



# PROFESSIONAL RESERVE STUDY



## Heritage Park

3208 - 52<sup>nd</sup> Place NE, Tacoma, WA 98422

For:

**Heritage Park Homeowners Association**  
c/o Jill Doerflinger, Property Manager  
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## 1.0 EXECUTIVE SUMMARY

### 1.1 DISCLOSURES REQUIRED BY STATE OF WA RCW 64.90.550

The undersigned makes the following disclosures required by RCW 64.90.550 to establish that this Reserve Study meets all requirements of the Washington Uniform Common Interest Ownership Act, Chapter 64.90 RCW:

- a. This Reserve Study was prepared with the assistance of a reserve study professional and that professional was independent;
- b. This Reserve Study includes all information required by RCW 64.90.550 Reserve Study – Contents; and
- c. This reserve study should be reviewed carefully. It may not include all common and limited common element components that will require major maintenance, repair, or replacement in future years, and may not include regular contributions to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require the association to (1) defer major maintenance, repair, or replacement, (2) increase future reserve contributions, (3) borrow funds to pay for major maintenance, repair, or replacement, or (4) impose special assessments for the cost of major maintenance, repair, or replacement.

### 1.2 GENERAL DESCRIPTION OF PROPERTY

The subject development is approximately 40 acres and is located north of Northshore Parkway NE and east of Norpoint Way NE in Northeast Tacoma. There are 202 single family homes in this association with a central common park. According to Pierce County Records, the property was constructed in 1995. The development is relatively flat and consists of a public asphalt service drive with adjacent sidewalks throughout the development. The park contains a pergola, a playground, a sports court, and asphalt walking paths. Adjacent to the development, there are other condominiums and apartment buildings.

Like all properties, this property will require capital maintenance. We have itemized areas of capital maintenance that we anticipate over the next thirty (30) years along with estimated costs and estimated schedule of repair/replacement.

### 1.3 IMMEDIATE NECESSARY CAPITAL EXPENDITURES

Table 1.3 below shows the items that are in need of action immediately or within the near future. This is a summary; all tasks are explained in greater detail in Section 3.0 Physical Analysis.

**Table 1.3: Summary of Immediate Necessary Capital Expenditures**

Component	Cost	Urgency	Section
Address drainage issue near south entrance and make necessary repairs to the sidewalk	\$4,000	2022	3.2
Playground bark chips	\$3,000	2022	3.2

### 1.4 CURRENT STATUS OF CAPITAL RESERVE FUND

Table 1.4 below shows the current status of the Capital Reserve Fund and how it relates to Full Funding. The current Reserve Fund data was provided to us by Jill Doerflinger.

**Table 1.4: Current Status of the Reserve Fund**

Current Reserve Balance	\$51,865 as of April 20, 2022
Current Annual Reserve Fund Contribution	\$17,040
Average Per Unit Per Month	\$7.03
Planned Special Assessment(s)	N/A
Balance Required for Full Funding	\$44,664
Current Percentage of Full Funding	116.1%

### 1.5 RECOMMENDATIONS AND ASSUMPTIONS FOR FUTURE RESERVE CONTRIBUTIONS

The following table is a summary of our assumptions and several options that we have provided for funding contributions to the Reserve Fund. This is only a summary table; for a detailed view of our recommended funding plans, please see section 4 of this report.

**Table 1.5: Recommendations and Assumptions for Future Reserve Contributions**

Assumed Average Future Inflation Rate over 30 Years	3%
Assumed Average Future Interest Rate over 30 Years	3%
<b>Option 1 – Immediate Full Funding</b>	
Immediate Disbursement <u>IF</u> the Association would like to bring down the Reserve Fund to Full Funding Immediately	\$7,202
Average Initial Disbursement per Unit	\$36
Following initial Disbursement, Annual Reserve Fund Contribution Required for the Reserve Fund to remain Fully Funded	\$10,873
Average Contribution per Unit per Year	\$4.35
<b>Option 2 – Baseline Funding*</b>	
Annual Reserve Fund Contribution Required for Baseline Funding (Keeping the Reserve Fund above Zero over the 30 Year Period)	\$8,349
Average Contribution per Unit per Year	\$3.44

*\*These funding levels are required by WA State RCW 64.90.550. They are “bare minimum” funding plans and therefore carry a higher level of risk. Because of this, they are not recommended by Jeff Samdal & Associates.*

## 2.0 RESERVE STUDY BACKGROUND

### 2.1 PURPOSE OF THIS LEVEL 2 RESERVE STUDY

The primary purpose of this Level 2 Reserve Study is to provide the Association with a planning and budgeting tool to adequately maintain the property 30 years into the future without unexpected special assessments. This study is intended to provide the Association with an understanding of their property and to bring to light necessary immediate expenditures and reasonably anticipated future capital expenses that should be addressed.

Associations have a responsibility to their members to adequately maintain their properties and our Reserve Studies provide our clients with the tools to implement capital maintenance. When small issues and maintenance items are addressed prior to becoming larger problems, there is typically a significant overall savings for a property owner. Properly maintained properties maintain higher property values than those with an abundance of deferred maintenance.

