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TERRACE VILLAGE  
MAINTENANCE CORPORATION

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RESERVE STUDY REPORT

BALANCE SHEET DATE:

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Prepared by:

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## INTRODUCTION

### PURPOSE OF THE STUDY

This Reserve Study Report is designed to provide the Association members with current information concerning the major common area components of the community.

### SOURCES OF DATA

All units of measurement used to determine replacement costs of reserve components are based on one or more of the following:

1. Construction drawings
2. An on site inspection of the complex
3. Information provided by the property management
4. Previous Reserve Analyses
5. California Department of Real Estate Budget Worksheet information

All estimated costs and useful lives are estimates based on data obtained from one or more of the following sources:

1. Current construction costs for the area
2. The National Construction Estimator
3. The National Repair and Remodeling Estimator
4. The Operating Cost Manual for Homeowners Associations

### LIMITATIONS OF THE REPORT

All estimates of expected useful lives of the reserve components found in the Reserve Study Report for the development are the result of calculations and assumptions based on average conditions and a program of regular maintenance for these components. Acts of God, unusual weather conditions, vandalism, unexpected price changes for labor or materials or unusual wear cannot and have not been given any consideration in the estimation of useful lives for individual assets.

Each evaluation of the various reserve components within the complex is based on the assumption that each phase of the construction process was completed under building code requirements and accepted industry standards in effect at the time of construction.

If conditions are more favorable than average, then the estimated useful lives of the reserve components may be longer than expected with the resultant effect being a reduction in replacement funding requirements. Conversely, conditions which are less favorable than average will cause the estimated useful lives to be shorter than anticipated and will create a need to increase the funding for replacements.

An opinion is not offered or expressed with regard to whether or not the estimated replacement costs and/or the estimated useful lives of reserve components approximate or equal actual costs and/or actual lives. Hartmann Inc. does not warrant, guarantee or otherwise represent the reliability or accuracy of any information contained within this Report.

No analysis of construction defects or possible hazardous materials has been made and Hartmann Inc. shall have no responsibility for the same.

There has been no core sampling or other invasive examination of any reserve component and Hartmann Inc. shall have no responsibility for defects which could be found only with invasive examination.

## INTRODUCTION (Continued)

Systems with an estimated useful life equal to the useful life of the complex (e.g., electrical, sewer, plumbing and telephone) have not been analyzed and Hartmann Inc. shall have no responsibility for such systems.

The information contained within the Reserve Study Report will provide the maximum benefit only if it is periodically reviewed and brought current. An annual reassessment of the status of the association's reserves is strongly recommended and is now a legal requirement and responsibility of the Board of Directors (Civil Code 1365).

This report is intended to provide information for the Board of Directors. It is not intended to be a report for litigation purposes.

### GENERAL NOTE

The following items are not included in the Reserve Study Report; however, one or more may be obtained under a separate contract:

1. Specific schedules for any of the recommended maintenance programs can be provided.
2. Material specifications and their application are also available for various reserve components.
3. Assistance can be provided to the Board of Directors in obtaining competitive proposals for work to be completed within the complex.
4. A quarterly walk-through can be scheduled with a written report containing recommendations concerning maintenance on the project's various components.

### PROJECT INFORMATION

Terrace Village is condominium complex located at 3688 First Avenue in San Diego.

There is a total of thirty residential condominiums in one building.

Entrance to the residential area and parking is through controlled access gate systems.

There is a swimming pool and furnished deck along with a fitness room.

COMPONENT	CURRENT COST OF RENOVATION OR REPLACEMENT	ESTIMATED YEARS OF USEFUL LIFE	YEARS OF REMAINING LIFE	ANNUAL RESERVE REQUIREMENT	ACCUMULATED RESERVE REQUIREMENT
MISCELLANEOUS					
Contingency	3,800	1	0	3,800	3,800
FENCES/RAILS/GATES					
Metal Railings/Gates					
Paint	7,720	4	2	1,930	3,860
Repairs/Replacement	38,610	25	20	1,544	7,722
Wood Trellis					
Paint	500	4	0	125	500
Repair/Replacement Allowance	4,800	15	10	320	1,600
PAINT					
Doors/Trim/Hallways/Stairways	8,250	10	5	825	4,125
Stucco	27,000	12	7	2,250	11,250
ROOF					
Flat	43,930	16	11	2,746	13,728
Skylights	400	16	11	25	125
Roof Check/Maintenance	250	2	0	125	250
SWIMMING POOL					
DecoSeal	675	4	4	169	0
Deck/Coping	3,000	18	13	167	833
Equipment	5,200	14	9	371	1,857
Surface	5,800	12	10	483	967
ENTRY GATE SYSTEMS					
Entry Panel - Residential	2,500	12	4	208	1,667
Garage Gate Motor	6,600	12	7	550	2,750
Garage Gate Repair/Replacement	5,000	16	16	312	0
PLUMBING					
Backflow Prevention Device	1,800	16	11	112	562
Water Heater	3,400	10	5	340	1,700
Circulating Pump	750	10	5	75	375

