



# RESERVE STUDY

For

**Bluff Country Village Townhomes**

**9730 Belmont Lane**

**Eden Prairie, MN**

**Date of Inspection: 6/30/2016**





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**Question 1.) Is the current annual contribution to the Reserve Fund sufficient to fund future capital repairs and replacements on the development? What is the current annual and monthly per unit contributions to the Reserve Fund?**

**Answer 1.)** Yes, currently the annual contributions will cover future capital repairs and replacement costs for the next 30-years. The current annual and monthly contribution per unit per month are listed to the left

Annually:	\$45,300
Per Unit Per Month:	\$102.03

**Question 2.) What is the total recommended annual contribution starting in the next fiscal year in order to start funding for future capital repairs and replacements for the next 30-years on the development?**

**Answer 2.)** The total recommended annual and monthly contribution per unit per month are listed to the left.

Annually:	\$44,000
Per Unit Per Month:	\$99.10

**Question 3.) How much money is needed NEAR TERM (next 5-years), How much money is needed MID TERM (next 15-years), How much money is needed LONG TERM (next 30-years) for future capital repairs and replacement with in the next 30-years?**

**Answer 3.)** (\$355,543) The NEAR TERM (next 5-years), MID TERM (next 15-years) and LONG TERM (\$444,299) (next 30-years) projected cost for capital repairs and replacements is listed to (\$2,274,500) the left.

**Question 4.) Which three components will have the highest cost in the NEAR TERM (next 5-years)?**

<b>Answer 4.)</b>	Roofs, Asphalt Shingles	\$296,836
	Gutters and Downspouts, Aluminum	\$34,264
	Walls, Chimney Shrouds and Wood Trim, Paint Finishes	\$13,438

**Question 5.) Which three components will have the highest costs in the LONG TERM (next 30-years)?**

<b>Answer 5.)</b>	Walls, Vinyl Siding	\$880,768
	Roofs, Asphalt Shingles	\$822,640
	Soffits and Fascia, Aluminum	\$252,494

**Client Profile**

Client Reference Number:	11292U
Type of Study:	Update With-Site-Visit
Date of Non-Invasive Inspection:	June 30, 2016
Date of Study Shipment:	August 1, 2016
Fiscal Year Start and End:	January 1 to December 31

**Community Description**

Type of Development:	Townhomes
Number of Units:	37
Number of Buildings:	10
Year(s) Built:	2001
Description of Major Components by Property Class:	
External Building Components	Roofs, Siding, Soffits and Fascia
Internal Building Components	N/A
Service Components	N/A
Site Components	N/A
Clubhouse Components	N/A
Pool Components	N/A
Garage Components	N/A

**Current Funding**

Current Reserve Status as of:	April 30, 2016
Current Reserve Balance:	\$431,958
Current Annual Reserve Contributions:	\$45,300
Current Reserve Contribution per Unit per Month:	\$102.03
Current Operating Budget:	\$150,072
Current Percentage of Operating Budget to Reserve Account:	30.19%

**(Unaudited Cash Status Of the Reserve Fund)**

**Macro Economic Factors**

Projected Interest Earned on Invested Reserves:	0.20%
Projected Local Inflation Costs:	2.90%

**Recommended Funding**

Recommended Fund Start as of:	January 1, 2017
<b>Recommended Annual Reserve Contribution:</b>	<b>\$44,000</b>
<b>Recommended Reserve Contributions Per Unit Per Month:</b>	<b>\$99.10</b>
<b>Recommended Special Assessment:</b>	<b>\$0</b>
<b>Recommended Special Assessment Per Unit Per Month:</b>	<b>\$0.00</b>
<b>Total Recommended Reserve Contributions</b>	<b>\$44,000</b>
<b>Total Recommended Reserve Contributions Per Unit Per Month:</b>	<b>\$99.10</b>
Recommended Percent Adjustment in Operating Budget:	-0.87%
Recommended Adjustment in Current Annual Reserve Contributions:	-\$1,300
Recommended Monthly Difference per Unit per Month:	-\$2.93

### **What Is A Reserve Study? Why Have One Done?**

A Reserve Study is a financial plan used to set aside the appropriate amount of money required for capital repairs and replacements for the development's infrastructure and surrounding assets. Reserve studies are one of the most reliable ways of protecting the value of the property's infrastructure and marketability. These studies help ensure that each homeowner pays their fair share of the deterioration in direct proportion to the amount of time they are owners.

It is best that community associations avoid the use of special assessments or loans to fund major replacements projects. Funding capital repairs and replacements using special assessments and loans is less cost effective than slowly accumulating reserves over time and investing the balance until the funds are needed for major projects.

### **A Reserve Study: A Multi-Functional Tool**

- 1.) Lending institutions often request Reserve Studies during the process of a loan application for the community and/or the individual owners.
- 2.) A Reserve Study contains a detailed inventory of the association's major assets and serves as a management tool for planning, scheduling and coordinating future repairs and replacements.
- 3.) A Reserve Study is an annual disclosure of the financial condition of the association to the current homeowner, and may be used as a "consumer's guide" by potential purchasers.
- 4.) A Reserve Study is a tool that can assist the board in fulfilling its legal and financial obligations of keeping the community in an economically manageable state of repair. If a community is operating on a deficit basis, it cannot guarantee that a special assessment, when needed, will be approved. Therefore, the association cannot guarantee its ability to perform necessary repairs and replacement to major components for which they are responsible.
- 5.) Reserve Studies are an essential tool for your accountant during the preparation of the association's annual audit.

### **Other Advantages Of Reserve Studies Include:**

- Assists in sale of residence
- Reduces cost of community maintenance
- Maintains market value of home
- Preserves community appearance
- Minimizes special assessments
- Equitable use of residence

### Current Funding

The current reserve funding plan as of **April 30, 2016** consists of:

- 1.) An overall operating budget of **\$150,072**
  - The current percentage contribution from the operating budget to reserves is **30.19%**
- 2.) A current reserve balance of **\$431,958**
- 3.) An annual reserve contribution of **\$45,300**

### Recommended Funding

Building Reserves recommends the following funding plan to be in effect on **January 1, 2017**  
Our recommend funding plan consists of:

- 1.) An annual reserve contribution of **\$44,000**
  - Equivalent to an average per unit per month contribution of **\$99.10**
- 2.) No planned special assessments necessary

### Overall Recommended Adjustments In Current Funding Plan

- 1.) The recommended adjustment in the current fiscal year's reserve contribution is **-\$1,300**
  - Equivalent to a per unit per month adjustment of **-\$2.93**
- 2.) The recommended funding plan represents a percentage adjustment of **-0.87%** in the current fiscal year's operating budget.

### **Our Recommended Funding Plan Is Based On The Following:**

#### 30-Year Cash Flow Analysis

This reserve study uses the Cash Flow Method to calculate the minimum recommended annual reserve contribution to determine adequate, but not excessive contributions. The Cash Flow Method pools all reserve expenses into one account. The 30-Year Cash Flow Analysis uses:

- 1.) The unaudited starting reserve fund balance and current reserve contributions, obtained from the Property Manager
- 2.) 30-Year projection of reserve expenses. This evaluation is based on:
  - Establishing each common reserve component
  - Quantifying each reserve component
  - Estimating the current replacement cost of each reserve component



