



THE REPLACEMENT RESERVE REPORT

CONDOMINIUMS

FEDERAL
&
STATE
ASSISTED
HOUSING

SPECIAL USE
PROPERTIES

RESORT
PROPERTIES

THIS VERSION
PREPARED FOR A
CHFA
PROPERTY

PREPARED FOR

KNOX LANE ANNEX APARTMENTS

TOWN OF GLASTONBURY HOUSING AUTHORITY

LOCATED IN
GLASTONBURY, CONNECTICUT

APRIL 25, 2012



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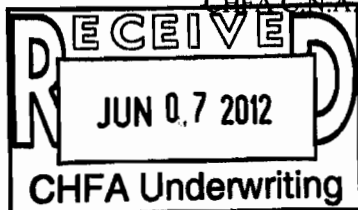
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THE REPLACEMENT RESERVE REPORT

April 26, 2012

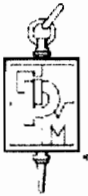
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KNOX LANE ANNEX APARTMENTS

c/o Housing Authority of the Town of Glastonbury
25 Risley Road
Glastonbury, CT 06033

Dear Owners & Managers,

It is my pleasure to present you with the enclosed **REPLACEMENT RESERVE REPORT** for **KNOX LANE ANNEX APARTMENTS**.

The observations and recommendations noted in the report have been made only after close inspection and evaluation of the property components.

Thank you for the opportunity to prepare this analysis for you. I trust it will become a valuable aid and assist you in your property management endeavors.

Please do not hesitate to contact me with any questions or comments.

Very truly yours,

Charles J. Stuart, CPM

EXECUTIVE SUMMARY

KNOX LANE ANNEX APARTMENTS consists of 40 units of elderly and barrier free housing developed during 1981. Day to day business affairs are addressed by a professional staff.

The purpose of this analysis is to define the capital needs and adequate reserve funding for the next 20 years.

MISSION STATEMENT

The scope and purpose of this analysis is to provide financial conclusions that will suggest required funding levels for capital repairs and replacements to the building components and improvements. The analysis does not intend to project an engineering of the property, opinions of utility or inutility, or an opinion of value of divided or undivided interests.

The methodology used is two-fold. First, to perform an analysis regarding current physical conditions; which, through non-invasive observations and our experience in such matters, would indicate the probable remaining life of the property components. Second, the report will suggest the costs associated with capital repair and replacement over the next twenty-year period. As a product of these two functions, the report will also comment on observations made, the level of proficiency in maintaining the physical plant, deferred and preventative maintenance, and any possible life extension of the components. This scope of work does not constitute an engineering study of the subject property. The client should interpret the enclosed material and determine if such a level of investigation is necessary.

When interpreting this report, the value of time should be considered. As a twenty-year period is a probable scenario based on our experiences, it is open to influences from many sources such as maintenance levels, economics, inflation of expenses, and the environment in which the property exists. Accordingly, give particular attention to suggested capital expenses during the next five-year period. With scheduled re-evaluation of the report every three years, the recommendations will remain a working tool for the benefit of the property. The observations made during the field inspections of **April 26, 2012** indicated that the level of service to the components is at a proficient level. A capsule of components exhibiting liabilities, obsolescence, or deferred maintenance follows.

LIABILITIES

This report is not intended as a loss or risk assessment, however, it will comment on possible liabilities that may present a financial risk to our client. During our property inspections, we did not encounter any such conditions.

OBSOLESCENCE

Within the text of the physical plant report pages the reader will note areas that indicate either functional or economic obsolescence. All obsolescence should be considered curable.

EXECUTIVE SUMMARY

DEFERRED MAINTENANCE

It is obvious, in our professional opinion, that the property has maintained a responsible degree of maintenance. Given this history of operations, we did not observe, and would not expect to observe, intentionally deferred maintenance. This report suggests additional levels as an enhancement only.

The subject property has a chronological age of improvements of **31 years**. In our professional opinion, the *effective age* for the improvements, enmasse, is less at approximately **20 years**.

FUTURE FINANCIAL PROJECTIONS

Our process of projecting future financial needs is presented through two methods;

We see **minimum funding** requirements as meeting anticipated expenses or, dedicating cash in/cash out with inflation and interest income over the projected twenty year period. This funding rate is further identified as either the threshold or baseline rate.

Knox Lane Annex's projected annual funding to meet future expenses is **\$41,800 per year**. Future funding is shown with a 3% annual increase. The current rate of funding is \$41,800.

Our second method of projecting reserve funding includes long term segregating of each site component. This rate is based on funding attrition of the components as they age, encompassing all components regardless of when actual expenses may occur. This is a fully-funded rate, creating the **maximum funding** level. **Knox Lane Annex's** projected annual funding to meet a fully funded reserve is **\$59,000 per year**. Future funding is shown with at 3% annual increase.

There are no immediate life and safety priority expenses. Capital expenses over the term are estimated at \$1,143,008. The current rate of funding is 70.85% of the suggested fully-funded rate, and 100% of the suggested baseline rate.

All projections are considered dependent on inflation and proficient services during the use term. The ideal time to begin the plan is January 1, 2012 although its recommendations and funding can start at any time.

We hope that this report will benefit the owners by providing ample information to make informed decisions.

CAPITAL NEEDS ASSESSMENT - STATEMENT OF WORK

The Statement of Work includes information regarding the qualifications, declarations, and property profile of this capital needs assignment.

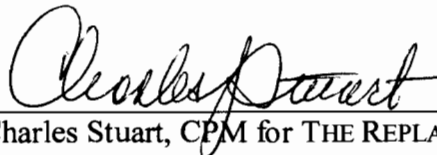
QUALIFICATIONS

THE REPLACEMENT RESERVE REPORT was the first assessor in the country to specialize in multifamily housing. Since its inception in 1980, this firm has conducted over 7,000 capital needs assessments for numerous private, State and Federal housing programs in all climates and construction types. The firm and its principals are contributing editors for the RS Means Company, a worldwide data collection and consulting company. Specific criteria regarding individual members can be found on page 30. During the processes of the analysis members draw from decades of experiences; including formal education, training, and licensing when needed. The firm supports the efforts and guidelines of the Association of Professional Reserve Advisors when applicable.

DECLARATIONS

THE REPLACEMENT RESERVE REPORT, its owners, employees, contractors, and suppliers certify that they do not have, nor have they ever had, any financial interests in the subject property, or any related properties of the owners.

THE REPLACEMENT RESERVE REPORT states that it is not, nor has ever been, debarred or suspended from participating in any State or Federally assisted program.



April 26, 2012

By Charles Stuart, CPM for THE REPLACEMENT RESERVE REPORT

ACKNOWLEDGEMENTS

THE REPLACEMENT RESERVE REPORT has been prepared by Charles Stuart, CPM and assisted by members of the firm's staff. The staff conducted site observations and interviews with the management staff. Mr. Stuart conducted interviews with and received information from representatives of the property owners. All sources were very cooperative and helpful.

PROPERTY PROFILE & GENERAL CONDITIONS

The property is known as **KNOX LANE ANNEX APARTMENTS**. The property is owned by the Town of Glastonbury, CT and managed by a professional staff. The site was originally built for use as housing for seniors and residents with disabilities in 1981.

There are 40 housing units within a four buildings on an 8 (+ -) acre parcel. Aesthetic value and curb appeal is constantly addressed by management. Physical replacements and enhancements have been reasonable and proficiently accomplished.

The on site inspection included identifying the inventory of property components, apartment inspections, and close observations of physical conditions throughout the development. Historical budgets and operating statements were available. There is a history of utilizing professional contractors when needed. Unusual attrition is not observed, with conditions very typical of comparable properties throughout the region.

During the process of inspection, the assessor did not encounter or observe potential or existing hazards, including issues of 21E, soil contamination, fluid spills, mold spores, asbestos, and other detrimental conditions. There are no indications that would suggest hazardous conditions either exist now or are likely to exist in the future. Prudent management periodically tests and proves for these conditions. There are no indications that invasive or detailed testing is required, although all properties should maintain regular assessments of some functions; including energy audits.

Replacement components generally include like-kind products; however, the report will prudently increase the level of service when technology, obsolescence, safety and security, or increasing esthetic values warrant enhancing or protecting the viability, longevity, and income stream of the property. It is expected that adjustments will be necessary over the term of the plan to address such issues.

Pricing replacements and enhancements is generally market driven with local knowledge. Inflation of expenses is included with current known trends. Pricing is also examined against published regional statistics and the association's experiences with retrofit costs.



