

**ESTIMATED RESERVE REQUIREMENTS
FOR
PEACHTREE-MALONE
CONDOMINIUM ASSOCIATION**

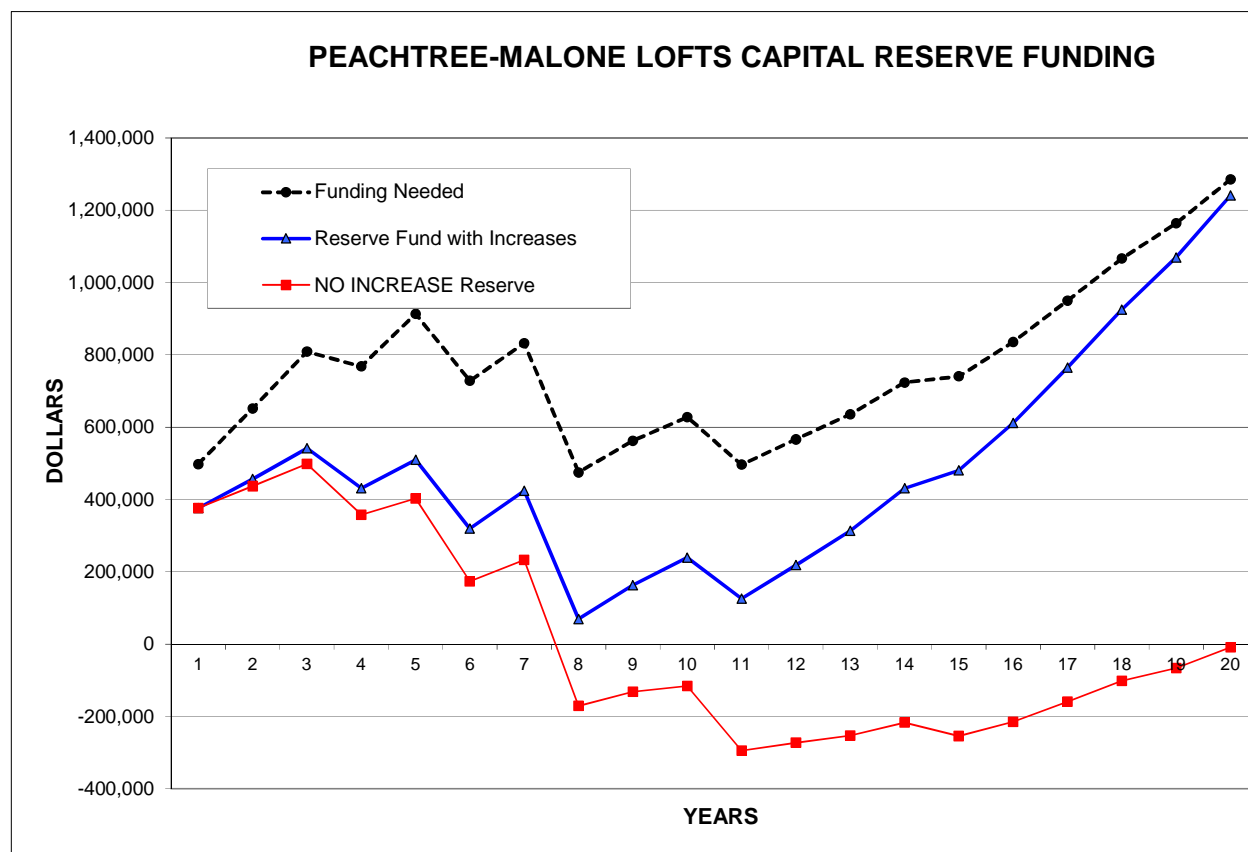


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EXECUTIVE SUMMARY

This is a long document containing a lot of information that can be summarized as follows: **you have enough money to fund the short term expenses but are unprepared for the mid-term and long term expenses.** The graph directly below illustrates where you are now (year 1), where you need to be (*Funding Needed*), where you will be at the present funding level (*NO INCREASE Reserve*) and where you will be with suggested increases (*Reserve Fund with Increases*).



The purpose of the Reserve Fund is to protect the value of each owner's investment by making it possible to perform all Reserve projects when needed.

Peachtree-Malone is a very elegant and distinctive property containing 134 homes. While elegance and distinction are not inexpensive, when a reasonable plan is developed, the cost of future expenses can be spread over the entire life of the various items covered by the Capital Reserve.

Increases in the contribution to the Reserve are needed to meet the long term needs of Peachtree-Malone. While there are other ways to address the need, we recommend that in 2015 the present contribution to the Reserve be increased by \$12 per home per month with additional increases each year thereafter of \$3 per home per month.

The information used to generate this graph can be found in the last two Tables at the end of this report.

INTRODUCTION

Your Association has two Funds. The first is the Operating Fund, which is used to pay your normal, recurring monthly and annual expenses like landscaping maintenance, insurance, etc. This report does not address the Operating Fund. The other is your Capital Reserve Replacement Fund (i.e. "the Reserve"), which is used for the repair and replacement of the large items that are the Association's responsibility. Each owner of a condominium unit "uses up" a month's worth of the roofs, the entry system, the hallway HVAC systems and all other common items each month and should contribute to the Reserve an amount equal to what is "used up". In order to know how much this contribution should be it is necessary to study the property and its long term needs.

The Capital Reserve is not a fund to "make up" for deficits in the normal operating expenses of the Association. The Capital Reserve is also not a fund to construct new additional elements (jacuzzis, wifi systems, fountains, etc.).

Before looking at the information on the Reserve requirements, there are a few general comments to be made. First, when a property is either newly built or converted (as in your case), there is a "honeymoon" period during the first ten years when everything is new and little maintenance is needed. Peachtree-Malone has now reached the end of the honeymoon period. The property was well constructed but there are some significant costs in the short to mid-term. You experienced some over the last two years with replacement issues with the fire alarm and access control systems and this year or next year you have the asphalt repair project (that includes seal-coating, striping and stenciling) and the exterior painting.

Second, the Association is a business and should approach major projects in a business-like manner. When a project is upcoming, a specification (i.e. a precise description of what work needs to be done) should be written to give to the contractors submitting a bid. This helps ensure that all contractors are bidding on the same thing. Your property manager and/or other professionals can assist you with this.

Third, make sure that only qualified and properly insured contractors work on the property. This will cost more but it is well worth the money.

Fourth, this is a budget and every budget will evolve over time. In the included Tables an expense may be shown for the year 2019. That expense may occur in that year or it may need to be moved up a year or back a year. Half of it may be spent in 2019 and the other half in another year. The expense may be a little more or a little less. But, as a whole, this report presents a plan for your Association to meet its expenses for the next 20 years.