## B. FINANCIAL ANALYSIS

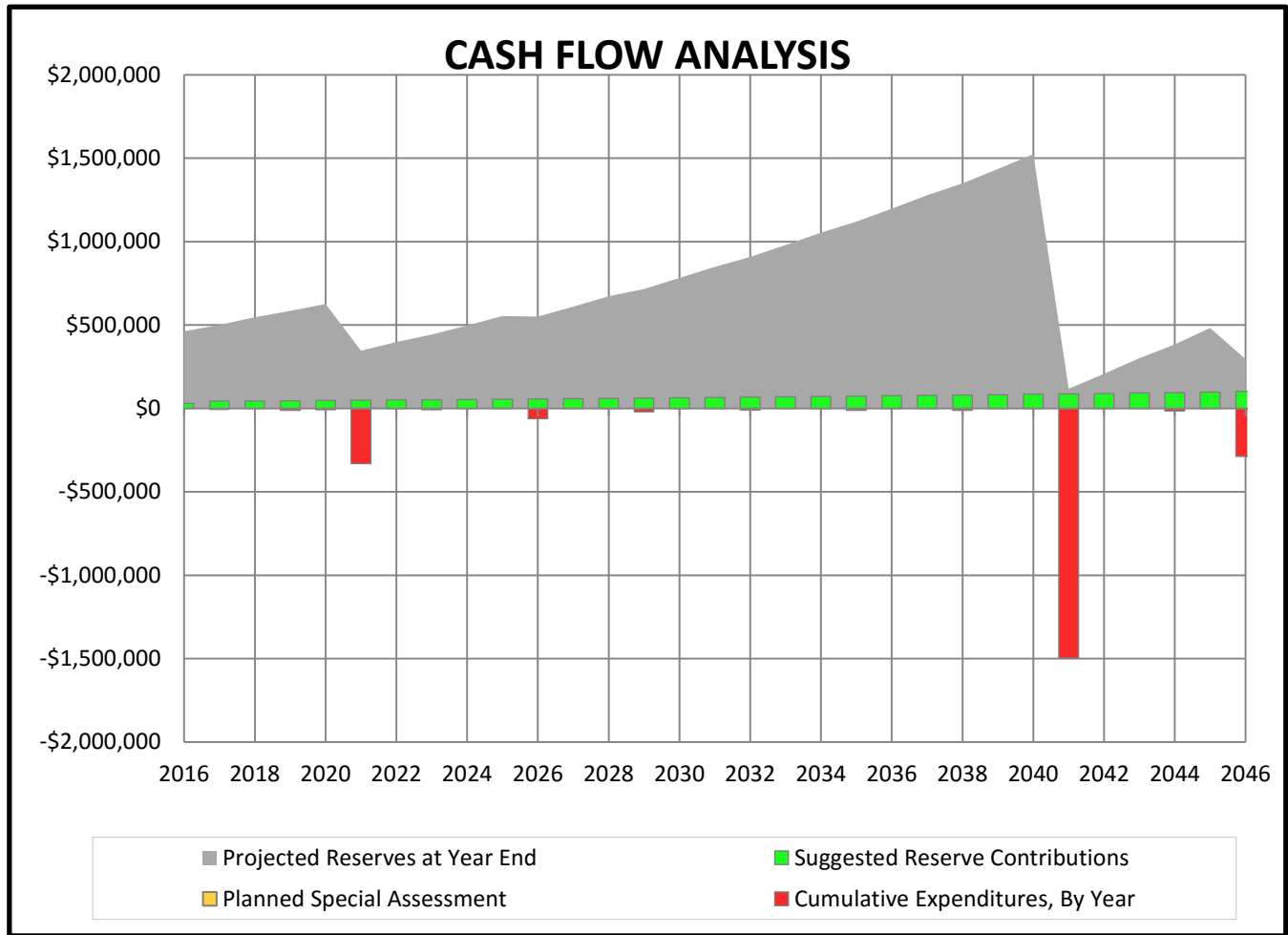
- Applying a useful life to each reserve component
  - Assessing current age and condition of each reserve component
- 3.) The projected local inflationary cost for labor, equipment and materials is **2.90%**
- This inflationary rate was obtained through Marshall and Swift, Inc.
- 4.) The projected interest earned on invested reserves is **0.20%**
- This interest rate is based on how reserves are currently being invested or the current average interest rate on a one-year certificate of deposit (CD). We assume that all interest or dividends earned are not subject to federal or state taxes.
- 5.) Properly scheduled times for projected projects
- Properly scheduled projects will allow communities to save time and money. By utilizing one contractor to complete multiple projects concurrently and by scheduling projects in a logical manner, time and money will be saved.
- 6.) Building Reserves uses level recommended monthly reserve contributions which are increased annually.
- Building Reserves has established reserve contributions, which are adjusted upwards annually to stay ahead of inflationary cost of labor, equipment and materials, thus while avoiding large initial increases or special assessments.

*Sources used to establish local costs of replacements and useful life of components includes, R.S. Means Incorporated (Reeds Construction Data), government standards, experience on comparable properties and engineering judgment.*

*This Reserve Study is a budget-planning tool that identifies the current status of the reserve fund and a stable and equitable Reserve Funding Plan to offset the anticipated major common-area expenditures.*

Total Suggested Annual Reserve Contributions For Next 30-Years					
Years	\$	Years	\$	Years	\$
2017	\$44,000	2027	\$58,700	2037	\$78,200
2018	\$45,300	2028	\$60,400	2038	\$80,500
2019	\$46,600	2029	\$62,200	2039	\$82,800
2020	\$48,000	2030	\$64,000	2040	\$85,200
2021	\$49,400	2031	\$65,900	2041	\$87,700
2022	\$50,800	2032	\$67,800	2042	\$90,200
2023	\$52,300	2033	\$69,800	2043	\$92,800
2024	\$53,800	2034	\$71,800	2044	\$95,500
2025	\$55,400	2035	\$73,900	2045	\$98,300
2026	\$57,000	2036	\$76,000	2046	\$101,200

## Recommended Reserve Funding Plan For Next 30-Years



This Reserve Study was submitted on August 1, 2016

By Building Reserves, INC

This Reserve Study was:

- Inspected and prepared by Jon Schreiner, Engineer/Reserve Analyst
- Review by: Brittany Eggert, Reserve Specialist

RS (Reserve Specialist) is the reserve provider professional designation of the Community Association Institute (CAI) representing America's 380,000 condominium, cooperative and homeowners association.

### Reserve Components

**Reserve Components are classified as items that are:**

- 1.) The Association's responsibility
- 2.) Have a limited useful life
- 3.) Have a remaining expected useful life
- 4.) Have a replacement cost above a minimum threshold

#### List of Reserve Components by Property Class

##### EXTERNAL BUILDING COMPONENTS

Chimney Caps, Metal

Gutters and Downspouts, Aluminum

Light Fixtures, Exterior

Roofs, Asphalt Shingles

Shutters, Vinyl

Soffits and Fascia, Aluminum

Walls, Masonry, Inspection and Partial Repointing

Walls, Chimney Shrouds and Wood Trim, Paint Finishes

Walls, Vinyl Siding

##### OTHER COMPONENTS

Reserve Study Update

### Non-Reserve Components

#### **Operating Budget Components are classified as:**

- 1.) Relatively minor expenses which have little effect on Suggested Reserve contributions
- 2.) Components which are funded through the operating budget
- 3.) Components which have a current cost of replacement under **\$3,000**

#### Operating Budget Components consist of:

Touch up Painting

Other repairs normally funded through the operating budget

#### **Long-Lived Components are classified as:**

- 1.) Components with estimated remaining useful life beyond 30-Years
- 2.) Components without predictable remaining useful life

#### Long-Lived Components consist of:

Electrical Systems

Foundations

Pipes, Interior Building, Water and Sewer

Pipes, Subsurface Utilities

Structural Building Frames

#### **Homeowner Responsibilities are classified as:**

- 1.) Components maintained and replaced by the individual homeowners

#### Homeowner Responsibilities consist of:

Balconies and Railings, Paint, Repairs, and Replacement

Concrete Stoops, Patios, and Unit Sidewalks

Driveways

Fire Detection System within Homeowner Units

Garage Doors and Operators

Unit Heating, Ventilating and Air Conditioning (HVAC)

Unit Interiors

Unit Windows and Doors

Vinyl Fences

**Components Maintained by Others are classified as:**

1.) Components maintained and replaced by the local government, the utility service provider or others:

Components Maintained by Others consist of:

- Asphalt Pavement at Streets
- Asphalt Walking Path
- Catch Basins
- Concrete Curb and Gutters
- Concrete Flatwork
- Electrical Utility Boxes
- Fire Hydrants
- Irrigation System
- Landscaping
- Light Poles and Fixtures
- Mailbox Stations
- Ponds
- Retaining Walls, Boulder
- Utility Meters



### Revisions

Revisions will be made to this Reserve Study in agreement with written instruction from the Board of Directors. No additional charge is incurred for the first revision if requested in writing within six months of the shipment date of this report.

### Updates

It is necessary to update this reserve study in two or three years to make certain an equitable funding plan is in place since a Reserve Study is a snapshot in time. Many variables can alter the study after it is completed which may result in significant underfunding or overfunding of the reserve account. Examples of variables that can change the recommended funding are:

- Timing of proposed projects
- Maintenance practices of reserve components
- Changes in interest rates on invested reserves
- Changes in inflationary cost of labor, equipment and materials

(Liabilities not in favor of the property have not been examined.)

# Chimney Caps, Metal

## EXTERNAL BUILDING COMPONENT

**PERCENTAGE OF TOTAL FUTURE COSTS:** 0.95%

**LINE ITEM: 1**

ESTIMATED UNIT QUANTITY		ESTIMATED REPLACEMENT COSTS	
Present:	37	Each	Current Unit Cost: \$440.00
Replacement Per Phase:	37	Each	Current Cost Per Phase: \$16,280
Replaced in Next 30-Years:	37	Each	Total Cost Next 30-Years: \$21,667
ESTIMATED AGE AND REPLACEMENT YEARS		CONDITION AND USEFUL LIFE	
Estimated Current Age in Years:	15	Overall Current Condition:	Good
Remaining Years Until Replacement:	10	Useful Life in Eden Prairie, MN	to 25      Years
Estimated First Year of Replacement:	2026	Full or Partial Replacement:	Full



Chimney overview.



Chimney cap behind cap trim.



Chimney cap, typical.



Chimney cap.

Schedule of Replacements Costs			
2016	\$0	2027	\$0
2017	\$0	2028	\$0
2018	\$0	2029	\$0
2019	\$0	2030	\$0
2020	\$0	2031	\$0
2021	\$0	2032	\$0
2022	\$0	2033	\$0
2023	\$0	2034	\$0
2024	\$0	2035	\$0
2025	\$0	2036	\$0
2026	\$21,667	2046	\$0

Special Conditions
The metal chimney caps appear to be in good condition at an age of 15-years. The useful life of chimney caps is up to 25-years. We recommend replacement by 2026. Replacement will coincide with light fixture replacement, shutter replacement, and masonry inspection.

# Gutters and Downspouts, Aluminum

## EXTERNAL BUILDING COMPONENT

**PERCENTAGE OF TOTAL FUTURE COSTS:** 4.17%

**Line Item: 2**

ESTIMATED UNIT QUANTITY		ESTIMATED REPLACEMENT COSTS		
Present:	3,300 Linear Feet	Current Unit Cost:	\$9.00	
Replacement Per Phase:	3,300 Linear Feet	Current Cost Per Phase:	\$29,700	
Replaced in Next 30-Years:	6,600 Linear Feet	Total Cost Next 30-Years:	\$94,957	
ESTIMATED AGE AND REPLACEMENT YEARS		CONDITION AND USEFUL LIFE		
Estimated Current Age in Years:	15	Overall Current Condition:	Good	
Remaining Years Until Replacement:	5	Useful Life in Eden Prairie, MN	20 to 25	Years
Estimated First Year of Replacement:	2021	Full or Partial Replacement:	Full	



Front of building with gutter and downspouts.