The Physical Plant Report



HOW TO INTERPRET THIS DATA

THE OBJECTIVE: Each of the property components receives examination until prevailing conditions are revealed. The analysis creates an opinion of "Effective Age" and probable remaining use life. Effective Age is determined by original product quality, maintenance and preventative maintenance (or lack thereof) received during the use period. The rate of wear and tear also impacts projections of remaining use life. The capsule continues with a checklist of conditions that may be of particular interest to the reader.

Here is a sample:

	ORIGINAL LIFE	CHRONOLOGICAL AGE	EFFECTIVE AGE	USE LIFE YEARS
ASPHALT	25	15	10	15
ROOFING	20	15	17	6

SUMMARY

DEFERRED MAINTENANCE:	Conditions described planned or unintentional deferment of services. The accumulation of loss and rate of wear may be described
OBSOLESCENCE:	Economic obsolescence is used to describe worn out components. Functional obsolescence describes out-dated components or inutility.
USE LIFE EXTENSION:	Functions suggested extending component use life. Levels of service may be described.
COMMENTS OBSERVATIONS PREVENTATIVE MAINTENANCE	Describes conditions observed, component specifications and inventory, and eventual timing and cost associated with replacement. The rate of attrition is described and predicted in \$ dollars.

Each component receives a narrative of critical analysis, and a description of how funding and expenses are predicted and then recapped in the following format. This information is incorporated into the cash flow charts.

INVENTORY & COST ANALYSIS

	QUANTITY	UNIT	UNIT VALUE	TOTAL VALUE	USE LIFE	CONSTANT SEGREGATED FUNDING	ACTUAL CASH EXPENSE & YEAR (S)
ASPHALT	2300	LS	\$5.50	\$12,650	19	\$666 per year	\$12,650 year 20
TILE	100	SF	\$40.00	\$4,000	10	\$400 years 1-10	\$4,000 year 11

TWO TYPES OF FUNDING, AND THE CASH FLOW CHARTS:

Segregated Funding is the long-term reserve rate for each component over its useful life. Funding is established to coincide with attrition. The collective sum of all components' segregated reserve builds the "maximum" funding level.

Dedicated or Actual Expense describes the use of existing or future funds for a planned expense. The collective sum of cash in / cash out builds the "minimum" suggested level of funding.

The Funding Methods The "Pooling Method" is the preferred process to lower the impact of annual funding. While a "Straight-life" method may also be included for reports to common interest properties, it is not a suggested process.

In both scenarios, the cash flow charts include current reserve balances, the impact of the current reserve rate, and a suggested rate to meet both levels of funding.

PHYSICAL PLANT REPORT SITE IMPROVEMENTS I

LIFE SPAN

	ORIGINAL LIFE	CHRONOLOGICAL AGE	EFFECTIVE AGE	USE LIFE YEARS
GROUNDS	100	31	35	20+
SITE DRAINAGE	50	31	35	15+

SUMMARY

DEFERRED MAINTENANCE: Intentional deferment is not observed.
OBSOLESCENCE: Several trees are at the end of the growth cycle. Storm water basins exhibit movement.
LIFE EXTENSION: Substantial tree trimming and pruning should be conducted; storm basins need cleaning and possible re-setting.
ALTERNATIVES: None suggested; the grounds exhibit good curb appeal.

COMMENTS The site includes mature lawns and trees. Plantings also include mature shrubs in sporadic locations. Attrition is noted throughout the inventory, including pet waste damage to lawns, overgrowth of trees and shrubs, along with Winterkill and end of growth cycle conditions. During the next 20 years, existing trees within improved areas will be lost, as will growth on the perimeter. Replacement shrubs and trees should be selected for maintaining a manageable size. During the use term, consider professional applications of fertilizer, weed, and insect controls.
OBSERVATIONS
PREVENTATIVE
MAINTENANCE
&
SUGGESTIONS: An annual reserve rate and expense is shown below at \$1,500 each year for all years. Actual timing and amounts will vary.

Site drainage is accomplished by topography and the assistance of a subsurface storm water system. The site is primarily flat, indicating areas of trapped surface water. Surface water catch basins are observed within lawn areas, exhibiting movement and containing an undetermined amount of silt and debris. Cleaning should be conducted every two years as an operating expense. Future capital expenses will likely include resetting basins, connecting conductor downspouts to subsurface utilities, along with possible rebuilding necessary. An annual reserve rate of \$400 is included below for all years with expenses of \$2,000 in years 5, 10, 15, & 20.

PROPERTY PHOTOS



INVENTORY & COST ANALYSIS

	QUANTITY	UNIT	UNIT COST	TOTAL COST	USE LIFE	CONSTANT SEGREGATED FUNDING	ACTUAL CASH EXPENSE & YEAR
GROUNDS	1	L/S	\$30,000	\$30,000	1-20+	\$1,500 per year	\$1,500 years 1-20
SITE DRAINAGE	1	L/S	\$8,000	\$8,000	5	\$400 per year	\$2,000 yrs 5, 10, 15, 20

PHYSICAL PLANT REPORT SITE IMPROVEMENTS II

LIFE SPAN

	ORIGINAL LIFE	CHRONOLOGICAL AGE	EFFECTIVE AGE	USE LIFE YEARS
ASPHALT SURFACES	25	31	25+	1
CONCRETE SURFACES	50	31	30	20
SITE LIGHTING	40	31	33	7+

SUMMARY

DEFERRED MAINTENANCE: None; services have been provided as needed.
OBSOLESCENCE: Asphalt surfaces and site lighting are approaching economic and functional obsolescence.
LIFE EXTENSION: Perform annual inspection, emulsion cleaning, line striping, and stenciling.
ALTERNATIVES: Numerous architectural choices are available.

COMMENTS Asphalt surfaces are intact enough to receive a new wearing course. A new wearing course covers 5,880 square feet of surface area, improved at \$1.50 per square foot; \$8,820 total expense shown below in year 2. The annual reserve rate is \$353 per year for all years. During the use term, regular services should include emulsion cleaning, line striping, and surface sealing.
OBSERVATIONS Preferred methods of sealing include adding substantial product such as tar emulsion/sand slurry mix. Line striping, curb cuts, and tactile warnings should follow the Uniform Federal Architectural Standards (UFAS) Periodic costs increase capital expenses in years 3, 8, 13, & 18 of \$2,352 each cycle. The annual reserve rate is \$470 each year. The reserve rate for this category is \$823 each year.
PREVENTATIVE MAINTENANCE & SUGGESTIONS:

The site is improved with concrete walkways throughout the common areas. Services have been performed on the inventory with repairs and sectional replacements. Attention to detail is noticed as repairs assured good transitions between concrete pads. Movement is expected to continue within the walkways as harsh New England weather and frost heaves are very likely. An annual reserve rate and expense of \$1,000 is included for all years. Consider rubbish corral concrete surfaces a priority. The entry pad to the apartments appears to be in generally good condition. Remove mold and mildew; apply concrete surface sealer hardener as an operating expense.

Site lighting includes commercial fixtures on metal posts. The current inventory is approaching economic obsolescence with failed hardware, fatigue, and weather penetration to the fixture head. Posts and foundations are also in poor condition with frost heaves, injury from grounds equipment, and pitched appearances. The 6 unit inventory is replaced at \$950 per unit; \$5,700 expense in year 8. The annual reserve rate includes typical use life of 25 years, at \$228 each year.

PROPERTY PHOTOS



INVENTORY & COST ANALYSIS

	QUANTITY	UNIT	UNIT COST	TOTAL COST	USE LIFE	CONSTANT SEGREGATED FUNDING	ACTUAL CASH EXPENSE & YEAR
ASPHALT SURFACES	5,880	SF	\$1.50	\$8,820	1	\$823 per year	\$8,820 year 2
			\$0.40	\$2,352	5		\$2,352 yrs 3, 8, 13, 18
CONCRETE SURFACES	1	L/S	\$20,000	\$20,000	1-20	\$1,000 per year	\$1,000 years 1-20
SITE LIGHTING	1	L/S	\$4,560	\$4,560	7	\$228 per year	\$5,700 year 8

PHYSICAL PLANT REPORT SITE IMPROVEMENTS III

	LIFE SPAN		
	ORIGINAL LIFE	CHRONOLOGICAL AGE	EFFECTIVE AGE
GARAGES	-	-	-
SIGNS	7	2-7+	2-7+
SITE MISC.	15	15+	15+

SUMMARY

DEFERRED MAINTENANCE: None; services have attempted to address attrition.
OBSOLESCENCE: The rubbish corral is approaching economic obsolescence.
LIFE EXTENSION: Continue inspection and services.
ALTERNATIVES: Numerous architectural choices are available.

