

# Chelsea Place Townhouse Owners Association

April 24, 2023 • Winfield, IL

RESERVE STUDY



Chelsea Place Townhouse Owners Association  
Winfield, Illinois

Dear Board of Directors of Chelsea Place Townhouse Owners Association:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Reserve Study* of Chelsea Place Townhouse Owners Association in Winfield, Illinois and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, April 24, 2023.

This *Reserve Study* exceeds the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a “Level II Reserve Study Update.”

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. We look forward to continuing to help Chelsea Place Townhouse Owners Association plan for a successful future.

As part of our long-term thinking and everyday commitment to our clients, we are available to answer any questions you may have regarding this study.

Respectfully submitted on June 15, 2023 by

*Reserve Advisors, LLC*

Visual Inspection and Report by: Matthew D. Neike

Review by: Nicole L. Lowery, RS<sup>1</sup>, PRA<sup>2</sup>, Associate Director of Quality Assurance



<sup>1</sup> RS (Reserve Specialist) is the reserve provider professional designation of the Community Associations Institute (CAI) representing America's more than 300,000 condominium, cooperative and homeowners associations.

<sup>2</sup> PRA (Professional Reserve Analyst) is the professional designation of the Association of Professional Reserve Analysts. Learn more about APRA at <http://www.apra-usa.com>.





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# 1. RESERVE STUDY EXECUTIVE SUMMARY

**Client:** Chelsea Place Townhouse Owners Association (Chelsea Place)

**Location:** Winfield, Illinois

**Reference:** 142121

**Property Basics:** Chelsea Place Townhouse Owners Association is a townhome style development which consists of 40 units in 10 buildings. The community was built from 1989 to 1993.

**Reserve Components Identified:** 17 Reserve Components.

**Inspection Date:** April 24, 2023. We conducted the original inspection on March 16, 2015.

**Funding Goal:** The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan recognizes these threshold funding years in 2025 due to the replacement of the asphalt shingle roofs in 2036 due to the replacement of the wood siding, and in 2046 due to the replacement of the asphalt shingle roofs. In addition, the Reserve Funding Plan recommends 2053 year end accumulated reserves of approximately \$620,400. We judge this amount of accumulated reserves in 2053 necessary to fund the likely replacement of the asphalt shingle roofs after 2053. These future needs, although beyond the limit of the Cash Flow Analysis of this Reserve Study, are reflected in the amount of accumulated 2053 year end reserves.

**Methodology:** We use the Cash Flow Method to compute the Reserve Funding Plan. This method offsets future variable Reserve Expenditures with existing and future stable levels of reserve funding. Our application of this method also considers:

- Current and future local costs of replacement
- 2.0% anticipated annual rate of return on invested reserves
- 3.5% future Inflation Rate for estimating Future Replacement Costs

**Sources for Local Costs of Replacement:** Our proprietary database, historical costs and published sources, i.e., R.S. Means, Incorporated.

**Unaudited Cash Status of Reserve Fund:**

- \$197,107 as of February 28, 2023
- 2023 budgeted Reserve Contributions of \$52,745

**Project Prioritization:** We note anticipated Reserve Expenditures for the next 30 years in the **Reserve Expenditures** tables and include a **Five-Year Outlook** table following the **Reserve Funding Plan** in Section 3. We recommend the Association prioritize the following projects in the next five years based on the conditions identified:

- Paint finish applications and partial replacement to limit water infiltration into the units, and to maintain a uniformly clean and consistent appearance of the buildings
- Replacement of the roofs as deferral may result in increased water infiltration and cost
- Systematic replacement of the concrete driveways to limit the potential for trip hazards
- Replacement of the chimney caps as deferral may result in increased water infiltration



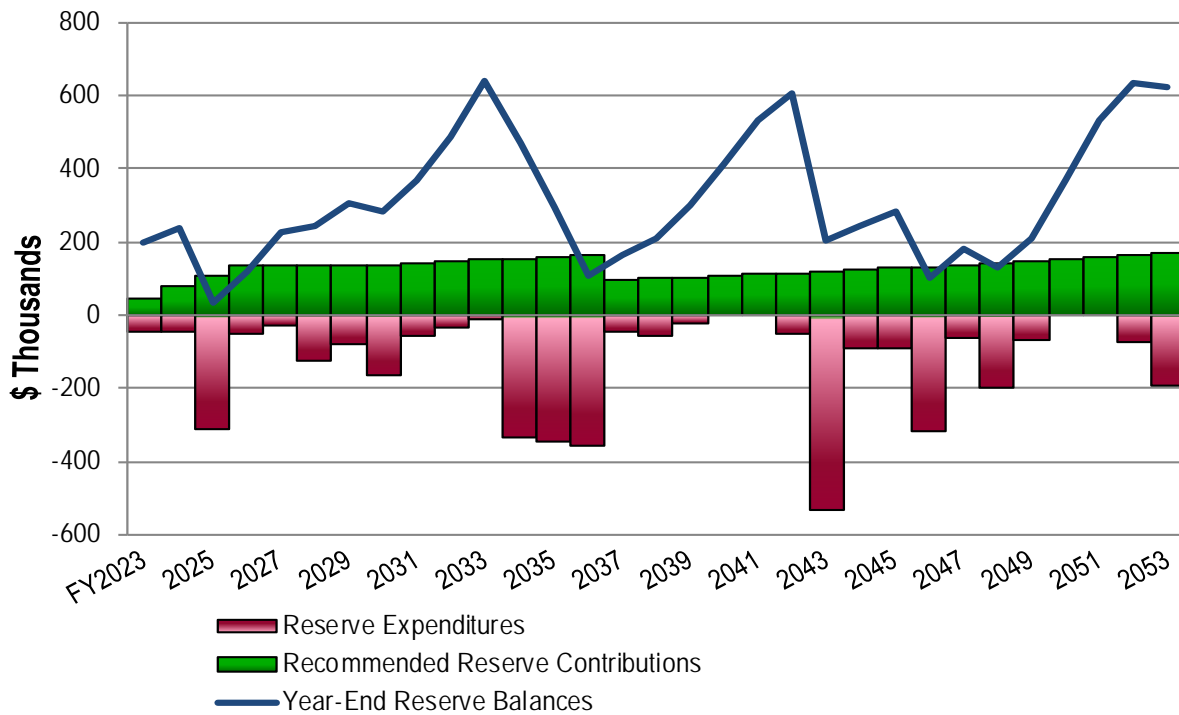
**Recommended Reserve Funding:** We recommend the following in order to achieve a stable and equitable Cash Flow Methodology Funding Plan:

- Phased increases of \$27,500 from 2024 through 2026
- Stable contributions of \$135,200 from 2027 through 2030
- Inflationary increases from 2031 through 2036
- Decrease to \$97,000 by 2037 due to fully funding for replacement of the wood siding with fiber cement
- Inflationary increases thereafter through 2053, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of \$27,455 represents an average monthly increase of \$57.20 per unit owner and about an eighteen percent (17.7%) adjustment in the 2023 total Operating Budget of \$155,520.
- These recommended Reserve Contributions ensure that each owner funds their use of the Association maintained elements annually. The actual Reserve Contributions approved by the Board may vary based on factors external to the Reserve Study such as the financial impact on unit owners, desire to utilize funding mechanisms other than reserves and the market value of the units. We include stepped or phased annual increases in the Reserve Contribution based on the current financial conditions of the Association, significant recommended Reserve Contributions and the critical Reserve Balances. Any phase in the required Reserve Contribution increase defers the cost burden to future owners. We therefore limit the number of phased increases to limit the deferred cost burden to future owners. We opine this funding method adheres to APRA Standards of Practice which state in part "... any Funding Plan shall meet the Following Funding Principles: Sufficient funds when required, stable contribution rate over the years, evenly distributed contributions over the years, and fiscally responsible."



**Chelsea Place**  
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2024	80,200	237,285	2034	155,100	470,644	2044	123,400	242,923
2025	107,700	33,260	2035	160,500	293,562	2045	127,700	283,542
2026	135,200	120,086	2036	166,100	106,394	2046	132,200	104,216
2027	135,200	228,060	2037	97,000	162,791	2047	136,800	182,825
2028	135,200	243,459	2038	100,400	210,283	2048	141,600	127,090
2029	135,200	306,228	2039	103,900	297,799	2049	146,600	210,503
2030	135,200	282,111	2040	107,500	412,330	2050	151,700	367,930
2031	139,900	369,204	2041	111,300	532,990	2051	157,000	533,859
2032	144,800	486,042	2042	115,200	608,100	2052	162,500	635,447
2033	149,900	638,044	2043	119,200	204,268	2053	168,200	620,449





## 2. RESERVE STUDY REPORT

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Reserve Study* of

### **Chelsea Place Townhouse Owners Association**

### **Winfield, Illinois**

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, April 24, 2023. We conducted the original inspection on March 16, 2015.

We present our findings and recommendations in the following report sections and spreadsheets:

- **Identification of Property** - Segregates all property into several areas of responsibility for repair or replacement
- **Reserve Expenditures** - Identifies reserve components and related quantities, useful lives, remaining useful lives and future reserve expenditures during the next 30 years
- **Reserve Funding Plan** - Presents the recommended Reserve Contributions and year-end Reserve Balances for the next 30 years
- **Five-Year Outlook** - Identifies reserve components and anticipated reserve expenditures during the first five years
- **Reserve Component Detail** - Describes the reserve components, includes photographic documentation of the condition of various property elements, describes our recommendations for repairs or replacement, and includes detailed solutions and procedures for replacements for the benefit of current and future board members
- **Methodology** - Lists the national standards, methods and procedures used to develop the Reserve Study
- **Definitions** - Contains definitions of terms used in the Reserve Study, consistent with national standards
- **Professional Service Conditions** - Describes Assumptions and Professional Service Conditions
- **Credentials and Resources**



## IDENTIFICATION OF PROPERTY



Our investigation includes Reserve Components or property elements as set forth in your Declaration. The Expenditure tables in Section 3 list the elements contained in this study. Our analysis begins by segregating the property elements into several areas of responsibility for repair and replacement.