Gutter and downspout at roof line.



Downspout at corner of building.



Downspout at grade,

Schedule of Replacements Costs					
2016	\$0				
2017	\$0	2027	\$0	2037	\$0
2018	\$0	2028	\$0	2038	\$0
2019	\$0	2029	\$0	2039	\$0
2020	\$0	2030	\$0	2040	\$0
2021	\$34,264	2031	\$0	2041	\$60,693
2022	\$0	2032	\$0	2042	\$0
2023	\$0	2033	\$0	2043	\$0
2024	\$0	2034	\$0	2044	\$0
2025	\$0	2035	\$0	2045	\$0
2026	\$0	2036	\$0	2046	\$0

Special Conditions
<p>The gutters and downspouts appear to be in good condition at an age of 15-years. The useful life of gutters and downspouts is 20- to 25-years. We recommend replacement by 2021. We recommend subsequent replacement by 2041. Replacements will be coordinated with roof replacement.</p>



# Light Fixtures, Exterior

## EXTERNAL BUILDING COMPONENT

PERCENTAGE OF TOTAL FUTURE COSTS: 2.48%

Line Item: 3

ESTIMATED UNIT QUANTITY			ESTIMATED REPLACEMENT COSTS		
Present:	102	Each	Current Unit Cost:	\$150.00	
Replacement Per Phase:	102	Each	Current Cost Per Phase:	\$15,300	
Replaced in Next 30-Years:	204	Each	Total Cost Next 30-Years:	\$56,434	
ESTIMATED AGE AND REPLACEMENT YEARS			CONDITION AND USEFUL LIFE		
Estimated Current Age in Years:	15		Overall Current Condition:	Fair	
Remaining Years Until Replacement:	10		Useful Life in Eden Prairie, MN	15 to 20	Years
Estimated First Year of Replacement:	2026		Full or Partial Replacement:	Full	



Sconce and can light at front entry.



Typical light.



Light t masonry wall.



Patio light, typical./

Schedule of Replacements Costs					
2016	\$0	2027	\$0	2037	\$0
2017	\$0	2028	\$0	2038	\$0
2018	\$0	2029	\$0	2039	\$0
2019	\$0	2030	\$0	2040	\$0
2020	\$0	2031	\$0	2041	\$0
2021	\$0	2032	\$0	2042	\$0
2022	\$0	2033	\$0	2043	\$0
2023	\$0	2034	\$0	2044	\$0
2024	\$0	2035	\$0	2045	\$0
2025	\$0	2036	\$0	2046	\$36,071
2026	\$20,363				

**Special Conditions**

There are 37 wall sconces, 37 recessed can lights, and 28 wall sconces at patio doors. The lights to be in fair condition at an age of 15-years. The fixtures are in good condition overall and we recommend replacement at the end of their useful life in 2026. We recommend subsequent replacement in 2046.

# Roofs, Asphalt Shingles

## EXTERNAL BUILDING COMPONENT

PERCENTAGE OF TOTAL FUTURE COSTS: 36.17%

Line Item: 4

ESTIMATED UNIT QUANTITY		ESTIMATED REPLACEMENT COSTS	
Present:	830 Squares	Current Unit Cost:	\$310.00
Replacement Per Phase:	830 Squares	Current Cost Per Phase:	\$257,300
Replaced in Next 30-Years:	1,660 Squares	Total Cost Next 30-Years:	\$822,640
ESTIMATED AGE AND REPLACEMENT YEARS		CONDITION AND USEFUL LIFE	
Estimated Current Age in Years:	15	Overall Current Condition:	Good
Remaining Years Until Replacement:	5	Useful Life in Eden Prairie, MN	15 to 20 Years
Estimated First Year of Replacement:	2021	Full or Partial Replacement:	Full



Roof overview.



Shingles at roof valley.



Roof, typical condition.



Shingles, good condition.

Schedule of Replacements Costs			
2016	\$0	2027	\$0
2017	\$0	2028	\$0
2018	\$0	2029	\$0
2019	\$0	2030	\$0
2020	\$0	2031	\$0
2021	\$296,836	2041	\$525,804
2022	\$0	2042	\$0
2023	\$0	2043	\$0
2024	\$0	2044	\$0
2025	\$0	2045	\$0
2026	\$0	2046	\$0

Special Conditions
The asphalt shingle roofs appear to be in good condition at an age of 15-years. The useful life of asphalt shingle roofs is 15- to 20-years. We recommend replacement by 2021. We recommend subsequent replacement by 2041. Roof replacements will be coordinated with gutter and downspout replacements.



# Shutters, Vinyl

## EXTERNAL BUILDING COMPONENT

**PERCENTAGE OF TOTAL FUTURE COSTS:** 0.48%

**Line Item: 5**

### ESTIMATED UNIT QUANTITY

Present:	74	Pairs
Replacement Per Phase:	74	Pairs
Replaced in Next 30-Years:	74	Pairs

### ESTIMATED REPLACEMENT COSTS

Current Unit Cost:	\$110.00
Current Cost Per Phase:	\$8,140
Total Cost Next 30-Years:	\$10,834

### ESTIMATED AGE AND REPLACEMENT YEARS

Estimated Current Age in Years:	15
Remaining Years Until Replacement:	10
Estimated First Year of Replacement:	2026

### CONDITION AND USEFUL LIFE

Overall Current Condition:	Good
Useful Life in Eden Prairie, MN	20 to 25 Years
Full or Partial Replacement:	Full



Shutters at second floor window.



Shutters at first floor window.



Louvered shutter.



Shutter in good condition.

### Schedule of Replacements Costs

2016	\$0	2027	\$0	2037	\$0
2017	\$0	2028	\$0	2038	\$0
2018	\$0	2029	\$0	2039	\$0
2019	\$0	2030	\$0	2040	\$0
2020	\$0	2031	\$0	2041	\$0
2021	\$0	2032	\$0	2042	\$0
2022	\$0	2033	\$0	2043	\$0
2023	\$0	2034	\$0	2044	\$0
2024	\$0	2035	\$0	2045	\$0
2025	\$0	2036	\$0	2046	\$0
2026	\$10,834				

### Special Conditions

The vinyl shutters appear to be in good condition at an age of 15-years. The useful life of shutters is 20- to 25-years. We recommend replacement by 2026.



# Soffits and Fascia, Aluminum

## EXTERNAL BUILDING COMPONENT

**PERCENTAGE OF TOTAL FUTURE COSTS: 11.10%**

**Line Item: 6**

ESTIMATED UNIT QUANTITY		ESTIMATED REPLACEMENT COSTS	
Present:	12,600 Square Feet	Current Unit Cost:	\$8.50
Replacement Per Phase:	12,600 Square Feet	Current Cost Per Phase:	\$107,100
Replaced in Next 30-Years:	12,600 Square Feet	Total Cost Next 30-Years:	\$252,494
ESTIMATED AGE AND REPLACEMENT YEARS		CONDITION AND USEFUL LIFE	
Estimated Current Age in Years:	15	Overall Current Condition:	Good
Remaining Years Until Replacement:	30	Useful Life in Eden Prairie, MN	40 to 45 Years
Estimated First Year of Replacement:	2046	Full or Partial Replacement:	Full



Soffits and fascia at gables and front entrance,



Soffits at garage door.



Soffits in good condition.



Front entrance soffit.

Schedule of Replacements Costs					
2016	\$0	2027	\$0	2037	\$0
2017	\$0	2028	\$0	2038	\$0
2018	\$0	2029	\$0	2039	\$0
2019	\$0	2030	\$0	2040	\$0
2020	\$0	2031	\$0	2041	\$0
2021	\$0	2032	\$0	2042	\$0
2022	\$0	2033	\$0	2043	\$0
2023	\$0	2034	\$0	2044	\$0
2024	\$0	2035	\$0	2045	\$0
2025	\$0	2036	\$0	2046	\$252,494

**Special Conditions**

The aluminum soffit and fascia appear to be in good condition at an age of 15-years. The useful life of soffit and fascia is 40- to 45-years. We recommend replacement by 2046.



# Walls, Masonry, Inspection and Partial Repointing

## EXTERNAL BUILDING COMPONENT

**PERCENTAGE OF TOTAL FUTURE COSTS:** 1.51%

**Line Item: 7**

ESTIMATED UNIT QUANTITY		ESTIMATED REPLACEMENT COSTS	
Present:	7,500 Square Feet	Current Unit Cost:	\$1.00
Replacement Per Phase:	7,500 Square Feet	Current Cost Per Phase:	\$7,500
Replaced in Next 30-Years:	22,500 Square Feet	Total Cost Next 30-Years:	\$34,374
ESTIMATED AGE AND REPLACEMENT YEARS		CONDITION AND USEFUL LIFE	
Estimated Current Age in Years:	15	Overall Current Condition:	Good
Remaining Years Until Replacement:	3	Useful Life in Eden Prairie, MN	8 to 12 Years
Estimated First Year of Replacement:	2019	Full or Partial Replacement:	Full



Typical masonry at front of building.



Masonry above garage door.



Masonry, typical condition.



Grout detail.

