trade knowledge, who would be on-site during construction 15-20 hrs per week from March 1st through October 31st. We would hope to retain a Project Coordinator for \$12,000 - \$15,000 for the contracted period. The funding could be allocated from the accrued interest earned in the last year. The projected assignments include:

- Daily oversight of contractor and sub trades
- Analysis of work performance against plans and specifications
- Coordination of site logistics
- Review of all invoices and progress payments
- Ongoing dialogue with Architect and Construction Superintendent
- Weekly reports to Executive Team
- Analysis of change orders with recommendation to the Executive Team
- Interfacing with Marana Building Inspectors
- Site safety oversight