Our process of identification helps assure that future boards and the management team understand whether reserves, the operating budget or Unit Owners fund certain replacements and assists in preparation of the annual budget. We derive these segregated classes of property from our review of the information provided by the Association and through conversations with the Board. These classes of property include:

- Reserve Components
- Long-Lived Property Elements
- Operating Budget Funded Repairs and Replacements
- Property Maintained by Unit Owners
- Property Maintained by Others

We advise the Board conduct an annual review of these classes of property to confirm its policy concerning the manner of funding, i.e., from reserves or the operating budget. The Reserve Study identifies Reserve Components as set forth in your Declaration or which were identified as part of your request for proposed services. Reserve Components are defined by CAI as property elements with:

- Chelsea Place responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

**Long-Lived Property Elements** – These elements may not have predictable Remaining Useful Lives or their replacement may occur beyond the 30-year scope of the study. The operating budget should fund infrequent repairs. Funding untimely or unexpected replacements from reserves will necessitate increases to Reserve Contributions. Periodic updates of this Reserve Study will help determine the merits of adjusting the Reserve Funding Plan. We identify the following Long-Lived Property Elements as excluded from the 30-year Reserve Expenditures at this time:

- Foundations
- Structural Frames

**Operating Budget** - Provides money for the repair and replacement of certain Reserve Components. The Association may develop independent criteria for use of operating and reserve funds. For purposes of calculating appropriate Reserve Contributions, we identify the following list of Operating Budget Funded Repairs and Replacements:

- General Maintenance to the Common Elements
- Expenditures less than \$3,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Catch Basins, Landscape
- Landscape
- Paint Finishes, Touch Up and Fences
- Other Repairs normally funded through the Operating Budget



**Debris accumulation at catch basin**



**Unit Owners' Responsibility** - Items designated as the responsibility of the unit owners to repair or replace at their cost. Property Maintained by Unit Owners, including items billed back to Unit Owners, relates to unit:

- Decks, Patios and Stoops
- Garage Doors
- Electrical Systems (Including Circuit Protection Panels)
- Heating, Ventilating and Air Conditioning (HVAC) Units
- Interiors
- Light Fixtures, Rear
- Pipes (Within Units)
- Skylights
- Windows and Doors

**Others' Responsibility** - Items designated as the responsibility of others to repair or replace. Property Maintained by Others relates to:

- Street Systems (Village of Winfield)
- Fence, North Perimeter (Commercial Property)
- Light Poles and Fixtures (Village of Winfield)
- Mailbox Stations (Village of Winfield)
- Pipes, Subsurface Utilities (Village of Winfield)
- Sidewalks Along Street (Village of Winfield)

### 3. RESERVE EXPENDITURES and FUNDING PLAN

The tables following this introduction present:

#### Reserve Expenditures

- Line item numbers
- Total quantities
- Quantities replaced per phase (in a single year)
- Reserve component inventory
- Estimated first year of event (i.e., replacement, application, etc.)
- Life analysis showing
  - useful life
  - remaining useful life
- 2023 local cost of replacement
  - Per unit
  - Per phase
  - Replacement of total quantity
- Percentage of future expenditures anticipated during the next 30 years
- Schedule of estimated future costs for each reserve component including inflation

#### Reserve Funding Plan

- Reserves at the beginning of each year
- Total recommended reserve contributions
- Estimated interest earned from invested reserves
- Anticipated expenditures by year
- Anticipated reserves at year end

#### Five-Year Outlook

- Line item numbers
- Reserve component inventory of only the expenditures anticipated to occur within the first five years
- Schedule of estimated future costs for each reserve component anticipated to occur within the first five years

The purpose of a Reserve Study is to provide an opinion of reasonable annual Reserve Contributions. Prediction of exact timing and costs of minor Reserve Expenditures typically will not significantly affect the 30-year cash flow analysis. Adjustments to the times and/or costs of expenditures may not always result in an adjustment in the recommended Reserve Contributions.

Financial statements prepared by your association, by you or others might rely in part on information contained in this section. For your convenience, we have provided an electronic data file containing the tables of **Reserve Expenditures** and **Reserve Funding Plan**.

## RESERVE EXPENDITURES

**Chelsea Place  
Townhouse Owners Association**  
Winfield, Illinois

**Explanatory Notes:**

- 1) **3.5%** is the estimated Inflation Rate for estimating Future Replacement Costs.
- 2) FY2023 is Fiscal Year beginning January 1, 2023 and ending December 31, 2023.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			Percentage of Future Expenditures	RUL = 0 FY2023	1 2024	2 2025	3 2026	4 2027	5 2028	6 2029	7 2030	8 2031	9 2032	10 2033	11 2034	12 2035	13 2036	14 2037	15 2038
						Useful	Remaining	Unit (2023)	Per Phase (2023)	Total (2023)																	
<b>Exterior Building Elements</b>																											
1.140	40	40	Each	Chimney Caps, Metal	2028	to 25	5	500.00	20,000	20,000	2.1%						23,754										
1.239	2,060	2,060	Linear Feet	Gutters and Downspouts, Aluminum, Remaining	2025	15 to 25	2	10.00	20,600	20,600	0.6%		22,067														
1.240	3,900	3,900	Linear Feet	Gutters and Downspouts, Aluminum, Buildings 1, 2, 7, 9 and 10	2043	15 to 25	20	10.00	39,000	39,000	2.0%																
1.241	2,970	1,485	Linear Feet	Gutters and Downspouts, Aluminum, Buildings 3, 4, 5, 6 and 8, Phased	2046	15 to 25	23 to 26	10.00	14,850	29,700	1.8%																
1.260	80	80	Each	Light Fixtures, Garage and Front Entrance	2033	to 20	10	80.00	6,400	6,400	0.7%										9,028						
1.280	430	430	Squares	Roofs, Asphalt Shingles, Buildings 1, 2, 7, 9 and 10	2025	15 to 20	2	530.00	227,900	227,900	18.4%		244,132														
1.281	320	160	Squares	Roofs, Asphalt Shingles, Buildings 3, 4, 5, 6 and 8, Phased	2028	15 to 20	5 to 7	530.00	84,800	169,600	15.7%						100,716		107,889								
1.560	42	14	Pairs	Shutters, Vinyl, Phased	2034	to 20	11 to 13	220.00	3,080	9,240	0.4%											4,497	4,654	4,817			
1.820	12,350	12,350	Square Feet	Walls, Masonry, Inspections and Repairs	2029	8 to 12	6	1.00	12,350	12,350	1.8%						15,181										
1.840	3	1	Allowance	Walls, Siding, Fiber Cement, Paint Finishes, Phased	2044	8 to 10	21 to 23	43,300.00	43,300	129,900	10.5%																
1.865	3	1	Allowance	Walls, Siding, Wood, Paint Finishes, Phased	2024	4 to 6	1 to 3	45,000.00	45,000	135,000	8.3%	46,575	48,205	49,892			55,316	57,253	59,256								
1.870	52,000	17,333	Square Feet	Walls, Siding, Wood, Phased (Replace with Fiber Cement)	2034	to 50	11 to 13	13.00	225,333	676,000	27.0%											328,980	340,494	352,411			
<b>Property Site Elements</b>																											
4.120	26,400	1,320	Square Feet	Concrete Driveways, Partial	2027	to 65	4 to 30+	16.50	21,780	435,600	6.3%				24,993						29,684					35,255	
4.140	5,000	330	Square Feet	Concrete Sidewalks, Partial	2027	to 65	4 to 30+	15.00	4,950	75,000	1.4%				5,680						6,746					8,013	
4.245	55	55	Linear Feet	Fences, Steel	2038	to 35	15	67.00	3,685	3,685	0.2%															6,174	
4.285	700	700	Linear Feet	Fences, Wood	2038	15 to 20	15	43.00	30,100	30,100	1.3%															50,428	
4.800	1	1	Allowance	Signage, Entrance Monument, Replacement	2029	35 to 40	6	6,000.00	6,000	6,000	0.2%						7,376										
		1	Allowance	2023 Reserve Expenditures	2023	N/A	0	45,000	45,000	45,000	1.2%	45,000															
<b>Anticipated Expenditures, By Year (\$3,791,264 over 30 years)</b>												45,000	46,575	314,404	49,892	30,673	124,470	77,873	165,142	59,256	36,430	9,028	333,477	345,148	357,228	43,268	56,602