FINDINGS

As to the body of this Report, it is made up of four sections. The brief descriptions below of the various sections should help you understand the body of the report. It will probably be helpful for you to flip back to the section being described as you read the descriptions that follow.

Notes To The Peachtree-Malone Reserve For Year Ending 12/ 31/13

The first section on pages 6 through 18 shows a listing with narrative of the items that are included in this report as parts of the Association's responsibility. For each item there is a best, worst and an average case for the cost. The quantification was done by physically measuring the item. For each item there is a best, worst and an average case for the cost. The costs are estimated by reference to your actual past expenditures, by discussions with your present contractors and by referral to cost estimation tables.

Table 1 - Calculation of Reserve Requirements

The Table on pages 19 through 21 takes the information from the narrative and determines how your present condition compares to your needs for the best, worst and average cases. It is a snapshot of how your actual funding compares to the ideal level of funding as of December 31, 2013. If you look at the first category, **Flat Roof Replacement**, the first column is the **End of the Year Balance**. This is the prorated share of the Reserve for this category. The **Normal Life, Remaining Life** and **Cost Now** are self-explanatory. The **Cost Then** is the cost of doing the work including inflation when it is done in the future. **Today's Balance Should Be** is the amount you should have saved toward doing this work. The **Excess(Deficit)** is whether you have saved enough money. In this case there is a deficit of from \$227,304 for the best case to a deficit of \$408,967 for the worst case. The **Annual Requirement** is the amount that you should be saving each year while **This Year's Budget Provision Including Interest** is the prorated share of the Reserve contributions made through your fees. Notice that in the average case you should be contributing \$36,875 each year but in 2014 will contribute \$27,973.

At the bottom of the spreadsheet are the totals. At the end of 2013 you had \$399,299 in the Reserve Fund. In the average case you should have had \$898,767, which gives a deficit of \$499,468 or \$3727 per home. Also, the ownership should have been contributing \$47.30 per home per month to the Reserve in the average case but in 2014 you are contributing \$35.88 per home per month. Therefore, there is a deficit that will worsen unless remedial action is taken.

The last two Tables are spreadsheets that look at the Reserve Fund over the next twenty years from different angles. The Tables assume the average case.

Table 2 - Projected Reserve Funds Flow

The Table on pages 22 and 23, entitled "Projected Reserve Funds Flow", shows how the balance in your Reserve Account will fluctuate over the next 20 years. The top portion shows the Reserve expenditures. The bottom section shows how the balance fluctuates. Notice at the bottom that in the column under 2014 you begin with \$399,299 (the balance as of the end of 2013), you subtract \$82,859 (the expenses for this year although some may be deferred to 2015), you add \$57,500 (the contribution out of fees for 2014) and you add \$2617 (the interest

earned at 1% after taxes) to give a balance at the end of 2014 of \$376,557.

Notice that the \$57,500 baseline contribution is constant across this Table but an increase of \$12 per home per month is shown in 2015 with additional increases of \$3 per home per month in every year thereafter. With these increases to the level of contribution for the next twenty years, the bottom line, **Ending Reserve Balance With Increases**, shows that there will be sufficient cash to cover average case expenses in all years. Peachtree-Malone will even have \$1,240,478 in 2033. But is that enough?

Table 3 - Prorated Reserve Requirements

The last Table on pages 24 and 25, entitled "Prorated Reserve Requirements", answers that question. It is a little intimidating at first glance, but it is really fairly simple. It basically takes the lump sum expenses from the first spreadsheet and divides them evenly over the life of each category with an adjustment for inflation. You will note that the contribution needed in some categories DROPS after the first few years (such as **Landscape Rehab** in 2017 and **Infrastructure** in 2018). This is because you can not amortize the next replacement cost over the full life of the category with the current deficit. Once that replacement is made, the following replacement cost can be amortized over the full life.

The two bottom lines (**Accumulated Requirements** and **Ending Reserve Balance**) are compared on the last line (**Surplus (+)/Deficit (-)**) so that you can see whether you are really saving enough to pay for everything as it is needed. Even with the increases in the fee, the deficit grows through 2020 and then is reduced consistently so that you are essentially fully funded by the end of the twenty-year period.

RECOMMENDATIONS

1. Increase the Reserve contribution in 2015 by \$12 per home per month and by an additional \$3 per home per month in every year thereafter. (Note- There could also be increases to the fee due to increases to the Operating Budget.)
2. Re-evaluate the amount contributed to the Reserve every few years to see if the assumptions are still correct. This report is not a warranty of the condition of the items included.
3. Present this report or a summary of it to the ownership.

NOTES TO PEACHTREE-MALONE RESERVE FOR YEAR ENDING 12/31/13

Category-Notes

Quantity

Unit Cost

Extension

Best Case

Worst Case

Average Case

Flat Roof Replacement - 20 year normal life. The flat roofs at Peachtree-Malone are of two types. The one-story buildings have BUR (i.e. built-up roofing) roofs. This type of roof consists of layers of felt (i.e. tar paper) fully embedded in hot liquid asphalt. The surface is covered with gravel to protect the roof from physical damage and ultraviolet radiation. It appears that the roofs for these two buildings were not replaced during conversion. There were numerous areas where repairs could be seen. In the photo below of the 200 Building numerous repairs can be seen around skylights and other roof penetrations.