COMMENTS The garage is owned by a related party; no capital expense or reerve rate is necessary.
OBSERVATIONS
PREVENTATIVE The site is improved with a decorative themed identification sign. The appearance includes pleasing curb appeal and the ability to carry the theme through all media and printed materials. An expense of \$250 is included below for all years to update as needed. Year 15 renews the inventory at \$2,500; reserved at \$167 per year for all years.
MAINTENANCE & SUGGESTIONS:
 The site miscellaneous inventory includes a rubbish corral. A new theme and retrofit is needed for the rubbish corrals, replacing uneven walkways, rotted boards of the screen fence, while adding lighting and safety to the location. Year 2 includes an expense of \$2,200; reserved over the typical use life of 15 years at \$147 per year for all years.

PROPERTY PHOTOS



INVENTORY & COST ANALYSIS

	QUANTITY	UNIT	UNIT COST	TOTAL COST	USE LIFE	CONSTANT SEGREGATED FUNDING	ACTUAL CASH EXPENSE & YEAR
GARAGES	-	-	-	-	-	\$0.00	\$0.00
SIGNS	1	L/S	\$8,340	\$8,340	1-15+	\$417 per year	\$250 years 1-15 \$2,500 year 15
SITE MISC.	1	L/S	\$5,860	\$5,860	0	\$293 per year	\$4,400 year 1

PHYSICAL PLANT REPORT BUILDING ENVELOPE & IMPROVEMENTS I

LIFE SPAN

	ORIGINAL LIFE	CHRONOLOGICAL AGE	EFFECTIVE AGE	USE LIFE YEARS
SIDING SYSTEMS	50	31	35	15
SIDING MISC.	40	31	35	15

SUMMARY

DEFERRED MAINTENANCE: Intentional deferment is not observed.
OBSOLESCENCE: The siding systems are impacted by a loss of integrity within the fastening hardware.
LIFE EXTENSION: Preventative and maintenance services should allow for long term use.
ALTERNATIVES: Numerous architectural choices are available for retrofit in the later years.

COMMENTS The vinyl siding is losing its integrity from failing hardware. The down economy may allow for better pricing than the projected \$300,000; \$7,500 per unit costs. Competitive pricing is expected to present costs of \$75% or \$225,000 at \$5,625 per unit. Improvements delayed may eliminate the savings opportunities as the economy rebounds. Consider also alternate siding products such as Hardi-board/plank, Brickmaster, etc. on gable ends where surface finishes are more unstable and noticeable. Years 15 & 16 include costs of \$112,500 each phase to address retrofit. The annual reserve rate is \$4,500 for all years.

OBSERVATIONS

PREVENTATIVE

MAINTENANCE

&

SUGGESTIONS:

The siding miscellaneous inventory includes two features of the envelope; failing CMU block and cyclic film coat costs. Observations include possible soft block conditions, movement and settlement, and water infiltration leading to loss of integrity. Weep holes are indicated for the lowest block courses. Film coat, or painting, has been less than proficient on the building's detail. Metal doors are uniform in the loss of film coat, integrity, while impacting aesthetic value. Page 14 incurs expenses for door replacements. The annual reserve rate and expense for replacing these features is estimated at \$1,000 per year.

PROPERTY PHOTOS



INVENTORY & COST ANALYSIS

	QUANTITY	UNIT	UNIT COST	TOTAL COST	USE LIFE	CONSTANT SEGREGATED FUNDING	ACTUAL CASH EXPENSE & YEAR
SIDING SYSTEMS	1	L/S	\$90,000	\$90,000	14+	\$4,500 per year	\$112,500 years 15 & 16
SIDING MISC	1	L/S	\$20,000	\$20,000	1-20	\$1,000 per year	\$1,000 years 1-20

PHYSICAL PLANT REPORT BUILDING ENVELOPE & IMPROVEMENTS II

LIFE SPAN

	ORIGINAL LIFE	CHRONOLOGICAL AGE	EFFECTIVE AGE	USE LIFE YEARS
ROOFING	20	3	3	17
GUTTERS/CONDUCTORS	40	3-31	3-31	9-20+

SUMMARY

DEFERRED MAINTENANCE: None; intentional deferment is not observed. The roofing inventory is recent.
OBSOLESCENCE: The gutter and conductor downspout inventory includes both functional and economic obsolescence.
LIFE EXTENSION: Consider an annual service contract for inspections and services.
ALTERNATIVES: The gutters and conductors require an improved strategy for outfall.

COMMENTS The roof inventory is 3 years of age. The architectural shingle appears proficiently installed. There are no "fishmouths" of failed hardware and no missing shingles. Management should assess roof trusses for proper placement and attachment. Recent weather events have caused severe damages throughout the region. Competitive pricing allowed for improved results as opposed to statistical costs, i.e. An inventory of 26,874 square feet being retrofit with ice and water shield throughout, finished with an architectural shingle of 345-360 lbs/sq. requires a minimum price of \$6.50 per square foot, or, \$174,681 in year 18.
PREVENTATIVE MAINTENANCE & SUGGESTIONS: The annual reserve rate is \$8,734 each year for all years.

The gutter and conductor inventory is impacted by poor designs and applications that would allow for proper drainage. Surface to surface collection is prevailing, with downspouts outfalling to trays and injected into adjoining downspouts. Several important factors for preventing infamous New England ice dam phenomena is overlooked, primarily where sun travel and cyclic freeze thaw is involved. For example; freeze thaw action will be different at the front of an extended eave than next to the building. Likewise, melted water from upper sunlit locations spilling into lower trays will likely meet cold conditions with an ice dam. An inventory value of \$25,000 is retrofit in year 18 to coincide with roof replacement. Current conditions can be extended to the next roof cycle in year 18. The annual reserve rate is based on typical use life of 40 years, at \$625 per year.

PROPERTY PHOTOS



INVENTORY & COST ANALYSIS

	QUANTITY	UNIT	UNIT COST	TOTAL COST	USE LIFE	CONSTANT SEGREGATED FUNDING	ACTUAL CASH EXPENSE & YEAR
ROOFING	26,874	SF	\$6.50	\$174,681	17	\$8,734 per year	\$174,681 year 18
GUTTERS/CONDUCTORS	1	L/S	\$12,500	\$12,500	17	\$625 per year	\$25,000 year 18

PHYSICAL PLANT REPORT BUILDING ENVELOPE & IMPROVEMENTS III

LIFE SPAN

	ORIGINAL LIFE	CHRONOLOGICAL AGE	EFFECTIVE AGE	USE LIFE YEARS
WINDOWS & DOORS	40/15	31/1-15	31+/1-15+	10/0-14
ENVELOPE MISC.	40	31	31	9+

SUMMARY

DEFERRED MAINTENANCE: None; services have been performed as needed without intentional deferment.
OBSOLESCENCE: Expect economic obsolescence that is cyclic within storm doors.
LIFE EXTENSION: Continue to inspect and service the inventory.
ALTERNATIVES: Consider thermal photography to better understand window conditions.

COMMENTS
OBSERVATIONS
PREVENTATIVE
MAINTENANCE
&
SUGGESTIONS:

The window and door inventory is original at 31 years. Storm doors appear to be in poor to fair condition, especially rear 2nd egress doors that may also be original in age. Storm doors are typically cyclic at 10 years. The \$12,000 inventory is replaced at \$1,200 per year for all years. Use life of the window inventory is estimated at 10 years, although conditions may warrant accelerating replacement. The window inventory is shown below incurring costs for replacement in year 10. The 180 window inventory is estimated at \$76,500; the annual reserve rate is \$1,913 for all years. The utility door inventory appears with a defective finish. Prevailing conditions have likely accelerated use life of the inventory with rust, rot, and decay. Expenses include replacement at 2 doors each year, \$1,800 per year. The reserve rate is increased accordingly. The total reserve rate for this category is \$4,913 each year. During the use term; sand, prime, and finish the exterior doors with a quality marine metal paint.

The envelope miscellaneous category includes balcony railings, building mounted lighting, utility panels, and small items of detail. Most items are replaced upon failure as an operating expense. Modernization of the lighting inventory would improve curb appeal; addressed with an annual reserve rate of \$400 each year. An expense of \$8,000 is included for year 5.