## RESERVE EXPENDITURES

**Chelsea Place  
Townhouse Owners Association**  
Winfield, Illinois

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			Percentage of Future Expenditures	16 2039	17 2040	18 2041	19 2042	20 2043	21 2044	22 2045	23 2046	24 2047	25 2048	26 2049	27 2050	28 2051	29 2052	30 2053
						Useful	Remaining	Unit (2023)	Per Phase (2023)	Total (2023)																
<b>Exterior Building Elements</b>																										
1.140	40	40	Each	Chimney Caps, Metal	2028	to 25	5	500.00	20,000	20,000	2.1%															56,136
1.239	2,060	2,060	Linear Feet	Gutters and Downspouts, Aluminum, Remaining	2025	15 to 25	2	10.00	20,600	20,600	0.6%															
1.240	3,900	3,900	Linear Feet	Gutters and Downspouts, Aluminum, Buildings 1, 2, 7, 9 and 10	2043	15 to 25	20	10.00	39,000	39,000	2.0%				77,602											
1.241	2,970	1,485	Linear Feet	Gutters and Downspouts, Aluminum, Buildings 3, 4, 5, 6 and 8, Phased	2046	15 to 25	23 to 26	10.00	14,850	29,700	1.8%							32,761				36,322				
1.260	80	80	Each	Light Fixtures, Garage and Front Entrance	2033	to 20	10	80.00	6,400	6,400	0.7%															17,963
1.280	430	430	Squares	Roofs, Asphalt Shingles, Buildings 1, 2, 7, 9 and 10	2025	15 to 20	2	530.00	227,900	227,900	18.4%				453,473											
1.281	320	160	Squares	Roofs, Asphalt Shingles, Buildings 3, 4, 5, 6 and 8, Phased	2028	15 to 20	5 to 7	530.00	84,800	169,600	15.7%							187,079			200,403					
1.560	42	14	Pairs	Shutters, Vinyl, Phased	2034	to 20	11 to 13	220.00	3,080	9,240	0.4%															
1.820	12,350	12,350	Square Feet	Walls, Masonry, Inspections and Repairs	2029	8 to 12	6	1.00	12,350	12,350	1.8%	21,415											30,208			
1.840	3	1	Allowance	Walls, Siding, Fiber Cement, Paint Finishes, Phased	2044	8 to 10	21 to 23	43,300.00	43,300	129,900	10.5%				89,173	92,294	95,525									121,534
1.865	3	1	Allowance	Walls, Siding, Wood, Paint Finishes, Phased	2024	4 to 6	1 to 3	45,000.00	45,000	135,000	8.3%															
1.870	52,000	17,333	Square Feet	Walls, Siding, Wood, Phased (Replace with Fiber Cement)	2034	to 50	11 to 13	13.00	225,333	676,000	27.0%															
<b>Property Site Elements</b>																										
4.120	26,400	1,320	Square Feet	Concrete Driveways, Partial	2027	to 65	4 to 30+	16.50	21,780	435,600	6.3%				41,872					49,731						59,065
4.140	5,000	330	Square Feet	Concrete Sidewalks, Partial	2027	to 65	4 to 30+	15.00	4,950	75,000	1.4%				9,516					11,302						13,424
4.245	55	55	Linear Feet	Fences, Steel	2038	to 35	15	67.00	3,685	3,685	0.2%															
4.285	700	700	Linear Feet	Fences, Wood	2038	15 to 20	15	43.00	30,100	30,100	1.3%															
4.800	1	1	Allowance	Signage, Entrance Monument, Replacement	2029	35 to 40	6	6,000.00	6,000	6,000	0.2%															
		1	Allowance	2023 Reserve Expenditures	2023	N/A	0	45,000	45,000	45,000	1.2%															
<b>Anticipated Expenditures, By Year (\$3,791,264 over 30 years)</b>												21,415	0	0	51,388	531,075	89,173	92,294	315,365	61,033	200,403	66,530	0	0	72,489	195,633

# RESERVE FUNDING PLAN

## CASH FLOW ANALYSIS

Chelsea Place  
Townhouse Owners Association

Winfield, Illinois

Individual Reserve Budgets & Cash Flows for the Next 30 Years

		FY2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Reserves at Beginning of Year	(Note 1)	197,107	199,337	237,285	33,260	120,086	228,060	243,459	306,228	282,111	369,204	486,042	638,044	470,644	293,562	106,394	162,791
Total Recommended Reserve Contributions	(Note 2)	43,954	80,200	107,700	135,200	135,200	135,200	135,200	135,200	139,900	144,800	149,900	155,100	160,500	166,100	97,000	100,400
Estimated Interest Earned, During Year	(Note 3)	3,276	4,323	2,679	1,518	3,447	4,669	5,442	5,825	6,449	8,468	11,130	10,977	7,566	3,960	2,665	3,694
Anticipated Expenditures, By Year		(45,000)	(46,575)	(314,404)	(49,892)	(30,673)	(124,470)	(77,873)	(165,142)	(59,256)	(36,430)	(9,028)	(333,477)	(345,148)	(357,228)	(43,268)	(56,602)
Anticipated Reserves at Year End		<u>\$199,337</u>	<u>\$237,285</u>	<u>\$33,260</u>	<u>\$120,086</u>	<u>\$228,060</u>	<u>\$243,459</u>	<u>\$306,228</u>	<u>\$282,111</u>	<u>\$369,204</u>	<u>\$486,042</u>	<u>\$638,044</u>	<u>\$470,644</u>	<u>\$293,562</u>	<u>\$106,394</u>	<u>\$162,791</u>	<u>\$210,283</u>

(NOTE 5)

(NOTE 5)

(continued)

Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued

		2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
Reserves at Beginning of Year		210,283	297,799	412,330	532,990	608,100	204,268	242,923	283,542	104,216	182,825	127,090	210,503	367,930	533,859	635,447
Total Recommended Reserve Contributions		103,900	107,500	111,300	115,200	119,200	123,400	127,700	132,200	136,800	141,600	146,600	151,700	157,000	162,500	168,200
Estimated Interest Earned, During Year		5,031	7,031	9,360	11,298	8,043	4,428	5,213	3,839	2,842	3,068	3,343	5,727	8,929	11,577	12,435
Anticipated Expenditures, By Year		(21,415)	0	0	(51,388)	(531,075)	(89,173)	(92,294)	(315,365)	(61,033)	(200,403)	(66,530)	0	0	(72,489)	(195,633)
Anticipated Reserves at Year End		<u>\$297,799</u>	<u>\$412,330</u>	<u>\$532,990</u>	<u>\$608,100</u>	<u>\$204,268</u>	<u>\$242,923</u>	<u>\$283,542</u>	<u>\$104,216</u>	<u>\$182,825</u>	<u>\$127,090</u>	<u>\$210,503</u>	<u>\$367,930</u>	<u>\$533,859</u>	<u>\$635,447</u>	<u>\$620,449</u>

(NOTE 5)

(NOTE 4)

**Explanatory Notes:**

- 1) Year 2023 starting reserves are as of February 28, 2023; FY2023 starts January 1, 2023 and ends December 31, 2023.
- 2) Reserve Contributions for 2023 are the remaining budgeted 10 months; 2024 is the first year of recommended contributions.
- 3) 2.0% is the estimated annual rate of return on invested reserves; 2023 is a partial year of interest earned.
- 4) Accumulated year 2053 ending reserves consider the need to fund for replacement of the asphalt shingle roofs shortly after 2053, and the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Years (reserve balance at critical point).

## RESERVE EXPENDITURES

**Chelsea Place  
Townhouse Owners Association**  
Winfield, Illinois

Line Item	Reserve Component Inventory	RUL = 0 FY2023	1 2024	2 2025	3 2026	4 2027	5 2028
<b><u>Exterior Building Elements</u></b>							
1.140	Chimney Caps, Metal						23,754
1.239	Gutters and Downspouts, Aluminum, Remaining			22,067			
1.280	Roofs, Asphalt Shingles, Buildings 1, 2, 7, 9 and 10			244,132			
1.281	Roofs, Asphalt Shingles, Buildings 3, 4, 5, 6 and 8, Phased						100,716
1.865	Walls, Siding, Wood, Paint Finishes, Phased		46,575	48,205	49,892		
<b><u>Property Site Elements</u></b>							
4.120	Concrete Driveways, Partial						24,993
4.140	Concrete Sidewalks, Partial						5,680
	2023 Reserve Expenditures	45,000					
	<b>Anticipated Expenditures, By Year (\$3,791,264 over 30 years)</b>	45,000	46,575	314,404	49,892	30,673	124,470



## 4. RESERVE COMPONENT DETAIL

The Reserve Component Detail of this *Reserve Study* includes enhanced solutions and procedures for select significant components. This section describes the Reserve Components, documents specific problems and condition assessments, and may include detailed solutions and procedures for necessary capital repairs and replacements for the benefit of current and future board members. We advise the Board use this information to help define the scope and procedures for repair or replacement when soliciting bids or proposals from contractors. *However, the Report in whole or part is not and should not be used as a design specification or design engineering service.*

### Exterior Building Elements



Front elevation



Rear elevation

### Chimney Caps, Metal

---

**Line Item:** 1.140

**Quantity:** 40 metal chimney caps

**History:** Varied ages

**Condition:** Fair overall, based on our visual inspection from the ground, with rust evident.



**Rust**



**Rust**

**Useful Life:** Up to 25 years

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- As-needed:
  - Clean flues
  - With roof inspection, inspect for wildlife damage, corrosion, sealant deterioration and water infiltration

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## **Gutters and Downspouts, Aluminum**

---

**Line Items:** 1.239 through 1.241

**Quantity:** Approximately 6,870 linear feet of aluminum small and large capacity gutters and downspouts

**History:** The Association informs us seven of the buildings have had the gutters and downspouts replaced recently and they plan on replacing the gutters and downspouts at building seven in 2023. We recommend the Association replace the remaining gutters and downspouts by 2025 and plan for subsequent replacements of the gutters and downspouts to coincide with the roof replacements beginning in 2043.

**Condition:** Good to fair overall with periodic fastener rust and dented sections evident.



**Painted downspout**



**Downspout damage**



**Improper downspout runoff**



**Downspout damage (27W224 shown)**



**Downspout damage**



**Bird nest**

**Useful Life:** 15- to 25-years

**Component Detail Notes:** The size of the gutter is determined by the roof's watershed area, a roof pitch factor and the rainfall intensity number of the Association's region. We

recommend sloping gutters 1/16 inch per linear foot and providing fasteners a maximum of every three feet.

Downspouts can drain 100 square feet of roof area per one square inch of downspout cross sectional area. We recommend the use of downspout extensions and splash blocks at the downspout discharge to direct storm water away from the foundations. Downspouts that discharge directly onto roofs cause premature deterioration of the roofs due to the high concentration of storm water. We recommend either routing these downspouts directly to the ground, connecting the downspouts to the gutters of the lower roof or distributing the storm water discharge over a large area. The useful life of gutters and downspouts coincides with that of the sloped roofs. Coordinated replacement will result in the most economical unit price and minimize the possibility of damage to other roof components as compared to separate replacements.

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
  - Clean out debris and leaves that collect in the gutters
  - Repair and refasten any loose gutter fasteners
  - Repair and seal any leaking seams or end caps
  - Verify downspouts discharge away from foundations

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost is based on information provided by the Association.

## Light Fixtures

---

**Line Item:** 1.260

**Quantity:** Approximately 80 exterior metal light fixtures accent the garages and front entries

**History:** Replaced in 2013.

**Condition:** Good to fair overall with finish deterioration and damaged fixtures evident.



**Exterior light fixture**



**Fixture finish deterioration**



**Fixture damage (27W234 shown)**

**Useful Life:** Up to 20 years

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- As-needed:
  - Replace burned out bulbs at common fixtures as needed
  - Inspect and repair broken or dislodged fixtures
  - Ensure a waterproof seal between the fixture and building exists

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## Roofs, Asphalt Shingles

---

**Line Items:** 1.280 and 1.281

**Quantity:** Approximately 750 squares<sup>1</sup>

**History:** Replaced from 2007 through 2013. We recommend the Association conduct inspections of the roofs semiannually and fund these inspections through the operating budget.