An additional benefit of this Reserve Study is that it is one of the qualifications required for Associations to obtain FHA approval (which is very helpful in selling or refinancing individual units). Many other sources of funding are also beginning to require them as well.

### 2.2 WASHINGTON STATE RCW 64.90.550

As of July 1, 2018, WA State RCW 64.90.550 defined a Reserve Study in WA State as the following:

- (1) Any reserve study is supplemental to the association's operating and maintenance budget.
- (2) A reserve study must include:
  - (a) A reserve component list, including any reserve component, the replacement cost of which exceeds one percent of the annual budget of the association, excluding contributions to the reserves for that reserve component. If one of these reserve components is not included in the reserve study, the study must explain the basis for its exclusion. The study must also include quantities and estimates for the useful life of each reserve component, the remaining useful life of each reserve component, and current major replacement costs for each reserve component;
  - (b) The date of the study and a disclosure as to whether the study meets the requirements of this section;
  - (c) The following level of reserve study performed:
    - (i) Level I: Full reserve study funding analysis and plan;
    - (ii) Level II: Update with visual site inspection; or
    - (iii) Level III: Update with no visual site inspection;
  - (d) The association's reserve account balance;
  - (e) The percentage of the fully funded balance to which the reserve account is funded;
  - (f) Special assessments already implemented or planned;
  - (g) Interest and inflation assumptions;
  - (h) Current reserve account contribution rates for a full funding plan and a baseline funding plan;
  - (i) A recommended reserve account contribution rate for a full funding plan to achieve one hundred percent fully funded reserves by the end of the thirty-year study period, a recommended reserve account contribution rate for a baseline funding plan to maintain the reserve account balance above zero throughout the thirty-year study period without special assessments, and a reserve account contribution rate recommended by the reserve study professional;

This reserve study meets the qualifications of WA State RCW 64.90.550

(j) A projected reserve account balance for thirty years based on each funding plan presented in the reserve study;

(k) A disclosure on whether the reserve study was prepared with the assistance of a reserve study professional, and whether the reserve study professional was independent; and

(l) A statement of the amount of any current deficit or surplus in reserve funding expressed on a dollars per unit basis. The amount is calculated by subtracting the association's reserve account balance as of the date of the study from the fully funded balance, and then multiplying the result by the fraction or percentage of the common expenses of the association allocable to each unit; except that if the fraction or percentage of the common expenses of the association allocable vary by unit, the association must calculate any current deficit or surplus in a manner that reflects the variation.

(3) A reserve study must also include the following disclosure:

"This reserve study should be reviewed carefully. It may not include all common and limited common element components that will require major maintenance, repair, or replacement in future years, and may not include regular contributions to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require the association to (1) defer major maintenance, repair, or replacement, (2) increase future reserve contributions, (3) borrow funds to pay for major maintenance, repair, or replacement, or (4) impose special assessments for the cost of major maintenance, repair, or replacement."

## 2.3 SCOPE AND METHODOLOGY

This Level 2 Reserve Study has been prepared based on Community Associations Institute (CAI) standards and our proposal to the Association dated May 10, 2022, which was based on our correspondence with Jill Doerflinger, Pierce County Records, and the previous Reserve Studies that we have prepared for this property.

### Information Gathering

Our initial task was to gather information regarding the property such as financials, drawings, maintenance records, and historical background. This Reserve Study is a reflection of the information provided to us.

### Physical Analysis

Following the initial correspondence regarding the property, we performed an inspection of the property on June 6, 2022 so that we may provide an opinion of the current condition of the common building components. This is also the basis for our opinion of the anticipated capital needs that the Association will be responsible for over the next 30 years. This was a visual inspection and no invasive or destructive testing was performed. This visual inspection focused on the typical features of a building and surrounding property such as structure, drainage, roof, exterior, electrical, plumbing, HVAC systems, and interior finishes. This inspection was limited to accessible and visible areas.

The physical analysis included the following tasks:

**1. Identification of Anticipated Capital Expenses:** We consider anticipated capital expenses to be major expenses that can be reasonably predicted. Anticipated capital expenses are not considered routine maintenance such as routine landscaping or touch-up paint; routine maintenance should be taken care of through an operating budget. Nor do we consider anticipated capital needs to be expenditures that result from an accident or an unpredictable event, such as flood damage or earthquake damage; these items should be paid for by insurance.

The general criteria that we used to define an anticipated capital expense that warranted inclusion on our Itemized capital expenses is the following:

- The component must be a common component that is the responsibility of the Association.
- Repair or replacement of the component is significant and not budgeted for in the operating budget.



- The component repair or replacement occurs within the period of this study.

