

FULL RESERVE STUDY

EAST BAYSIDE CONDOMINIUM ASSOCIATION

145 PLEASANT STREET

PORTLAND, ME 04101

Prepared for:

East Bayside Condominium Association 145 Pleasant Street Portland, ME 04101

Prepared by:

New England Reserve Analysts 63 Candlebrook Lane, South Portland, ME 04106 Tel (207)232-5783, (203)296-4710 www.nereserves.com

Site Inspections June 15, 2017

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1.0 INTRODUCTION

The board of directors of East Bayside Condominium Association (Association) requested New England Reserve Analysts (NERA) to conduct a Reserve Study Type of your 8-unit residential community located on Pleasant Street in Portland, Maine. NERA presents this confidential report for the Board's review and use.

In reviewing the assumptions, cost estimates and projected fund values herein, please understand that their accuracy diminishes greatly beyond Year 5. Long range facility maintenance projections are intended only to indicate the likely pattern of capital expenditures and to guide financial planning.

This report must be reviewed in its entirety to understand our findings and their limitations. The Appendices are an integral part of this report and must be included in any review. Please refer to our website: <u>www.nereserves.com</u> for definitions of common terms of reference used herein.

We have conducted the study in general accordance with the National Reserve Study Standards published by the Community Association Institute (CAI). NERA agrees with CAI's recommendation that reserve studies should be updated regularly to allow periodic adjustment of facility plans and funding strategies. Please refer to our website (<u>www.nereserves.net</u>) which contains a copy of the CAI standard.

This study was conducted under the responsible charge of a CAI-certified Reserve Specialist. Please refer to Appendix E for the qualifications of the project team. New England Reserve Analysts visited the site on June 15, 2017. This report is principally based on our visual inspection. Peter Hollander, RS prepared this report and the attached financial analysis.



2.0 EXECUTIVE SUMMARY

As a result of our on-site inspections and other investigations, we find the common components of the property to be in **very good** general condition and well-maintained. We observed several small deficiencies and deferred repairs which are noted herein.

We have identified an inventory of Association-responsible common components which are likely to require periodic repair or replacement or other recurrent capital investment. We have formed an opinion of the remaining useful life of each component, estimated the current cost of required capital expenditures for their repair or replacement and projected annual capital budgets over a 20-year planning period. We have also interviewed the Board to learn of any planned facility improvements which will require capital expenditures.

The following significant observations, conditions, deficiencies, and key funding drivers were noted:

- The continual water hammer should be addressed by a competent plumber
- The damage to the parking lot caused by the Portland Water Authority should be monitored.

In the summary, the 20-year total of projected capital expenditure (CapEx) budgets, (current dollar cost estimates inflated at 3% annually), is \$174,692. The Board has provided us with information on the Association's Capital Reserve Fund and the current funding plan. Our initial financial analysis was based on the data supplied. Given the reported starting balance of the Capital Reserve Fund on June 15, 2017, the current ongoing rate of contribution \$5,000/year, and an anticipated average rate of return on investment of 0% per year, our financial analysis indicates that the Association's current funding will prove **INADEQUATE** to meet future needs. Because of draw-downs to pay for projected CapEx expenses, projected year-end fund balances are (\$43,532) by the end of the 20-year planning period in 2036. In this report, we have recommended minimum threshold fund balances be maintained and have included alternate funding plans as discussed with the Board. Please see Table 1.0 and 2.0, below, for a summary of assumptions and projections along with 3 scenarios for improving the funding situation. These scenarios are depicted in Figure 1.



FUNDING ASSU	MPTIONS	\$/YEAR	\$/UNIT/YEAR	\$/UNIT/MONTH				
Current Balance	\$31,159							
Current Assessment		\$5,000	\$625	\$52				
Option 1	\$100	Increase monthly assessment/unit from \$52 to \$100						
Option 2	\$60	Increase monthly assessment to \$60 and then 5%/year for 5 years						
Option 3	\$52	Keep monthly assessments and incur special assessments of \$30,000 in years 5 and 10						

 Table 1.0: Current and Future Funding Alternatives

FUNDING BALANCE	CURRENT	URRENT OPTION 1		OPTION 3	
Average Expenditure	\$8,735				
Lowest Balance	(43,532)	\$9,638	\$6,430	\$2,870	
Highest Balance	\$33,766	\$65,965	\$69,085	\$59,785	
Balance at End of Period	(43,532)	\$48,467	\$69,085	\$16,547	
Percent Funded	40%	49%	42%	40%	

 Table 2.0: Current and Future Funding Balances





Figure 1: Summary of Ending Balances



3.0 PURPOSE & SCOPE

3.1 OBJECTIVES

The purpose of this reserve study is to determine a capital needs plan for the Association, to evaluate the current rate of contribution to the capital reserve fund, and, if required, to suggest alternate funding strategies. This report is intended to be used as a tool by the Association's Board for considering and managing its future financial obligations, for determining appropriate capital reserve fund allocations, and for informing the individual Owners of the Association's required capital expenditures and the resulting financial plan.