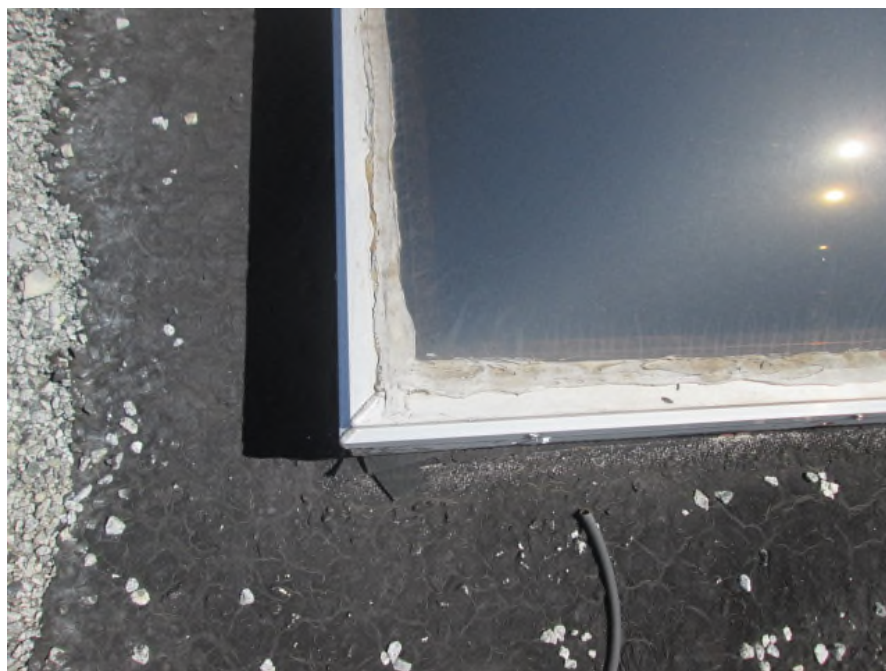


There also were areas where the gravel had been scraped off so that the underlying roof membrane could be checked for leaks. While the life of the roof is hard to judge because it is covered with gravel, the general appearance would indicate that the 100 and 200 building roofs are approaching the ends of their lives. This assessment is somewhat contradicted by the lack of reports of roof leakage over the last four years. The costs for repairs at these two roofs is very similar, approximately \$2000 a year. Considering the cost of replacement for these roofs, \$2000 a year to extend the life of the roof is a reasonable expense.

In 2012 core cuts were taken in the 100 and 200 roofs to determine their actual construction. It was found at the 200 building that there are already two layers of roofing in place. This is the maximum allowed by the building code and, therefore, the roofing will need to be partially removed and then rebuilt. The 200 building has a metal roof deck on top of which is a layer of insulation board. We believe that it would be best to leave the insulation board and rebuild the roof from there up. In addition to the issue of installing a new roof, there are requirements for the insulation value of the roof and for the drainage of water that will need to be met. There are no drains in the middle of the roof so all water must drain to the gutters at the perimeter of the building.

The roof at the 100 building looks the same as the 200 building, but there are significant differences. The roof deck is a lightweight concrete material. The roof membrane was attached directly to this layer without any insulation, so insulation will be needed. There are roof drains and it is anticipated that these drains will continue to be used when the new roof is installed.

When the roofing is done at all of the buildings, the skylights will need to be removed so that the roofing can be properly installed at the curb on which the skylights sits. Then the skylight will need to be reinstalled. Consideration should be given to the replacement of the skylights at that time rather than reinstalling the old skylights. Numerous skylights can be seen that have already required remedial work (see next photo) and removal, storage and reinstallation will tend to aggravate problems with these moderately priced skylights. The skylights are the responsibility of the owners where they are over a unit so that cost may need to be billed to the owner.



The four-story building has an EPDM (i.e. rubber) membrane that is presumed to have been installed during conversion. EPDM roofing is an entirely different roofing system. It is single-ply membrane. The EPDM membrane can be attached to the roof in different ways. At Peachtree-Malone, it is fully adhered (i.e. glued down). The surface has no gravel or other coating because

the rubber is not adversely affected by ultraviolet sunlight. EPDM roofs can have lives of 15, 20 or 30 years depending on the thickness of the membrane and the installation technique. Another nice feature of the 300 Building roof is that it has a ridge that runs down the center of the roof along the long dimension and the roof slopes slightly to both the front and the back so that water does not significantly pond on the roof. In any case EPDM, unlike the BUR roofs, is not degraded by ponding water but it is best to have adequate drainage on a flat roof.

In reviewing the maintenance work on the 300 building roof, a large number of the repairs made to the EPDM roofing have been around the curb-mounted skylights. Some repairs have been made where the bottom edge of the skylight meets the roof. The repairs have been made where the membrane extends up onto the curb and then down onto the roofing field. The remaining repairs have primarily involved repairs to holes in the roofing field although there have been some issues with seams. Repairs on roofs in general and EPDM roofs in particular should only be done by qualified (and preferably manufacturer approved) roofers because use of an incorrect product can do more harm than good. Many products that work well on a BUR system cause deterioration on an EPDM roof. In the next photo a repair was made by installing a patch using additional EPDM.



One additional issue that affects all three of the roofs is the necessity of “working around” the HVAC units that are on the roof (see the next photo). Removing the units and either moving them to the ground or shifting them to another part of the roof requires certain procedures to be followed in order to avoid the escape of the refrigerant. Therefore, a licensed HVAC contractor will need to perform the work. If the units are left in place and the contractor tries to lift to them and roof under them, it is possible that damage will occur to the units and that the work

underneath the units will be something less than the Association might desire.



When roof replacement is necessary, it is recommended that you determine ahead of time the precise roofing system that you want to use and the logistical issues involved in the installation of that roofing system before soliciting several bids from quality oriented, long established roofing companies that have a reputation for quality installation work. The price of a new flat roof (4 to 5 times as expensive as shingle roofing) will depend on the type of roofing system used and the life of the system used. You should always consider using the best system because the difference in the price between a 15-year roof and a 30-year roof could be as little as 25%.

Manufacturer's repair warranty programs are generally available on the better quality roofing products. Prices generally range from \$4 - \$7 per 100 square feet for "No Dollar Limit" (NDL) repair warranties that last 10 to 15 years respectively. We generally recommend these warranty programs. In addition to providing a more predictable budgetary plan, the manufacturer sends out a representative to review the roofing system and then authorizes the warranty after inspecting the roofing system installation.

Roofing areas for the three buildings are as follows. Each of the roofs is a large enough project to be attractive to roofing contractors.

100 Building	21,780 SF
200 Building	22,680 SF
300 Building	34,402 SF
TOTAL	78,862 SF

Roofing pricing below is measured in square feet (SF).

Best case	\$7.50 per square foot	\$591,575
Worst case	\$9.50 per square foot	\$749,328
Average case		\$670,451

Guttering & Downspout - 35-year normal life. The existing guttering at the 100 and 200 Buildings is 6-inch coated steel box guttering with 3X4-inch downspouts. The 100 building also has some downspouts that have conductor heads (i.e. small boxes designed to catch a concentrated flow of water) on the back side of the building. The guttering at the 300 building is 7-inch coated steel box gutter with 4X5 inch downspouts and the inside of the guttering has also been wrapped with the EPDM roofing membrane (see next photo). The eventual failure of guttering and downspouts is primarily due to physical damage.



The pricing for gutters, downspouts and conductors has been averaged into a linear foot price.

In general, it is best to replace the guttering at the flat roof areas when the roofing is replaced so that the two systems mesh together. Replacing guttering alone often causes problems with the roofing where they intersect. The existing guttering at the 100 and 200 buildings is less integrated into the roofing so it will (with care during the roofing process) not need replacement until the end of the life of the next roof.