Schedule of Replacements Costs			
2016	\$0	2027	\$0
2017	\$0	2028	\$0
2018	\$0	2029	\$10,876
2019	\$8,172	2030	\$0
2020	\$0	2031	\$0
2021	\$0	2032	\$0
2022	\$0	2033	\$0
2023	\$0	2034	\$0
2024	\$0	2035	\$0
2025	\$0	2036	\$0
2026	\$0	2040	\$15,327
		2041	\$0
		2042	\$0
		2043	\$0
		2044	\$0
		2045	\$0
		2046	\$0

**Special Conditions**

The masonry walls appear to be in good condition overall. Masonry walls have a long useful life with proper maintenance including partial repointing and spot replacements every 8- to 12-years. Due to the age of the masonry we recommend inspection in 2019, with subsequent instances in 2029 and 2041.

# Walls, Chimney Shrouds and Wood Trim, Paint Finishes

## EXTERNAL BUILDING COMPONENT

PERCENTAGE OF TOTAL FUTURE COSTS: 4.29%

Line Item: 8

### ESTIMATED UNIT QUANTITY

### ESTIMATED REPLACEMENT COSTS

Present:	1	Allowance
Replacement Per Phase:	1	Allowance
Replaced in Next 30-Years:	10	Allowance

Current Unit Cost:	\$6,250.00
Current Cost Per Phase:	\$6,250
Total Cost Next 30-Years:	\$97,499

### ESTIMATED AGE AND REPLACEMENT YEARS

### CONDITION AND USEFUL LIFE

Estimated Current Age in Years:	15
Remaining Years Until Replacement:	1
Estimated First Year of Replacement:	2017

Overall Current Condition:	Good	
Useful Life in Eden Prairie, MN	to 3	Years
Full or Partial Replacement:	Full	



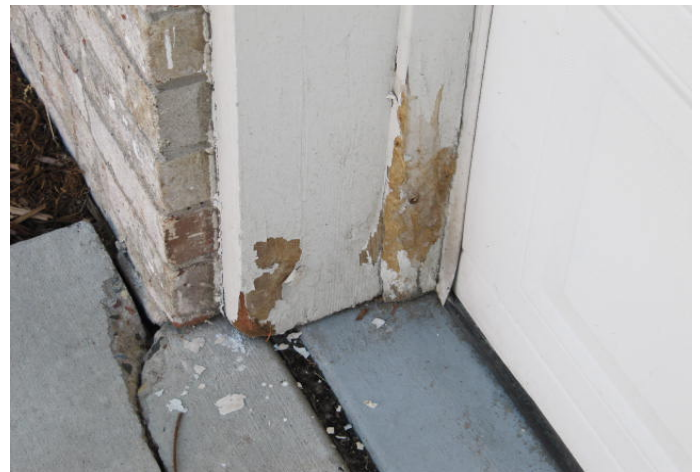
Wood trim paint, good condition.



Chimney shroud with chipped paint.



Chimney shroud with missing paint.



Paint deterioration at ground on garage trim.

### Schedule of Replacements Costs

2016	\$0	2027	\$0	2037	\$0
2017	\$6,431	2028	\$0	2038	\$11,722
2018	\$0	2029	\$9,063	2039	\$0
2019	\$0	2030	\$0	2040	\$0
2020	\$7,007	2031	\$0	2041	\$12,772
2021	\$0	2032	\$9,875	2042	\$0
2022	\$0	2033	\$0	2043	\$0
2023	\$7,635	2034	\$0	2044	\$13,916
2024	\$0	2035	\$10,759	2045	\$0
2025	\$0	2036	\$0	2046	\$0
2026	\$8,318				

### Special Conditions

The wood trim paint at the chimney surrounds, garage door frames, entry door frames, and patio toe kicks is generally in good condition at varied ages. Painting projects were completed in 2012. We recommend painting every three years. The unit cost is based on previous bids, adjusted for inflation.



# Walls, Vinyl Siding

## EXTERNAL BUILDING COMPONENT

**PERCENTAGE OF TOTAL FUTURE COSTS: 38.72%**

**Line Item: 9**

ESTIMATED UNIT QUANTITY		ESTIMATED REPLACEMENT COSTS	
Present:	86,200 Square Feet	Current Unit Cost:	\$5.00
Replacement Per Phase:	86,200 Square Feet	Current Cost Per Phase:	\$431,000
Replaced in Next 30-Years:	86,200 Square Feet	Total Cost Next 30-Years:	\$880,768
ESTIMATED AGE AND REPLACEMENT YEARS		CONDITION AND USEFUL LIFE	
Estimated Current Age in Years:	15	Overall Current Condition:	Good
Remaining Years Until Replacement:	25	Useful Life in Eden Prairie, MN	to 40 Years
Estimated First Year of Replacement:	2041	Full or Partial Replacement:	Full



Vinyl siding overview.



Vinyl siding at gable.



Typical siding condition.



Siding detail, good condition.

Schedule of Replacements Costs					
2016	\$0				
2017	\$0	2027	\$0	2037	\$0
2018	\$0	2028	\$0	2038	\$0
2019	\$0	2029	\$0	2039	\$0
2020	\$0	2030	\$0	2040	\$0
2021	\$0	2031	\$0	2041	\$880,768
2022	\$0	2032	\$0	2042	\$0
2023	\$0	2033	\$0	2043	\$0
2024	\$0	2034	\$0	2044	\$0
2025	\$0	2035	\$0	2045	\$0
2026	\$0	2036	\$0	2046	\$0

Special Conditions
<p>The vinyl siding appears to be in good condition at an age of 15-years. The useful life of vinyl siding is up to 40-years. We recommend replacement by 2041. This will coincide with roof replacement.</p>



# Reserve Study Update

## OTHER COMPONENTS

**PERCENTAGE OF TOTAL FUTURE COSTS:** 0.12% **Line Item: 10**

ESTIMATED UNIT QUANTITY			ESTIMATED REPLACEMENT COSTS		
Present:	1	Each	Current Unit Cost:	\$2,600.00	
Replacement Per Phase:	1	Each	Current Cost Per Phase:	\$2,600	
Replaced in Next 30-Years:	1	Each	Total Cost Next 30-Years:	\$2,833	
ESTIMATED AGE AND REPLACEMENT YEARS			CONDITION AND USEFUL LIFE		
Estimated Current Age in Years:	N/A		Overall Current Condition:		
Remaining Years Until Replacement:	3		Useful Life in Eden Prairie, MN	to 3	Years
Estimated First Year of Replacement:	2019		Full or Partial Replacement:	Full	



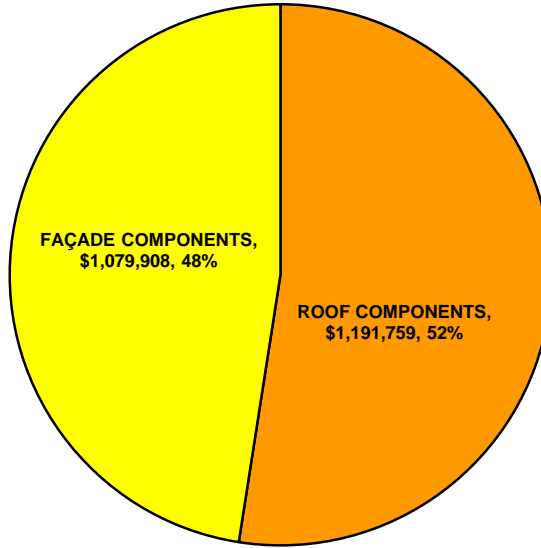
Schedule of Replacements Costs					
2016	\$0				
2017	\$0	2027	\$0	2037	\$0
2018	\$0	2028	\$0	2038	\$0
2019	\$2,833	2029	\$0	2039	\$0
2020	\$0	2030	\$0	2040	\$0
2021	\$0	2031	\$0	2041	\$0
2022	\$0	2032	\$0	2042	\$0
2023	\$0	2033	\$0	2043	\$0
2024	\$0	2034	\$0	2044	\$0
2025	\$0	2035	\$0	2045	\$0
2026	\$0	2036	\$0	2046	\$0

**Special Conditions**

It is necessary to update the association's reserve study every three years +/- to make certain an equitable funding plan is in place. A variety of factors can alter reserve recommendations, including changes in the following: maintenance practices, reserve balance, construction inflation rates, construction labor rates, interest rates on invested reserves and / or unforeseen damage from weather events.