For purposes of financial planning, Association-responsible expenses are typically divided into two categories:

- Operation and maintenance (O&M) of commonly-held elements of real property and other assets. These O&M expenses usually include taxes, insurance, property management costs and other service fees, as well as routine activities such as lawn mowing and snow plowing.
- Capital expenditures include those costs for major periodic repairs or replacement of commonly-held elements.

O&M costs are typically paid through periodic assessments or service fees as may be prorated by Association documents to each owner. The annual O&M budget is estimated based on cost projections of either actual or average levels of expense. Some additional contingency amount may be included in annual O&M budgets. These O&M costs are not typically considered by a Reserve Study.

Long-term capital expenditures and the funding plan for them are the focus of this Reserve Study. Studies of this nature are important to ensure that a community will have sufficient funds for long-term, periodic capital expenditure requirements. This helps preserve the value of the community and the units within it.

Of course, borrowing or special assessments may be part of some capital plans. However, our study will not consider these sources of revenue unless directed to do so by the Board. We caution our clients to check state regulations which may limit or preclude these options. Our capital expenditure forecast is more reliable over its first few years than in later years. History demonstrates that, as time progresses, property conditions and management strategies will change. As a result, planned scopes of work may be altered or deferred. Actual cost in the marketplace will vary from estimates. Actual rates of inflation and returns on investment will vary from projections. For these reasons, this reserve study should be updated every three to five years.



3.2 LEVEL OF SERVICE

The Community Association Institute (CAI) identifies three levels of service for Reserve Studies:

- Full Reserve Study with site visit II
- Reserve Study Update with site visit, and
- III. Reserve Study Update, without site visit.

All may be appropriate for a community, depending on the condition of the facility and the phase of their planning cycle. The CAI National Reserve Study Standard (posted on our web site: www.nereserves.com) contains more detail on these levels of service and the scope of study of each of them.

Our current study is a Level I Full Reserve Study. NERA's actual scope of service is enhanced and exceeds the CAI standard in several ways:

- Our investigation and evaluation of the property is performed by experienced professionals.
- After preparing and submitting our initial analysis, we engage in an iterative review process with the Board, toward developing a financial plan more responsive to the needs of the Association.
- Our analysis is based more on actual observations, prudent facilities management, and fundamental decisions arrived at by discussions with the Board. Examples are whether to replace components in kind or upgrade, strategize work to optimize cash flow, or consider improvements to the property.
- Being local, we are available for additional meetings and consultation.
- We are also available for follow-on services that may include the development of specifications and construction observation.

3.3 Sources of Information

The following people were interviewed during our study:

- Rachel Jones, Board President
- Tom Smith, ABC Roofing

The following unit interiors were inspected:

• Units 1 and 7

The following documents were provided to us and reviewed:



- Plans by Architellic
- Condominium Bylaws and CC&Rs



4.0 PHYSICAL ANALYSIS

4.1 PROPERTY DESCRIPTION

The East Bayside Condominium Association is an 8-unit residential community located on a .75acre site in Portland, Maine. The 2-story building was built in 2003 as studio spaces with 15-foot ceilings. Each unit was furnished with a kitchen and bathroom. Since construction, individual owners have built out their own spaces employing a variety of designs. In some cases, a second bathroom was added. Rear and second story units have sliding glass doors. After construction, a "Quonset" style structure was added to the roof providing extra space for second floor units. Unit owners on the second floor have each added decking over the rubber membrane roof. Five of the eight units have added split system air conditioning units.

Please refer to Appendix C for captioned photographs

4.2 COMMON COMPONENTS

Please refer to Appendix A for the Common Component Inventory. Individual Unit Owners are responsible for maintenance and repairs of their own units. Generally speaking, the industry considers this to be "from the walls in." Therefore, we do not address Owner-responsible Unit interiors. Appendix A contains an inventory of all interior items which are common components, and a detailed schedule of projected Capital Expenditure (CapEx) budgets for these items.