**2. Estimated Replacement Schedule:** Our opinions of the various life expectancy estimates that we prepared are based on a combination of the following:

- National Association of Home Builders (NAHB) averages
- Building Owners and Managers (BOMA) averages
- Product vendors and suppliers
- Our company database

**3. Estimated Replacement Cost:** Our opinions of the various costs for repair or replacement are based on a combination of the following:

- R.S. Means
- Product vendors and suppliers
- Our company database

**4. Financial Analysis:** We performed an analysis on the financial needs and current status at the property. The financial analysis provides the following:

- Forecasts the anticipated Capital Reserves necessary at the property over the next 30 years.
- Projects future Capital Reserve balances and determines the appropriate funding levels necessary.
- Reviews the current funding plan and current financial position.
- Provides our recommended annual contribution to the Reserve Fund to maintain Full Funding.

## 2.4 SOURCES OF INFORMATION

The following people provided us information for this study:

- Jill Doerflinger, Property Manager, HOA Community Solutions
- Greg Devey, HOA Board President
- Tom Tagart, HOA Board Vice President

The following documents were viewed as part of this study:

- Survey Plat Maps (from previous study)

The physical inspection of the property occurred on the following date:

- June 6, 2022

## 2.6 DEFINITIONS

**Assumed Inflation** - Our assumed inflation rate is our best guess of the long term average of the inflation rate over the next thirty years; it is not based on the current Consumer Price Index (CPI). Our number is much closer to the historical average of the CPI over the previous 25 years.

**Capital Reserves 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.

**Component** - An individual line item in the Reserve Study developed or updated in the physical analysis. These elements form the building blocks of the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited useful life expectancies, 3) predictable remaining useful life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

**Component Inventory** - The task of selecting and quantifying reserve components. This task is accomplished through onsite visual observations, review of Association design and organizational documents, and a review of established Association precedents.

**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 computation.

**Financial Analysis** - The portion of a Reserve Study where current status of the reserves measured as cash or percent funded) and a recommended reserve contribution rate (reserve funding plan) are derived. The financial analysis is one of the two parts of a Reserve Study.

**Fully Funded** - 100% funded. When the actual (or projected) reserve balance is equal to the fully funded balance.

**Fully Funded Balance (FFB)** - Total accrued depreciation. An indicator against which actual (or projected) reserve balance can be compared. In essence, it is the reserve balance that is proportional to the current Repair/replacement cost and the fraction of life "used up". This number is calculated for each component, then summed together for an Association total.

**Percent Funded** - The ratio, at a particular point of time (typically the beginning of the fiscal year), of the actual (or projected) reserve balance to the fully funded balance, expressed as a percentage.

**Special Assessment** - An assessment levied on the members of an Association in addition to regular assessments. Special assessments are often regulated by governing documents or local statutes.

## 2.7 FREQUENTLY ASKED QUESTIONS ABOUT RESERVE STUDIES

### What is a reserve study?

Reserve studies are comprehensive reports that are used as budget planning tools that will assess the current financial health of the reserve fund as well as create a plan for future funding to offset anticipated major future common area expenditures.

According to *Community Association Institute's Best Practices, Reserve Studies/Management*: "There are two components of a reserve study—a physical analysis and a financial analysis. During the physical analysis, a reserve provider evaluates information regarding the physical status and repair/replacement cost of the association's major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates. A financial analysis assesses only the association's reserve balance or fund status (measured in cash or as percent funded) to determine a recommendation for an appropriate reserve contribution rate (funding plan)."

### What are the different types of reserve studies?

Reserve studies fit into one of three categories: Full; Update with Site Visit; and Update with No Site Visit. They are frequently called Level 1, Level 2, and Level 3 respectively (as defined by Washington State RCW 64.90.550).

**Level 1: A full reserve study** – the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a fund status and a funding plan. They typically extend 30-years. A full reserve study must be in place before a Level 2 or Level 3 can take place.

**Level 2: An update with site visit (on-site review)** -- the reserve study provider conducts a component inventory (verification only, not quantification), a condition assessment (based on on-site visual observations), and life and valuation estimates to determine both a fund status and a funding plan. A Level 2 update is performed every third year, with the first one scheduled 3 years after the Level 1 was completed.

**Level 3: An update with no site visit (off-site review)** -- the reserve study provider conducts life and valuation estimates to determine a fund status and a funding plan. A Level 3 update is performed annually, except in years when a Level 1 or Level 2 has been conducted.

## When should associations obtain reserve studies?

Most association experts would agree that an initial full 30-year reserve study should be conducted sooner rather than later if one is not already in place. They are typically updated annually after that to account for things such as inflation and any adjustments in funding levels, budgets, repairs or replacements.

If you follow Washington State RCW 64.90.555 (which we recommend), your reserve study schedule would look like this:

- Year 1: Level 1 full 30-year study
- Years 2, 3: Level 3 annual updates
- Year 4: Level 2 update with site visit
- Years 5, 6: Level 3 annual updates
- Year 7: Level 2 update with site visit

The cycle of Level 2 and Level 3 updates continues indefinitely. A Level 1 full study is not necessary after year 1.