3024 linear feet (LF) of gutter & downspout		
Best case	\$6.50/LF	\$19,656
Worst case	\$7.50/LF	\$22,680
Average case		\$21,168

Interior Rehab - 15-year normal life. This category covers the painting of the 1790 LF of hallways and stairwells including unit doors and trim. There is also an allowance for areas of wallpaper. A 15-year life for the paint will require a program of cleaning and/or touching up the unavoidable marks. There were very few issues noted in the 300 building other than the occasional nick in a column by the elevators. In the 100 and 200 buildings various marks were observed on the painted entrance doors. It is assumed that the ceiling will not be painted as it will not be subject to any significant physical abuse.

The interior hallway floors are concrete that has been stained and sealed. The surface has performed well and should continue to do so for an extended period of time. In the 300 building a few issues were noted outside the elevators, but otherwise the floors were in good condition. An allowance is included for the concrete floors but it is doubtful that much will need to be done for the short to mid-term.



It should be noted that there is a significant difference between properties and the aesthetic considerations that exist among residents. The life expectancy has been adjusted upward from 10 years to 15 years based on the actual performance of these surfaces during the last four years.

Best case	\$25/LF	\$44,850
Worst case	\$35/LF	\$62,790
Average case		\$53,820

Exterior Rehab - 7-year normal life. This includes washing, repair, preparation and painting of the three buildings using the same or a similar color scheme with one coat of gloss silicone-alkyd paint. There is little to paint on the exterior at Peachtree-Malone. Most of the exterior is brick and the doors and windows are mill-finished aluminum. The steel railings and beams at the 300 building are the bulk of the painting but there are a few exterior areas at the 100 and 200 buildings that will be painted. Most of the metal fencing, gutters and downspouts have a factory applied finish but they will fade and you will eventually want to include them in the exterior painting. It was noted that there are multiple prefinished colors on the gutters and downspouts at the 200 building (see next photo) that could be made uniform during a painting process.

It appears that the present condition of the paint is fair and bids are being solicited to repaint the exterior. This would include, although not necessarily at each **Exterior Rehab** project, the areas in the garage under the 300 building. The walls and ceiling are generally satisfactory but there are some yellow areas on columns which are peeling and need to be repainted.

In earlier times an oil-based paint would be used on steel surfaces but acrylic paints are now available that are designed to be applied on steel surfaces. Using quality orientated painters is strongly recommended when painting metal surfaces. It is very easy to “hide” un-prepped metal which will become visible after a short time of the rehab work being completed.



Care should be taken to formulate a set of detailed specifications for the Exterior Rehab project to ensure that you are doing everything that needs to be done.

134 units

Best case	\$450/unit	\$60,300
Worst case	\$600/unit	\$80,400
Average case		\$70,350

Masonry Rehab - 5-year normal life. This category covers large-scale repairs to the concrete sidewalks, concrete pavement, concrete curbing and brick veneer. Some of the driveway and parking areas at the 300 building are concrete, which has an indefinite life when properly installed. During this review no significant problems were noted with the concrete pavement for Peachtree-Malone.

One area was previously noted in the courtyard where the sidewalks from the three buildings converge. There is a circular concrete section with a brick-paver border. Issues discussed previously appear to have been addressed but there are a few loose bricks that need to be re-set.

The most pressing repair needed is at the sidewalk to the 200 Building from that brick area where the section is misaligned as seen in the next photo. The irregularity is not excessive but it is by definition enough for someone to trip on.

When making repairs to masonry items it is important to use an experienced worker. An ugly masonry repair remains ugly. The “normal life” of this category has been changed to 5 years to coincide with the **Asphalt Repairs** so that curbing repairs can be made at the same time. The cost has been adjusted also.

Best case	\$1000
Worst case	\$4000
Average case	\$2500



Landscaping and Irrigation Rehab –5-year normal life. The landscaping around the buildings and at the entrance continues to be reasonably attractive, but as it matures you may need to replace various types of plant material for either horticultural or aesthetic reasons. This category provides a fund for that purpose. The amount below may need to be adjusted to accommodate either a more aggressive or a more conservative approach.

This category also includes certain work on the irrigation system. In speaking with Alex of Alex Irrigation, subcontractor of your landscape company for the last seven years, there is one controller for the 15 zones in the common areas of the property and the system operation is described as fair. One of the stones is not working but it is not important because all of the plant material in its own is well-established. Most of the pipes and wires for the system should have an indefinite life as long as they are not damaged by digging. The parts that do require replacement are the controller, the sprinkler heads and the zone valves. The replacement of individual heads, valves and the minor repairs to the wires and piping are considered to be normal operating maintenance. The replacement of the controller and other large scale replacement projects are considered to be a Reserve item.

Another aspect that would be covered by this category is reconfiguring the system. As the landscaping matures, shrubs grow and often block sprinkler heads. Trees grow, generating denser shade that causes turf to retreat. If not corrected, irrigation may become ineffective and wasteful.

Best case	\$10,000
Worst case	\$20,000
Average case	\$15,000

Access Control and CCTV Equipment– 15-year normal life. This category covers the replacement of the equipment for the two vehicular entrances, the DoorKing telephone access systems at the vehicular entrance gate and the Linear system for the courtyard gate, the 300 Building elevator and the three hall or stairway entrances at each building. Also included is the CCTV (closed circuit television) surveillance equipment. It is assumed that the equipment will

perform adequately for the normal life but there are numerous other problems that may require the systems to be replaced prematurely (i.e. electrical surges, lightning strikes, obsolescence, and vandalism).

PTR Controlled Access is your vendor for the access control system. The access control system for the vehicular entrance, the courtyard entrance and the entrance to 300 from the garage was upgraded in 2013 at a cost of \$17,139 and is in good condition.

This category covers the replacement of the CCTV (closed circuit television) surveillance equipment. The DVR and monitor are located near the mail room and the cameras are at entrances and other strategic areas. There are sixteen cameras.

Normal maintenance is not included in this category. With these systems there is a somewhat blurry line between maintenance (an Operating expense) and replacement (a Reserve expense). When in doubt, it is recommended that you establish a dollar value above which a repair would be a Reserve expense.

	2 access control panels	\$ 5,000
		\$ 7,000
	Four gate operators \$2500 each	\$10,000
	\$3000 each	\$12,000
	9 door entrances \$450 each	\$ 4,050
	\$550 each	\$ 4,950
	CCTV- 16 cameras \$300 each	\$ 6,400
	\$400 each	\$ 8,000
	Monitor and recorder	\$ 2,000
		\$ 3,000
	Wiring and misc.	\$ 4,000
		\$ 6,000
Total of Costs	Best case	\$29,850
	Worst case	\$39,350
	Average case	\$34,600

Elevators- 24-year normal life. There are two Thyssenkrupp hydraulic elevators. The elevator equipment appears to have been replaced at conversion and continues to work well. The elevator cab and hydraulic piston for each elevator should have an indefinite life but the controller, pump, pump motor and peripheral parts have a life of about 20 years. The expense to replace a controller is \$5000. The cost for a new submersible pump is \$5000. Also included in this category is \$10,000 to refurbish the interior of each cab. Eventually (when the elevators are about 40 years old) you should expect to do a modernization program on both of the elevators at a cost of about \$45,000 each.