4.3 CONDITION ASSESSMENT

4.3.1 Site Improvements

Description & Observations

The site consists primarily of a paved parking lot in front of the building with 1 space for each owner. Grassy areas border the property on each side. A low retaining wall is located along the rear of the property.

Landscaping is maintained by the owners on a voluntary basis. The parking lot is in excellent condition with no cracks or ponding. However, earlier this year, the city excavated an area of the lot to install water valves. The city patched the area but the owners should continue to observe the area for heaving or settling.

In recent years some trees have been removed or trimmed.

Required Capital Expenditures



Funds have been reserved for re-paving the parking area in 7 years, and sealcoating and striping every 5 years thereafter. A contingency has been budgeted for landscaping supplies each year as well as some tree-trimming.

4.3.2 Building Structure and Exterior

Description & Observations

The building is steel-framed with corrugated metal siding attached with gasketed screws. Windows are a combination of fixed, double hung and hopper styles with insulated glazing. The roof is an adhered rubber membrane and is original to the building. There is one self-closing entrance door which opens with a push bar from the inside.

Several years ago, the owners installed a heat wire system to ensure that ice does not block the internal roof drains. Atop the roof are "Quonset" style structures that add living space for the second-floor owners. These structures developed leaks early on and were coated to seal them.

The rear ground-floor units and the Quonset structures all have sliding glass doors. Several of these doors have developed leaks in the past and have been replaced.

The siding and windows are in very good condition. The roof is aging but remains watertight. It should be noted that when it is time to replace the roof, the owners of the second floor units will have to remove the wooden decking that that installed over the roof.

Required Capital Expenditures

Funds have been reserved for replacing the roof in 7 years. The Quonset huts need to be recoated soon. We have also reserved for replacing the heat trace in 5 years, caulking the siding and screws in 7 years, and replacing windows and the front door in 17 years.

4.3.3 Building Interior

Description & Observations

The interior consists of drywalled hallways, concrete floors, and hollow steel doors. A bank of mailboxes is mounted on the wall in the lobby. There are also various lighting fixtures and emergency lighting.

Required Capital Expenditures



Painting is often considered part of operating expenses. However, in this case, we have chosen to include it in capital reserves. A repaint has just been completed so funds are reserved for repainting again in 7 years. Most of the lighting should be replaced in about 2 years with some exterior lighting work necessary now. We estimate that mailboxes may need to be replace in about 13 years.

4.3.4 Mechanical

Description & Observations

All units are heated by a gas fireplace. In addition, 5 units have installed split air conditioning units. These are all the responsibility of the owners.

A utility closet by the front entrance contains the main plumbing and drain lines and gas meters. There are small wall-mounted space heaters in the closet and lobby area.

Electric meters are in a closet outside the main entrance. Each unit is responsible for its own service. There is a common line for indoor and outdoor lighting.

Water and sewer is provided by the city. The water bill for all owners is covered by the maintenance reserve. Owners report a constant water hammer throughout the building when toilets are flushed or washers (clothes/dishes) are used.

The entire building is sprinklered and inspection tags are current

Required Capital Expenditures

In addition to replacement of common area heating units, we have provided contingency reserves for plumbing and heating systems.

4.3.5 Amenities

Description & Observations

There are no amenities being reserved for.

4.3.6 Other

Description & Observations

There are no other common elements being reserved for.

4.4 CURRENT DEFICIENCIES



Based on the Board's list of concerns, individual Owner's reports and our own observations, we identified design and construction deficiencies and deferred repairs which may require near-term repair, corrective action or improvements:

- Water hammer from plumbing fixtures should be corrected
- The roof coating on the Quonset huts should be replaced.

Also, at the time of our inspection, various normal maintenance activities were pending:

• Exterior lights require repair or replacement

Correction of some of these items do not represent expenses over \$500 and should be covered by normal operations and maintenance budgets. We have not made any allowance for these "de minimis" items in the capital expenditure budget projection.

4.5 LIFE & VALUATION

4.5.1 Opinions of Useful Life

For components which require periodic capital expenditures (CapEx) for their repairs or replacement, the frequency of work equals the typical, industry accepted expected useful life (EUL) for the type of feature.

The remaining useful life (RUL) of a component before the next capital expenditure for its repair or replacement is generally equal to the difference between its EUL and its age.