# QUANTITY AND COST PROJECTIONS FOR NEXT 30-YEARS

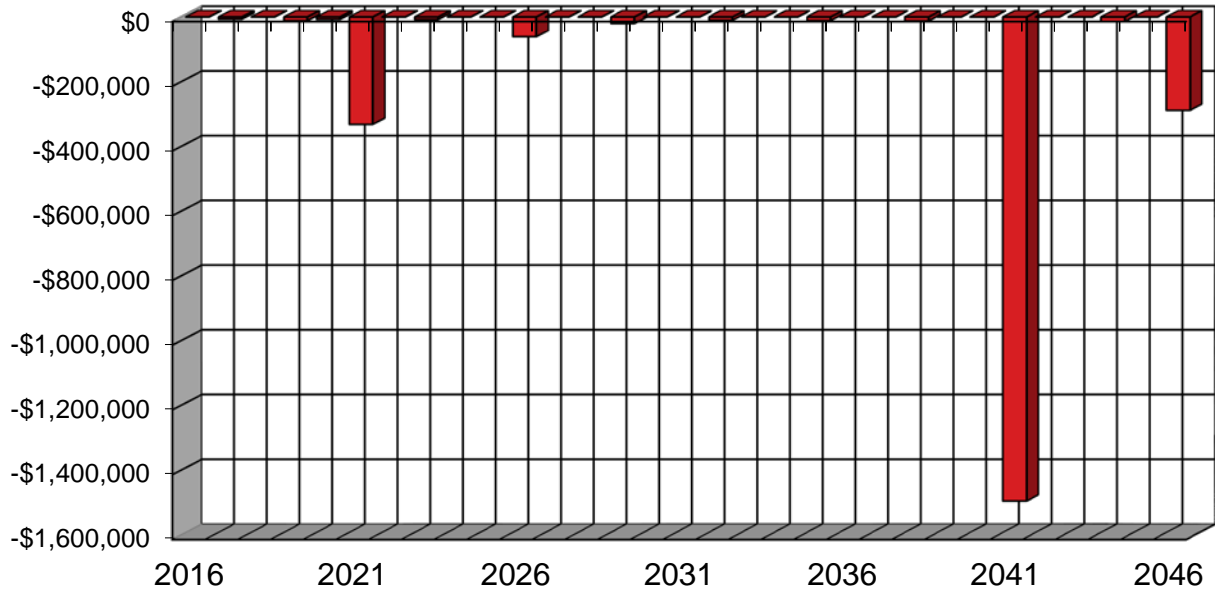
Graph Illustrates Total Future Cost of Replacement By Property Class



Reserve Inventory		Replacement Quantities			Replacement Costs		
Line Item	Reserve Component Listed by Property Class	Units	Per Phase	Total for 30-Years	Unit Cost	Current Cost Per Phase	Total Future Cost
<b>EXTERNAL BUILDING COMPONENTS</b>							
1	Chimney Caps, Metal	Each	37	37	\$440.00	\$16,280	\$21,667
2	Gutters and Downspouts, Aluminum	Linear Feet	3,300	6,600	\$9.00	\$29,700	\$94,957
3	Light Fixtures, Exterior	Each	102	204	\$150.00	\$15,300	\$56,434
4	Roofs, Asphalt Shingles	Squares	830	1,660	\$310.00	\$257,300	\$822,640
5	Shutters, Vinyl	Pairs	74	74	\$110.00	\$8,140	\$10,834
6	Soffits and Fascia, Aluminum	Square Feet	12,600	12,600	\$8.50	\$107,100	\$252,494
7	Walls, Masonry, Inspection and Partial Repointing	Square Feet	7,500	22,500	\$1.00	\$7,500	\$34,374
8	Walls, Chimney Shrouds and Wood Trim, Paint Finishes	Allowance	1	10	\$6,250.00	\$6,250	\$97,499
9	Walls, Vinyl Siding	Square Feet	86,200	86,200	\$5.00	\$431,000	\$880,768
<b>OTHER COMPONENTS</b>							
10	Reserve Study Update	Each	1	1	\$2,600.00	\$2,600	\$2,833

# LIFE ANALYSIS AND CONDITION ASSESSMENT

Graph Illustrates Reserve Expenses Per Year Displaying Years 1-30

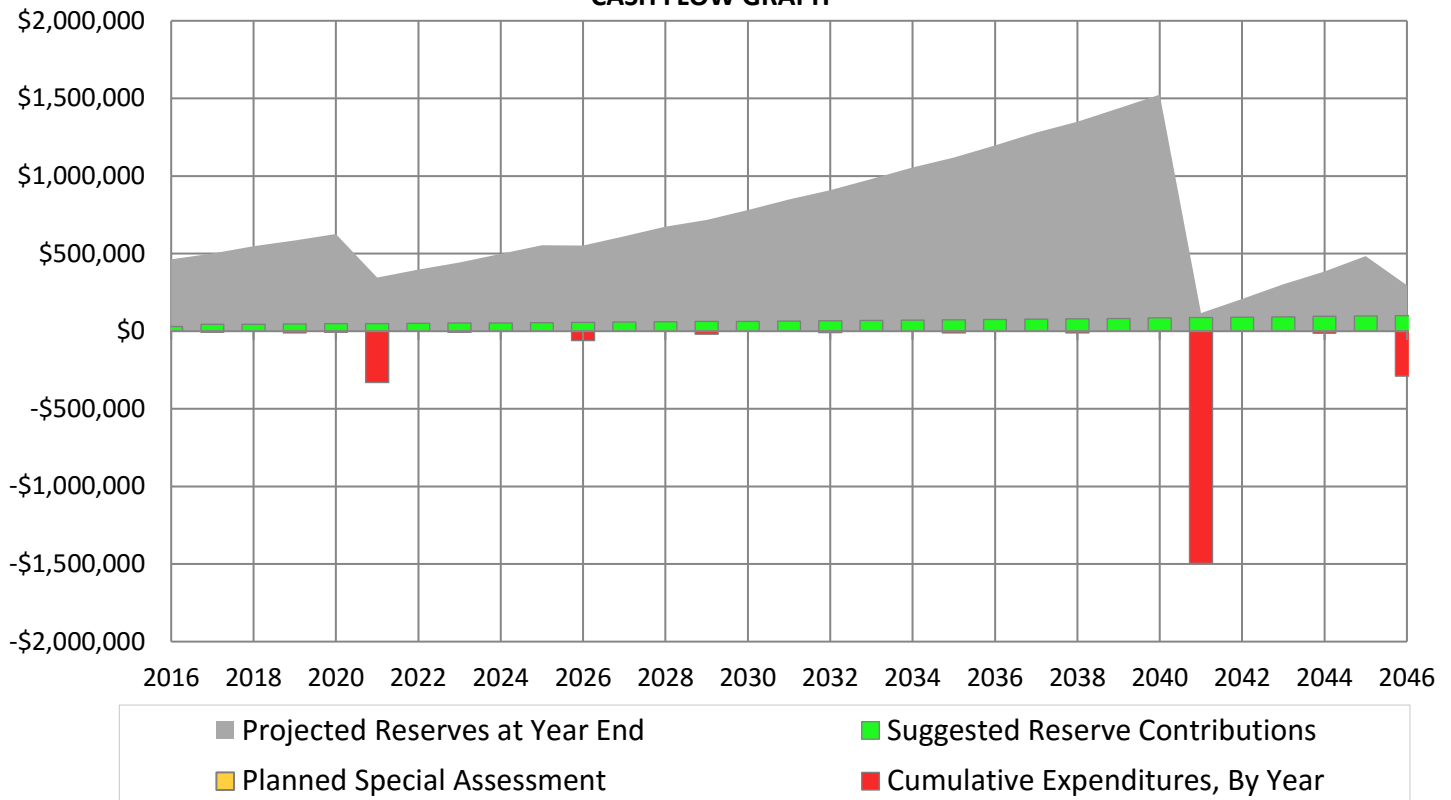


Reserve Inventory		Life Analysis and Condition Assessment				
Line Item	Reserve Component Listed by Property Class	Useful life	Remaining Useful Life	Estimated 1st Year of Replacement	Estimated Current Age	Current Condition
<b>EXTERNAL BUILDING COMPONENTS</b>						
1	Chimney Caps, Metal	to 25	10	2026	15	Good
2	Gutters and Downspouts, Aluminum	20 to 25	5	2021	15	Good
3	Light Fixtures, Exterior	15 to 20	10	2026	15	Fair
4	Roofs, Asphalt Shingles	15 to 20	5	2021	15	Good
5	Shutters, Vinyl	20 to 25	10	2026	15	Good
6	Soffits and Fascia, Aluminum	40 to 45	30	2046	15	Good
7	Walls, Masonry, Inspection and Partial Repointing	8 to 12	3	2019	15	Good
8	Walls, Chimney Shrouds and Wood Trim, Paint Finishes	to 3	1	2017	15	Good
9	Walls, Vinyl Siding	to 40	25	2041	15	Good
<b>OTHER COMPONENTS</b>						
10	Reserve Study Update	to 3	3	2019	N/A	



# 30-YEAR CASH FLOW ANALYSIS DISPLAYING YEARS: 1-30

## CASH FLOW GRAPH



	Start Year	1	2	3	4	5	6	7	8	9	10
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
+ Reserves at Beginning of Year	\$431,958	462,754	501,285	547,633	584,360	626,563	345,834	397,376	442,881	497,621	554,072
+ Suggested Reserve Contribution	\$30,200	44,000	45,300	46,600	48,000	49,400	50,800	52,300	53,800	55,400	57,000
+ Planned Special Assessment	\$0	0	0	0	0	0	0	0	0	0	0
+ Estimated Interest Earned	\$596	963	1,048	1,131	1,210	971	742	839	940	1,051	1,104
+ Cumulative Expenditure, By Year	\$0	-6,431	0	-11,004	-7,007	-331,100	0	-7,635	0	0	-61,183
= Projected Reserves at Year End	\$462,754	501,285	547,633	584,360	626,563	345,834	397,376	442,881	497,621	554,072	550,993

