

CONDOMINIUM RESERVE ACCOUNT ANALYSIS

OF

**THE WHITLEY BAY CONDOMINIUM PROPERTY
LOCATED AT
93 DELANNOY AVENUE
COCOA, FL. 32922**

PREPARED FOR

**MR. LARRY RAMSAY
THE WHITLEY BAY CONDOMINIUM ASSOCIATION
93 DELANNOY AVENUE #1206
COCOA, FL. 32922**

DATE OF RESERVE STUDY: YEAR 2016

**DATE OF REPORT:
Oct 12, 2015**

**PREPARED BY
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LOG NO. 11-0401

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October 12, 2015

Mr. Larry Ramsay
c/o Whitley Bay Condominium Association
93 Delannoy Avenue #1206
Cocoa, Florida 32922

RE: Reserve Account Analysis
The Whitley Bay Condominium

Dear Mr. Ramsay:

The purpose of the reserve account is to set aside money for the replacement of both long life and short life capital items pursuant to Florida Statute/Condominium Bylaw 718.22 and 61B (see addendum). In addition to estimating the required reserves relative to the overall budget, this report is to be used for the internal business purposes of the condominium association. The effective date of this report is April 14, 2011 (the date of our most recent inspection). While the property was inspected on October 1, 2015 and dated October 12th 2015, this Reserve Study is reflective of the entire year for the Whitley Bay Condominium Association. Per the applicable Statutes, the reserve account includes, but is not limited to, roof replacement, building painting, pavement resurfacing, covered patio area and any other machinery, furniture and system, not of the integral building structure with a cost of \$10,000 or above. Capital items are of two types; Long Lived Items and Short Lived items. Roof and patio decks represent long life items. Building paint and pool resurfacing are examples of short life items.

The intent of the reserve account is to accumulate enough money (including interest) through the individual condo owner's monthly fees necessary to replace the capital items in the future, as they wear out. The price increases over time is also reflected in the analysis. At the end of this narrative report the set-asides for 2011 are itemized. Additionally, a 30 year cash flow spread sheet is provided. The spread sheet accumulates money and accrued interest every year. As capital items are replaced, the time adjusted price, is deducted in the applicable year. The cash flow never zeros out over the 30 years as accruals continue over the entire 30 years. Over the 30 year time it is our experience, conservative expectations relative to interest rates over the 30 year holding period and price increases of capital items tend to be conservative.

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The economic events since 2006/5 years is exactly why our analysis considers a conservative scenario. The truth is, no one can project with any degree of accuracy, interest rates, costs of items and labor over 30 years, or inflation and it's affect on price increases of the capital items comprised within Whitley Bay during this period. The reserve study is most accurate in the early years of the study.

The Description of the Property:

The Whitley Bay Condominium is located along the west side of the Indian River, just north of SR.520, in the Cocoa Village Historic District at the above referenced address. Site area is 1.47 acres. CO'd in 2004 (12 years actual in 2016). Whitley Bay consists of a single, steel reinforced concrete frame high-rise building. Exterior walls are CBS block with a stucco finish. The high-rise is 13 stories in height and contains 64 residential condominium apartments. Building size is 168,543 sq.ft. The roof is monolithic concrete slab on concrete joists with a foam covering. Ornamental barrel tile along the perimeter noted. Site improvements include the 3,211 sq.ft. Recreation building (workout building) at the south end of the property, the 1,287 sq.ft. clubhouse and a 60' x 8' 2nd floor walkway to pool area. Associated with pool and spa is an associated cabana bath building all of which are leased structures. Only Pool and Spa resurfacing is reflected in the analysis.

Pursuant to your request, we have estimated "The Reserve Account" which is a part of "The Annual Operating Budget" for the Whitley Bay Condominium development. The purpose of this report (which should not be construed to be an appraisal) is to estimate the required reserves relative to the overall budget, Typically the reserve account equate to 20%-25% of the overall budget calculated from Condo owners monthly fees. This can vary due to the number of condo apartment units and the amount of monthly fees collected.

The Function of this report is to assist the Association is internal business purposes of the Association and seeing that the set-aside to replace capital items as they wear out form normal usage and under proper maintenance. The effective date of this report is Calendar Year 2016. The date of our most recent inspection was October 1, 2015. The remainder of the Reserve Account as of December 31, 2015 rolls over into 2016. While repairs were noted. Capital expenditures begin in 2016 with building paint. Repairs are part of the operating budget vs. reserves.