Of course, the condition and rate of deterioration of actual site improvements and building elements rarely conform to such simple analysis. And, often, a property's history and available documentation does not provide any record of a particular component's actual age. In our experience, the effective age and actual RUL of an installed item vary greatly from its actual age and calculated RUL. These variances depend on the quality of its original materials and workmanship, level of service, climatic exposure, and ongoing maintenance.

As part of NERA's work on this reserve study, we have determined our opinion of the effective age, EUL and RUL of each common component based on our evaluation of its existing condition. As a result, in preparing the CapEx schedule for reserve studies, we may accelerate the schedule of work for components found to be in poorer condition than expected for their age or defer work for components observed to be in unusually good condition.

Further, the capital expenditure to repair and/or replace some components may be spread over several years. This may be done because not all on-site installations of a particular



type of component age or deteriorate at the same rate. Or, work may be scheduled in phases to limit disruption or ease cash flow. For these reasons, when it seems appropriate we will spread some budgets over multiple years.

In summary, we have based our opinion of the remaining service life and expected frequency and schedule of repair for each common component on some or all of the following:

- Actual or assumed age
- Observed existing condition
- Association's or Property Manager's maintenance history and plan
- Our experience with actual performance of such components under similar service and exposure

• Our experience managing the repairs and replacements of such components We use the following documentation to guide our considerations:

- Fannie Mae Expected Useful Life Tables
- National Association of Home Builders Life Expectancy of Components
- Marshall & Swift Valuation Service Expected Life Expectancies

4.5.2 Cost Estimating

In developing our estimate of capital expenditure for most common components, we have estimated a quantity of each item and a unit cost for its repair or replacement. In some cases, it is more appropriate to estimate a lump sum cost. Unless directed to take a different approach, we assume that contract labor will perform the work and apply appropriate installer's mark-ups on supplied material and equipment. When required, our estimated costs include demolition and disposal of existing materials, and protection of other portions of the property. When appropriate for large capital projects, we will also include soft costs for design and project management, and typical general contractor's cost for general conditions, supervision, overhead and profit. We have based our opinion of unit and lump sum costs on some or all of the following:

- Records of previous maintenance expenses
- Previously solicited Vendor quotations or Contractor proposals
- Provided capital budgets developed by others
- Our project files on repairs and replacements at other properties

We use the following publications to guide our considerations:

• On-Line R S Means - Construction Cost Data



- Marshall & Swift Valuation Service
- Facility Cost Index

Annual aggregated capital expenditure budgets have been calculated for all years during the study period by inflating the annual tallies of current dollar cost estimates and compounding for inflation at 3% per year. Of course, it is impossible to accurately predict inflation. Three percent is close to the average annual values of both consumer and construction cost increases since the US Bureau of Labor Statistics started publishing data approximately 85 years ago.

4.6 RESULTS OF OWNER SURVEY

At the request of the board, no owner survey was conducted.



5.0 FINANCIAL ANALYSIS

Please refer to Appendix A which contains tables and graphs illustrating the findings reported below.

5.1 CAPITAL EXPENDITURE PROJECTION

Based on our investigations and estimates, we have identified likely capital expenditures throughout the study period. In summary, the 20-year total of projected capital expenditure (CapEx) budgets, (current dollar cost estimates inflated at 3% annually,) is \$174,692. Please note that we have assumed that the cost of minor repair and replacement work valued at less than \$500 will be covered by normal Operations & Maintenance budgets. Such "de minimis" costs may be for one-time work on a single item, or aggregated repairs of a type of component over a year.

We have also not included any capital budget allowances for repair of casualty damage by vehicle impact, severe storm action, etc. It is assumed that such expenses would be defrayed by proceeds of insurance claims.

5.2 CURRENT FUNDING

5.2.1 Board-Provided Information

At the time we were retained, East Bayside Condominium Association provided us with initial information on the Capital Reserve Fund and its funding plan. Our initial financial analysis was based on the following data supplied:

- Fiscal Year Starting Date: January 1, 2017
- For Designated Year: 2017
- Starting Fund Balance: \$31,159
- On Date: June 1, 2017
- Current Rate of Contribution: \$52/unit/month
- Planned Increases: None
- Planned Special Assessments: None
- Projected Average Return on Investment: 0%
- Projected Rate of inflation: 3%

Financial data, records of past expenses, and cost estimates provided by others have been taken in good faith and at face value. No audit or other verification has been performed.