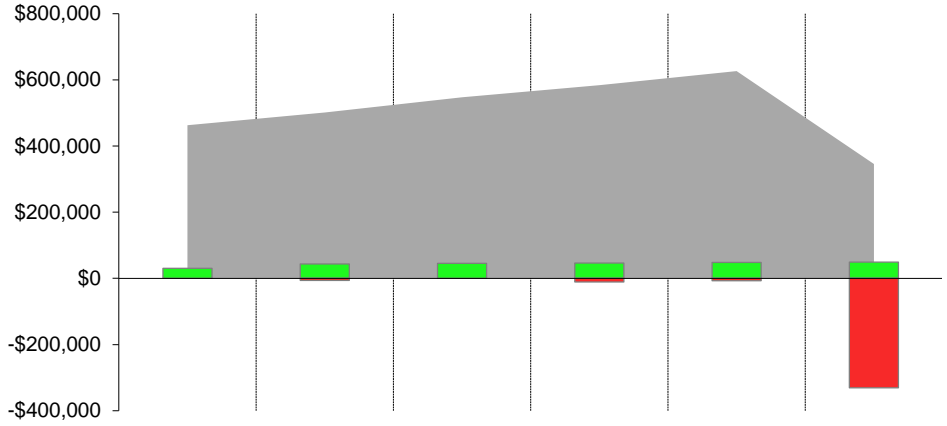
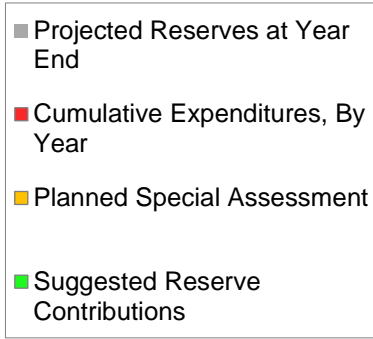
	11	12	13	14	15	16	17	18	19	20
	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
+ Reserves at Beginning of Year	550,993	610,854	672,536	716,184	781,680	849,209	908,890	980,578	1,054,411	1,119,724
+ Suggested Reserve Contribution	58,700	60,400	62,200	64,000	65,900	67,800	69,800	71,800	73,900	76,000
+ Planned Special Assessment	0	0	0	0	0	0	0	0	0	0
+ Estimated Interest Earned	1,161	1,282	1,387	1,496	1,629	1,756	1,888	2,033	2,172	2,315
+ Cumulative Expenditure, By Year	0	0	-19,939	0	0	-9,875	0	0	-10,759	0
= Projected Reserves at Year End	610,854	672,536	716,184	781,680	849,209	908,890	980,578	1,054,411	1,119,724	1,198,039

	21	22	23	24	25	26	27	28	29	30
	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
+ Reserves at Beginning of Year	1,198,039	1,278,713	1,350,117	1,435,700	1,523,857	117,832	208,358	301,668	383,937	483,103
+ Suggested Reserve Contribution	78,200	80,500	82,800	85,200	87,700	90,200	92,800	95,500	98,300	101,200
+ Planned Special Assessment	0	0	0	0	0	0	0	0	0	0
+ Estimated Interest Earned	2,474	2,626	2,783	2,957	1,640	326	510	685	866	779
+ Cumulative Expenditure, By Year	0	-11,722	0	0	-1,495,365	0	0	-13,916	0	-288,564
= Projected Reserves at Year End	1,278,713	1,350,117	1,435,700	1,523,857	117,832	208,358	301,668	383,937	483,103	296,518

# DIVISION 1: YEARS 1-5 OF CASH FLOW ANALYSIS

Local Inflationary Costs for Labor, Equipment and Materials: **2.90%**

Interest Earned on Invested Reserves: **0.20%**



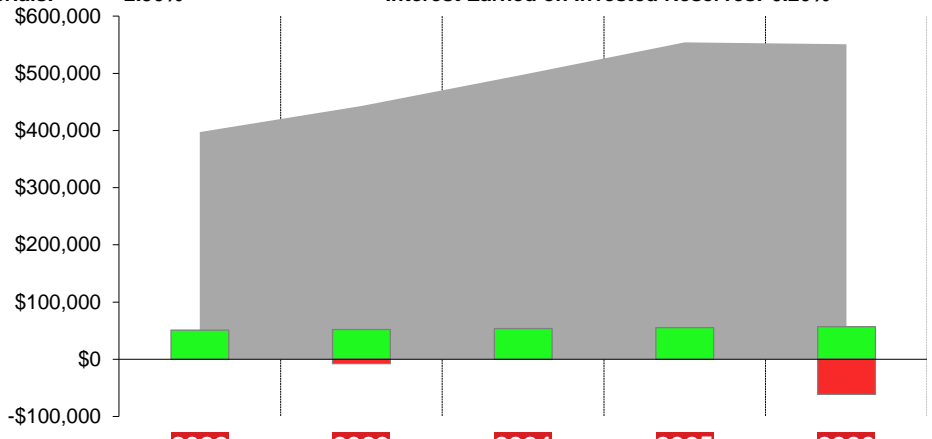
		2016	2017	2018	2019	2020	2021
+	<b>Reserves at Beginning of Year</b>	431,958	462,754	501,285	547,633	584,360	626,563
+	<b>Suggested Reserve Contribution</b>	30,200	44,000	45,300	46,600	48,000	49,400
+	<b>Planned Special Assessment</b>						
+	<b>Estimated Interest Earned on Invested Reserves</b>	596	963	1,048	1,131	1,210	971
+	<b>Cumulative Expenses, By Year</b>		-6,431		-11,004	-7,007	-331,100
=	<b>Projected Reserves at Year End</b>	462,754	501,285	547,633	584,360	626,563	345,834
Line Item	Reserve Component Listed by Property Class	Year Start	1	2	3	4	5
		2016	2017	2018	2019	2020	2021
	EXTERNAL BUILDING COMPONENTS						
1	Chimney Caps, Metal						
2	Gutters and Downspouts, Aluminum						34,264
3	Light Fixtures, Exterior						
4	Roofs, Asphalt Shingles						296,836
5	Shutters, Vinyl						
6	Soffits and Fascia, Aluminum						
7	Walls, Masonry, Inspection and Partial Repointing				8,172		
8	Walls, Chimney Shrouds and Wood Trim, Paint Finishes		6,431			7,007	
9	Walls, Vinyl Siding						
	OTHER COMPONENTS						
10	Reserve Study Update				2,833		

# DIVISION 2: YEARS 6-10 OF CASH FLOW ANALYSIS

Local Inflationary Costs for Labor, Equipment and Materials: 2.90%

Interest Earned on Invested Reserves: 0.20%

- Projected Reserves at Year End
- Cumulative Expenditures, By Year
- Planned Special Assessment
- Suggested Reserve Contributions



		2022	2023	2024	2025	2026
+	<b>Reserves at Beginning of Year</b>	345,834	397,376	442,881	497,621	554,072
+	<b>Suggested Reserve Contribution</b>	50,800	52,300	53,800	55,400	57,000
+	<b>Planned Special Assessment</b>					
+	<b>Estimated Interest Earned on Invested Reserves</b>	742	839	940	1,051	1,104
+	<b>Cumulative Expenditure, By Year</b>		-7,635			-61,183
=	<b>Projected Reserves at Year End</b>	397,376	442,881	497,621	554,072	550,993
Line Item	Reserve Component Listed by Property Class	6	7	8	9	10
		2022	2023	2024	2025	2026
	<b>EXTERNAL BUILDING COMPONENTS</b>					
1	Chimney Caps, Metal					21,667
2	Gutters and Downspouts, Aluminum					
3	Light Fixtures, Exterior					20,363
4	Roofs, Asphalt Shingles					
5	Shutters, Vinyl					10,834
6	Soffits and Fascia, Aluminum					
7	Walls, Masonry, Inspection and Partial Repointing					
8	Walls, Chimney Shrouds and Wood Trim, Paint Finishes		7,635			8,318
9	Walls, Vinyl Siding					
	<b>OTHER COMPONENTS</b>					
10	Reserve Study Update					

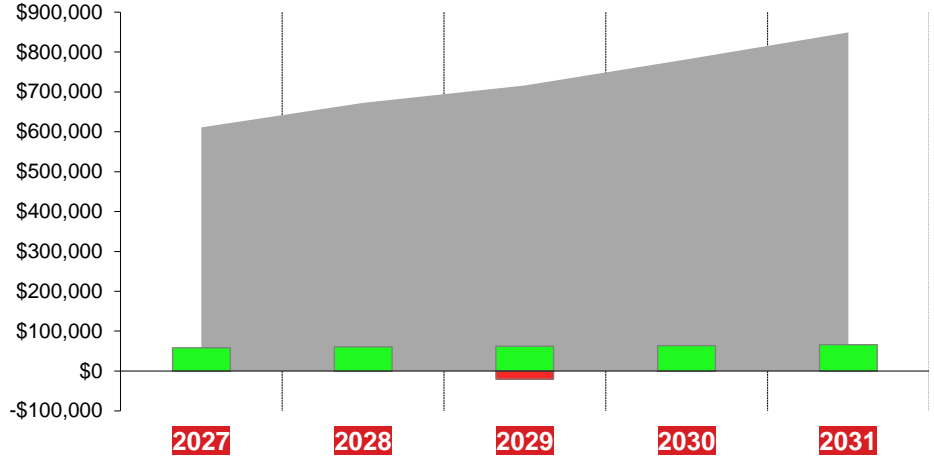


# DIVISION 3: YEARS 11-15 OF CASH FLOW ANALYSIS

Local Inflationary Costs for Labor, Equipment and Materials: 2.90%

Interest Earned on Invested Reserves: 0.20%

- Projected Reserves at Year End
- Cumulative Expenditures, By Year
- Planned Special Assessment
- Suggested Reserve Contributions