**Condition:** Fair overall with granular loss, sheathing deflection and weathering evident from our visual inspection from the ground. The Board does not report a history of leaks. The Association reports a history of ice dams.



**Roof overview**



**Sheathing deflection**



**Organic growth**



**Weathered shingles (0N692 shown)**

<sup>1</sup> We quantify the roof area in squares where one square is equal to 100 square feet of surface area.



**Shingle lift**



**Shingle lift at skylight (27W204 shown)**



**Flashing lift (0N665 shown)**



**Weathered shingles**



**Nail pop at flashing (0N698 shown)**



**Shingle lift (0N664 shown)**

**Useful Life:** 15- to 20-years

**Component Detail Notes:** The existing roof assembly comprises the following:

- Laminate architectural shingles
- Boston style ridge caps
- Lead boot flashing at waste pipes
- Soffit and square hood box
- Metal drip edge
- Enclosed half weaved valleys

Insulation and ventilation are two major components of a sloped roof system. Together, proper insulation and ventilation help to control attic moisture and maintain an energy efficient building. Both insulation and ventilation prevent moisture buildup which can cause wood rot, mold and mildew growth, warp sheathing, deteriorate shingles, and eventually damage building interiors. Sufficient insulation helps to minimize the quantity of moisture that enters the attic spaces and adequate ventilation helps to remove any moisture that enters the attic spaces. These two roof system components also help to reduce the amount of energy that is required to heat and cool a building. Proper attic insulation minimizes heat gain and heat loss between the residential living spaces and attic spaces. This reduces energy consumption year-round. Proper attic ventilation removes excessive heat from attic spaces that can radiate into residential living spaces and cause air conditioners to work harder. Properly installed attic insulation and ventilation work together to maximize the useful life of sloped roof systems.

The vents should be clear of debris and not blocked from above by attic insulation. If the soffit vents are blocked from above, installation of polystyrene vent spaces or baffles between the roof joists at these locations can ensure proper ventilation.

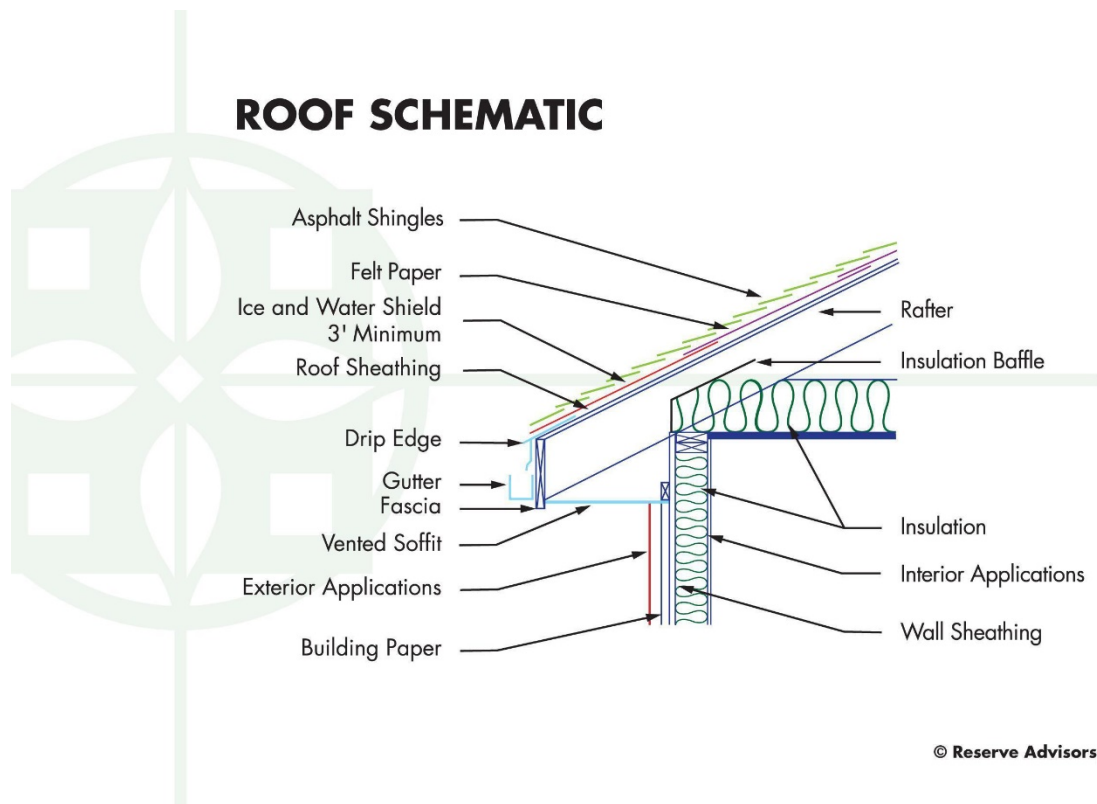
Certain characteristics of condition govern the times of replacement. Replacement of an asphalt shingle roof becomes necessary when there are multiple or recurring leaks and when the shingles begin to cup, curl and lift. These conditions are indications that the asphalt shingle roof is near the end of its useful life. Even if the shingles are largely watertight, the infiltration of water in one area can lead to permanent damage to the underlying roof sheathing. This type of deterioration requires replacement of saturated sections of sheathing and greatly increases the cost of roof replacement. Roof leaks may occur from interrelated roof system components, i.e., flashings. Therefore, the warranty period, if any, on the asphalt shingles, may exceed the useful life of the roof system.

Warranties are an indication of product quality and are not a product guarantee. Asphalt shingle product warranties vary from 20- to 50-years and beyond. However, the scope is usually limited to only the material cost of the shingles as caused by manufacturing defects. Warranties may cover defects such as thermal splitting, granule loss, cupping, and curling. Labor cost is rarely included in the remedy so if roof materials fail, the labor to tear off and install new shingles is extra. Other limitations of warranties are exclusions for "incidental and consequential" damages resulting from age, hurricanes, hail storms, ice dams, severe winds, tornadoes, earthquakes, etc. There are some warranties which offer no dollar limit for replacement at an additional cost (effectively an insurance policy) but again these warranties also have limits and may not cover all damages other than a



product defect. We recommend a review of the manufacturers' warranties as part of the evaluation of competing proposals to replace a roof system. This evaluation should identify the current costs of remedy if the roof were to fail in the near future. A comparison of the costs of remedy to the total replacement cost will assist in judging the merits of the warranties.

The following cross-sectional schematic illustrates a typical asphalt shingle roof system although it may not reflect the actual configuration at Chelsea Place:



Contractors use one of two methods for replacement of sloped roofs, either an overlayment or a tear-off. Overlayment is the application of new shingles over an existing roof. However, there are many disadvantages to overlayment including hidden defects of the underlying roof system, absorption of more heat resulting in accelerated deterioration of the new and old shingles, and an uneven visual appearance. Therefore, we recommend only the tear-off method of replacement. The tear-off method of replacement includes removal of the existing shingles, flashings if required and underlayments.

The Association should plan to coordinate the replacement of gutters and downspouts with the adjacent roofs when practical. This will result in the most economical unit price and minimize the possibility of damage to other roof components as compared to separate replacements.

**Preventative Maintenance Notes:** We recommend the Association maintain a service and inspection contract with a qualified professional and record all documentation of

repairs conducted. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Record any areas of water infiltration, flashing deterioration, damage or loose shingles
  - Implement repairs as needed if issues are reoccurring
  - Trim tree branches that are near or in contact with roof
- As-needed:
  - Ensure proper ventilation and verify vents are clear of debris and not blocked from attic insulation

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## Shutters, Vinyl

---

**Line Item:** 1.560

**Quantity:** Approximately 42 pairs of decorative louvered profile vinyl shutters

**History:** The age was unavailable at the time of our inspection.

**Condition:** Good to fair overall with periodic damaged shutters evident.



Vinyl shutters



Shutter damage (0N673 shown)

**Useful Life:** Up to 20 years

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- As-needed:
  - Inspect and repair loose fasteners and damaged shutters

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## Walls, Masonry

---

**Line Item:** 1.820

**Quantity:** Approximately 12,350 square feet of masonry comprises the exterior walls

**History:** Original

**Condition:** Good overall with the following evident:

- Common brick masonry
- Minimal previous repairs evident
- Masonry exhibits isolated cracks
- Masonry exhibits minor spalls
- Minor mortar deterioration is evident
- Weeps and flashing at lintels are visible



Masonry walls overview



Mortar crack (27W212 shown)



Patched weeps (27W220 shown)



Mortar spall



**Improper masonry patch (27W224 shown)**



**Mortar cracks (27W234 shown)**



**Weeps**

**Useful Life:** We advise a complete inspection of the masonry and related masonry repairs every 8- to 12-years to forestall deterioration.

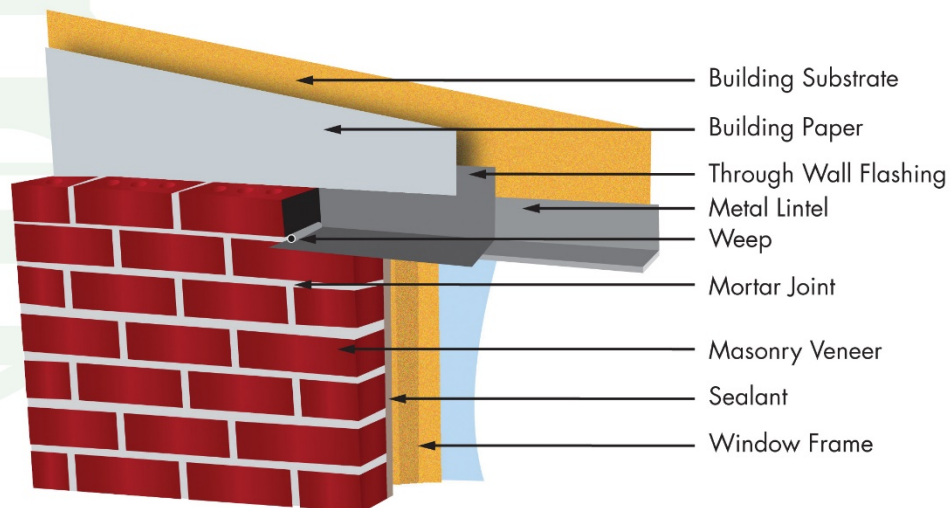
**Component Detail Notes:** Common types of masonry deterioration include efflorescence, spalling, joint deterioration and cracking. The primary cause of efflorescence, cracks and face spall is water infiltration; therefore, prevention of water infiltration is the principal concern for the maintenance of masonry applications.