5.2.2 Current Funding Plan Projection

Our initial analysis is a projection of the Association's current rate of contribution forward over 20 years with no increases other than as already budgeted. Given the reported \$31,159 starting balance of the Capital Reserve Fund on June 15, 2017, the current ongoing rate of contribution of \$5,000 per year, and an anticipated average rate of return on investment of 3% per year, our financial analysis indicates that the Association's current funding will prove **INADEQUATE** to meet future needs. Because of draw-downs to pay for projected CapEx expenses, a year-end fund balance of (\$43,532) is projected by the end of the 20-year planning period in 2036.

5.3 ALTERNATE FUNDING PLANS

In this report, we have recommended maintaining a minimum threshold fund balance equal to two times the average annual capital expenditure of current dollar budgets. The initial value should be based on the average in dollars, and then the threshold value should grow over the planning period at the assumed rate of inflation.

We have prepared 3 alternate funding plans for the Board's consideration:

- A one-time lump sum monthly increase in 2017 to \$100 per unit per month will maintain positive balances throughout the 20-year planning period with a low balance slightly above the average annual expense.
- Phased annual increases in Years 1-5 of 15% each year. Note that this too maintains a low balance roughly equal to the average annual expenditure.
- Maintain the current level of funding but plan for special assessments of \$30,000 (or \$3,750/unit) in years 5 and 10. This approach allows the reserve balance to dip at one point to \$2,870 but maintains a balance at the end of the period that is closer to the desired 2X average annual expenditures.

All these approaches start below the desired 60-70% funding levels but gradually approach that as time advances.

Please note that we consider these to be conservative projections, inasmuch as we have assumed a 3% inflation rate. We have also assumed that the Association will earn 0% on its invested money. While rates are low now, they may increase in the future.

In addition, the board did not choose to set a threshold balance (see Section 5.4.3). In the absence of any pre-set thresholds, our goal is first, the make sure that the balance never goes below in any given year. Second, we try to maintain a balance equal or greater than the average annual capital expenses over the term. And third, in the most desirable case, we try to maintain



annual balances equal or greater than twice the average annual expenditures. This is not always possible and in fact, not always desirable. Further, in years leading up to major capital expenditures, the annual balance may far exceed the average. This is entirely appropriate and acceptable.

We look forward to working with the Board to develop a satisfactory plan for their adoption.

5.4 FUNDING METHODOLOGIES (BACKGROUND INFORMATION)

The following sections of the report are general in nature and not specific to your Association. They are included to provide a framework for consideration of the study, and to explain our approach to the funding analysis.

We also recommend that the Board review the Community Association Institute (CAI) National Reserve Study Standards (posted on our website: www.nereserves.com). The Community Association Institute (CAI) recognizes several funding methodologies, all of which may be used to satisfy the following goals:

- Fiscally Responsible
- Maintains Property Values
- Sufficient Funds Available When Required
- Stable Contribution Rate over the Years
- Evenly Distributed Contributions over the Years

Some of the more common methods are outlined below. For this reserve study, NERA has utilized a cash flow-based funding approach as described in Section 5.4.3 below.

5.4.1 Statutory Funding

Some states regulate the management of community associations, including the fiduciary responsibility of its Officers or Board regarding reserve funding. To our knowledge, Maine does not require any particular funding criteria.

5.4.2 Covenant Required Funding

The legal documents which originally establish a community association may set forth guidelines for its reserve funding. The Master Deed for the Association does not stipulate any specific long-term funding criteria.

5.4.3 Cash Flow Based Funding

NERA's recommended approach to reserve planning utilizes a cash flow model. A cash flow-based funding plan is prepared so that contributions to capital reserves are sufficient



to offset future variable annual capital expenditures. Our evaluation and planning yield a projected annual capital expenditure (CapEx) budget over the planning period. This CapEx plan and the Association's current rate of contribution to reserves is entered into our computer model. The model allows us to determine whether the Association's current rate of contribution will prove sufficient to meet capital obligations over the planning period. And, if not, we develop alternate contribution strategies for the Association's consideration.

Baseline Funding

The goal of baseline funding is to maintain positive year-end balances throughout the planning period.

Threshold Funding

One strategy to ensure there will be sufficient funds available to cover unplanned emergencies is to maintain prudent minimum threshold reserve balances. In the face of unusual and uninsured expenses, this may eliminate the need for either making a special assessment or borrowing money. Often, the initial threshold is established as some multiple of the average annual CapEx budget in current dollars, and then projected ahead at the selected rate of inflation. Maintaining significant threshold balances has the additional benefit of allowing the association to generate greater returns on investments and thereby reduce the rate of Owners' contribution to reserves. Of course, the benefits of establishing larger threshold balance values must be weighed against Unit Owners' preference to control their own funds.