		2027	2028	2029	2030	2031
+	Reserves at Beginning of Year	550,993	610,854	672,536	716,184	781,680
+	Suggested Reserve Contribution	58,700	60,400	62,200	64,000	65,900
+	Planned Special Assessment					
+	Estimated Interest Earned on Invested Reserves	1,161	1,282	1,387	1,496	1,629
+	Cumulative Expenditure, By Year			-19,939		
=	Projected Reserves at Year End	610,854	672,536	716,184	781,680	849,209
Line Item	Reserve Component Listed by Property Class	2027	2028	2029	2030	2031
	EXTERNAL BUILDING COMPONENTS					
1	Chimney Caps, Metal					
2	Gutters and Downspouts, Aluminum					
3	Light Fixtures, Exterior					
4	Roofs, Asphalt Shingles					
5	Shutters, Vinyl					
6	Soffits and Fascia, Aluminum					
7	Walls, Masonry, Inspection and Partial Repointing			10,876		
8	Walls, Chimney Shrouds and Wood Trim, Paint Finishes			9,063		
9	Walls, Vinyl Siding					
	OTHER COMPONENTS					
10	Reserve Study Update					



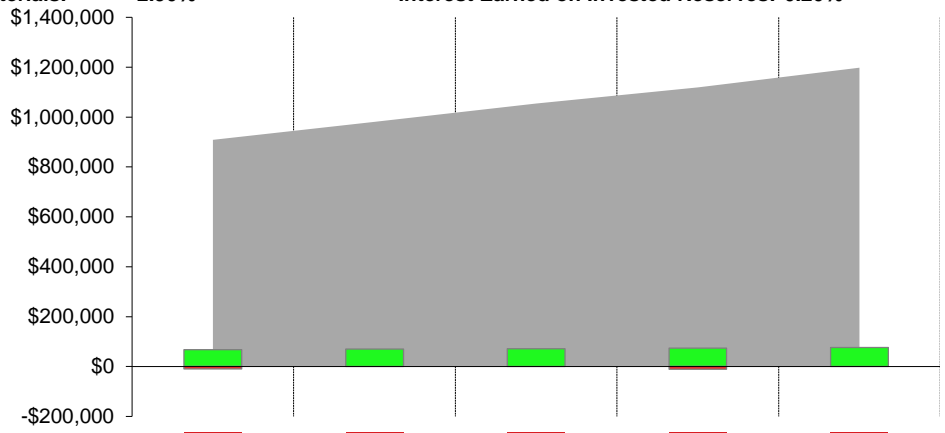


# DIVISION 4: YEARS 16-20 OF CASH FLOW ANALYSIS

Local Inflationary Costs for Labor, Equipment and Materials: 2.90%

Interest Earned on Invested Reserves: 0.20%

- Projected Reserves at Year End
- Cumulative Expenditures, By Year
- Planned Special Assessment
- Suggested Reserve Contributions



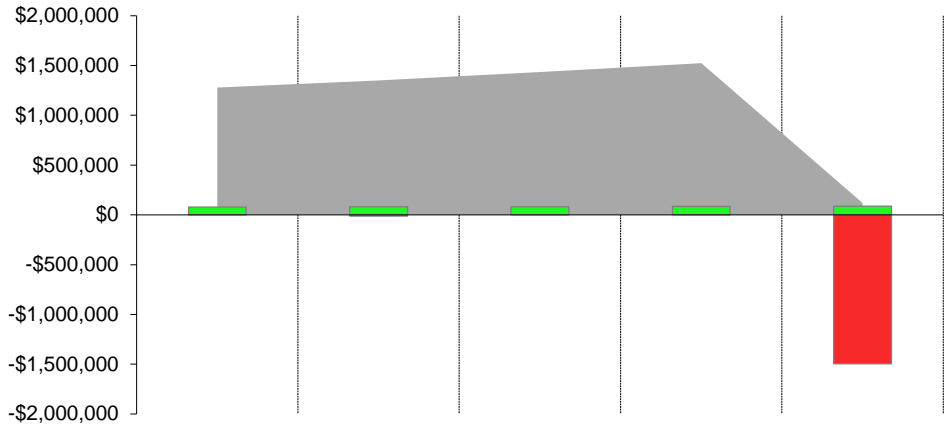
		2032	2033	2034	2035	2036
+	<b>Reserves at Beginning of Year</b>	849,209	908,890	980,578	1,054,411	1,119,724
+	<b>Suggested Reserve Contribution</b>	67,800	69,800	71,800	73,900	76,000
+	<b>Planned Special Assessment</b>					
+	<b>Estimated Interest Earned on Invested Reserves</b>	1,756	1,888	2,033	2,172	2,315
+	<b>Cumulative Expenditure, By Year</b>	-9,875			-10,759	
=	<b>Projected Reserves at Year End</b>	908,890	980,578	1,054,411	1,119,724	1,198,039
Line Item	Reserve Component Listed by Property Class	2032	2033	2034	2035	2036
	<b>EXTERNAL BUILDING COMPONENTS</b>					
1	Chimney Caps, Metal					
2	Gutters and Downspouts, Aluminum					
3	Light Fixtures, Exterior					
4	Roofs, Asphalt Shingles					
5	Shutters, Vinyl					
6	Soffits and Fascia, Aluminum					
7	Walls, Masonry, Inspection and Partial Repointing					
8	Walls, Chimney Shrouds and Wood Trim, Paint Finishes	9,875			10,759	
9	Walls, Vinyl Siding					
	<b>OTHER COMPONENTS</b>					
10	Reserve Study Update					

# DIVISION 5: YEARS 21-25 OF CASH FLOW ANALYSIS

Local Inflationary Costs for Labor, Equipment and Materials: 2.90%

Interest Earned on Invested Reserves: 0.20%

- Projected Reserves at Year End
- Cumulative Expenditures, By Year
- Planned Special Assessment
- Suggested Reserve Contributions



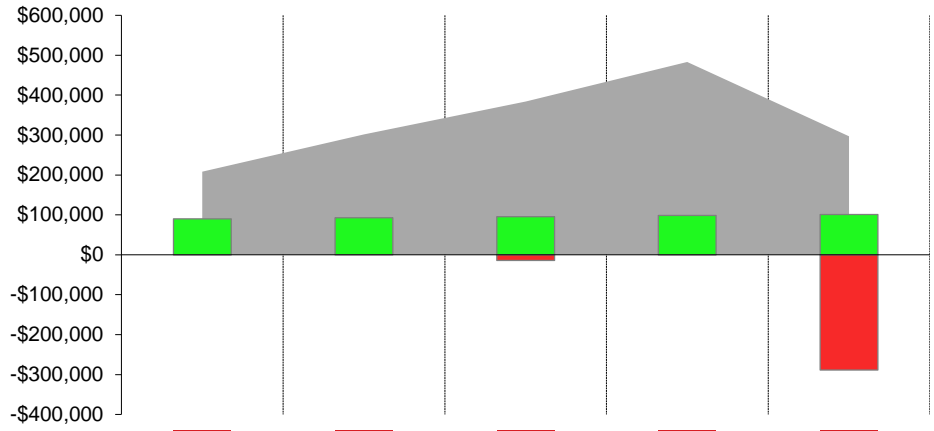
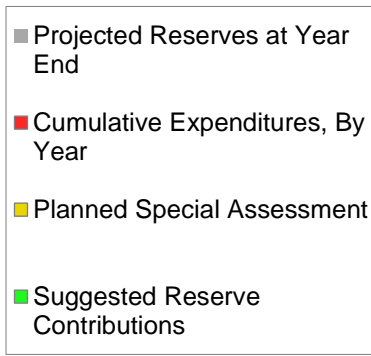
		2037	2038	2039	2040	2041
+	<b>Reserves at Beginning of Year</b>	1,198,039	1,278,713	1,350,117	1,435,700	1,523,857
+	<b>Suggested Reserve Contribution</b>	78,200	80,500	82,800	85,200	87,700
+	<b>Planned Special Assessment</b>					
+	<b>Estimated Interest Earned on Invested Reserves</b>	2,474	2,626	2,783	2,957	1,640
+	<b>Cumulative Expenditure, By Year</b>		-11,722			-1,495,365
=	<b>Projected Reserves at Year End</b>	1,278,713	1,350,117	1,435,700	1,523,857	117,832
Line Item	Reserve Component Listed by Property Class	2037	2038	2039	2040	2041
	<b>EXTERNAL BUILDING COMPONENTS</b>					
1	Chimney Caps, Metal					
2	Gutters and Downspouts, Aluminum					60,693
3	Light Fixtures, Exterior					
4	Roofs, Asphalt Shingles					525,804
5	Shutters, Vinyl					
6	Soffits and Fascia, Aluminum					
7	Walls, Masonry, Inspection and Partial Repointing					15,327
8	Walls, Chimney Shrouds and Wood Trim, Paint Finishes		11,722			12,772
9	Walls, Vinyl Siding					880,768
	<b>OTHER COMPONENTS</b>					
10	Reserve Study Update					



# DIVISION 6: YEARS 26-30 OF CASH FLOW ANALYSIS

Local Inflationary Costs for Labor, Equipment and Materials: 2.90%

Interest Earned on Invested Reserves: 0.20%



		2042	2043	2044	2045	2046
+	<b>Reserves at Beginning of Year</b>	117,832	208,358	301,668	383,937	483,103
+	<b>Suggested Reserve Contribution</b>	90,200	92,800	95,500	98,300	101,200
+	<b>Planned Special Assessment</b>					
+	<b>Estimated Interest Earned on Invested Reserves</b>	326	510	685	866	779
+	<b>Cumulative Expenditure, By Year</b>			-13,916		-288,564
=	<b>Projected Reserves at Year End</b>	208,358	301,668	383,937	483,103	296,518
Line Item	Reserve Component Listed by Property Class	2042	2043	2044	2045	2046
	<b>EXTERNAL BUILDING COMPONENTS</b>					
1	Chimney Caps, Metal					
2	Gutters and Downspouts, Aluminum					
3	Light Fixtures, Exterior					36,071
4	Roofs, Asphalt Shingles					
5	Shutters, Vinyl					
6	Soffits and Fascia, Aluminum					252,494
7	Walls, Masonry, Inspection and Partial Repointing					
8	Walls, Chimney Shrouds and Wood Trim, Paint Finishes			13,916		
9	Walls, Vinyl Siding					
	<b>OTHER COMPONENTS</b>					
10	Reserve Study Update					

## Terms and Definitions

(Definitions are derived from the standards set forth by the Community Association Institute, C.A.I.)