Repointing is a process of raking and cutting out defective mortar to a depth of not less than  $\frac{1}{2}$  inch nor more than  $\frac{3}{4}$  inch and replacing it with new mortar. Face grouting is the process of placing mortar over top of the existing mortar. We advise against face grouting because the existing, often deteriorated mortar does not provide a solid base for the new mortar. New mortar spalls at face grouted areas will likely occur. One purpose of a mortar joint is to protect the masonry by relieving stresses within the wall caused by expansion, contraction, moisture migration and settlement. Repointed mortar joints are more effective if the mortar is softer and more permeable than the masonry units, and no harder or less permeable than the existing mortar. The masonry contractor should address these issues within the proposed scope of work.

We recommend inspection and partial repairs of the steel shelf angles. Shelf angles are steel angles which support the weight of masonry veneer between floors and transfers that weight onto the main structural system. Shelf angles require through-wall flashing and weeps to ensure proper elimination of water from the masonry system. The contractor should remove any areas of rust, prime and paint exposed shelf angles at windows, if present.

The following diagram details a typical metal lintel and weep system; however, this detail is similar to construction at shelf angles and may not reflect the actual configuration at the Association:

### MASONRY WALL, METAL LINTEL AND WEEP SYSTEM DETAIL



© Reserve Advisors

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost includes the following activities:

- Complete inspection of the masonry
- Repointing of up to three percent (3%) of the masonry
- Replacement of a limited amount of the masonry (The exact amount of area in need of replacement will be discretionary based on the actual future conditions and the desired appearance.)

## Walls, Siding, Wood (Replace with Fiber Cement)

**Line Items:** 1.840 through 1.870

**Quantity:** Approximately 52,000 square feet of the exterior walls. This quantity includes the fascia, soffit, and trim.

**History:**

- Siding: Original
- Paint Finishes: The age was unavailable at the time of our inspection.

We recommend the Association consider fiber cement siding as a replacement material. We include the following cost analysis comparing the two types of siding:

Siding Material	Wood	Fiber Cement
Cost in 2023 Dollars	\$624,000	\$676,000
Divided by its Useful Life (Years)	40	50
Equals Cost of Ownership <sup>1</sup> Relating to Eventual Replacement, in 2023 Dollars	\$15,600	\$13,520
Total Life-Cycle Maintenance Costs, in 2023 Dollars	\$135,100	\$129,900
Divided by Life-Cycle of Each Maintenance Event (Years)	5	9
Cost of Ownership for Maintenance During Remaining Useful Life, in 2023 Dollars	\$27,020	\$14,433
<b>Total Annual Cost of Ownership (2023 dollars)</b>	<b>\$42,620</b>	<b>\$27,953</b>

<sup>1</sup> Cost of Ownership is a method to describe the direct and indirect costs to purchase and maintain an element through its entire useful life.

**Condition:** The siding is in fair overall condition and the paint finishes are in fair to poor overall condition with periodic loose sections, damage, in contact with roof and deterioration evident.



**Wood siding**



**Siding deflection**



**Siding deterioration**



**Siding deterioration**



**Siding deterioration (27W202 shown)**



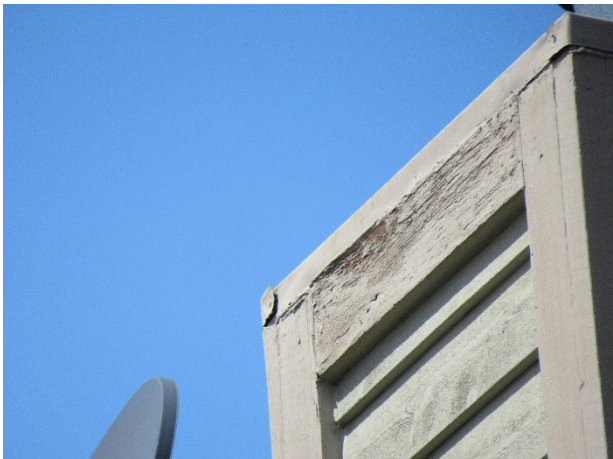
**Siding deterioration**



**Window trim damage (0N685 shown)**



**Siding damage (0N684 shown)**



**Siding deterioration**



**Paint finish deterioration (27W202 shown)**



**Siding in contact with roof (27W202 shown)**



**Paint finish deterioration**

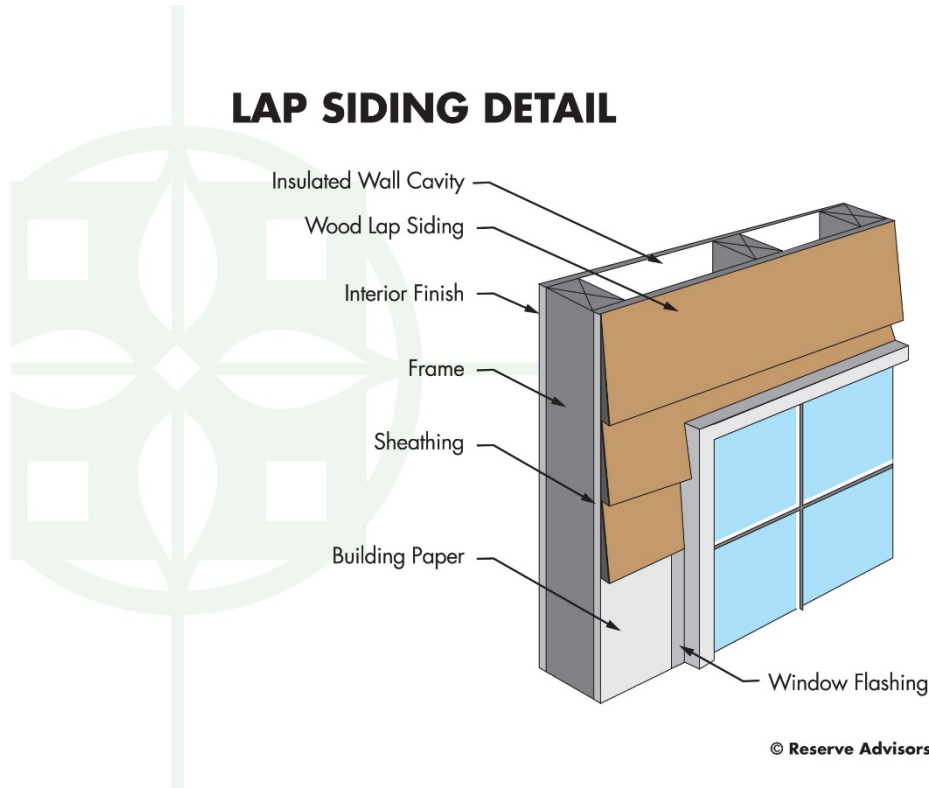
**Useful Life:** With the benefit of periodic maintenance, applications of this type of material can have a useful life of up to 50 years. This useful life is dependent upon timely paint applications and partial replacements of deteriorated siding up to every four- to six-years.



Following replacement with fiber cement, we anticipate a longer useful life of 8- to 10-years.

**Component Detail Notes:** Wood siding is not watertight and is especially prone to water penetration at joints and knots. Therefore, wood siding should be installed over a continuous weather resistant barrier. The weather resistant barrier should include water-vapor permeable building paper and properly integrated flashing around all penetrations.

The following graphic details the typical components of a wood siding system:



**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair loose siding, warping, wildlife damage and sealant deterioration
  - Inspect and repair finish deterioration, peeling and chipping
  - Touch-up paint finishes as necessary to ensure a uniform finish in between complete finish applications

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost for paint finish applications to the wood and subsequent fiber cement siding assumes the following activities per event:

- Paint finish applications

- Replacement of 2,600 square feet, or up to five percent (5.0%), of the siding and trim (The exact amount of material in need of replacement will depend on the actual future conditions and desired appearance. We recommend replacement wherever holes, cracks and deterioration impair the ability of the material to prevent water infiltration.)
- Replacement of sealants as needed

## Property Site Elements

### Concrete Driveways

---

**Line Item:** 4.120

**Quantity:** Approximately 26,400 square feet

**Condition:** Good to fair overall with periodic cracks, settlement and previous repairs evident.



Concrete driveways



Driveway settlement



Driveway settlement (0N679 shown)



Driveway cracks (0N671 shown)



**Driveway cracks (0N674 shown)**



**Driveway settlement**



**Driveway cracks (27W216 shown)**



**Driveway cracks**

**Useful Life:** Up to 65 years although interim deterioration of areas is common

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair major cracks, spalls and trip hazards
  - Mark with orange safety paint prior to replacement or repair
  - Repair or perform concrete leveling in areas in immediate need of repair or possible safety hazard

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We estimate that up to 7,920 square feet of concrete driveways, or thirty percent (30%) of the total, will require replacement during the next 30 years.

## Concrete Sidewalks

---

**Line Item:** 4.140

**Quantity:** Approximately 5,000 square feet

**Condition:** Fair overall with periodic cracks, settlement, trip hazards, undermining and previous repairs evident.



**Sidewalk settlement (0N675 shown)**



**Concrete sidewalk**



**Sidewalk cracks (0N674 shown)**



**Replaced section of sidewalk**



**Sidewalk settlement and stoop undermining**



**Sidewalk trip hazard (0N677 shown)**



**Soil undermining at sidewalk (0N667 shown)**



**Sidewalk spalls**

**Useful Life:** Up to 65 years although interim deterioration of areas is common

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair major cracks, spalls and trip hazards
  - Mark with orange safety paint prior to replacement or repair
  - Repair or perform concrete leveling in areas in immediate need of repair or possible safety hazard

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We estimate that up to 1,980 square feet of concrete sidewalks, or forty percent (40.0%) of the total, will require replacement during the next 30 years.