## What are the benefits of a Reserve Study?

Benefits of reserve studies, in short, include improved property maintenance (and therefore value) as well as complying with the law. In more detail:

### Complying with Washington State law

View the rules regarding Reserve Studies and Reserve Accounts here:

<http://app.leg.wa.gov/RCW/default.aspx?cite=64.90> - Sections 535, 540, 545, 550, 555, and 560

### Fulfilling lender requirements (such as FHA)

Many lenders are requiring up-to-date reserve studies that indicate adequate financial health before they lend. Having a reserve study in place that shows a healthy funding plan before a homeowner finds a buyer could save significant time in the closing process.

### Help maintain the property's value and appearance

A reserve study helps maintain the property's value and the property owner's investment. By identifying and budgeting for future repairs or replacement (anticipated capital expenditures), the property's common elements continue to look attractive and well-kept, adding to the community's overall quality of life. Many features, when properly maintained, can also benefit from an extended lifespan resulting in overall cost savings to the owners. Well maintained properties almost always have higher resale values than those that have been neglected.

### Establishing sound financial planning and budget direction

A comprehensive reserve study lays out a schedule of anticipated major repairs or replacements to common property elements and applies cost estimates to them. It typically spans a 30-year period, and will serve as a financial planning tool for the association to use when determining homeowners dues and contributions to the reserve fund.

### Reducing the need for special assessments

An association that has properly implemented their reserve study will strategically collect fees over time from homeowners (via monthly dues) rather than need large sums of cash unexpectedly (special assessments). Therefore, the need for special assessments should be minimized because expenses have already been planned for and the funds exist when needed.

### Fulfilling the board of directors' fiduciary responsibility

Board members of community associations have a fiduciary responsibility to their members. Directors are legally bound to use sound business judgment in guiding the association and cannot ignore major capital expenditures or eliminate them from the budget.

### 3.0 PHYSICAL ANALYSIS

#### 3.1 COMPONENT ASSESSMENT AND VALUATION

The component assessment and valuation of the itemized capital expenses on this property was done by providing our opinion of Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components. Table 3.1A lists this component inventory, and is based on the information that we were provided and on onsite visual observations.

The remainder of “Section 3.0 Physical Analysis” details each of the items in Table 3.1A using narratives and photos. They are meant to be read together.

Table 3.1B is a summary of expenses, grouped according to their expense category. Chart 3.1B is a pie chart illustrating the same.

#### Table 3.1A Key:

**Quantity** - The total quantity of each component.

**Units** - SF = Square Feet                      SY = Square Yards                      LF = Lineal Feet  
EA = Each                      LS = Lump Sum                      SQ = Roofing Square (10 ft X 10 ft)

**Cost/Unit** - The cost of a component. The unit cost is multiplied by the component’s quantity to obtain the total estimated replacement cost for the component.

**Remaining Life** – An opinion of the probable remaining life, in years, that a reserve component can be expected to continue to serve its intended function. Replacements anticipated to occur in the initial or base year have “zero” Remaining Life.

**Useful Life** - Total Useful Life or Depreciable Life. An opinion of the total probable life, in years, that a reserve component can be expected to serve its intended function in its present condition.

**Table 3.1A: Component Assessment and Valuation**

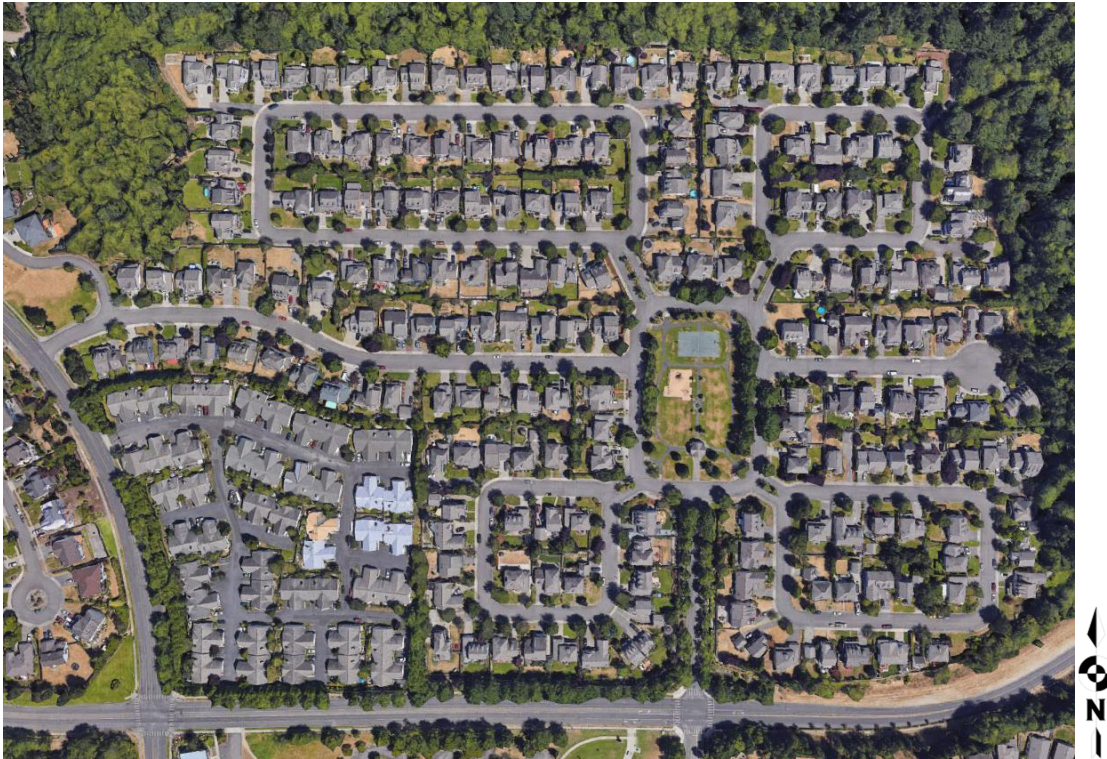
Note: All numbers provided are the engineer's opinion of probable life and cost in 2022 dollars. Exact numbers may vary.

Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
<b>3.2 SITE</b>								
Entrance monuments maintenance allotment	2	EA	\$2,500	5	10	\$5,000	\$25	\$2.48
Replace common wood fencing	800	LF	\$46	21	25	\$36,800	\$182	\$7.29
Stain wood fencing	1,590	LF	\$3.95	1	5	\$6,281	\$31	\$6.22
Resurface asphalt paths in park	8,300	SF	\$3.65	28	30	\$30,295	\$150	\$5.00
Address drainage issue near south entrance and make necessary repairs to the sidewalk	1	LS	\$4,000	0	N/A	\$4,000	\$20	N/A
Concrete sidewalk repairs	1	LS	\$12,000	5	5	\$12,000	\$59	\$11.88
Resurface basketball court	4,000	SF	\$3.95	1	20	\$15,800	\$78	\$3.91
Replace basketball back boards	2	EA	\$1,400	5	10	\$2,800	\$14	\$1.39
Picnic tables and benches allotment	1	LS	\$4,000	9	10	\$4,000	\$20	\$1.98
Playground equipment replacement	1	LS	\$26,000	18	20	\$26,000	\$129	\$6.44
Playground bark chips	1	LS	\$3,000	0	3	\$3,000	\$15	\$4.95
<i>Asphalt roads are municipally maintained</i>								
<i>Storm system is maintained entirely by municipality</i>								
<i>Landscaping and irrigation systems are maintained via the operating budget</i>								
<i>Mailboxes are owned by the U.S. Post Office</i>								
<i>Rockerries should have a life beyond the duration of this study</i>								
<i>Concrete lights in the park should have a lifespan outside the duration of this study</i>								
<b>3.3 STRUCTURE</b>								
<i>No structural expenditures budgeted</i>								
<b>3.4 ROOFING</b>								
Resurface roof of pergola	9	SQ	\$495	11	30	\$4,455	\$22	\$0.74
<b>3.5 EXTERIOR</b>								
<i>Painting of the pergola is done by the residents and paint is purchased outside the Reserve Study</i>								
<b>3.6 ELECTRICAL SYSTEMS</b>								
<i>No common electrical systems</i>								

Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
<b>3.7 PLUMBING SYSTEMS</b>								
	<i>No common plumbing systems</i>							
<b>3.8 HVAC SYSTEMS</b>								
	<i>No common HVAC systems</i>							
<b>3.9 ELEVATORS</b>								
	<i>No elevators on property</i>							
<b>3.10 FIRE DETECTION &amp; SUPPRESSION</b>								
	<i>No common fire detection and suppression systems</i>							
<b>3.11 COMMON INTERIOR FINISHES</b>								
	<i>No common interior areas</i>							
<b>3.12 MISCELLANEOUS MECHANICAL</b>								
	<i>No miscellaneous mechanical items</i>							
<b>3.13 AMENITIES</b>								
	<i>No amenities not mentioned in other areas of this table</i>							
<b>Average Cost Per Unit Per Year</b>								<b>\$52</b>

### 3.2 SITE

The address of this property is 3208 - 52<sup>nd</sup> Place NE, Tacoma, WA 98422.



Aerial image of property (courtesy of Google Earth)

#### General Description of Site

The subject development is approximately 40 acres and is located north of Northshore Parkway NE and east of Norpoint Way NE in Northeast Tacoma. There are 202 single family homes in this association with a central common park. According to Pierce County Records, the property was constructed in 1995. The development is relatively flat and consists of a public asphalt service drive with adjacent sidewalks throughout the development. The park contains a pergola, a playground, a sports court, and asphalt walking paths. Adjacent to the development, there are other condominiums and apartment buildings.

### Entrance Monuments

There are entrance monuments at the two entrances to Heritage Park. The monuments will require a small amount of maintenance in the form of cleaning, painting, sealing, and tuck-pointing of the masonry. This level of maintenance has been scheduled every 10 years.