As with the Emergency Equipment, this equipment should be checked on a regular basis by a qualified contractor to ensure that it operates correctly. Peachtree Malone Lofts does have a maintenance agreement with Thyssenkrupp to check the equipment monthly. The cost of the maintenance agreement is an Operating rather than a Reserve expenditure.

The costs shown below are intended to fund the “short term” expenses to the elevators which will occur during the twenty-year period. In addition, some funding should accumulate toward the

eventual modernization of the elevators.

Two elevators

Best case	\$60,000
Worst case	\$80,000
Average case	\$70,000

Infrastructure - 8-year normal life. This is a non-specific category to provide a fund to make one or more repairs over a five-year period to the water main, the sewer system, the property signage, electrical service, garage waterproofing, the fire sprinklers, the buried drains for downspouts or some structural element. A large portion of the plumbing and electrical systems in the buildings is the responsibility of individual units but a significant portion of these systems is common responsibility. The need for a specific repair is difficult to predict. Few such issues are expected to arise in the early years.

This category covers possible large scale work on the fire sprinkler system, which could eventually include the replacement of all of the sprinkler heads. Replacement of occasional sprinkler head and other minor service calls are Operating expenses. In speaking with Brian Mearkle of Atlanta Sprinkler who maintains the fire sprinkler system, the system is in good condition. An annual inspection is performed as an Operating expense. The sprinkler heads will require testing when they reach the 20-year mark, which will be in 2020. After that, they are required to be tested every 10 years.

Many of the downspouts that were checked were attached to part of a buried drainage system. This system uses PVC pipe to carry water to the detention pond. Such systems tend to be reliable and can be cleaned in the unlikely event that they become clogged.

Structural problems are concerned with issues that adversely affect the ability of the structure to perform as intended. No such indications of a problem were noted. The costs below have been adjusted downward because of your experience.

Best case	\$10,000
Worst case	\$20,000
Average case	\$15,000

Asphalt Pavement Replacement - 25-year normal life. This category and the next category cover the asphalt driveway and parking areas. This category funds the complete overlay of the asphalt in this area when the asphalt reaches the end of its life. The asphalt (technically, asphaltic concrete) is in good to fair condition.

The asphalt pavement is bounded by a concrete curb-and-gutter. The gutter is the flat part that abuts the asphalt. When the streets are re-paved, the technique generally used is to overlay the pavement with two additional inches of asphalt. You will need to decide how to address the intersection of the asphalt and the concrete gutter. You can (a) pave over the gutter all the way to the curb; (b) taper the new asphalt down at the gutter; (c) install the full two inches up to the gutter and have a two-inch drop off; (d) remove a four foot wide strip of asphalt next to the curb and use that to taper the asphalt down to be even with the gutter; or (e) remove all of the old asphalt and replace it. Each approach has advantages and disadvantages and the costs vary considerably.

While a better approach may be developed, most Associations choose options (a), (b) or (c) and use a Perma-flex Overlay when the asphalt overlay is done. This is a two-layer technique with each layer being one inch thick. The bottom layer is primarily asphalt-coated coarse gravel (called Perma-flex) that bridges the existing cracks. It is then topped with a layer of regular (Type F) asphalt that gives your pavement an attractive appearance. Peachtree Malone Lofts has a relatively small amount of asphalt so you may want to consider option (e). That option would be about twice as expensive as the option listed below which would cover the cost of options (a), (b) or (c).

As with other asphalt based products, asphalt paving prices have risen considerably over the last five years. The costs shown below are the costs today. These prices may moderate in the future but they could also rise even further.

This category funds the total repaving of the property. You can delay this repaving by repairing and replacing areas as needed, but this will become unattractive at some point in time.

Asphalt is measured in square yards (SY).

4061 square yards (SY) of asphalt pavement

Best case	\$11/SY	\$44,672
Worst case	\$14/SY	\$56,856
Average case		\$50,764

Asphalt Repairs and Striping - 5-year normal life. As asphalt ages and deteriorates from ultraviolet solar radiation and weathering, it shrinks and develops cracks. The cracks eventually come together forming a pattern generally called "alligatoring". These cracks allow water to penetrate under the asphalt that will cause problems to the base (compacted fine gravel) and even the soils underneath. Repairs become progressively more expensive as this deterioration process continues. It is better to make repairs at an early stage. It was noted that there are a few areas in the asphalt where the asphalt surface is eroding and creating depressions. Given the age of the asphalt this may be due to the freeze-thaw cycle during the recent harsh winter. In the next project there is also an area in front of the trash compactor that needs to be repaired. This area can be reworked with asphalt but you may want to replace it with a heavy-duty concrete pad.

This category provides a fund to make periodic repairs totaling 5% of the amount shown above plus the re-painting and stenciling of the parking spaces that are outside. Repainting of the striping in the covered area under the 300 Building would be done on a much less frequent basis.

Peachtree Malone Lofts has had seal-coating applied to the asphalt in the past. Seal-coating is primarily aesthetic but it does tend to extend the life of the asphalt by shielding it from ultra-violet sunshine. Seal-coating would also give a more uniform appearance to any repaired pavement. The value of the additional life for the asphalt is probably worth what the seal-coating costs. That is, you should not expect to receive a cost benefit from seal-coating, but it will make the property more attractive. The average time between seal-coating applications is 5 years. The recommended application would be two coats with the first coat squeegeed for maximum

penetration into smaller cracks.

There are two basic types of seal-coating product. The first is coal-tar based and the other is asphalt based. The coal-tar product has been widely used in metro Atlanta for thirty years with no reported problems. It is durable but it does contain some organic chemicals. Concerns have been raised that there could be environmental contamination and health issues. The asphalt based product is about 30% more expensive and is somewhat less durable but has no (known) significant environmental issues.

You have also applied a crack-filler to some of the cracks. While it has had some effect in sealing cracks, it is more effective if the crack is filled. The cosmetic problem with the crack-filler is that it is rubberized and the seal-coating does not adhere well to it. In the next photo you can see how the seal-coating has worn off, exposing the pattern of crack filling. Crack filling costs about \$0.75 per linear foot (LF). An average allowance for 2000 LF is included.

Lastly, as also seen in the next photo, there is 375 LF of curbing painted red to indicate a fire lane. The curb needs to be pressure washed to remove the loose paint and dirt before washing at a cost of about \$1 per LF if done at the same time as the other work.