COMPONENT	CURRENT COST OF RENOVATION OR REPLACEMENT	ESTIMATED YEARS OF USEFUL LIFE	YEARS OF REMAINING LIFE	ANNUAL RESERVE REQUIREMENT	ACCUMULATED RESERVE REQUIREMENT
ELECTRICAL					
Light Fixtures	1,700	18	5	94	1,228
Garage Fluorescent	810	15	10	54	270
Post Lights	2,100	17	12	124	618
Interior Ceiling Fixtures	1,680	18	13	93	467
Uplights at Entry Landscaping	320	10	5	32	160
Large Entry Fixtures	500	15	10	33	167
ELEVATOR					
Upgrade/Modernization	52,000	35	5	1,486	44,571
Car Renovation	7,000	18	13	389	1,944
LANDSCAPE					
Irrigation Distribution System Allowance	1,000	12	7	83	417
RECREATION\COMMON AREA					
Life Safety - Fire Hoses	1,080	10	5	108	540
Mailboxes	1,800	10	2	180	1,440
Furnishings Allowance	6,000	12	7	500	2,500
Deck Furniture	1,500	8	4	188	750
Carpeting	18,970	12	7	1,581	7,904
Gym Room Allowance	1,000	10	5	100	500
TOTAL FUNDING REQUIREMENTS	\$267,445			\$21,523	\$121,147

RESERVE STUDY SUMMARY:

ACTUAL RESERVE BALANCE:	\$48,899
ACCUMULATED RESERVE REQUIREMENTS:	\$121,147
EXCESS/(DEFICIT):	\$(72,248)
PERCENTAGE OF ACTUAL RESERVES TO REQUIRED RESERVES:	40%

MONTHLY RESERVE ALLOCATIONS:

MISCELLANEOUS	316.67
FENCES/RAILS/GATES	326.62
PAINT	256.25
ROOF	241.30
SWIMMING POOL	99.18
ENTRY GATE SYSTEMS	89.24
PLUMBING	43.96
ELECTRICAL	35.89
ELEVATOR	156.22
LANDSCAPE	6.94
RECREATION\COMMON AREA	221.36
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TOTAL MONTHLY RESERVE ALLOCATIONS:	<u><u>\$1,793.62</u></u>

NOTE: Minor rounding differences may occur.

DEFICIT FUNDING ALTERNATIVES:

CURRENT DEFICIT: \$72,248

NUMBER OF UNITS: 30

The current deficit may be funded in the future through a variety of options. The following alternatives assume the monthly fee will be adjusted to meet current requirements for operating costs and reserve estimates. The monthly fee would then have an increase that would be determined by selecting one of the options described below:

1. Immediate deficit reduction:

Assess each unit a one time fee of: \$2,408.26

2. One year deficit reduction:

Increase each unit's fee for the next 12 months by: \$200.69

3. Two year deficit reduction:

Increase each unit's fee for the next 24 months by: \$100.34

4. Three year deficit reduction:

Increase each unit's fee for the next 36 months by: \$66.90

Section 1365 of the California Civil Code requires a summary of the association's reserves to be distributed to all members of the association at least annually. The reserve data must be current.

The deficit funding alternatives must be reviewed at least once each year to determine whether the financial plan for the community association will adequately meet the association's funding requirements.



## RESERVE STUDY COLUMNAR HEADINGS

### *RESERVE COMPONENT:*

This provides a description of the reserve component by item, location or name.

### *CURRENT MAINTENANCE OR REPLACEMENT COST:*

The maintenance or replacement cost is an estimated current cost and is based on one or more of the following sources:

1. Various published standards including the National Construction Estimator and the Operating Cost Manual for Homeowners Associations.
2. Information provided by the developer, management company and/or the property manager.
3. Estimates from qualified and knowledgeable contractors. No consideration has been given to potential cost variations that could occur due to changes in material costs, labor costs, and the rate of inflation.