PROPERTY PHOTOS



INVENTORY & COST ANALYSIS

	QUANTITY	UNIT	UNIT COST	TOTAL COST	USE LIFE	CONSTANT SEGREGATED FUNDING	ACTUAL CASH EXPENSE & YEAR
WINDOWS & DOORS	1	L/S	\$98,260	\$98,260	1-20+	\$4,913 per year	\$3,000 years 1-20
							\$76,500 year 10
ENVELOPE MISC.	1	L/S	\$8,000	\$8,000	5	\$400 per year	\$8,000 year 5

PHYSICAL PLANT REPORT APARTMENT INTERIORS

LIFE SPAN

	ORIGINAL LIFE	CHRONOLOGICAL AGE	EFFECTIVE AGE	USE LIFE YEARS
KITCHENS & BATHS	30	10-31	25	5+
APPLIANCES	12	1-12	1-12	0-11
DÉCOR	10	1-10	1-10	0-9
INTERIOR MISC.	10	1-10	1-10	0-9

SUMMARY

DEFERRED MAINTENANCE: None; services are constantly provided by the site staff.
OBSOLESCENCE: Economic obsolescence is cyclic throughout the components.
LIFE EXTENSION: The appliance and décor categories are achieving extended use life well beyond typical periods.
ALTERNATIVES: Product quality may need to change in future years as marketing demands change.

COMMENTS The kitchens and baths are functional and sufficiently attractive. Kitchen cabinets exhibit reasonable quality. Bathrooms are finished with modern porcelain appliances and painted wall surfaces. Ground fault protection is in place for kitchens and bathrooms.
OBSERVATIONS The inventory is capable of continued use as long as material surfaces can be refinished. Replacement value is estimated at \$112,000; reserved over 30-year typical use life at \$3,733 each year. Fatigue is expected at mid term or sooner; included for years 10-12. Management should consider accelerating the retrofit if marketing/retention efforts are impacted.
PREVENTATIVE MAINTENANCE & SUGGESTIONS:

The appliance inventory includes an efficiency range and self-defrosting refrigerator. Per unit inventory value is \$930; \$37,200 total value reserved over 12 years average use life at \$3,100 per year. It should be noted that the range inventory is mostly original; appear in better than average condition with few signs of attrition. Actual timing and expenses will vary each year.

Décor within the units includes painted sheetrock walls and vinyl flooring throughout kitchens and baths, living and sleeping areas, and items of detail. Annual turnover averages 5 units each year, with an additional 2 units redecorated for long term tenants. Average costs are estimated at \$1,400 each; \$9,800 total annual expense and reserve rate.

Interior miscellaneous components include lighting, ventilation, interior doors, and items of detail. Most of the inventory varies in age from phased replacement. Most of the inventory is capable of extended use life. An annual reserve rate and expense of \$500 is included below for all years.

PROPERTY PHOTOS



INVENTORY & COST ANALYSIS

	QUANTITY	UNIT	UNIT COST	TOTAL COST	USE LIFE	CONSTANT SEGREGATED FUNDING	ACTUAL CASH EXPENSE & YEAR
KITCHENS & BATHS	1	L/S	\$74,660	\$74,660	10+	\$3,733 per year	\$37,333 years 10-12
APPLIANCES	1	L/S	\$62,000	\$62,000	1-20	\$3,100 per year	\$3,100 per year
DÉCOR	1	L/S	\$196,000	\$196,000	1-20	\$9,800 per year	\$9,800 per year
INTERIOR MISC.	1	L/S	\$10,000	\$10,000	1-20	\$500 per year	\$500 per year

PHYSICAL PLANT REPORT MECHANICAL SYSTEMS I

LIFE SPAN

	ORIGINAL LIFE	CHRONOLOGICAL AGE	EFFECTIVE AGE	USE LIFE YEARS
DOMESTIC HOT WATER	10	1-10+	8	2+
HEATING SYSTEMS	25	3	3	20+
GENERATOR	-	-	-	-
FIRE SAFETY	15	1-15	1-15	0-14

SUMMARY

DEFERRED MAINTENANCE: Deferred services are not observed. Systems have been maintained to achieve long term use.
OBSOLESCENCE: Expect economic and functional obsolescence throughout all topics.
LIFE EXTENSION: Continue to enhance fire safety systems with modern systems.
ALTERNATIVES: Modernization is required for domestic hot water, generator, and fire safety. Consider security intrusion systems.

COMMENTS Domestic hot water is provided by individual 45 gallon electric hot water heaters. Typical use life is 10 years, with sudden unexpected losses occurring beyond that time. Observations within residential units include several hot water heaters of 15-20 years that should be removed to prevent damages. The inventory is replaced with similar glass-lined 45 gallon hot water heaters at \$565 each; \$22,600 total replacement value over ten years. The annual reserve rate and expense is \$2,260; however, expect early years to have an increased rate of expenses.

PREVENTATIVE MAINTENANCE & SUGGESTIONS: Modernization occurred as part of an agreement with Connecticut Light & Power Energy Efficiency Services. Management installed split and dual zone ductless heat pumps. Replacement value is \$75,760 (\$1,894 each) at the reduced rate with an estimated use life of 18 years. The annual reserve rate is \$4,209 each year for all years. Cyclic replacement should be expected during the term of the plan.

There is no permanent stand-by generator located at the property. Management has the ability to supply portable generator power to the community center. An adequately sized, dependable system should be considered. An annual reserve rate and expense of \$250 addresses existing portable equipment.

The fire safety has a history of meeting local code requirements. The system includes smoke detectors responding to an annunciation and location lamp. Automatic call-forwarding is in place as is battery back-up. Years 5, 10, 15, & 20 include an expense of \$2,500 each cycle to continue replacements and modernization for code changes. The reserve rate is \$500 per year.

PROPERTY PHOTOS



INVENTORY & COST ANALYSIS

	QUANTITY	UNIT	UNIT COST	TOTAL COST	USE LIFE	CONSTANT SEGREGATED FUNDING	ACTUAL CASH EXPENSE & YEAR
DOMESTIC HOT WATER	1	L/S	\$45,200	\$45,200	1-20	\$2,260 per year	\$2,260 years 1-20
HEATING SYSTEMS	1	L/S	\$84,180	\$84,180	18+	\$4,209 per year	\$0.00
GENERATOR	1	L/S	\$5,000	\$5,000	1-20	\$250 per year	\$250 years 1-20
FIRE SAFETY	1	L/S	\$10,000	\$10,000	5	\$500 per year	\$2,500 yrs 5, 10, 15, 20

PHYSICAL PLANT REPORT MECHANICAL SYSTEMS II

LIFE SPAN

	ORIGINAL LIFE	CHRONOLOGICAL AGE	EFFECTIVE AGE	USE LIFE YEARS
ELEVATORS	-	-	-	-
SECURITY	7	1-7	1-7	0-6
COOLING/MAKE UP AIR	-	-	-	-
MECHANICAL MISC.	15	3	3	12+

SUMMARY

DEFERRED MAINTENANCE: None; services are performed as needed.
OBSOLESCENCE: Security systems are minimal, representing functional obsolescence.
LIFE EXTENSION: Increase systems to include closed circuit cameras with recorders, motion detectors.
ALTERNATIVES: Consider improved door locks, FOB's, cameras, etc. modernizing the capabilities.

COMMENTS
OBSERVATIONS
PREVENTATIVE
MAINTENANCE
&
SUGGESTIONS:

There are no elevators located at the site.

Security includes passage door locks and panic pull stations in bathrooms that remain local. Modernization is needed to provide a safer atmosphere for retention and marketing. Security within the laundry and community center would be an enhancement. The current limited inventory receives and annual reserve rate and expense of \$200 each year.

Domestic hot water systems are augmented with a solar array for several apartments. An annual reserve rate and expense of \$400 is included for all years. Timing is as needed when needed for the \$8,000 inventory. There are load bearing fire break walls with metal caps. Sporadic expenses are left to the operating accounts.

PROPERTY PHOTOS



INVENTORY & COST ANALYSIS

	QUANTITY	UNIT	UNIT COST	TOTAL COST	USE LIFE	CONSTANT SEGREGATED FUNDING	ACTUAL CASH EXPENSE & YEAR
ELEVATORS	-	-	-	-	-	\$0.00	\$0.00
SECURITY	1	L/S	\$4,000	\$4,000	1-20	\$200 per year	\$200 years 1-20
COOLING/MAKE UP AIR	-	-	-	-	-	\$0.00	\$0.00
MECHANICAL MISC.	1	L/S	\$8,000	\$8,000	1-20	\$400 per year	\$400 years 1-20

PHYSICAL PLANT REPORT COMMON SPACE

LIFE SPAN

	ORIGINAL LIFE	CHRONOLOGICAL AGE	EFFECTIVE AGE	USE LIFE YEARS
COMMUNITY CENTER	10	1-10	1-10	0-9
OFFICE	-	-	-	-
COMMON HALLWAYS	-	-	-	-
COMMON MISC.	-	-	-	-

SUMMARY

DEFERRED MAINTENANCE:	None; services have been performed as needed.
OBSOLESCENCE:	Expect cyclic obsolescence for all improvements of the community center.
LIFE EXTENSION:	Continue inspections and services.
ALTERNATIVES:	Numerous choices are available to meet resident desires.
COMMENTS	The community center is active focal point for residents. Observations included an active game of bingo and use of the kitchen by the residents. Furniture is miss-matched, equipment is minimal. The kitchen appears well-used.
OBSERVATIONS	
PREVENTATIVE	An annual reserve rate and expense of \$500 is included for all years.
MAINTENANCE	
&	
SUGGESTIONS:	There are no office requirements, common hallways, or common misc. features. No capital expense or reserve rate is included.