Repairs+crack filling+seal-coat+striping+curb painting

Best case	\$ 8,795
Worst case	\$11,222
Average case	\$10,008

Emergency Equipment - 20-year normal life. This category funds replacement/repair of the fire alarm system, the exit lighting and the emergency lighting (fire sprinklers are covered in the **Infrastructure** category).

The buildings are equipped with fire alarms and pull stations at all of the required areas. These devices should have an indefinite life but fire alarm control panels will need to be replaced every fifteen to twenty years due to obsolescence. The system is maintained by Alpha Fire & Security. In speaking with Victor Welch, he reports that the system experienced lightning damage 2013 in the 300 building. The panel in that building is new but the panel that controls the alarm equipment in the 100 and 200 buildings appears to be the original panel and is nearing 15 years

in service. The system is being checked annually at a cost of \$1057 (which is an Operating expense). It is understood that various parts of the equipment should be checked on a quarterly basis according to the National Fire Prevention Association. The one nagging problem that Mr. Welch reports is the interruption of the telephone lines that connect the panels with the monitoring station. This problem is often the result of another contractor working in the telephone panels and inadvertently disconnecting the telephone line that serves the fire alarm equipment.

The fire alarm control panels have a life of 15 to 20 years, and the smoke detectors have a life of 10 to 15 years. Individual horns and the pull stations will occasionally need replacement, but they generally have an indefinite life. The smoke detectors that are within the individual units are considered to be the responsibility of the unit owners in much the same way that plumbing that serves only one unit is the responsibility of that unit.

The emergency lights and exit lights have battery back-up systems to guide people when the electricity is off. All of this equipment should be checked on a regular (at least annual) basis to ensure that it operates correctly. The emergency lights that were checked in preparation for this report did work properly.

Best case	\$15,000
Worst case	\$25,000
Average case	\$20,000

Lighting - 25-year normal life. There are numerous interior and exterior lighting fixtures in the hallways and courtyard as well as the flood lighting. This category provides a fund to replace and/or upgrade the lighting. (Emergency lights are excluded from this category and are covered in the Emergency Equipment category.) The price below is an average installed cost assuming that a sizable group of fixtures will be replaced at one time.

90 light fixtures

Best case	\$250/fixture	\$22,500
Worst case	\$350/fixture	\$31,500
Average case		\$27,000

HVAC Systems - 22-year normal life. Each residence has an independent HVAC system that is the responsibility of the owner, but there are also six systems that serve the common areas. The interior parts of the systems are air handlers that are hung from the ceiling. As with any such system there is also an exterior condensing unit. The exposed metal ducts should have an indefinite life and there is no provision for replacement of the ducts.

6 systems

Best case	\$4500@	\$27,000
Worst case	\$5500@	\$33,000
Average case		\$30,000

Fitness Center -15 year normal life. This category provides a fund to replace the exercise equipment. These items have different useful lives and would not necessarily be replaced at the same time. The life of these items will depend on the amount of use. Three of the main pieces of equipment have either been replaced (the treadmill and the stair climber) or removed (the recumbent bike).

Exercise equipment with moving electronic parts (i.e. the treadmill) is more likely to be replaced than the equipment that merely has pulleys and weights, but exercise equipment does go out of style. You might want to consider a preventive maintenance agreement (as an Operating expense) with an equipment vendor to check and lubricate the equipment on a quarterly or semi-annual basis.

	True PS 100 Treadmill	\$2600
		\$3200
	True PS 100 Elliptical	\$2400
		\$3000
	Five Muscle Maxx Weight machines	\$7500
		\$9500
TOTAL OF COSTS	Best case	\$12,500
	Worst case	\$15,700
	Average case	\$14,100

Metal Fencing - 24-year life. There are sections of prefinished metal fencing at the perimeter of the property and in areas within the property. The fencing should have a long life as long as it is not subjected to physical abuse. The gates are this type of material also so they are included but are calculated at twice the cost for regular fencing. At some point you will probably want to add the painting of the fence to the **Exterior Rehab** project.

	1901 LF of fencing		
	Best case	\$26/LF	\$49,426
	Worst case	\$35/LF	\$66,535
	Average case		\$57,981

PEACHTREE-MALONE CONDOMINIUM ASSOCIATION, est. 2000										
Table 1 - Calculation of Reserve Requirements										
For the Budget Year Ending: December 31,2013										
		Balance at	Normal	Remaining	Cost	Cost	Today's	Excess	Annual	This Year's
		12/31/2013	Life	Life	Now	Then	Balance	(Deficit)	Requireme	Budget
							Should be			Provision
										w/interest
Flat Roof Replacement	Best Case	245,739	23	7	591,575	680,000	473,043	-227,304	29,565	
78,862 square feet of built-up	Average Cas	245,739	20	5	670,451	737,500	553,125	-307,386	36,875	27,973
modified bitumen roofing	Worst Case	245,739	17	3	749,328	795,000	654,706	-408,967	46,765	
Guttering	Best Case	5,776	38	24	19,656	32,000	11,789	-6,014	842	
3024 linear feet of the gutters,	Average Cas	5,776	35	21	21,168	32,500	13,000	-7,224	929	704
conduiter heads and downspouts	Worst Case	5,776	32	18	22,680	33,000	14,438	-8,662	1,031	
Interior Rehab	Best Case	17,623	18	7	44,850	52,000	31,778	-14,155	2,889	
Painting and minor floor work in	Average Cas	17,623	15	5	53,820	59,500	39,667	-22,044	3,967	3,009
interior hallways and stairwells	Worst Case	17,623	12	3	62,790	67,000	50,250	-32,627	5,583	
Exterior Rehab	Best Case	31,255	8	0	60,300	60,300	60,300	-29,045	7,538	
Exterior repairs and	Average Cas	31,255	7	0	70,350	70,350	70,350	-39,095	10,050	7,624
then painting of previously	Worst Case	31,255	6	0	80,400	80,400	80,400	-49,145	13,400	
Painted building surfaces										
Masonry Rehab	Best Case	1,111	6	0	1,000	1,000	1,000	111	167	
Periodic repairs to the parking	Average Cas	1,111	5	0	2,500	2,500	2,500	-1,389	500	379
lot and sidewalks. Also repairs	Worst Case	1,111	4	0	4,000	4,000	4,000	-2,889	1,000	
to brick veneer and walk surfaces										
Landscape/Irrigation Rehab	Best Case	2,843	6	4	10,000	11,000	3,667	-823	1,833	
Replacement of plant	Average Cas	2,843	5	3	15,000	16,000	6,400	-3,557	3,200	2,428
material at the common areas.	Worst Case	2,843	4	2	20,000	21,000	10,500	-7,657	5,250	
Irrigation is also included										
Access Control & CCTV	Best Case	7,286	18	12	29,850	38,000	12,667	-5,381	2,111	
Replacement of the access	Average Cas	7,286	15	9	34,600	41,000	16,400	-9,114	2,733	2,073
control system at the entances.	Worst Case	7,286	12	6	39,350	44,000	22,000	-14,714	3,667	
CCTV surveillannce system.										