### *ESTIMATED USEFUL LIFE:*

This is an estimate based on information found in published standards, generally accepted industry estimates, and the Operating Cost Manual for Homeowners Associations along with a visual assessment of the reserve components. Those reserve items that are expected to have useful lives equaling the life of the entire complex are not discussed.

### *REMAINING LIFE:*

This value is the result of subtracting the age of the reserve component from the estimated useful life. This is designed to be used as a general guideline and may be influenced by the quality of the labor and materials that are used in the maintenance procedures. Reassessments of the condition of each of the reserve components must be made on an annual basis.

### *ANNUAL RESERVE REQUIREMENT:*

The Annual Reserve Requirement is determined by dividing the Current Replacement Cost by the Estimated Useful Life. The reserve requirements are calculated on a "straight line" basis. Adequate annual reserves are required to assure the availability of funds when various reserve components require replacement.

### *ACCUMULATED RESERVE REQUIREMENT:*

The Accumulated Reserve Requirement is found by multiplying the Annual Reserve Requirement by the expended life of the reserve component. A comparison may then be made between current required reserves and current actual reserves.

## GENERAL SITE INFORMATION

### GENERAL

All signage, including building and unit designations, should be routinely checked for general condition and repair requirements.

All common area locks and door hardware should be regularly checked and tightened as required. The locks and hardware should also be routinely oiled with a rust inhibiting lubricant.

The general condition of each fire extinguisher and housing should be checked on at least an annual basis. Each extinguisher should be placed on a block to help prevent damage to the canister due to moisture. The blocks should remain in place.

### PAINT

A semi-annual check of all metal surfaces should be completed and any breakdowns in the paint should be scheduled for repairs. This includes sanding, priming, and painting with a good quality industrial enamel that is rated for outdoor use on metal. Paint should always be applied to the underside of the lower horizontal rail on each metal section of fencing. Paint should be scheduled prior to surface deterioration. Any depressions around the metal fencing and railing posts should be filled and crowned to help prevent water from standing at the base of the metal posts.

Damage to the painted wood surfaces may be prevented if a good painting program is established and maintained. Paint must be scheduled prior to signs of oxidation to help prevent damage to the underlying wood. A good quality paint must also be part of the planned painting schedule.

All painted wooden surfaces that are facing south or southwest will begin to oxidize and deteriorate sooner than those facing north or northeast. These areas should be checked regularly for adequate paint coverage. This will help prevent damage to the bare wood from exposure to the sun and other elements.

### ROOF

The roof check must include a general inspection of all roofing material along with a thorough inspection of flashing and roof penetrations. All vent pipes and other roof penetrations should have a watertight seal. Missing or damaged roofing material must be replaced by a qualified roofing technician. Maintenance must be performed annually to help preserve materials under the roofing surface.

Gutter systems and vertical drains should have all obstructions removed. Damaged or missing gutter or drain components should be replaced. All connections to underground drain system components should have approved fittings. Routine maintenance on roofing surfaces may result in longer useful lives and lower long-term roofing expense.

All debris must be removed from the roofing systems. Leaves, tree limbs and other debris should not accumulate on any roofing system.

### SWIMMING POOL

All seals between the coping, swimming pool, and decking should be checked semi-annually. An evaluation should be made routinely by a qualified technician regarding the condition of the seals. It is important to maintain adequate seals between the areas of decking and the coping to help prevent water from saturating the soil under these areas. Substantial damage may occur to concrete decking due to water intrusion.

Chemicals should be added to the pool carefully to prevent the concentration of the chemicals near the plaster surface. This may discolor the plaster and may accelerate the deterioration of the plaster.

## LANDSCAPE

The automatic clock systems should be checked regularly to be sure they are operating properly and are programmed correctly.

The water distribution system should be inspected to be certain all connections are tight and that all valves and heads are operating freely. Each sprinkler or Rain Bird type fitting should be adjusted to prevent water from being directed toward buildings, fencing, foundations, walkways, and streets.

A routine evaluation of the water distribution system will also help to prevent the use of excess water for irrigation.