## Fence, Steel

---

**Line Item:** 4.245

**Quantity:** 55 linear feet located at the front elevation of the buildings.

**History:** Original

**Condition:** The fences are in good to fair overall condition with periodic rust and paint finish deterioration evident.



**Steel fence**



**Steel fence**



**Fence rust**

**Useful Life:** Up to 35 years for replacement with the benefit of paint finish applications every six- to eight- years funded through the operating budget.

**Component Detail Notes:** Steel components at grade and key structural connections are especially prone to failure if not thoroughly maintained. Secure and rust-free fasteners and connections will prevent premature deterioration. Preparation of the steel before application of the paint finish is critical to maximize the useful life of the finish.

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair loose fasteners or sections, finish deterioration, and damage
  - Repair leaning sections and clear vegetation from fence areas which could cause damage

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## Fences, Wood

---

**Line Item:** 4.285

**Quantity:** 700 linear feet located at the perimeters

**History:** The Association replaced the wood fence in 2018 and added a new section of approximately 190 linear feet of wood fence earlier in 2023.

**Condition:** Good overall



**Wood fence**



**New fence section**

**Useful Life:** 15- to 20-years

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair loose sections, finish deterioration and damage

- Repair leaning sections and clear vegetation from fence areas which could cause damage

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The Association should anticipate periodic partial replacements due to the non-uniform nature of wood deterioration. Along with these partial replacements, the Association should apply periodic paint applications as needed and fund these activities through the operating budget.

## Signage

---

**Line Item:** 4.800

**Quantity:** The property identification signage is comprised of masonry.

**History:** Original

**Condition:** Fair overall with a slight lean evident



Entrance monument



Entrance monument lean

**Useful Life:** 35- to 40-years

**Component Detail Notes:** Community signage contributes to the overall aesthetic appearance of the property to owners and potential buyers. Renovation or replacement of community signs is often predicated upon the desire to "update" the perceived identity of the community rather than for utilitarian concerns. Therefore, the specific times for replacement or renovation are discretionary.

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair damage, vandalism and loose components



- Touch-up paint finish applications if applicable

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## **2023 Reserve Expenditures**

---

**Line Item:** Last

**Component Detail Notes:** Chelsea Place will expend \$45,000 in reserve expenditures in 2023. These expenditures relate to the following:

- \$25,000: Gutters and Downspouts, Building 7
- \$20,000: Wood Siding and Trim Replacement

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## **Reserve Study Update**

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. Many variables change after the study is conducted that may result in significant overfunding or underfunding the reserve account. Variables that may affect the Reserve Funding Plan include, but are not limited to:

- Deferred or accelerated capital projects based on Board discretion
- Changes in the interest rates on reserve investments
- Changes in the *local* construction inflation rate
- Additions and deletions to the Reserve Component Inventory
- The presence or absence of maintenance programs
- Unusually mild or extreme weather conditions
- Technological advancements

Periodic updates incorporate these variable changes since the last Reserve Study or Update. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. Budgeting for an Update demonstrates the Board's objective to continue fulfilling its fiduciary responsibility to maintain the commonly owned property and to fund reserves appropriately.

## 5.METHODOLOGY

Reserves for replacement are the amounts of money required for future expenditures to repair or replace Reserve Components that wear out before the entire facility or project wears out. Reserving funds for future repair or replacement of the Reserve Components is also one of the most reliable ways of protecting the value of the property's infrastructure and marketability.

Chelsea Place can fund capital repairs and replacements in any combination of the following:

1. Increases in the operating budget during years when the shortages occur
2. Loans using borrowed capital for major replacement projects
3. Level monthly reserve assessments annually adjusted upward for inflation to increase reserves to fund the expected major future expenditures
4. Special assessments

We do not advocate special assessments or loans unless near term circumstances dictate otherwise. Although loans provide a gradual method of funding a replacement, the costs are higher than if the Association were to accumulate reserves ahead of the actual replacement. Interest earnings on reserves also accumulate in this process of saving or reserving for future replacements, thereby defraying the amount of gradual reserve collections. We advocate the third method of *Level Monthly Reserve Assessments* with relatively minor annual adjustments. The method ensures that Unit Owners pay their "fair share" of the weathering and aging of the commonly owned property each year. Level reserve assessments preserve the property and enhance the resale value of the homes.

This Reserve Study is in compliance with and exceeds the National standards<sup>1</sup> set forth by the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Level II Reserve Study Update." These standards require a Reserve Component to have a "predictable remaining Useful Life." Estimating Remaining Useful Lives and Reserve Expenditures beyond 30 years is often indeterminate. Long-Lived Property Elements are necessarily excluded from this analysis. We considered the following factors in our analysis:

- The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan
- Local<sup>2</sup> costs of material, equipment and labor
- Current and future costs of replacement for the Reserve Components
- Costs of demolition as part of the cost of replacement
- Local economic conditions and a historical perspective to arrive at our estimate of long-term future inflation for construction costs in Winfield, Illinois at an annual inflation rate<sup>3</sup>. Isolated or regional markets of greater

<sup>1</sup> Identified in the APRA "Standards - Terms and Definitions" and the CAI "Terms and Definitions".

<sup>2</sup> See Credentials for additional information on our use of published sources of cost data.

<sup>3</sup> Derived from Marshall & Swift, historical costs and the Bureau of Labor Statistics.

construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

- The past and current maintenance practices of Chelsea Place and their effects on remaining useful lives
- Financial information provided by the Association pertaining to the cash status of the reserve fund and budgeted reserve contribution
- The anticipated effects of appreciation of the reserves over time in accord with a return or yield on investment of your cash equivalent assets. (We did not consider the costs, if any, of Federal and State Taxes on income derived from interest and/or dividend income).
- The Funding Plan excludes necessary operating budget expenditures. It is our understanding that future operating budgets will provide for the ongoing normal maintenance of Reserve Components.

Updates to this Reserve Study will continue to monitor historical facts and trends concerning the external market conditions.



## 6. CREDENTIALS

### HISTORY AND DEPTH OF SERVICE

**Founded in 1991**, Reserve Advisors is the leading provider of reserve studies, insurance appraisals, developer turnover transition studies, expert witness services, and other engineering consulting services. Clients include community associations, resort properties, hotels, clubs, non-profit organizations, apartment building owners, religious and educational institutions, and office/commercial building owners in 48 states, Canada and throughout the world.

The **architectural engineering consulting firm** was formed to take a leadership role in helping fiduciaries, boards, and property managers manage their property like a business with a long-range master plan known as a Reserve Study.

Reserve Advisors employs the **largest staff of Reserve Specialists** with bachelor's degrees in engineering dedicated to Reserve Study services. Our founders are also founders of Community Associations Institute's (CAI) Reserve Committee that developed national standards for reserve study providers. One of our founders is a Past President of the Association of Professional Reserve Analysts (APRA). Our vast experience with a variety of building types and ages, on-site examination and historical analyses are keys to determining accurate remaining useful life estimates of building components.

**No Conflict of Interest** - As consulting specialists, our **independent opinion** eliminates any real or perceived conflict of interest because we do not conduct or manage capital projects.

### TOTAL STAFF INVOLVEMENT

Several staff members participate in each assignment. The responsible advisor involves the staff through a Team Review, exclusive to Reserve Advisors, and by utilizing the experience of other staff members, each of whom has served hundreds of clients. We conduct Team Reviews, an internal quality assurance review of each assignment, including: the inspection; building component costing; lifing; and technical report phases of the assignment. Due to our extensive experience with building components, we do not have a need to utilize subcontractors.

### OUR GOAL

To help our clients fulfill their fiduciary responsibilities to maintain property in good condition.

### VAST EXPERIENCE WITH A VARIETY OF BUILDINGS

Reserve Advisors has conducted reserve studies for a multitude of different communities and building types. We've analyzed thousands of buildings, from as small as a 3,500-square foot day care center to a 2,600,000-square foot 98-story highrise. We also routinely inspect buildings with various types of mechanical systems such as simple electric heat, to complex systems with air handlers, chillers, boilers, elevators, and life safety and security systems.

We're familiar with all types of building exteriors as well. Our well-versed staff regularly identifies optimal repair and replacement solutions for such building exterior surfaces such as adobe, brick, stone, concrete, stucco, EIFS, wood products, stained glass and aluminum siding, and window wall systems.

### OLD TO NEW

Reserve Advisors' experience includes ornate and vintage buildings as well as modern structures. Our specialists are no strangers to older buildings. We're accustomed to addressing the unique challenges posed by buildings that date to the 1800's. We recognize and consider the methods of construction employed into our analysis. We recommend appropriate replacement programs that apply cost effective technologies while maintaining a building's character and appeal.

**MATTHEW D. NEIKE**  
**Responsible Advisor**

**CURRENT CLIENT SERVICES**

Matthew D. Neike, a mechanical engineer, is an Advisor for Reserve Advisors, LLC. Mr. Neike is responsible for the inspection and analysis of the condition of clients' property, and recommending engineering solutions to prolong the lives of the components. He also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. He is responsible for conducting Life Cycle Cost Analysis and Capital Replacement Forecast services and the preparation of Reserve Study Reports for apartments, high rises, condominiums, townhomes, and homeowners associations.



The following is a partial list of clients served by Matthew Neike demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.

**Gay and Sixth Condominium Association** - Built from 2015 to 2020 this association comprises 67 units in seven unique buildings located in the heart of downtown Columbus, Ohio. The community is a mix of modern units with metal siding and rooftop terraces as well as traditional brownstones, row homes and garden units. The buildings include asphalt shingle and EDPM roofs atop units with EIFS, painted brick and a variety of balcony systems.

**Pirate's Cove at Indian Lake Condominium Association, Inc.** – This townhome style development consists of 92 units in 17 buildings and is located on Indian Lake in Russells Point, Ohio. The property has lake direct lake access via a canal type marina with individual boat docks for each unit. The community also includes three lift stations, two pools, a large shelter building/pool house and 15 well pumps.

**White Eagle Club Property Owners Association** – A homeowners' association with 1,100 single family homes surrounding a golf course in Naperville, Illinois. This property contains a large pool, water slide, clubhouse, eight tennis courts, and several fences around the property perimeter.