Table 1 - Page 3		End of Yr	Normal	Remaining	Cost	Cost	Today's	Excess	Annual	This Year's
		Balance	Life	Life	Now	Then	Balance	(Deficit)	Requireme	Budget
							Should be			Provision
Fitness Center	Best Case	1,599	18	15	12,500	17,000	2,833	-1,234	944	
Periodic replacement of the	Average Cas	1,599	15	12	14,100	18,000	3,600	-2,001	1,200	910
existing equipment in the	Worst Case	1,599	12	9	15,700	19,000	4,750	-3,151	1,583	
fitness center										
Metal Fencing	Best Case	18,271	26	12	49,426	63,000	33,923	-15,652	2,423	
Replacement of perimeter fencin	Average Cas	18,271	24	10	57,981	70,500	41,125	-22,854	2,938	2,228
and the fencing at certain areas	Worst Case	18,271	22	8	66,535	78,000	49,636	-31,366	3,545	
inside the property										
TOTALS	Best Case	399,299					753,576	-354,277	58,694	
	Average Case						898,767	-499,468	76,063	57,701
	Worst Case						1,081,069	-681,770	99,820	
Per UNIT for AVERAGE case		2,980					6,707	-3,727	568	431
Per UNIT Per Month Contribution THIS YEAR									47.30	35.88

PEACHTREE-MALONE CONDOMINIUM ASSOCIATION, est. 2000												
Table 2 - Projected Reserve Funds Flow												
2014 through 2033 of Average Case												
RESERVE CATEGORIES	NORMAL LIFE	REMAINING LIFE	COST NOW	YEARS								
				2014	2015	2016	2017	2018	2019	2020	2021	2022
Flat Roof Replacement	20	5	670,451				184,000		214,000		345,000	
Guttering	35	21	21,168									
Interior Rehab	15	5	53,820						59,500			
Exterior Rehab	7	0	70,350	70,350							81,000	
Masonry Rehab	5	0	2,500	2,500					2,800			
Landscape/Irrigation Rehab	5	3	15,000				16,000					17,500
Access Control & CCTV	15	9	34,600									
Elevator	24	10	62,000									
Infrastructure	8	4	15,000					16,000				
Asphalt Pavement Replacement	25	10	50,764									
Asphalt Repairs and Striping	5	0	10,008	10,009					11,000			
Emergency Equipment	20	10	20,000									
Lighting	25	11	27,000									
HVAC Systems	22	7	30,000								34,000	
Fitness Center	15	12	14,100									
Metal Fencing	24	10	57,981									
-----				-----								
Yearly Expenditures				82,859	0	0	200,000	16,000	287,300	0	460,000	17,500
Prior Reserve Balance				399,299	376,557	456,391	541,608	430,845	509,419	320,168	423,727	69,615
Yearly Expenditures				82,859	0	0	200,000	16,000	287,300	0	460,000	17,500
Yearly Contribution				57,500	57,500	57,500	57,500	57,500	57,500	57,500	57,500	57,500
Interest Added				2,617	3,038	3,597	2,793	3,306	1,957	2,643	148	767
Increases- \$12 per unit per month in 2015 and \$3 in every year thereafter				0	19,296	24,120	28,944	33,768	38,592	43,416	48,240	53,064
-----				-----								
Ending Reserve Balance				376,557	456,391	541,608	430,845	509,419	320,168	423,727	69,615	163,446
Ending Balance WITH NO INCREASE				376,557	437,095	498,057	358,045	402,341	173,748	232,866	-170,821	-131,736

PEACHTREE-MALONE CONDOMINIUM ASSOCIATION, est. 2000						Page 2	ASSUMPTIONS- Interest Rate=1%				
Table 2 - Projected Reserve Funds Flow											Tax Rate=30%
2014 through 2033 of Average Case											Inflation Rate=2%
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
RESERVE CATEGORIES											
Flat Roof Replacement											
Guttering											
Interior Rehab											
Exterior Rehab						93,000					
Masonry Rehab		3,000					3,400				
Landscape/Irrigation Rehab					19,500					21,500	
Access Control & CCTV	41,000										
Elevator		75,000									
Infrastructure				18,500							
Asphalt Pavement Replacement		61,500									
Asphalt Repairs and Striping		0					13,500				
Emergency Equipment		24,000									
Lighting			33,500								
HVAC Systems											
Fitness Center				18,000							
Metal Fencing		70,500									
-											
Yearly Expenditures	41,000	234,000	33,500	36,500	19,500	93,000	16,900	0	0	21,500	0
Prior Reserve Balance	163,446	239,093	125,743	218,327	313,362	431,005	480,281	611,359	765,197	924,935	1,068,965
Yearly Expenditures	41,000	234,000	33,500	36,500	19,500	93,000	16,900	0	0	21,500	0
Yearly Contribution	57,500	57,500	57,500	57,500	57,500	57,500	57,500	57,500	57,500	57,500	57,500
Interest Added	1,259	438	1,048	1,675	2,459	2,768	3,646	4,682	5,758	6,726	7,885
Increases- \$12 per unit per mon	57,888	62,712	67,536	72,360	77,184	82,008	86,832	91,656	96,480	101,304	106,128
-											
Ending Reserve Balance	239,093	125,743	218,327	313,362	431,005	480,281	611,359	765,197	924,935	1,068,965	1,240,478
NO INCREASE	-116,042	-294,589	-272,483	-253,243	-216,749	-254,014	-214,907	-158,508	-101,715	-66,175	-8,735