Drain caps and the drainage system should be checked to be certain each component is operating correctly. All connections should be tight and each fitting should be the correct item for the system. All drain grates should be in place. Damaged components should be replaced or repaired.

All valves and hose bibs in the water distribution system that are not electrically controlled should be operated manually at least once each year. This will help prevent the valves from becoming inoperative. It will also extend the life of the washers and assist in preventing water leaks.

## ELECTRICAL

Cover plates on the electrical junction boxes should be regularly inspected. Damaged plates on the junction boxes should be replaced. If water (from lawn area sprinklers or rain) runs into the conduit, then the deterioration of the wiring insulation may be accelerated considerably and it may create a hazardous condition.

The cover plates on the area lights should be periodically checked for tight connections and any breaks in the housings. This includes the post light fixtures, flood lights and surface mounted fixtures. A routine inspection should be scheduled with required repairs and replacements planned for completion.

## MAINTENANCE SCHEDULE

NOTE: Maintenance or renovation for components that have no remaining life are *italicized*.

### JANUARY

*Schedule required repairs, surface preparation, and paint for the pool area trellis.*

Check the signage throughout the development for damage and stability.

Schedule a walk through of the complex and evaluate the general condition of the common area components.

Establish a schedule for servicing the backflow prevention devices.

Check all controllers/sensors to ensure times of operation are the most conservative for current conditions.

### FEBRUARY

Schedule a walk through of the complex and evaluate the general condition of the common area components.

Check the irrigation system components (sprinkler heads) to be sure each one is directed away from buildings, footings, and fencing.

### MARCH

Check all drains and the drainage system to ensure the adequate drainage of water.

Schedule a walk through of the complex and evaluate the general condition of the common area components.

Check all controllers/sensors to ensure times of operation are the most conservative for current conditions.

### APRIL

Reset the landscaping time clocks to adjust to the time change.

Check the irrigation system components (sprinkler heads) to be sure each one is directed away from buildings, footings, and fencing.

Schedule a walk through of the complex and evaluate the general condition of the common area components.

Check all signage throughout the complex.

### MAY

Check all controllers/sensors to ensure times of operation are the most conservative for current conditions.

Schedule a walk-through of the complex and check or evaluate the general condition of each reserve component.

### JUNE

Check the irrigation system components (sprinkler heads) to be sure each one is directed away from buildings, footings, and fencing.

Manually operate all hose bibs and valves throughout the water distribution system that are not electrically controlled. This will help prevent the valves from becoming inoperative.

Schedule a walk through of the complex and evaluate the general condition of the common area components.

## JULY

Check the signs throughout the complex for damage and stability.

Schedule a walk through of the complex and evaluate the general condition of the common area components.

Check all controllers/sensors to ensure times of operation are the most conservative for current conditions.

## AUGUST

Check the irrigation system components (sprinkler heads) to be sure each one is directed away from buildings, footings, and fencing.

Schedule a walk through of the complex and evaluate the general condition of the common area components.

## SEPTEMBER

Check all drains and the drainage system to be certain water is draining adequately.

Schedule a walk through of the complex and evaluate the general condition of the common area components.

Check all controllers/sensors to ensure times of operation are the most conservative for current conditions.

## OCTOBER

Reset the landscaping time clocks to adjust for the time change.

Check all light fixtures throughout the complex. Missing components should be replaced and junction boxes should be watertight.

Check the irrigation system components (sprinkler heads) to be sure each one is directed away from buildings, footings, and fencing.

Schedule a walk through of the complex and evaluate the general condition of the common area components.

*Schedule the roof check. Gutter systems, vent pipes, and flashing should be checked.*

## NOVEMBER

Schedule a walk through of the complex and evaluate the general condition of the common area components.

Check all controllers/sensors to ensure times of operation are the most conservative for current conditions.

## DECEMBER

Schedule a walk through of the complex and evaluate the general condition of the common area components.

Schedule a check of all metal railings. Any damage should be repaired and rusting sections should be sanded, primed and repainted. Touch-up painting will be required between full applications of paint.

Check all painted surfaces throughout the complex. Generally, south and west facing surfaces will tend to oxidize sooner than north and east facing exposures. Schedule paint touch up on surfaces where it is required.

Check the irrigation system components (sprinkler heads) to be sure each one is directed away from buildings, footings, and fencing.

Make any necessary changes to the Maintenance Schedule for the coming year so the Association will receive the maximum benefits from the planned and scheduled maintenance procedures.