**Bridge Point Condominium Association** – 274 units in 25 three story buildings situated atop a hill in northwestern Cincinnati, Ohio. This association was built from 2006 to 2017 with the building exteriors comprising masonry, plywood and vinyl siding.

**Fox Run 1 Condominium Association** – This property was constructed in approximately 1973 and contains 36 unique units in six buildings as well as a pool. Each unit is completely unique with a variety of elevations, painted and unpainted brick, vinyl siding, and mansard asphalt shingle roofs.

**Central Park Condominium Association** – This community comprises 100 units in 50 buildings in Carol Stream, Illinois. The association also maintains a clubhouse, pool, detention and retention pond.

**PRIOR RELEVANT EXPERIENCE**

Before joining Reserve Advisors, LLC, Mr. Neike was a Project Engineer for a general contractor specializing in water and wastewater treatment plants. He was part of the project management team responsible for facilitating and managing the construction of large-scale, multi-year, wastewater treatment plant renovations and improvements. Those projects involved the planning, purchasing and execution of industrial controls, electrical systems, piping/plumbing systems and extremely large concrete structures.

**EDUCATION**

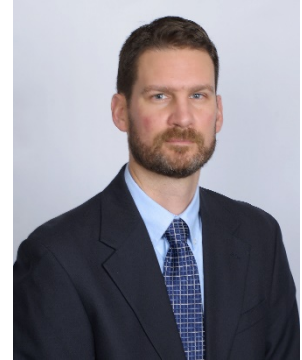
Wright State University - B.S. Mechanical Engineering

**ALAN M. EBERT, P.E., PRA, RS**  
**Director of Quality Assurance**

**CURRENT CLIENT SERVICES**

Alan M. Ebert, a Professional Engineer, is the Director of Quality Assurance for Reserve Advisors. Mr. Ebert is responsible for the management, review and quality assurance of reserve studies. In this role, he assumes the responsibility of stringent report review analysis to assure report accuracy and the best solution for Reserve Advisors' clients.

Mr. Ebert has been involved with thousands of Reserve Study assignments. The following is a partial list of clients served by Alan Ebert demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.



**Brownsville Winter Haven** Located in Brownsville, Texas, this unique homeowners association contains 525 units. The Association maintains three pools and pool houses, a community and management office, landscape and maintenance equipment, and nine irrigation canals with associated infrastructure.

**Rosemont Condominiums** This unique condominium is located in Alexandria, Virginia and dates to the 1940's. The two mid-rise buildings utilize decorative stone and brick masonry. The development features common interior spaces, multi-level wood balconies and common asphalt parking areas.

**Stillwater Homeowners Association** Located in Naperville, Illinois, Stillwater Homeowners Association maintains four tennis courts, an Olympic sized pool and an upscale ballroom with commercial-grade kitchen. The community also maintains three storm water retention ponds and a detention basin.

**Birchfield Community Services Association** This extensive Association comprises seven separate parcels which include 505 townhome and single family homes. This Community Services Association is located in Mt. Laurel, New Jersey. Three lakes, a pool, a clubhouse and management office, wood carports, aluminum siding, and asphalt shingle roofs are a few of the elements maintained by the Association.

**Oakridge Manor Condominium Association** Located in Londonderry, New Hampshire, this Association includes 104 units at 13 buildings. In addition to extensive roads and parking areas, the Association maintains a large septic system and significant concrete retaining walls.

**Memorial Lofts Homeowners Association** This upscale high rise is located in Houston, Texas. The 20 luxury units include large balconies and decorative interior hallways. The 10-story building utilizes a painted stucco facade and TPO roof, while an on-grade garage serves residents and guests.

**PRIOR RELEVANT EXPERIENCE**

Mr. Ebert earned his Bachelor of Science degree in Geological Engineering from the University of Wisconsin-Madison. His relevant course work includes foundations, retaining walls, and slope stability. Before joining Reserve Advisors, Mr. Ebert was an oilfield engineer and tested and evaluated hundreds of oil and gas wells throughout North America.

**EDUCATION**

University of Wisconsin-Madison - B.S. Geological Engineering

**PROFESSIONAL AFFILIATIONS/DESIGNATIONS**

*Professional Engineering License* – Wisconsin, North Carolina, Illinois, Colorado

*Reserve Specialist (RS)* - Community Associations Institute

*Professional Reserve Analyst (PRA)* - Association of Professional Reserve Analysts

**NICOLE L. LOWERY, PRA, RS**  
**Associate Director of Quality Assurance**

**CURRENT CLIENT SERVICES**

Nicole L. Lowery, a Civil Engineer, is an Associate Director of Quality Assurance for Reserve Advisors. Ms. Lowery is responsible for the management, review and quality assurance of reserve studies. In this role, she assumes the responsibility of stringent report review analysis to assure report accuracy and the best solution for Reserve Advisors' clients.

Ms. Lowery has been involved with hundreds of Reserve Study assignments. The following is a partial list of clients served by Nicole Lowery demonstrating her breadth of experiential knowledge of community associations in construction and related buildings systems.



**Amelia Surf & Racquet Club** This oceanfront condominium community comprises 156 units in three mid rise buildings. This Fernandina Beach, Florida development contains amenities such as clay tennis courts, two pools and boardwalks.

**Ten Museum Park** This boutique, luxury 50-story high rise building in downtown Miami, Florida consists of 200 condominium units. The amenities comprise six pools including resistance and plunge pools, a full-service spa and a state-of-the-art fitness center. The property also contains a multi-level parking garage.

**3 Chisolm Street Homeowners Association** This historic Charleston, South Carolina community was constructed in 1929 and 1960 and comprises brick and stucco construction with asphalt shingle and modified bitumen roofs. The unique buildings were originally the Murray Vocational School. The buildings were transformed in 2002 to 27 high-end condominiums. The property includes a courtyard and covered parking garage.

**Lakes of Pine Run Condominium Association** This condominium community comprises 112 units in 41 buildings of stucco construction with asphalt shingle roofs. Located in Ormond Beach, Florida, it has a domestic water treatment plant and wastewater treatment plant for the residents of the property.

**Rivertowne on the Wando Homeowners Association** This exclusive river front community is located on the Wando River in Mount Pleasant, South Carolina. This unique Association includes several private docks along the Wando River, a pool and tennis courts for use by its residents.

**Biltmore Estates Homeowners Association** This private gated community is located in Miramar, Florida, just northwest of Miami, Florida and consists of 128 single family homes. The lake front property maintains a pool, a pool house and private streets.

**Bellavista at Miromar Lakes Condominium Association** Located in the residential waterfront resort community of Miromar Lakes Beach & Golf Club in Fort Myers, Florida, this property comprises 60 units in 15 buildings. Amenities include a clubhouse and a pool.

**PRIOR RELEVANT EXPERIENCE**

Before joining Reserve Advisors, Ms. Lowery was a project manager with Kipcon in New Brunswick, New Jersey and the Washington, D.C. Metro area for eight years, where she was responsible for preparing reserve studies and transition studies for community associations. Ms. Lowery successfully completed the bachelors program in Civil Engineering from West Virginia University in Morgantown, West Virginia.

**EDUCATION**

West Virginia University - B.S. Civil Engineering

**PROFESSIONAL AFFILIATIONS / DESIGNATIONS**

*Reserve Specialist (RS)* - Community Associations Institute

*Professional Reserves Analyst (PRA)* - Association of Professional Reserve Analysts



## RESOURCES

Reserve Advisors utilizes numerous resources of national and local data to conduct its Professional Services. A concise list of several of these resources follows:

**Association of Construction Inspectors**, (ACI) the largest professional organization for those involved in construction inspection and construction project management. ACI is also the leading association providing standards, guidelines, regulations, education, training, and professional recognition in a field that has quickly become important procedure for both residential and commercial construction, found on the web at [www.iami.org](http://www.iami.org).

**American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc.**, (ASHRAE) the American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., devoted to the arts and sciences of heating, ventilation, air conditioning and refrigeration; recognized as the foremost, authoritative, timely and responsive source of technical and educational information, standards and guidelines, found on the web at [www.ashrae.org](http://www.ashrae.org). Reserve Advisors actively participates in its local chapter and holds individual memberships.

**Community Associations Institute**, (CAI) America's leading advocate for responsible communities noted as the only national organization dedicated to fostering vibrant, responsive, competent community associations. Their mission is to assist community associations 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 [www.marshallswift.com](http://www.marshallswift.com).

**R.S. Means CostWorks**, North America's leading supplier of construction cost information. As 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 [www.rsmeans.com](http://www.rsmeans.com).

Reserve Advisors' library of numerous periodicals relating to reserve studies, condition analyses, chapter community associations, and historical costs from thousands of capital repair and replacement projects, and product literature from manufacturers of building products and building systems.



## 7. DEFINITIONS

Definitions are derived from the standards set forth by the Community Associations Institute (CAI) representing America's 305,000 condominium and homeowners associations and cooperatives, and the Association of Professional Reserve Analysts, setting the standards of care for reserve study practitioners.

**Cash Flow Method** - A method of calculating Reserve Contributions 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.

**Component Method** - A method of developing a Reserve Funding Plan with the total contribution is based on the sum of the contributions for individual components.

**Current Cost of Replacement** - That amount required today derived from the quantity of a *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 manufactured equipment, contractors' overhead, profit and fees, but without provisions for building permits, overtime, bonuses for labor or premiums for material and equipment. We include removal and disposal costs where applicable.

**Fully Funded Balance** - The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost similar to Total Accrued Depreciation.

**Funding Goal (Threshold)** - The stated purpose of this Reserve Study is to determine the adequate, not excessive, minimal threshold reserve balances.

**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 materials, labor and equipment.

**Long-Lived Property Component** - Property component of Chelsea Place 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.

**Percent Funded** - The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

**Remaining Useful Life** - The estimated remaining functional or useful time in years of a *Reserve Component* based on its age, condition and maintenance.

**Reserve Component** - Property elements with: 1) Chelsea Place responsibility; 2) limited Useful Life expectancies; 3) predictable Remaining Useful Life expectancies; and 4) a replacement cost above a minimum threshold.