PEACHTREE-MALONE CONDOMINIUM ASSOCIATION, est. 2000													
Table 3 - Prorated Reserve Requirements													
2014 through 2033 of Average Case													
** EXPENSES **										YEARS			
RESERVE CATEGORIES	NORMAL LIFE	REMAINING LIFE	COST NOW	COST THEN	TODAY'S BALANCE	2014	2015	2016	2017	2018	2019	2020	2021
Flat Roof Replacement	20	5	670,451	737,500	245,739	93,480	95,350	97,257	99,202	101,186	46,754	47,689	48,643
Guttering	35	21	21,168	32,500	5,776	1,023	1,043	1,064	1,085	1,107	1,129	1,152	1,175
Interior Rehab	15	5	53,820	59,500	17,623	7,964	8,123	8,285	8,451	8,620	4,743	4,838	4,935
Exterior Rehab	7	0	70,350	70,350	31,255	39,095	12,865	13,122	13,384	13,652	13,925	14,204	12,677
Masonry Rehab	5	0	2,500	2,500	1,111	1,389	676	689	703	717	592	603	616
Landscape/Irrigation Reha	5	3	15,000	16,000	2,843	4,303	4,389	4,477	3,417	3,485	3,555	3,626	3,699
Access Control & CCTV	15	9	34,600	41,000	7,286	3,458	3,527	3,598	3,670	3,743	3,818	3,895	3,972
Elevator	24	10	62,000	75,000	19,437	5,004	5,105	5,207	5,311	5,417	5,525	5,636	5,749
Infrastructure	8	4	15,000	16,000	3,554	3,046	3,107	3,169	3,233	2,199	2,243	2,288	2,334
Asphalt Pavement Replac	25	10	50,764	61,500	16,394	4,053	4,134	4,217	4,301	4,387	4,475	4,565	4,656
Asphalt Repairs and Stripi	5	0	10,008	10,009	4,447	5,562	2,679	2,732	2,787	2,843	1,250	1,274	1,300
Emergency Equipment	20	10	20,000	24,000	5,331	1,700	1,734	1,769	1,804	1,840	1,877	1,915	1,953
Lighting	25	11	27,000	33,500	8,335	2,032	2,073	2,114	2,157	2,200	2,244	2,289	2,334
HVAC Systems	22	7	30,000	34,000	10,299	3,162	3,225	3,290	3,356	3,423	3,491	3,561	2,017
Fitness Center	15	12	14,100	18,000	1,599	1,228	1,253	1,278	1,303	1,330	1,356	1,383	1,411
Metal Fencing	24	10	57,981	70,500	18,271	4,689	4,783	4,878	4,976	5,075	5,177	5,280	5,386

Yearly Requirement					399,299	181,190	154,066	157,147	159,140	161,225	102,155	104,198	102,856
Less Expenses Paid						82,859	0	0	200,000	16,000	287,300	0	460,000

Accumulated Requirement						497,630	651,696	808,843	767,983	913,209	728,064	832,262	475,118
** INCOME **													
Prior Reserve Balance					Beg. Bal.	399,299	376,557	456,526	541,913	431,355	510,169	321,193	425,063
Yearly Contribution						57,500	76,796	81,620	86,444	91,268	96,092	100,916	105,740
Yearly Expenditures						82,859	0	0	200,000	16,000	287,300	0	460,000
Interest Added						2,617	3,173	3,767	2,998	3,546	2,232	2,954	495

Ending Reserve Balance						376,557	456,526	541,913	431,355	510,169	321,193	425,063	71,298

Surplus(+)/Deficit(-)						-121,073	-195,170	-266,930	-336,628	-403,040	-406,871	-407,199	-403,820

PEACHTREE-MALONE CONDOMINIUM ASSOCIATION, est. 2000						Page 2						
Table 3 - Prorated Reserve Requirements												
2014 through 2033 of Average Case												
** EXPENSES **												
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
RESERVE CATEGORIES												
Flat Roof Replacement	49,616	50,608	51,620	52,653	53,706	54,780	55,876	56,993	58,133	59,296	60,482	61,691
Guttering	1,198	1,222	1,247	1,272	1,297	1,323	1,350	1,377	1,404	1,432	1,461	1,490
Interior Rehab	5,033	5,134	5,237	5,341	5,448	5,557	5,668	5,782	5,897	6,015	6,136	6,258
Exterior Rehab	12,931	13,189	13,453	13,722	13,997	14,277	14,562	14,853	15,150	15,453	15,762	16,078
Masonry Rehab	628	640	653	666	680	693	707	721	736	750	765	781
Landscape/Irrigation Reha	3,773	3,848	3,925	4,004	4,084	4,165	4,249	4,334	4,420	4,509	4,599	4,691
Access Control & CCTV	4,052	3,264	3,329	3,396	3,464	3,533	3,604	3,676	3,749	3,824	3,901	3,979
Elevator	5,863	5,981	4,165	4,248	4,333	4,420	4,508	4,598	4,690	4,784	4,880	4,978
Infrastructure	2,381	2,428	2,477	2,526	2,577	2,628	2,681	2,735	2,789	2,845	2,902	2,960
Asphalt Pavement Replac	4,749	4,844	3,315	3,381	3,449	3,518	3,588	3,660	3,733	3,808	3,884	3,962
Asphalt Repairs and Strip	1,326	1,352	1,380	1,407	1,435	1,464	1,493	1,523	1,554	1,585	1,616	1,649
Emergency Equipment	1,992	2,032	1,530	1,561	1,592	1,624	1,656	1,689	1,723	1,757	1,793	1,828
Lighting	2,381	2,429	2,477	1,805	1,842	1,878	1,916	1,954	1,993	2,033	2,074	2,115
HVAC Systems	2,057	2,098	2,140	2,183	2,227	2,271	2,317	2,363	2,410	2,458	2,508	2,558
Fitness Center	1,439	1,468	1,497	1,527	1,428	1,457	1,486	1,515	1,546	1,577	1,608	1,640
Metal Fencing	5,494	5,604	3,899	3,977	4,057	4,138	4,221	4,305	4,391	4,479	4,569	4,660
Yearly Requirement	104,913	106,142	102,345	103,671	105,614	107,727	109,881	112,079	114,320	116,607	118,939	121,318
Less Expenses Paid	17,500	41,000	234,000	33,500	36,500	19,500	93,000	16,900	0	0	21,500	0
Accumulated Requiremen	562,531	627,673	496,018	566,189	635,303	723,530	740,411	835,590	949,910	1,066,517	1,163,956	1,285,273
** INCOME **												
Prior Reserve Balance	71,298	165,512	241,579	128,685	221,762	317,327	435,538	485,420	617,141	771,661	932,120	1,076,909
Yearly Contribution	110,564	115,388	120,212	125,036	129,860	134,684	139,508	144,332	149,156	153,980	158,804	163,628
Yearly Expenditures	17,500	41,000	234,000	33,500	36,500	19,500	93,000	16,900	0	0	21,500	0
Interest Added	1,150	1,679	894	1,541	2,205	3,027	3,374	4,289	5,364	6,479	7,485	8,683
-												
Ending Reserve Balance	165,512	241,579	128,685	221,762	317,327	435,538	485,420	617,141	771,661	932,120	1,076,909	1,249,220
Surplus(+)/Deficit(-)	-397,019	-386,094	-367,333	-344,427	-317,976	-287,992	-254,991	-218,449	-178,249	-134,397	-87,047	-36,053