PROPERTY PHOTOS



INVENTORY & COST ANALYSIS

	QUANTITY	UNIT	UNIT COST	TOTAL COST	USE LIFE	CONSTANT SEGREGATED FUNDING	ACTUAL CASH EXPENSE & YEAR
COMMUNITY CENTER	1	L/S	\$10,000	\$10,000	1-20	\$500 per year	\$500 years 1-20
OFFICE	-	-	-	-	-	\$0.00	\$0.00
COMMON HALLWAYS	-	-	-	-	-	\$0.00	\$0.00
COMMON MISC.	-	-	-	-	-	\$0.00	\$0.00

PHYSICAL PLANT REPORT MISCELLANEOUS IMPROVEMENTS

LIFE SPAN

	ORIGINAL LIFE	CHRONOLOGICAL AGE	EFFECTIVE AGE	USE LIFE YEARS
SECTION 504	-	-	-	-
MODERNIZATION	-	-	-	-

SUMMARY

DEFERRED MAINTENANCE:

OBSOLESCENCE:

LIFE EXTENSION:

ALTERNATIVES:

COMMENTS

OBSERVATIONS

PREVENTATIVE

MAINTENANCE

&

SUGGESTIONS:

Various degrees of complying with Section 504 exist, based primarily on improvement costs, rehab programs, new government loans or insured loans by the government, with all relative as a percentage of overall property value. At this time, we do not project that the site will require a significant expense or government loan triggering a compliance level higher than local code or reasonable accommodations. The property is considered a non-conforming use, having been built before UFAS guidelines were established. Year 1 includes an expense of \$3,500 for professional assistance in completing a Section 504 Self-Evaluation and Transition Plan.

No additional expense is projected to address Section 504. Reasonable accommodation is not expected to result in a financial burden for the operating accounts of the subject property.

The site will need to modernize with an age of 31 years. During the next twenty years and to the period when the mortgage is retired, the components will represent functional obsolescence to varying degrees. Most of the conditions should be considered curable. Enhancements expected include:

Safety:

Fire and safety issues should take priority in modernization, with more sophisticated systems available to the individual unit, sounding directly to authorities. Intrusion systems should be included. Consider Detex Stations when using security. Hand held walkie-talkies should be employed. Equip and replace with advanced systems as they become available.

Barrier free:

Over time, the subject property will require spending of capital dollars, which enable trigger points of Section 504 compliance. Eventually, total modernization is likely to be required, although such modernization may be beyond the current assisted mortgage.

Computerized Intelligence:

Modern buildings are relying on computerization of mechanical systems for energy controls, increased comfort levels, and improved performance of operating systems.

Communications

Electronic billboard systems are available for installation into existing matv or CCTV home runs. The billboards, similar to those now found in hotels, allow instant communication to the residential unit. The systems have unlimited applications for social and operating issues.

Actual expenses are not shown for these possible functions. Management should evaluate and consider which ones, if any, are applicable.

PROPERTY PHOTOS



INVENTORY & COST ANALYSIS

	QUANTITY	UNIT	UNIT COST	TOTAL COST	USE LIFE	CONSTANT SEGREGATED FUNDING	ACTUAL CASH EXPENSE & YEAR
SECTION 504							\$3,500 year 1
MODERNIZATION							

CONTINGENCY REPORT

This section of the report describes the basis for establishing a funding level for unknown conditions. Typically, these items would include components of the improvements that are unavailable for inspection and evaluation of condition. It is not based on a percentage or other factor that forms a simple cushion.

The WATER SUPPLY LINES, PLUMBING, and SANITARY FACILITIES, FLUES, CHASES, DRAINS, ELECTRICAL SUPPLY, CONDUITS, ETC., have a history of only sporadic failure and can be expected to attain a normal life span well in excess of an additional 20 years. However, during the term of this plan these components will achieve the age typically associated with problematic conditions. The degree of failure and service can only be determined over time. The initial funding rate is suggested at **\$1,000.00 per year**.

The limited common area also includes the STRUCTURE AND FOUNDATION. Water penetration and related damages is likely to have an influence on capital costs. The physical plant report includes funding to address sealants and caulking, however, not the actual deterioration of substructures.

We suggest an annual funding rate of **\$2,500.00 per year**.

TOTAL RECOMMENDED FUNDING: \$3,500.00 PER YEAR.

Although this amount may be arbitrary in scope, it creates funding that can be adjusted in future updates after the performance history is reviewed.

CONCLUSION, PART A
SEGREGATED FUNDING AND RATE OF ATTRITION

Knox Lane Annex
April 25, 2012

SEGREGATED FUNDING PRIOR TO APPLICATION OF EXISTING RESERVE ACCOUNT BALANCES

COMPONENT	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Grounds Retainage	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Site Drainage	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400
Asphalt Surfaces	823	823	823	823	823	823	823	823	823	823	823	823	823	823	823	823	823	823	823	823
Site Lighting	228	228	228	228	228	228	228	228	228	228	228	228	228	228	228	228	228	228	228	228
Concrete	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Signs	417	417	417	417	417	417	417	417	417	417	417	417	417	417	417	417	417	417	417	417
Site Misc	293	293	293	293	293	293	293	293	293	293	293	293	293	293	293	293	293	293	293	293
Siding Systems	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Siding Misc	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Roofing	8,734	8,734	8,734	8,734	8,734	8,734	8,734	8,734	8,734	8,734	8,734	8,734	8,734	8,734	8,734	8,734	8,734	8,734	8,734	8,734
Gutters	625	625	625	625	625	625	625	625	625	625	625	625	625	625	625	625	625	625	625	625
Windows & Doors	4,913	4,913	4,913	4,913	4,913	4,913	4,913	4,913	4,913	4,913	4,913	4,913	4,913	4,913	4,913	4,913	4,913	4,913	4,913	4,913
Envelope Misc	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400
Kitchens & Baths	3,733	3,733	3,733	3,733	3,733	3,733	3,733	3,733	3,733	3,733	3,733	3,733	3,733	3,733	3,733	3,733	3,733	3,733	3,733	3,733
Appliances	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100
Décor	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800
Interior Misc.	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500
Domestic Hot Water	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260
Heating Systems	4,209	4,209	4,209	4,209	4,209	4,209	4,209	4,209	4,209	4,209	4,209	4,209	4,209	4,209	4,209	4,209	4,209	4,209	4,209	4,209
Fire Safety	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500
Generator	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250
Security	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200
Mechanical Misc.	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400
Community Center	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500
Section 504	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Modernization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Reserve	53,785	53,785	53,785	53,785	53,785	53,785	53,785	53,785	53,785	53,785	53,785	53,785	53,785	53,785	53,785	53,785	53,785	53,785	53,785	53,785
Cash Expense	25,860	32,580	26,112	23,760	36,260	23,760	23,760	31,812	23,760	142,093	61,093	61,093	26,112	23,760	143,260	136,260	23,760	225,793	23,760	28,260
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031