As stated, the intent of the reserve account is to accumulate money through the individual, monthly condo owner monthly fees necessary to replace the capital

items in the future as they wear out. The reserve account is only a part of the overall budget. Most of the Overall Budget maintains the property on a day to day basis with only the reserve account set-asides to be used in the future. Accordingly, the amount in the reserve account must be sufficient to both fund the necessary set-a-sides on a monthly basis, for the replacement of long life and short life capital items. The overall budget of which the reserve account is a part, pays for the general maintenance of the condominium per the day to day operation of the condominium. The general maintenance budget typically cures deferred maintenance and repairs, which represents the normal wear and tear of the property over time and when and where as necessary.

In this instance, items allocated to the reserve account are as follows:

- 1.) The roof structure of the thirteen (13) story residential building with foam covering, the roof structure of the Clubhouse, as well as the roof structure associated with the Recreation/Workout building.
- 2.) Building paint and waterproofing. The building was repainted by the developer at no cost to the Association in 2006.
- 3.) Paving - Ground level roadway and open parking deck resurfacing
- 4.) Elevators (2)
- 5.) Mechanical/Electrical/Sprinkler/HVAC and 2 cooling Towers. The cooling towers were replaced in 2010 but remains a part of this overall category with no change to economic life as the system is considered together.
- 6.) Furniture & Fixtures re lobby, clubhouse and workout room + exercise equipment.
- 7.) Covered Brick Paver Walkway
- 8.) Miscellaneous Building Components
- 9.) 2nd floor Walkway to Pool Area
- 10.) Pool, Spa and deck resurfacing.

The HVAC associated with the clubhouse and lobby common areas are included under mechanical and electrical systems. Items not considered capital are items integral to the general building structure (such as 1st and 2nd floor covered

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parking area and ramp), exterior covered walkways from the 3rd floor to the penthouse level along the south side of the building, stairwells, rear and side terraces associated with the sixty-four (64) condominium units. Regarding covered garage area and ramp, other than minor concrete surface upkeep as part of general maintenance, these structures have the same economic life as the subject building. Similarly, due to the excellent design and top shelf building materials, the noted exterior walkways from the 3rd floor – the penthouse and the side and rear terraces associated are considered permanent building structure and not depreciable capital items.

Roof size of the high-rise and clubhouse vary in materials. Projected economic lives for both roofs are the same at 20 years. For the purposes of this analysis, roof cost on a per sq.ft. basis is the same. In our opinion, cost variances between the three types of roofs (given equal 20 year economic lives) are minimal and the utilized costs are provided on a blended basis. The foam roof covering is included on the high rise.

Highrise Roof Area	– 16,884 sq.ft.
Workout Building Roof	- 1,605 sq.ft.
Clubhouse Roof	- 1,287 sq.ft.
Total Roof area (Blended)	19,776 sq.ft.

Our analysis will provide the replacement cost of each capital item (as a category). Capital items, depending on the item have varying economic lives. Economic life indicates how long an item can be expected to last. Our analysis will estimate economic life of each capital item. While different capital items have varying economic lives, our analysis is reflective of the fact that for each capital item the whole is the sum of its parts and we assume the sub elements of any given items, wear out at the same time as the considered item in its entirety.

The appropriate set aside for each item is defined by dividing the cost of the capital item by the number of years that it should last. Economic life estimates were obtained from a combination of sources. In some instances contractors and builders per proposed bids provide the cost to replace capital items. Costing software such as Xactimate and the Marshall & Swift Commercial Cost Estimator were also utilized.

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There are two (2) elevators in the 13 story building. A recent quote from the Otis Elevator Corporation provided the estimate the replacement costs of the elevators at \$181,800 with a 20 economic life. Eight (8) years of useful economic life remaining.

With regard to the roof, the following should be considered. Concrete roofs structures when properly maintained can last 50 years or more. Roof structures are typically warranted for 20 years. The foam covering is warranted for 10 years. The dominant roof structure is the concrete slab and joist system. As mentioned the foam covering on the roof is separate and in this case new as of 2010 when replaced last replaced at a cost of \$33,000. This number was updated for this report since 2010. This cost is reflected in the analysis. With all the considered capital items emphasis relative to economic life is placed on item warrantees when possible, as well as the actual life of the building. The “clock” relative to all Whitley Bay began in 2004. The capital items already replaced will be reflected based on when the replacements occurred relative to the building’s actual life.