West Entrance Monument



South Entrance Monument

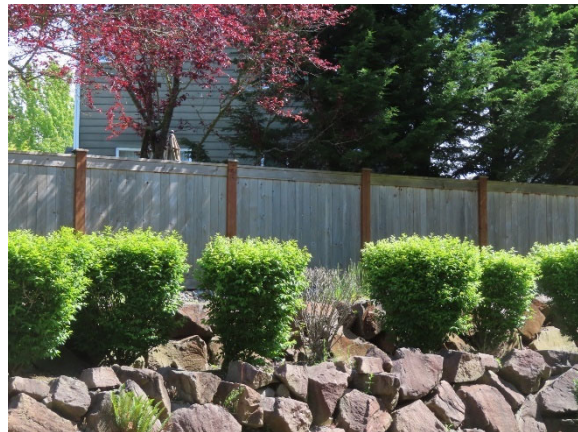
### Fencing

The homeowners association is responsible for the maintenance and eventual replacement of the common wood fencing on both sides of the south boulevard near at the south entrance to this property. We understand that this wood fencing was replaced in 2018. This fence should have a total lifespan of 25 years if it is maintained by staining and spot replacement every 5 years.

We understand that the fencing along the city streets on the perimeter of this property is not the responsibility of the HOA.



Common Fencing



Municipally Owned Fencing



**Asphalt**

All of the streets in this development are public and are not maintained via the homeowners association. However, the HOA is responsible for the maintenance and eventual replacement of the asphalt walking paths in the community park. The walking paths had significant repairs in 2020. As this walking path will not receive any vehicle traffic, we have assumed that the asphalt walking paths will have a 30-year service life before an asphalt overlay is necessary.



Typical Public Street



Asphalt Walking Path in Park

**Storm System**

The storm system on this property is public and is not maintained via the homeowners association.

There is a drainage issue near the west entrance that will need to be corrected in 2022. We have budgeted for this project as a one-time expense.



Typical Storm Drain

### Concrete Sidewalks and Curbing

The concrete sidewalks and square concrete curbing that are adjacent the roads within the development are maintained by the homeowners association. Additionally, the sidewalks located along Northshore Parkway NE and Norpoint Way NE are also maintained by the homeowners association. There are currently concrete sidewalk repairs that are necessary. We have assumed that a similar level of concrete sidewalk maintenance will be necessary every 5 years.



Concrete Sidewalk

### Basketball Court

There is a basketball court in the common park. We have budgeted for resurfacing of the basketball court in 2023 and every 20 years thereafter. We have also budgeted for the replacement of the backboard assemblies every 10 years. However, this duration could vary up or down depending on the quantity of use and care that is taken.



Basketball Court



One of Two Basketball Backboard/Hoops

### Picnic Tables and Benches

There are picnic tables and benches in the common park. The wood in these benches was recently replaced in 2021 by Tom Tagart. Rather than budget for each bench to be replaced, we have simply budgeted for a small allotment for replacement of some of this equipment as necessary every 10 years.



Typical Park Bench

### Pergola

There is a pergola in the common park. This pergola is relatively simple. We have assumed that the structure and cladding of this pergola will have a lifespan beyond the duration of this study if maintained by paint and stain. We understand that the homeowners themselves periodically paint the pergola and that no Reserve Funding will be used to paint this structure. We have included in the Reserve Study the cost to resurface the roof of this pergola every 30 years as the roof surfacing has a 30-year nominal service life.

We understand that there were recently some structural repairs to the pergola in 2021; however, we do not anticipate this to be a repeat expense going forward.



Pergola



Pergola

### Landscaping and Irrigation

Generally, landscaping and irrigation systems are maintained via the operating budget. The areas of common landscaping are limited to the areas around the entrance monuments; the thoroughfares; and the common park and are relatively simple. We understand that the landscaping and irrigation systems in all such areas are completely maintained via the operating budget. Therefore, no funding has been allotted to these items in the Reserve Study.

### Playground

There is a playground structure in the common park that was installed in 2016. This playground equipment consists of metal and plastic. We have assumed that minor maintenance of the playground equipment can occur by the residence of this community and that staining can occur via the operating budget. Therefore, we have assumed a total lifespan of 20 years for the playground structure.

The two swing sets should have a lifespan beyond the duration of this study. Periodically, smaller components of these swing sets will need to be replaced, which are small costs.

We have included the addition of playground chips every 3 years in the Reserve Study and we have done so.

There was drainage mitigation of this playground that was done in 2021. We do not anticipate this to be a repeat project.



Playground



One of Two Swing Sets



Two of Two Swing Sets



Playground Structure

**Flag Pole**

The flag pole in the common park should have a lifespan beyond the duration of this study. The flag will need to be replaced; however, this is relatively inexpensive and is not factored into the Reserve Study.



Flag Pole

**Mailboxes Kiosks**

The mailbox kiosks are owned by the United States Post Office and are not the responsibility of the homeowners association.



Typical Mailbox Kiosk



Typical Mailbox Kiosk

**Rock Wall**

There is a rock wall along the south entrance. This wall should be relatively easy to maintain via the operating budget and landscaping crew if there is rocks that fall out of place. Therefore, no funding has been designated for this rock wall from the Reserve Fund.