**Reserve Component Inventory** - Line Items in *Reserve Expenditures* that identify a *Reserve Component*.

**Reserve Contribution** - An amount of money set aside or *Reserve Assessment* contributed to a *Reserve Fund* for future *Reserve Expenditures* to repair or replace *Reserve Components*.

**Reserve Expenditure** - Future Cost of Replacement of a Reserve Component.

**Reserve Fund Status** - The accumulated amount of reserves in dollars at a given point in time, i.e., at year end.

**Reserve Funding Plan** - The portion of the Reserve Study identifying the *Cash Flow Analysis* and containing the recommended Reserve Contributions and projected annual expenditures, interest earned and reserve balances.

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

**Useful Life** - The anticipated total time in years that a *Reserve Component* is expected to serve its intended function in its present application or installation.



## 8. PROFESSIONAL SERVICE CONDITIONS

**Our Services** - Reserve Advisors, LLC ("RA") performs its services as an independent contractor in accordance with our professional practice standards and its compensation is not contingent upon our conclusions. The purpose of our reserve study is to provide a budget planning tool that identifies the current status of the reserve fund, and an opinion recommending an annual funding plan, to create reserves for anticipated future replacement expenditures of the subject property. The purpose of our energy benchmarking services is to track, collect and summarize the subject property's energy consumption over time for your use in comparison with other buildings of similar size and establishing a performance baseline for your planning of long-term energy efficiency goals.

Our inspection and analysis of the subject property is limited to visual observations, is noninvasive and is not meant to nor does it include investigation into statutory, regulatory or code compliance. RA inspects sloped roofs from the ground and inspects flat roofs where safe access (stairs or ladder permanently attached to the structure) is available. Our energy benchmarking services with respect to the subject property is limited to collecting energy and utility data and summarizing such data in the form of an Energy Star Portfolio Manager Report or any other similar report, and hereby expressly excludes any recommendations with respect to the results of such energy benchmarking services or the accuracy of the energy information obtained from utility companies and other third-party sources with respect to the subject property. The reserve report and any energy benchmarking report (i.e., any Energy Star Portfolio Manager Report) (including any subsequent revisions thereto pursuant to the terms hereof, collectively, the "Report") are based upon a "snapshot in time" at the moment of inspection. RA may note visible physical defects in the Report. The inspection is made by employees generally familiar with real estate and building construction. Except to the extent readily apparent to RA, RA cannot and shall not opine on the structural integrity of or other physical defects in the property under any circumstances. Without limitation to the foregoing, RA cannot and shall not opine on, nor is RA responsible for, the property's conformity to specific governmental code requirements for fire, building, earthquake, occupancy or otherwise.

RA is not responsible for conditions that have changed between the time of inspection and the issuance of the Report. RA does not provide invasive testing on any mechanical systems that provide energy to the property, nor can RA opine on any system components that are not easily accessible during the inspection. RA does not investigate, nor assume any responsibility for any existence or impact of any hazardous materials, such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, environmental mold or other potentially hazardous materials or structural defects that are latent or hidden defects which may or may not be present on or within the property. RA does not make any soil analysis or geological study as part of its services, nor does RA investigate vapor, water, oil, gas, coal, or other subsurface mineral and use rights or such hidden conditions, and RA assumes no responsibility for any such conditions. The Report contains opinions of estimated replacement costs or deferred maintenance expenses and remaining useful lives, which are neither a guarantee of the actual costs or expenses of replacement or deferred maintenance nor a guarantee of remaining useful lives of any property element.

RA assumes, without independent verification, the accuracy of all data provided to it. Except to the extent resulting from RA's willful misconduct in connection with the performance of its obligations under this agreement, you agree to indemnify, defend, and hold RA and its affiliates, officers, managers, employees, agents, successors and assigns (each, an "RA Party") harmless from and against (and promptly reimburse each RA Party for) any and all losses, claims, actions, demands, judgments, orders, damages, expenses or liabilities, including, without limitation, reasonable attorneys' fees, asserted against or to which any RA Party may become subject in connection with this engagement, including, without limitation, as a result of any false, misleading or incomplete information which RA relied upon that was supplied by you or others under your direction, or which may result from any improper use or reliance on the Report by you or third parties under your control or direction or to whom you provided the Report. NOTWITHSTANDING ANY OTHER PROVISION HEREIN TO THE CONTRARY, THE AGGREGATE LIABILITY (IF ANY) OF RA WITH RESPECT TO THIS AGREEMENT AND RA'S OBLIGATIONS HEREUNDER IS LIMITED TO THE AMOUNT OF THE FEES ACTUALLY RECEIVED BY RA FROM YOU FOR THE SERVICES AND REPORT PERFORMED BY RA UNDER THIS AGREEMENT, WHETHER ARISING IN CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR OTHERWISE. YOUR REMEDIES SET FORTH HEREIN ARE EXCLUSIVE AND ARE YOUR SOLE REMEDIES FOR ANY FAILURE OF RA TO COMPLY WITH ITS OBLIGATIONS HEREUNDER OR OTHERWISE. RA SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES OF ANY KIND, INCLUDING, BUT NOT LIMITED TO, ANY LOST PROFITS AND LOST SAVINGS, LOSS OF USE OR INTERRUPTION OF BUSINESS, HOWEVER CAUSED, WHETHER ARISING IN CONTRACT, TORT (INCLUDING NEGLIGENCE), BREACH OF WARRANTY, STRICT LIABILITY OR OTHERWISE, EVEN IF RA HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT WILL RA BE LIABLE FOR THE COST OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES. RA DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED OR OF ANY NATURE, WITH REGARD TO THE SERVICES AND THE REPORT, INCLUDING, WITHOUT LIMITATION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

**Report** - RA will complete the services in accordance with the Proposal. The Report represents a valid opinion of RA's findings and recommendations with respect to the reserve study and is deemed complete. RA will consider any additional information made available to RA within 6 months of issuing the Report and issue a revised Report based on such additional information if a timely request for a revised Report is made by you. RA retains the right to withhold a revised Report if payment for services was not tendered in a timely manner. All information received by RA and all files, work papers or documents developed by RA during the course of the engagement shall remain the property of



RA and may be used for whatever purpose it sees fit. RA reserves the right to, and you acknowledge and agree that RA may, use any data provided by you in connection with the services, or gathered as a result of providing such services, including in connection with creating and issuing any Report, in a de-identified and aggregated form for RA's business purposes.

**Your Obligations** - You agree to provide us access to the subject property for an inspection. You agree to provide RA all available, historical and budgetary information, the governing documents, and other information that we request and deem necessary to complete the Report. Additionally, you agree to provide historical replacement schedules, utility bills and historical energy usage files that RA requests and deems necessary to complete the energy benchmarking services, and you agree to provide any utility release(s) reasonably requested by RA permitting RA to obtain any such data and/or information from any utility representative or other third party. You agree to pay actual attorneys' fees and any other costs incurred to collect on any unpaid balance for RA's services.

**Use of Our Report and Your Name** - Use of the Report is limited to only the purpose stated herein. You acknowledge that RA is the exclusive owner of all intellectual property rights in and relating to the Report. You hereby acknowledge that any use or reliance by you on the Report for any unauthorized purpose is at your own risk and that you will be liable for the consequences of any unauthorized use or distribution of the Report. Use or possession of the Report by any unauthorized third party is prohibited. The Report in whole or in part **is not and cannot be used as a design specification for design engineering purposes or as an appraisal**. You may show the Report in its entirety to the following third parties: members of your organization (including your directors, officers, tenants and prospective purchasers), your accountants, attorneys, financial institutions and property managers who need to review the information contained herein, and any other third party who has a right to inspect the Report under applicable law including, but not limited to, any government entity or agency, or any utility companies. Without the written consent of RA, you shall not disclose the Report to any other third party. By engaging our services, you agree that the Report contains intellectual property developed (and owned solely) by RA and agree that you will not reproduce or distribute the Report **to any party that conducts reserve studies without the written consent of RA**.

RA will include (and you hereby agree that RA may include) your name in our client lists. RA reserves the right to use (and you hereby agree that RA may use) property information to obtain estimates of replacement costs, useful life of property elements or otherwise as RA, in its sole discretion, deems appropriate.

**Payment Terms, Due Dates and Interest Charges** - If reserve study and energy benchmarking services are performed by RA, then the retainer payment is due upon execution of this agreement and prior to the inspection by RA, and any balance is due net 30 days from the Report shipment date. If only energy benchmarking services are performed by RA, then the retainer payment is due upon execution of this agreement and any balance is due net 30 days from the Report shipment date. In any case, any balance remaining 30 days after delivery of the Report shall accrue an interest charge of 1.5% per month. Unless this agreement is earlier terminated by RA in the event you breach or otherwise fail to comply with your obligations under this agreement, RA's obligations under this agreement shall commence on the date you execute and deliver this agreement and terminate on the date that is 6 months from the date of delivery of the Report by RA. Notwithstanding anything herein to the contrary, each provision that by its context and nature should survive the expiration or early termination of this agreement shall so survive, including, without limitation, any provisions with respect to payment, intellectual property rights, limitations of liability and governing law.

**Miscellaneous** – Neither party shall be liable for any failures or delays in performance due to fire, flood, strike or other labor difficulty, act of God, act of any governmental authority, riot, embargo, fuel or energy shortage, pandemic, wrecks or delays in transportation, or due to any other cause beyond such party's reasonable control; provided, however, that you shall not be relieved from your obligations to make any payment(s) to RA as and when due hereunder. In the event of a delay in performance due to any such cause, the time for completion or date of delivery will be extended by a period of time reasonably necessary to overcome the effect of such delay. You may not assign or otherwise transfer this agreement, in whole or in part, without the prior written consent of RA. RA may freely assign or otherwise transfer this agreement, in whole or in part, without your prior consent. This agreement shall be governed by the laws of the State of Wisconsin without regard to any principles of conflicts of law that would apply the laws of another jurisdiction. Any dispute with respect to this agreement shall be exclusively venued in Milwaukee County Circuit Court or in the United States District Court for the Eastern District of Wisconsin. Each party hereto agrees and hereby waives the right to a trial by jury in any action, proceeding or claim brought by or on behalf of the parties hereto with respect to any matter related to this agreement.