For the purposes of this reserve study a combination of sources were utilized. Actual costs from developments which we are aware of were provided by developers, estimates from contractors, actual costs of the replaced items (as these are recent), The Marshall & Swift Commercial Cost Estimator and Hand Book were also utilized.

The subject property will be 12 years old in 2016. We are aware that the building was painted in late since constructed (6 Years ago). The subject roofs are 12 years old and the remaining useful life of the roofs is 8 years. The purpose of this analysis is to project the appropriate reserves from the inspection date into the future. It is assumed that appropriate set-asides since 2004 are in-place. This report may have the effect of adjusting the amount of set-asides established in the past to a more appropriate amount based on current costs vs. 2004 levels of expense. The economic life of each item began in 2004. Remaining economic life of any given item has no affect upon the required set aside until that item is replaced at the end of useful life. At that time the reserve set aside for each item in combination with projected increasing cost will be sufficient to replace that item at no additional cost to the Association.

With regard to painting, the materials are relatively inexpensive, but the task is labor intensive. With regard to high-rises, contractors factor insurance into the bids. The higher the structure, the higher the structure, the fewer the number of contractors available to do this form of painting as varying bonds are required, as

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floor height varies. With single story houses for example building surface vs. square footage is the unit of comparison from which bids are made. The painting of door are an addition, windows are a deduction. With High Rises like the subject, surface area is irrelevant to the contractor. The number of stories is most important. The rear of the building and in some instances the corners are mostly un-paintable glass. Bids from bonded, insured high rise painters are based on building square footage. Windows, doors and cut-ins included. A price of \$.75-\$.80/sq.ft. is typical and has flat for a number of years. Warranted paint life is 5 – 7 years. As stated, the building was repainted in 2006. In this instance the association has a bid of no more than \$200,000 (possibly less), to paint the building. \$169,000 was set aside for paint. This cost is lower than the bid range found within our research. If higher than \$169,000, any remaining balance will become a special assessment.

The subject property will be 12 years old in 2016. The subject roofs are 12 years old and are considered that age even though the foam roof cover was replaced in 2010. The remaining useful life of the roof is 8 years. We will redo foam in 10 year time increments based on the 2010 repair.

A summary of reserves is on the following page.

CALCULATION OF RESERVES

Primary Roof	20 Years	\$ 253,042	\$ 12,652
Roof Foam Undercoat	10 Years	\$ 39,947	\$ 3,994
Elevators (2)	20 Years	\$ 181,800	\$ 9,090
Mechanical/Electrical Systems	30 Years	\$ 372,800	\$ 12,426
Building Painting:	6 Years	\$ 169,000	\$ 28,166
Paving Resurfacing 5,000 sq.ft. @1.60/sq.ft.	15 Years	\$ 8,080	\$ 538
Furniture & Fixtures and Equipment:	5 Years	\$ 50,000	\$ 10,000
60' x 8' 2 nd floor open Walkway to marina	15 years	\$ 15,150	\$ 1,010
80' x 9.5' covered walk (Brick pavers)	10 years	\$ 25,200	\$ 2,520
Replacement Cost Total			
Pool, Spa and Decking Resurfacing	10 Years	\$ 20,200	\$ 2,020
Miscellaneous Building Components	10 Years	\$ 10,000	<u>\$ 1,000</u>
Total Annual Reserve for 2016			\$84,416
Plus 2015 Roll-Over			<u>\$354,688</u>
Total Reserves			\$439,104
Less the 2016 Paint Expenditure of			<u>(\$169,000)</u>
Reserve Balance after the Paint Expenditure This number rolls over into 2017			\$270,104
Monthly Condo Collections - \$19,788			

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30 Years Cash Flow Assumptions:

Over the next 5-30 years, prices of the capital items can be expected to increase. It is assumed that the condo association fund managers will place the set-asides in an account accruing compound interest. Early in condo life a T-bill or CD may provide a higher rate than a typical savings account. Now the building is at a point where reserves kick in and the money need to be more liquid and accessible. At just below $\frac{1}{2}$ of 1% annual interest was utilized in the cash flow. Capital Item price increases are more or less assumed to equate to inflation at 1% per year. d. Those capital items already replaced are aged from the year replaced. The foam roof is (2) years old. The account balance from the end of 2015 (\$354,688) is also reflected in the analysis and appears within the 2016 end of year balance less the paint expenditure. In the cash flow, 2016 items were adjusted slightly to reflect the set asides accrued for these items to date, with the 2016 roll-over.

Respectfully submitted,
OCEAN APPRAISAL SERVICE



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ADDENDUM