CONCLUSION, PART B
CURRENT FUNDING VS. A FULLY-FUNDED RESERVE

Knox Lane Annex
April 25, 2012

THE CURRENT LEVEL OF FUNDING IS SHOWN vs. A FULLY FUNDED RESERVE

Year	Cash Balance Forwarded	Annual Funding	Actual Cash Expense	Cash Shortfall	Cash Balance with 2% interest	Reserve Required	Coverage Shortfall
2012	\$384,000	\$41,800	\$25,960	\$0	\$407,837	\$53,785	\$0
2013	\$407,837	\$41,800	\$32,580	\$0	\$425,398	\$107,570	\$0
2014	\$425,398	\$41,800	\$26,112	\$0	\$449,908	\$161,355	\$0
2015	\$449,908	\$41,800	\$23,760	\$0	\$477,307	\$215,140	\$0
2016	\$477,307	\$41,800	\$36,260	\$0	\$492,504	\$268,925	\$0
2017	\$492,504	\$41,800	\$23,760	\$0	\$520,754	\$322,710	\$0
2018	\$520,754	\$41,800	\$23,760	\$0	\$549,570	\$376,495	\$0
2019	\$549,570	\$41,800	\$31,812	\$0	\$570,749	\$430,280	\$0
2020	\$570,749	\$41,800	\$23,760	\$0	\$600,565	\$484,065	\$0
2021	\$600,565	\$41,800	\$142,093	\$0	\$510,278	\$537,850	(\$27,572)
2022	\$510,278	\$41,800	\$61,093	\$0	\$500,804	\$591,635	(\$90,831)
2023	\$500,804	\$41,800	\$61,093	\$0	\$491,142	\$645,420	(\$154,278)
2024	\$491,142	\$41,800	\$26,112	\$0	\$516,966	\$699,205	(\$182,239)
2025	\$516,966	\$41,800	\$23,760	\$0	\$545,706	\$752,990	(\$207,284)
2026	\$545,706	\$41,800	\$143,260	\$0	\$453,131	\$806,775	(\$353,644)
2027	\$453,131	\$41,800	\$136,260	\$0	\$365,845	\$860,560	(\$494,715)
2028	\$365,845	\$41,800	\$23,760	\$0	\$391,562	\$914,345	(\$522,783)
2029	\$391,562	\$41,800	\$225,793	\$0	\$211,721	\$968,130	(\$756,409)
2030	\$211,721	\$41,800	\$23,760	\$0	\$234,356	\$1,021,915	(\$787,559)
2031	\$234,356	\$41,800	\$28,260	\$0	\$252,854	\$1,075,700	(\$822,846)
CYCLE END TOTALS:		\$836,000	\$1,143,008				

Net interest is compounded at 2% per year, allowing three percent to be allocated for inflation of expenses. See appendix for information regarding inflation. This scenario is good for a limited time of approximately three years. All projections require regular updates.

SUGGESTED LEVEL OF FUNDING FOR A FULLY-FUNDED RESERVE W/ 3% FUNDING INCREASE EACH YEAR

CONCLUSION, PART C

Knox Lane Annex
April 25, 2012

THE SUGGESTED LEVEL OF FUNDING IS SHOWN vs. A FULLY FUNDED RESERVE

Year	Cash Balance Forwarded	Annual Funding (3% compound fund)	Actual Cash Expense	Cash Shortfall	Cash Balance with 2% interest	Reserve Required	Coverage Shortfall
2012	\$384,000	\$59,000	\$25,960	\$0	\$425,381	\$53,785	\$0
2013	\$425,381	\$60,770	\$32,580	\$0	\$462,642	\$107,570	\$0
2014	\$462,642	\$62,593	\$26,112	\$0	\$509,106	\$161,355	\$0
2015	\$509,106	\$64,471	\$23,760	\$0	\$560,813	\$215,140	\$0
2016	\$560,813	\$66,405	\$36,260	\$0	\$602,777	\$268,925	\$0
2017	\$602,777	\$68,397	\$23,760	\$0	\$660,363	\$322,710	\$0
2018	\$660,363	\$70,449	\$23,760	\$0	\$721,193	\$376,495	\$0
2019	\$721,193	\$72,563	\$31,812	\$0	\$777,182	\$430,280	\$0
2020	\$777,182	\$74,739	\$23,760	\$0	\$844,725	\$484,065	\$0
2021	\$844,725	\$76,982	\$142,093	\$0	\$795,206	\$537,850	\$0
2022	\$795,206	\$79,291	\$61,093	\$0	\$829,672	\$591,635	\$0
2023	\$829,672	\$81,670	\$61,093	\$0	\$867,254	\$645,420	\$0
2024	\$867,254	\$84,120	\$26,112	\$0	\$943,767	\$699,205	\$0
2025	\$943,767	\$86,643	\$23,760	\$0	\$1,026,783	\$752,990	\$0
2026	\$1,026,783	\$89,243	\$143,260	\$0	\$992,221	\$806,775	\$0
2027	\$992,221	\$91,920	\$136,260	\$0	\$966,839	\$860,560	\$0
2028	\$966,839	\$94,678	\$23,760	\$0	\$1,058,512	\$914,345	\$0
2029	\$1,058,512	\$97,518	\$225,793	\$0	\$948,842	\$968,130	(\$19,288)
2030	\$948,842	\$100,444	\$23,760	\$0	\$1,046,036	\$1,021,915	\$0
2031	\$1,046,036	\$103,457	\$28,260	\$0	\$1,143,657	\$1,075,700	\$0
CYCLE END TOTALS:			\$1,143,008				
			\$1,585,352				

Net interest is compounded at 2% per year, allowing three percent to be allocated for inflation of expenses. See appendix for information regarding inflation. This scenario is good for a limited time of approximately three years. All projections require regular up-dates.

CONCLUSION, PART D
DEDICATED EXPENSE BY YEAR

Knox Lane Annex
April 25, 2012

DEDICATED EXPENSES PRIOR TO APPLICATION OF EXISTING RESERVE ACCOUNT BALANCES

COMPONENT	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Grounds Retainage	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Site Drainage	0	0	0	0	2,000	0	0	0	0	2,000	0	0	0	0	2,000	0	0	0	0	2,000
Asphalt Surfaces	0	8,820	2,352	0	0	0	0	2,352	0	0	0	0	2,352	0	0	0	0	2,352	0	0
Site Lighting	0	0	0	0	0	0	0	5,700	0	0	0	0	0	0	0	0	0	0	0	0
Concrete	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Signs	250	250	250	250	250	250	250	250	250	250	250	250	250	250	2,750	250	250	250	250	250
Site Misc	2,200	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Siding Systems	0	0	0	0	0	0	0	0	0	0	0	0	0	0	112,500	112,500	0	0	0	0
Siding Misc	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Roofing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	174,681	0	0
Gutters	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25,000	0	0
Windows & Doors	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	79,500	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Envelope Misc	0	0	0	0	8,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kitchens & Baths	0	0	0	0	0	0	0	0	0	37,333	37,333	37,333	0	0	0	0	0	0	0	0
Appliances	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100
Décor	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800
Interior Misc.	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500
Domestic Hot Water	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260
Heating Systems	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fire Safety	0	0	0	0	2,500	0	0	0	0	2,500	0	0	0	0	2,500	0	0	0	0	2,500
Generator	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250
Security	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200
Mechanical Misc.	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400
Community Center	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500
Section 504	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Modernization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Expense	25,960	32,580	26,112	23,760	36,260	23,760	23,760	31,812	23,760	142,093	61,093	61,093	26,112	23,760	143,260	136,260	23,760	225,793	23,760	28,260
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20

CONCLUSION, PART E
CURRENT FUNDING VS. BASELINE FUNDING TO MEET EXPENSES

Knox Lane Annex
April 25, 2012

THE CURRENT LEVEL OF FUNDING IS SHOWN vs. TIMING OF DEDICATED EXPENSES

Year	Cash Balance Forwarded	Annual Funding	Actual Cash Expense	Cash Shortfall	Cash Balance with 2% interest	
2012	\$384,000	\$41,800	\$25,960	\$0	\$407,837	
2013	\$407,837	\$41,800	\$32,580	\$0	\$425,398	
2014	\$425,398	\$41,800	\$26,112	\$0	\$449,908	
2015	\$449,908	\$41,800	\$23,760	\$0	\$477,307	
2016	\$477,307	\$41,800	\$36,260	\$0	\$492,504	
2017	\$492,504	\$41,800	\$23,760	\$0	\$520,754	
2018	\$520,754	\$41,800	\$23,760	\$0	\$549,570	
2019	\$549,570	\$41,800	\$31,812	\$0	\$570,749	
2020	\$570,749	\$41,800	\$23,760	\$0	\$600,565	
2021	\$600,565	\$41,800	\$142,093	\$0	\$510,278	
2022	\$510,278	\$41,800	\$61,093	\$0	\$500,804	
2023	\$500,804	\$41,800	\$61,093	\$0	\$491,142	
2024	\$491,142	\$41,800	\$26,112	\$0	\$516,966	
2025	\$516,966	\$41,800	\$23,760	\$0	\$545,706	
2026	\$545,706	\$41,800	\$143,260	\$0	\$453,131	
2027	\$453,131	\$41,800	\$136,260	\$0	\$365,845	
2028	\$365,845	\$41,800	\$23,760	\$0	\$391,562	
2029	\$391,562	\$41,800	\$225,793	\$0	\$211,721	
2030	\$211,721	\$41,800	\$23,760	\$0	\$234,356	
2031	\$234,356	\$41,800	\$28,260	\$0	\$252,854	
CYCLE END TOTALS:			\$836,000		\$1,143,008	

Net interest is compounded at 2% per year, allowing three percent to be allocated for inflation of expenses. See appendix for information regarding inflation. This scenario is good for a limited time of approximately three years. All projections require regular updates.