5.4.4 Component Based

A component-based funding plan is based on calculated incremental savings toward the eventual repair or replacement of each individual common component. The accounting concept underlying component-based funding is that an Association should save for repair or replacement of each of their common assets at an annual amount equal to the annual straight-line prorated cost of the item. In this way, the fund will accumulate its full value in capital reserves at the end of its nominal EUL and funds may be required for a capital expenditure. In our experience, a component-based funding plan based on a comprehensive common component inventory will produce a very conservative funding strategy for an Association.

Full Funding



For each Fiscal Year, a component-based funding plan calculates an ideal reserve balance that should be on-hand at the beginning of the year. This recommended balance is based on saving money at the rate indicated by that component's EUL and RUL as explained in the previous section. If the Association's cash flow projection indicates that their capital reserve fund balance will be equal to or greater than that ideal value at the beginning of any given year, then, by Community Association Institute (CAI) definition, the Association is said to be "fully funded" in that year.

In our opinion, when an association is "fully funded" per the CAI definition, then, very often, an Association is holding more cash reserves than necessary for prudent management of their financial obligations.

Percent Fully Funded

In component-based fund planning, the percentage ratio between the projected actual reserve balance and the calculated ideal amount of accumulated savings at any point of time is the "percent fully funded". This metric is used to indicate whether an Association is:

- Under-funded percent fully funded less than 100%
- Over-funded percent fully funded greater than 100%

Often, statutory or covenant funding requirements may obligate an Association to maintain their reserve balance above some minimum percent fully funded value. Such rules were originally promulgated to ensure conservative funding practices which would protect the membership from unsound financial policies which some developers and associations have practiced in the past.

5.4.5 Special Assessments

The goal of nearly all reserve studies is to establish a regular, periodic rate of contribution to reserves which ensures there will be sufficient funds when required. However, sometimes it is necessary to boost the reserve balance quickly, before there is adequate time to accumulate funds through regular savings. In those cases, it is expeditious to assess a lump sum special payment.

Special assessments may be ear-marked for some particular capital expenditure. This may be a periodic but unusually high expense. Or, it may be to collect funds to pay for some desired new amenity, such as a new tennis court or an elevator.



In certain cases, borrowing is often justified to obtain funds for some particular capital expenditure. When funds are borrowed, then part of regular, periodic contributions of the membership in the following years will be ear-marked for repaying the loan.



6.0 LIMITATIONS

The information in this study is not to be considered a warranty of condition, quality, compliance or cost. No warranty is implied. Financial data, records of past expenses, and cost estimates provided by others have been taken in good faith and at face value. No audit or other verification has been performed.

The observations described in this study are valid on the dates of the investigation and have been made under the conditions noted in the report. This study is limited to the visual observations made during our inspection. We did not undertake any excavation, conduct any destructive or invasive testing, remove surface materials or finishes, or displace furnishings or equipment.

Except as specifically noted, we did not observe or inspect the following areas and items:

• Unit interiors other than nos. 1 and 7

In the absence of other information such as records from construction or previous inspections, or indirect evidence of concealed conditions, we cannot form any opinion on unobserved portions of the property.

In some cases, we inspected only a representative sample of site improvements and building spaces, components, systems or equipment. We cannot be responsible for unobserved aberrations. We did not perform any computations or engineering analysis as part of this study, nor did we conduct a comprehensive code compliance investigation.

We did not undertake to assess the structural stability of the buildings or the underlying foundations and soils. Similarly, we performed no seismic assessment. We did not undertake a comprehensive environmental assessment of the facility, nor perform any sampling or testing for hazardous materials.

Capital budgets are opinions of likely expense based on rough cost estimates. We have not obtained competitive quotations or estimates from contractors. Actual costs can vary significantly, based on the eventually determined scope of work, availability of materials and qualified contractors, and many other variables. We cannot be responsible for variances.

New England Reserve Analysts prepared this confidential report for the review and use of the Board of the Association. We do not intend any other individual or party to rely upon this study without our express written consent. If another individual or party relies on this study, they shall indemnify, defend and hold New England Reserve Analysts, its subsidiaries, affiliates, officers, directors, members, shareholders, partners, agents, employees and such other parties in interest



specified by New England Reserve Analysts harmless for any damages, losses, or expenses they may incur as a result of its use. Any use or reliance of the report by an individual or party other than the East Bayside Condominium Association shall constitute acceptance of these terms and conditions.