Rock Wall



Rock Wall

**Concrete Lights**

The majority of the concrete lights in this development are located along the streets and are the responsibility of the local municipality. The concrete lights in the park are the responsibility of the homeowners association; however, these lights should have a life span beyond the duration of this study, unless a vehicle hits these lights. In which case, that should be paid for via the offending driver's insurance. The replacement of the light ballasts should be paid for via the operating budget.



Typical Concrete Light

### **3.3 STRUCTURE**

*There are no common structures on this property.*

### **3.4 ROOFING**

#### **Pergola Roof**

The only common roof surfacing on this property is that of the pergola. We have budgeted to resurface this roof every 30 years as the current roof surface has a nominal lifespan of 30 years.

### **3.5 EXTERIOR**

*There are no common exteriors on this property.*

### **3.6 ELECTRICAL SYSTEMS**

*The lighting replacement is addressed in the Site section of this report.*

### **3.7 PLUMBING SYSTEMS**

*There are no common plumbing systems on this property that will require Reserve Funds within the duration of this study.*

### **3.8 HVAC SYSTEMS**

*There are no common HVAC Systems on this property.*

### **3.9 ELEVATORS**

*There are no common elevators on this property.*

### **3.10 FIRE DETECTION AND SUPPRESSION**

*There are no common fire detection and suppression systems on this property.*

### **3.11 COMMON INTERIOR FINISHES**

*There are no common interior finishes on this property that will need to be maintained via the Reserve Fund.*

### **3.12 MISCELLANEOUS MECHANICAL**

*There are no miscellaneous mechanical items not addressed in other areas of this report.*

### **3.13 AMENITIES**

*There are no amenities on this property that are not accounted for in other sections of this report.*

### **3.20 SUMMARY OF ANNUAL ANTICIPATED EXPENSES**

Using the conclusions described throughout “Section 3.0 Physical Analysis”, the following Table 3.20 lists the annual anticipated capital expenses for each reserve item in the year that we believe is most probable. All of these anticipated expenses already have inflation factored into them at the assumed level that is listed in “Section 4.3 Assumptions for Future Interest Rate and Inflation”.



LEVEL 2 RESERVE STUDY FOR HERITAGE PARK

**TABLE 3.20: ANNUAL CAPITAL EXPENSES**

Action Required		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>3.2</b>	<b>SITE</b>												
	Entrance monuments maintenance allotment						\$5,796						
	Replace common wood fencing												
	Stain wood fencing		\$6,469					\$7,499					\$8,694
	Resurface asphalt paths in park												
	Concrete sidewalk repairs						\$13,911					\$16,127	
	Resurface basketball court		\$16,274										
	Replace basketball back boards						\$3,246						
	Picnic tables and benches allotment										\$5,219		
	Playground equipment replacement												
	Playground bark chips	\$3,000			\$3,278			\$3,582			\$3,914		
<b>3.3</b>	<b>STRUCTURE</b>												
	<i>No structural expenditures budgeted</i>												
<b>3.4</b>	<b>ROOFING</b>												
	Resurface roof of pergola												\$6,167
<b>3.5</b>	<b>EXTERIOR</b>												
	Painting of the pergola is done by the residents and paint is purchased outside the Reserve Study												
<b>3.6</b>	<b>ELECTRICAL SYSTEMS</b>												
	No common electrical systems												
<b>3.7</b>	<b>PLUMBING SYSTEMS</b>												
	No common plumbing systems												
<b>3.8</b>	<b>HVAC SYSTEMS</b>												
	No common HVAC systems												
<b>3.9</b>	<b>ELEVATORS</b>												
	No elevators on property												
<b>3.10</b>	<b>FIRE DETECTION &amp; SUPPRESSION</b>												
	No common fire detection and suppression systems												
<b>3.11</b>	<b>COMMON INTERIOR FINISHES</b>												
	No common interior areas												
<b>3.12</b>	<b>MISCELLANEOUS MECHANICAL</b>												
	No miscellaneous mechanical items												
<b>3.13</b>	<b>AMENITIES</b>												
	<i>No amenities not mentioned in other areas of this table</i>												
<b>ANNUAL EXPENSES BY YEAR</b>		<b>\$3,000</b>	<b>\$22,743</b>	<b>\$0</b>	<b>\$3,278</b>	<b>\$0</b>	<b>\$22,954</b>	<b>\$11,081</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,133</b>	<b>\$16,127</b>	<b>\$14,860</b>