SUGGESTED FUNDING LEVEL TO MEET THE BASELINE EXPENSES W/ 3% FUNDING INCREASE EACH YEAR

CONCLUSION, PART F

Knox Lane Annex
April 25, 2012

SUGGESTED FUNDING LEVEL TO MEET DEDICATED EXPENSES

Year	Cash Balance Forwarded	Annual Funding (3% compound fund)	Actual Cash Expense	Cash Shortfall	Cash Balance with 2% interest	
2012	\$384,000	\$41,800	\$25,960	\$0	\$407,837	
2013	\$407,837	\$43,054	\$32,580	\$0	\$426,677	
2014	\$426,677	\$44,346	\$26,112	\$0	\$453,809	
2015	\$453,809	\$45,676	\$23,760	\$0	\$485,239	
2016	\$485,239	\$47,046	\$36,260	\$0	\$505,946	
2017	\$505,946	\$48,458	\$23,760	\$0	\$541,257	
2018	\$541,257	\$49,911	\$23,760	\$0	\$578,756	
2019	\$578,756	\$51,409	\$31,812	\$0	\$610,320	
2020	\$610,320	\$52,951	\$23,760	\$0	\$652,301	
2021	\$652,301	\$54,540	\$142,093	\$0	\$576,043	
2022	\$576,043	\$56,176	\$61,093	\$0	\$582,548	
2023	\$582,548	\$57,861	\$61,093	\$0	\$590,902	
2024	\$590,902	\$59,597	\$26,112	\$0	\$636,875	
2025	\$636,875	\$61,385	\$23,760	\$0	\$687,989	
2026	\$687,989	\$63,226	\$143,260	\$0	\$620,115	
2027	\$620,115	\$65,123	\$136,260	\$0	\$559,957	
2028	\$559,957	\$67,077	\$23,760	\$0	\$615,340	
2029	\$615,340	\$69,089	\$225,793	\$0	\$467,808	
2030	\$467,808	\$71,162	\$23,760	\$0	\$525,514	
2031	\$525,514	\$73,297	\$28,260	\$0	\$581,962	
CYCLE END TOTALS:			\$1,123,182			
			\$1,143,008			

Net interest is compounded at 2% per year, allowing three percent to be allocated for inflation of expenses. See appendix for information regarding inflation. This scenario is good for a limited time of approximately three years. All projections require regular updates.

SUMMARY OF INFLUENCE FACTORS

OPERATING POLICIES AND PROCEDURES

The property has benefited from the services of management that is aware of proficient practices and policies. The site has good curb appeal and image. Overall attention to detail is good, especially at maintenance and service levels. Modernization is present for fire and safety systems. Modernization is needed for security systems; enhancing security and curb appeal.

UNUSUAL CONDITIONS AND EVENTS

The site is essentially free of unusual or accelerated conditions that would result in a capital need. There are minor oddities that are visible and impact curb appeal such as the loss of film coat on exterior doors.

PREVENTATIVE MAINTENANCE AND LIFE EXTENSION

The property should maintain a service request and delivery system that records the failures, service levels, complaints, etc. of each component listed in this report. This system should also be utilized to record preventative maintenance efforts. Consider Peachtree or Safeguard work order systems.

OPERATING BUDGET ANALYSIS

As a client of **THE REPLACEMENT RESERVE REPORT**, the agent or owner will receive annual information for a custom analysis by the Experience Exchange Division of the Institute of Real Estate Management. The service is free and confidential.

HISTORICAL OPERATIONS

The history of the property is fairly straightforward with no remarkable uses that would present a risk.

LOSS & RISK HISTORY

No history was available.

MAXIMUM INCOME POTENTIAL

We did not conduct an analysis; income is apparently sufficient to support debt and reserves. We strongly suggest that the association conduct a formal market analysis; via best of type, built up pricing method of area comparable projects.

SUGGESTIONS FOR IMMEDIATE ATTENTION

1. Immediately address all liability issues noted in this report. Obtain an opinion from your legal counsel. Provide your attorney with a copy of this report.
2. Forward a copy of this report to your accounting professionals.
3. We suggest the following procedure:
 - a. Utilize a tracking system for failure and service levels required by the components identified in this report.
 - b. Increase awareness of possible liabilities such as toeholds, railings, etc. that exist within the common areas.
 - c. Increase the scope of line items in your operating budget to coincide with the identified titles/inventory in this report. It is important to track all expenses, of a capital and operating allocation, between up-dates and reviews.
4. Management may elect to use all, some, or none of our suggestions and predicted scenarios.

LIMITATIONS OF THE REPORT

During our investigation and observations, we encountered the following conditions that limited our presentation or resulted in assumptions:

1. No invasive testing was performed on any component.
2. Property perimeters were not observed for accuracy.
3. An engineering of the property has not been conducted.

THE REPLACEMENT RESERVE REPORT is not intended to give advice of a legal nature, and, accordingly, should not be used as such advice. An engineering of the property has not been performed, and no assessment of code compliance, any form of 21E, asbestos, or lead paint conditions offered. This **REPORT** does not warrant expressing an opinion of utility or inutility.

Many of the observations made in the **REPORT** are a result of random sampling of property components. This process would not allow for discovery of all potential defects or hazards associated with the physical plant. The report should not be used for the purpose of loss prevention or risk assessment.

Much of the information made available to the author is a result of personnel interviews, such as with managing agents, maintenance personnel, contractors, etc. While these sources are deemed reliable, they cannot be guaranteed authoritative.

The financial projections are supported for only the time frame in which they were compiled. Use of this information cannot be supported beyond that period, which would require regular review and amendments to the **REPORT**.

This information is intended for the sole use of **KNOX LANE ANNEX APARTMENTS**, its owners, managers, trade professionals, and others with a bonafide interest in the property. Use by any other entity is prohibited. All rights reserved under copyright laws of the United States (**RRR2012**).

Any single error within the text of the report does not void the entire report finding. Possession of the report does not necessarily constitute ownership.

QUALIFICATIONS OF THE ANALYST

THE REPLACEMENT RESERVE REPORT has been prepared for numerous government-assisted housing complexes, condominium associations, developers, institutions, and other facilities throughout New England since 1984. In the spring of 1993, we opened our Cape Canaveral office to serve North and South Carolina, Georgia and Florida. In 1996, our Virginia Beach branch opened to serve the mid-Atlantic region.

CHARLES J. STUART, CPM is the **REPORT's** author and founder. A Certified Property Manager of the Institute of Real Estate Management, Mr. Stuart has over thirty years of industry experience and is an author and speaker regarding the subject of capital planning and replacement reserves for the Community Associations Institute (CAI). Mr. Stuart is also a past course instructor of ten years for the Institute of Real Estate Management (IREM), and a contributing editor and author for the RS Means Company, a worldwide construction consulting and estimating company. Two books are currently available, "*Facilities Maintenance and Repair Cost Data*", now in its 7th printing, and "*Costs Planning & Estimating for Facilities Maintenance*".

VINCENT L. STELLA, AIA, NCARB is a Registered Architect in Connecticut and Rhode Island with National Accreditation. Principally involved with projects of varied scope and character with values ranging from \$50,000 to \$50,000,000 for private industry, commercial, residential, and recreational uses. Extensive experience conducting inspections and assessments for HUD, CHFA, and numerous State Housing Finance Agencies.

DUKE MOORE, AIA, LEED-AP is a licensed Architect in the states of Connecticut, Massachusetts, and New York. Mr. Moore has extensive experience in historic preservation and commercial property inspection. The LEED-AP designation from Green Building Certification Institute signifies advanced knowledge in green building practices with the ability to bring our clients through the LEED rating system.

STEPHEN SALA, CIVIL ENGINEER brings twenty years of diverse experience, in the design and construction areas of engineering, from projects that span both domestic and international markets. Mr. Sala has been involved with projects varying in value from five to two million dollars. An author on the subject of construction management, Mr. Sala is also regarded as a specialist in "expert testimony" on this subject.

JAMES A. DOHRMAN, PE - CIVIL is registered in five states as a Professional Engineer with a specialty in *Forensic Engineering*. Mr. Dohrman has extensive international and domestic experience in solid waste and related water resource subjects as well as being an accomplished author and speaker in these areas.

RAYLENE HULS-STRICKLER COE - ATTORNEY. Ms. Coe worked for the Department of Business and Professional Regulation's Division of Land Sales Condominiums and Mobile Homes and has extensive experience with condominium and community association law. Ms. Coe graduated from Florida State University's College of Law in 2001 after graduating from the University of Central Florida in 1998. In the early 90's, Ms. Coe (as Mrs. Bill Strickler) was involved in the reform of property rights and community association law.