New England Reserve Analysts does not offer financial counseling services. Although reasonable rates of inflation and return on investment must be assumed to calculate projected balances, we do not represent that we can accurately predict actual economic performance.

Reserve fund management and investment may be discussed during the course of the study; however, we do not purport to hold any special qualifications in this area. We recommend that the Board also seek other professional guidance before finalizing their current capital reserve fund planning activity. Depending on issues which may arise, an appropriate team of consultants to aid decision-making might include your property manager, accountant, financial counselor and attorney.



7.0 CONCLUSION

New England Reserve Analysts appreciates this opportunity to assist East Bayside Condominium Association in support of your financial planning. We are pleased to present this report for the Board's consideration and use.

To the best of our ability, we have attempted to work in the best interest of the East Bayside Condominium Association and to aid the Board toward fulfillment of their fiduciary responsibilities and obligations to the individual Unit Owners who comprise the association's membership. In our professional opinion, and within the limitations disclosed elsewhere herein, all information contained herein is reliable and appropriate to guide the Board's deliberations and decision-making.

NERA's work for this study has been carried out in accordance with the CAI Code of Ethics. We consider our report confidential and will not share its content with anyone but the Board without its knowledge and release. We are unaware of any other involvement or business relationship between New England Reserve Analysts and the Developer or individual Unit Owners, or members of the Board, or any other entities which constitutes any conflict of interest.

If you have any further questions or would like to inquire about additional, follow-on services such as the development of specifications, planning for procurements, or construction monitoring, then please contact Peter at 207-232-5783 or Ed at 845-797-1907. As recommended by CAI, we also suggest that you include a reserve study update in your operating budget for some time in the next 3 to 5 years.

Finally, for additional information related to the content of this report and general association management, please visit our website at: www.nereserves.com.

Thank you for the opportunity to be of service.

Respectfully submitted,

NEW ENGLAND RESERVE ANALYSTS



A: FINANCIAL EXHIBITS

NE Reserve Analysis

Common Component Inventory and Capital Expenditure Planning											
Return to Navigation A	dd/Delete Items		Fix Column Widths			Expected	Percent				
Capital Item To Be Replaced		antity	ty nits Unit cost	CapEx Budget	Beginning Balance	Useful Life (or Frequency) Years	Funded Amount Per Year	Remaining Useful Life Years			Full
	Oua								serve Funding Requi		Funding
	Count	Units							Monthly	Annual	Balance
Site											
Sealcoat Parking Area	1	LS	\$750.00	\$750.00	\$0.00	5	\$150.00	5	\$12.50	\$150.00	\$0.00
Stripe Parking Area	8	EA	\$20.00	\$160.00	\$0.00	5	\$32.00	5	\$2.67	\$32.00	\$0.00
Top Coat Parking Area	417	SY	\$15.00	\$6,255.00	\$2,292.10	20	\$312.75	7	\$47.18	\$566.13	\$4,065.75
Landscaping	1	LS	\$500.00	\$500.00	\$0.00	1	\$500.00	1	\$41.67	\$500.00	\$0.00
Building Exterior											
Replace Roof	2,950	SF	\$13.00	\$38,350.00	\$14,053.09	20	\$1,917.50	7	\$289.25	\$3,470.99	\$24,927.50
Coat Quonset Roofs	1,400	SF	\$7.00	\$9,800.00	\$5,524.83	12	\$816.67	0	\$0.00	\$0.00	\$9,800.00
Replace Heat Trace	1	LS	\$3,250.00	\$3,250.00	\$916.11	10	\$325.00	5	\$38.90	\$466.78	\$1,625.00
Caulk Siding/Screws	1	LS	\$1,500.00	\$1,500.00	\$549.66	20	\$75.00	7	\$11.31	\$135.76	\$975.00
Replace Windows, Small	2	EA	\$600.00	\$1,200.00	\$293.15	30	\$40.00	17	\$4.45	\$53.34	\$520.00
Front Door	1	LS	\$3,000.00	\$3,000.00	\$732.89	30	\$100.00	17	\$11.11	\$133.36	\$1,300.00
Windows Over Front Door	1	LS	\$1,200.00	\$1,200.00	\$293.15	30	\$40.00	17	\$4.45	\$53.34	\$520.00
Building Interior											
Paint Hallways	1	LS	\$3,500.00	\$3,500.00	\$0.00	7	\$500.00	7	\$41.67	\$500.00	\$0.00
Paint Floors	1	LS	\$750.00	\$750.00	\$302.01	7	\$107.14	2	\$18.67	\$223.99	\$535.71
Fluorescent Lights	3	EA	\$150.00	\$450.00	\$219.87	15	\$30.00	2	\$9.59	\$115.07	\$390.00
Chandeliers	2	EA	\$600.00	\$1,200.00	\$586.31	15	\$80.00	2	\$25.57	\$306.85	\$1,040.00
Interior Lights	3	EA	\$100.00	\$300.00	\$146.58	15	\$20.00	2	\$6.39	\$76.71	\$260.00
Exterior Lights	1	EA	\$350.00	\$350.00	\$197.32	15	\$23.33	0	\$0.00	\$0.00	\$350.00
Mailboxes	1	LS	\$1,250.00	\$1,250.00	\$338.26	25	\$50.00	13	\$5.84	\$70.13	\$600.00
Mechanical											
Replace Wall Heater	1	EA	\$200.00	\$200.00	\$90.20	10	\$20.00	2	\$4.57	\$54.90	\$160.00
Plumbing Allowance	1	LS	\$3,500.00	\$3,500.00	\$1,973.16	7	\$500.00	0	\$0.00	\$0.00	\$3,500.00
Electrical Allowance	1	LS	\$3,500.00	\$3,500.00	\$1,127.52	7	\$500.00	3	\$65.90	\$790.83	\$2,000.00
Sprinkler Room Heater	1	LS	\$900.00	\$900.00	\$405.91	15	\$60.00	3	\$13.72	\$164.70	\$720.00
Sprinkler System	1	LS	\$1,500.00	\$1,500.00	\$604.03	7	\$214.29	2	\$37.33	\$447.99	\$1,071.43
Emergency Lights	3	EA	\$350.00	\$1,050.00	\$513.02	15	\$70.00	2	\$22.37	\$268.49	\$910.00
Amenities									1		
Other											
			Totals	\$84,415,00	\$31,159,16		\$6,483,68		\$715.11	\$8,581,36	\$55,270,39