**CASH FLOW METHOD:** A method of developing a Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

**CURRENT COST OF REPLACEMENT:** That amount required today derived from the quantity of the Reserve Component and its unit cost to replace or repair a Reserve Component using the most current technology and construction materials, duplicating the productive utility of the existing property at current local market prices for materials, labor and manufacturing equipment, contractor' overhead, profit and fees, but without provisions for building permits, over time, bonuses for labor or premiums for material and equipment. We include removal and disposal costs in the cost of replacement where applicable.

**COMPONENT:** The individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited Useful Life expectancies, 3) predictable Remaining Useful Life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

**COMPONENT INVENTORY:** The task of selecting and quantifying Reserve Components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate Association representative(s) of the association or cooperative.

**FINANCIAL ANALYSIS:** The portion of a Reserve Study where current status of the Reserves (measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of a Reserve Study.

**FUNDING PLAN:** An association's plan to provide income to a Reserve fund to offset anticipated expenditures from that fund.

**FUTURE COST OF REPLACEMENT:** Reserve Expenditure derived from the inflated current cost of replacement or current cost of replacement as defined above, with consideration given to the effects of inflation on local market rates for material, labor and equipment.

**LONG-LASTING PROPERTY COMPONENTS:** Property components of Association responsibility not likely to require capital repair or replacement during the next 30 years with an unpredictable remaining Useful Life beyond the next 30 years.

**PHYSICAL ANALYSIS:** The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

**RECOMMENDED FUNDING:** The stated purpose of this Reserve Study to determine the adequate, not excessive, future annual, reasonable Reserve Contributions to fund future Reserve Expenditures.

**REMAINING YEARS UNTIL REPLACEMENT:** Also referred to as "Remaining Life" (RL). The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have "zero" Remaining Useful Life.

**REPLACEMENT COST:** The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition. The Current Replacement Cost would be the cost to replace, repair, or restore the component during that particular year.

**RESERVE BALANCE:** Actual or projected funds as of a particular point in time that the association has identified for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves Based upon information provided and not audited.

**RESERVE STUDY:** A budget planning tool which identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two parts: the Physical Analysis and the Financial Analysis. "Our budget and finance committee is soliciting proposals to update our Reserve Study for next year's budget."

**SPECIAL ASSESSMENT:** An assessment levied on the members of an association in addition to regular assessments. Special Assessments are often regulated by governing documents or local statutes

**USEFUL LIFE (UL):** Total Useful Life or Depreciable Life. The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed in its present

## **RESOURCES USED**

**Building Reserves INC.**, uses different national and local data to conduct its professional services. A concise list of several of these resources follows.

**Association of Construction Inspectors** - The largest professional organization for those involved in providing inspection and construction project management. ACI is the leading association providing standards, guild lines, regulations, education and training.

**Community Association Institute** – America’s leading advocate for responsible communities noted as the only national organization. Their mission is to assist communities in promoting harmony, community, and responsible leadership.

**Marshall & Swift/ Boeckh (MS/B)** – The worldwide provider of building cost data, co-sourcing solutions, and estimating technology for the property and casualty insurance industry found on the web at <http://www.msbinfo.com>

**R.S. Means Costworks** – North America’s leading supplier of construction cost information. A member of the Construction Market Data Group, Means provides accurate and up-to-date cost information that helps owners developers, architects, engineers, contractors and others to carefully and precisely project and control the cost of both new building construction and renovation projects, found on the web at <http://www.rsmeans.com>

## Service Contract

**Contract Date:** 5/10/2016  
**Customer:** Bluff Country Village Townhomes

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Building Reserves, Inc. (BR) and the above-identified Customer, under the express terms and conditions contained herein.

BR will complete an investigation and reserve study of the Property (the "Study") that reviews, among other things, an analysis of the unit quantity and unit costs, a life analysis and condition assessment, a projected replacement time and a cash flow analysis with recommended reserve contributions to offset capital and replacement costs of (the "Customer) property. Such Study shall be completed within the timeframe set forth in the Proposal. Customer must provide BR with access to the Property within a reasonable period of time following BR's request for an onsite inspection. Customer will use its best efforts to provide BR with historical and budgetary information for the Property as well as all governing documents and other information requested by BR with respect to the Property.

BR's inspection and analysis of the Property is limited to visual observations and is non-invasive. BR is not qualified to detect or quantify the impact of hazardous materials or adverse environmental concerns. Unless BR expressly states otherwise in writing, BR does not investigate or consider (nor assume any responsibility or liability for) the existence or impact of any hazardous materials or any structural, latent or hidden defects on or within the Property. BR will not conduct any soil or water analysis, geological survey or investigation of subsurface mineral rights (including, without limitation, water, oil, gas, coal or metal). The validity of BR's Study (and BR's opinions and estimates) could be affected adversely by the presence of substances such as asbestos, urea-formaldehyde foam insulation, toxic wastes, environmental mold, and other chemicals or hazardous materials. BR does not conduct any invasive or structural testing or inspections; accordingly, BR makes no representation, warranty or guarantee regarding (nor does BR assume any liability or responsibility for) the structural integrity of the Property, including, without limitation, any physical defects that were not readily apparent during BR's onsite inspection. BR will inspect sloped roofs only from the ground level. BR will inspect flat roofs from the roof level when and where safe access is available (as determined in BR's sole discretion).

BR's opinions and estimates (whether oral or contained within the First Report or Final Report) are not (and shall not be construed as) a representation, warranty or guarantee of (i) the actual costs of replacement; (ii) the integrity of any common elements; or (iii) the actual remaining useful life of the Property or any elements contained thereon or therein. BR's opinions and estimates do not constitute any representation, warranty or guarantee of the performance of any products, materials or workmanship with respect to the Property.

As a result of the Study, BR will prepare an initial report (the "Initial Report") that represents a valid opinion of BR's findings and recommendations. BR will deliver the Initial Report in accordance with the timeline set forth in the Proposal. If requested by Customer within six (6) calendar months following the date of the Initial Report, BR will prepare two (2) revised drafts, incorporating new information that is provided by Customer as well as any changes that are requested reasonably by Customer and agreed-upon by BR (the "Revised Drafts" and, together with the Initial Report, the "Reports"). If Customer does not request a Revised Draft within six (6) calendar months following the date of the Initial Report, then the Initial Report shall be deemed as the Revised Draft.

## Service Contract

**Contract Date:** 5/10/2016

**Customer:** Bluff Country Village Townhomes

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The Reports contain intellectual property that was developed by BR and is provided on a confidential basis to only Customer for only Customer's benefit. The Reports are limited to only the express purpose stated herein and may be relied upon only by Customer. The Reports, whether in whole or in part, may not be used for any other purpose, including, without limitation, as a design specification, design engineering study or an appraisal. Without BR's prior written consent, Customer may not reference BR's name or the Reports (or any information contained therein, whether in whole or in part) in any document that is reproduced or distributed to third parties without BR's prior written consent.

In consideration of BR's services provided hereunder, Customer shall pay to BR an amount equal to the Fee set forth above and in accordance with the payment schedule set forth in the Proposal. BR's compensation is not dependent or contingent upon any conclusions in the Reports. If BR does not receive the Fee in accordance with the payment schedule set forth in the Proposal, then BR shall have the immediate right (in BR's sole and absolute discretion) to cease all services hereunder and to withhold any First Report and/or Final Reports.

BR assumes that all data and information provided to BR by Customer is accurate, without any independent investigation or verification by BR. Customer indemnifies and holds harmless BR (and its employees, officers and directors) from and against any and all losses, claims, actions, causes of action, damages, expenses or liabilities (including, without limitation, reasonable attorneys' fees and court costs) that BR might suffer or incur as a result of (i) any false, misleading or incomplete information supplied by or on behalf of Customer to BR; or (ii) any improper use or reliance on the Reports. To the best of BR's knowledge, all data set forth in the reports is true and accurate. Notwithstanding the foregoing, BR assumes no liability for the accuracy of any data, opinions or estimates that are furnished by third parties, even if BR relied upon such information in generating its reports. BR's liability (including, without limitation, the collective liability of any of BR's employees, officers or directors) is limited to actual damages in an amount not to exceed the amount of the fee actually received by BR.

Customer hereby grants BR the right to use Customer's name in marketing materials and in BR's client list; provided, however, BR shall not disclose to any third party any conversations, documents, opinions or Reports held or generated in connection with BR's services rendered hereunder to Customer. This Service Contract constitutes the entire agreement between the parties hereto relating to the subject matter hereof; all prior agreements, correspondence, discussions and understandings of the parties relating to the subject matter hereof (whether oral or written) are merged herein and made a part hereof. This Service Contract may be modified only in writing and upon mutual agreement of the parties hereto.





[WWW.BUILDINGRESERVES.COM](http://WWW.BUILDINGRESERVES.COM)