Our staff also includes experienced personnel that conduct measurements and inventory of the physical plants, and an administrative team that is experienced with AutoCad and architectural costs software systems.

DISCLAIMER

It is assumed that the property known as **KNOX LANE APARTMENTS** is in compliance with all federal, state, and local laws, codes, regulations, and statutes.

THE REPLACEMENT RESERVE REPORT or its authors are not responsible for defects known or unknown, and reject all liability for such defects, known, or unknown, which may effect or cause harm or damage to the association or its residents.

All subsequent reviews and amendments to this **REPORT** are an expense beyond the invoice associated with this **REPORT**. **THE REPLACEMENT RESERVE REPORT** is not responsible to perform future reviews and amendments.

Any adjustments, changes, alterations, additions or deletions to this **REPORT** by anyone other than the author voids the entire report. Possession of this report does not constitute authorized ownership.

Competent management of the entity is assumed.

All values and projections are open to influences from the economy, the environment, the level of service, and the degree of actual wear and tear through use. Accordingly, all opinions expressed are subject to change.

APPENDIX

ADDITIONAL PROPERTY PHOTOS

GLOSSARY OF TERMS

SAMPLE ANNUAL OPERATING CALENDAR

RELATIVE MATERIALS RECEIVED

CONNECTICUT HOUSING FINANCE AUTHORITY SHRP C.N.A. RECAP

APPENDIX MATERIAL

ADDITIONAL PHOTOGRAPHS



NOTES:

APPENDIX MATERIAL

ADDITIONAL PHOTOGRAPHS



NOTES:

Glossary of Terms

Cash Flow Method: A method of developing a reserve funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

Component Inventory: The task of selecting and quantifying reserve components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s).

Component Method: A method of developing a reserve funding plan where the total contribution is based on the sum of contributions for individual components. See "cash-flow method."

Condition Assessment: The task of evaluating the current condition of the component based on observed or reported characteristics.

Current Replacement Cost: See "replacement cost."

Deficit: An actual or projected reserve balance less than the fully funded balance. The opposite would be a surplus.

Effective Age: The difference between useful life and remaining useful life. Not always equivalent to chronological age, since some components age irregularly used primarily in computations.

Financial Analysis: The portion of a reserve study where the current status of the reserves (measured as cash or percent funded) and a recommended reserve contribution rate (reserve funding plan) are derived, and the projected reserve income and expense over time is presented. The financial analysis is one of the two parts of a reserve study.

Component Full Funding: When the actual or projected cumulative reserve balance for all components is equal to the fully funded balance.

Accrued Fund Balance (AFB): The total accrued depreciation. It's an indicator against which the actual or projected reserve balance can be compared to identify the direct proportion of the "used up" life of the current repair or replacement cost. This number is calculated for each component, and then summed together for an association total. The following formula can be utilized. $AFB = \text{Current Cost} \times \text{Effective Age/Useful Life}$

Fund Status: The status of the reserve fund as compared to an established benchmark such as percent funding.

Funding Goals: Independent of methodology utilized, the following represent the basic categories of funding plan goals:

- **Baseline Funding:** Establishing a reserve funding goal of keeping the reserve cash balance above zero.
- **Component Full Funding:** Setting a reserve funding goal of attaining and maintaining cumulative reserves at or near 100% funded.
- **Statutory Funding:** Establishing a reserve funding goal of setting aside the specific minimum amount of reserves of component required by local statutes.
- **Threshold Funding:** Establishing a reserve funding goal of keeping the reserve balance above a specified dollar or percent funded amount. Depending on the threshold, this may be more or less conservative than component full funding.

Funding Plan: An association's plan to provide income to a reserve fund to offset anticipated expenditures from that fund.

Funding Principles:

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

Life and Valuation Estimates: The task of estimating useful life, remaining useful life, and repair or replacement costs for the reserve components.

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 accrued fund balance, expressed as a percentage.

Physical Analysis: The portion of the reserve study where the component inventory, condition assessment, and life and valuation estimate tasks are performed. This represents one of the two parts of the reserve study.

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

Replacement Cost: The cost of replacing, repairing, or restoring a reserve component to its original functional condition. The current replacement cost would be the cost to replace, repair, or restore the component during that particular year.

Reserve Balance: Actual or projected funds as of a particular point in time that the association has identified for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as reserves, reserve accounts, cash reserves. Based upon information provided and not audited.

Reserve Component: The individual line items in the reserve study developed or updated in the physical analysis. These elements form the building blocks for the reserve study. Components typically are the association responsibility, have limited useful life expectancies, have predictable remaining useful life expectancies, are above a minimum threshold cost, and are as required by local codes.

Reserve Provider: An individual that prepares reserve studies.

Special Assessment: An assessment levied on the members of an association in addition to regular assessments. Governing documents or local statutes often regulate special assessments.

Surplus: An actual or projected reserve balance greater than the fully funded balance.

Useful Life (UL): Total useful life or depreciable life is the estimated number of years that a reserve component can be expected to serve its intended function if it is properly constructed in its present application and/or installation.

SUGGESTED ANNUAL OPERATING EVENTS CALENDAR

KEY: ● Inspection ● Preventative Maintenance Service ● Regular Service ● Capital Repairs ● Capital Replacement

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
OPERATIONS CALENDAR												
Asphalt Surfaces				●●●				●●●		●●●		
Tennis Courts				●●●				●●●		●●●		
Swimming Pools				●●	●●	●●●	●●●	●●●	●			
Siding Material	●		●		●	●	●●	●●	●●		●	
Roofing Material		●		●			●●●	●		●		●
Lighting Systems	●											
Heating Boilers	●●●					●●●		●●●		●●●	●●●	●●●
Domestic Hot Water	●●●	●●●	●●●	●●●	●●●	●●●	●●●	●●●	●●●	●●●	●●●	●●●
Landscape			●●		●●	●●●	●●●	●●●	●●●	●●●	●●●	●●●
Pests and Insects				●●●	●●●	●●	●	●	●	●●	●	
Painting Program				●	●	●	●●●	●●●	●●●	●●●	●●●	●●●

CAPITAL CALENDAR												
Building Roof #7								●●●				
Building Roof #8							●●●					
Building Roof #9						●●●						
Treatment Plant									●●●			

Calendar assumes a four week month. By no means all inclusive, a sample only. Schedule should include components unique to property.

KNOX LANE ANNEX- GLASTONBURY, CT - 40 UNITS

SHRP - TECHNICAL SERVICES C.N.A. CHECKLIST - MAY 2012

SCOPE of WORK		TIMEFRAME and ESTIMATED COST of WORK				COMMENTS
		Priority - Year 1	Years 2 - 5	Years 6 - 15	Years 16 - 20	
Component	Work Included in C.N.A.	C.N.A. Cost Estimate	C.N.A. Cost Estimate	C.N.A. Cost Estimate	C.N.A. Cost Estimate	
1 Site Improvements	asphalt, drainage, walkways	\$4,950	\$24,172	\$41,904	\$18,102	rebuild, replace, enhance
2 Building Exterior	siding replacement	\$23,000		\$142,500	\$112,500	achieving extended use life
3 Roofing	cyclic replacement for 18			\$222,000	\$199,681	new gutters, windows, doors
4 Lobby - Mail Area						
5 Community Room	cyclic replacement of amenities	\$500	\$2,000	\$5,000	\$2,500	furnishings, electronics
6 Common Hallways						
7 Common Stairways						
8 Common Laundry						
9 Common Area Restrooms						
10 Building Boilers	heat, domestic hot water	\$2,260	\$9,040	\$22,600	\$11,300	
11 Building Mechanical	portable generator, security	\$450	\$1,800	\$4,500	\$2,250	annual replacement, enhancement
12 Building Electrical	fire safety, code changes		\$2,500	\$5,000	\$2,500	modernization as needed
13 Building Elevator						
14 Building Structural	section 504 transition	\$3,500				
15 Unit Living	annual turnover décor	\$9,800	\$39,200	\$98,000	\$49,000	
16 Unit Kitchens	appliances, cabinets	\$3,100	\$12,400	\$142,999	\$15,500	cabinets in years 10, 11, 12
17 Unit Bathrooms						
18 Unit Electrical	lighting, fans	\$500	\$2,000	\$5,000	\$2,500	
19 Unit Mechanical	solar array	\$400	\$1,600	\$4,000	\$2,000	replacement as needed
Annual Planned Expenditures Cost Per Unit		\$48,460	\$94,712	\$693,503	\$417,833	