B: GRAPHIC EXHIBITS



C: PHOTOGRAPHS



D: PROJECT TEAM QUALIFICATIONS

Peter Hollander, RS – Peter is a partner in New England Reserve Analysts. For 25 years, Mr. Hollander was Vice President of Criterium Engineers, a national building inspection engineering company. At Criterium, he developed the community associations practice and created the reserve study analytical model that is still being used today. He also oversaw and/or conducted hundreds of reserve studies all over the country for associations ranging from very small to mega associations like The Reston Association in Reston, VA and The Woodlands in Texas. He has written extensively on the subject of balancing the needs of an association with sound practices involving reserves, specifications, and construction monitoring. He earned the CAI Reserve Specialist designation in 2010. His previous experience with buildings includes as president of Cornerstones, a building analysis and construction company, a consultant with the Energy and Environment division of Booz Allen & Hamilton, and manager of the buildings technology group at the Franklin Institute in Philadelphia. Today, in private practice, he works to bring his knowledge of buildings and energy to communities in the New England and around the world.

Edmond Murphy – Ed is a partner in New England Reserve Analysts. He has over 40 years of building construction and management knowledge. He is a seasoned construction and facilities manager, having managed major hospital construction projects, single family and multifamily housing, and mixed-use projects. Ed's career encompasses years as a custom home builder and general contractor, hospital facilities director, Director of Planning and Development for the City of Poughkeepsie, NY and most recently as Executive Director of Hudson River Housing, Inc., the largest affordable housing developer-owner in the Mid-Hudson Valley. His expertise in construction technology spans decades of residential and commercial construction. During his tenure at the City of Poughkeepsie and Hudson River Housing he was responsible for capital and long-range planning of all aspects of public-private real estate development partnerships. His many contributions include the development of the city's southern waterfront, restoration of historic buildings along the Main Street corridor, and the development of hundreds of high quality residential units in Duchess County, NY. In addition to his deep knowledge of construction, Ed is trained in Financial Analysis of Real Estate Development, taking projects from proforma through project administration. Ed holds degrees in Construction and Architectural Technology and a B.S. in Housing and Community Design from Cornell University. He is a fellow of the Cornell Institute of Public Affairs where he completed his masters' coursework focused on small city redevelopment.