LEVEL 2 RESERVE STUDY FOR HERITAGE PARK

**TABLE 3.20: ANNUAL CAPITAL EXPENSES**

Action Required		2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
<b>3.2</b>	<b>SITE</b>														
	Entrance monuments maintenance allotment				\$7,790										\$10,469
	Replace common wood fencing										\$68,459				
	Stain wood fencing					\$10,078					\$11,684				
	Resurface asphalt paths in park														
	Concrete sidewalk repairs				\$18,696					\$21,673					\$25,125
	Resurface basketball court										\$29,393				
	Replace basketball back boards				\$4,362										\$5,863
	Picnic tables and benches allotment								\$7,014						
	Playground equipment replacement							\$44,263							
	Playground bark chips	\$4,277			\$4,674			\$5,107			\$5,581			\$6,098	
<b>3.3</b>	<b>STRUCTURE</b>														
	<i>No structural expenditures budgeted</i>														
<b>3.4</b>	<b>ROOFING</b>														
	Resurface roof of pergola														
<b>3.5</b>	<b>EXTERIOR</b>														
	Painting of the pergola is done by the residents and paint is purchased outside the Reserve Study														
<b>3.6</b>	<b>ELECTRICAL SYSTEMS</b>														
	No common electrical systems														
<b>3.7</b>	<b>PLUMBING SYSTEMS</b>														
	No common plumbing systems														
<b>3.8</b>	<b>HVAC SYSTEMS</b>														
	No common HVAC systems														
<b>3.9</b>	<b>ELEVATORS</b>														
	No elevators on property														
<b>3.10</b>	<b>FIRE DETECTION &amp; SUPPRESSION</b>														
	No common fire detection and suppression systems														
<b>3.11</b>	<b>COMMON INTERIOR FINISHES</b>														
	No common interior areas														
<b>3.12</b>	<b>MISCELLANEOUS MECHANICAL</b>														
	No miscellaneous mechanical items														
<b>3.13</b>	<b>AMENITIES</b>														
	<i>No amenities not mentioned in other areas of this table</i>														
<b>ANNUAL EXPENSES BY YEAR</b>		<b>\$4,277</b>	<b>\$0</b>	<b>\$0</b>	<b>\$35,522</b>	<b>\$10,078</b>	<b>\$0</b>	<b>\$49,371</b>	<b>\$7,014</b>	<b>\$21,673</b>	<b>\$115,116</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,098</b>	<b>\$41,457</b>

**TABLE 3.20: ANNUAL CAPITAL EXPENSES**

Action Required		2048	2049	2050	2051	2052
<b>3.2</b>	<b>SITE</b>					
	Entrance monuments maintenance allotment					
	Replace common wood fencing					
	Stain wood fencing	\$13,544				
	Resurface asphalt paths in park			\$69,313		
	Concrete sidewalk repairs					\$29,127
	Resurface basketball court					
	Replace basketball back boards					
	Picnic tables and benches allotment				\$9,426	
	Playground equipment replacement					
	Playground bark chips		\$6,664			\$7,282
<b>3.3</b>	<b>STRUCTURE</b>					
	<i>No structural expenditures budgeted</i>					
<b>3.4</b>	<b>ROOFING</b>					
	Resurface roof of pergola					
<b>3.5</b>	<b>EXTERIOR</b>					
	Painting of the pergola is done by the residents and paint is purchased outside the Reserve Study					
<b>3.6</b>	<b>ELECTRICAL SYSTEMS</b>					
	No common electrical systems					
<b>3.7</b>	<b>PLUMBING SYSTEMS</b>					
	No common plumbing systems					
<b>3.8</b>	<b>HVAC SYSTEMS</b>					
	No common HVAC systems					
<b>3.9</b>	<b>ELEVATORS</b>					
	No elevators on property					
<b>3.10</b>	<b>FIRE DETECTION &amp; SUPPRESSION</b>					
	No common fire detection and suppression systems					
<b>3.11</b>	<b>COMMON INTERIOR FINISHES</b>					
	No common interior areas					
<b>3.12</b>	<b>MISCELLANEOUS MECHANICAL</b>					
	No miscellaneous mechanical items					
<b>3.13</b>	<b>AMENITIES</b>					
	<i>No amenities not mentioned in other areas of this table</i>					
<b>ANNUAL EXPENSES BY YEAR</b>		<b>\$13,544</b>	<b>\$6,664</b>	<b>\$69,313</b>	<b>\$9,426</b>	<b>\$36,409</b>

## 4.0 FINANCIAL ANALYSIS

The financial analysis in this Reserve Study is a proprietary system that was developed by Jeff Samdal & Associates. We have provided the funding method that we believe will most adequately fund the reserves of this Association.

### 4.1 CURRENT FINANCIAL INFORMATION AND CURRENT FUNDING PLAN

The Association’s Reserve Fund balance was \$51,865 as of April 30, 2022 (Balance provided by Jill Doerflinger). According to our calculations detailed in this report, the Reserve Fund balance required for “Full Funding” of this property at this time is \$44,664. Therefore, the property is 116.1% funded.

The current annual contribution to the reserve fund is \$17,040, which averages \$7.03 per unit per month. For the purpose of comparison to our recommended funding plans, we have assumed that the Association will increase their current reserve fund contribution by 3% annually to account for inflation. This is shown in Table 4.5 “Reserve Fund Balance Sheet” (Section 4.5) and all subsequent figures.

This property is currently  
**116.1%**  
funded.

**This funding contribution is not adequate to obtain “Full Funding” of this property.**

### 4.2 RECOMMENDED RESERVE FUNDING PLAN

Full Funding is the ideal position for any property and represents a strong financial position. We recommend that all properties be Fully Funded, as Full Funding allows Associations to maintain their properties adequately and minimizes their risk of unplanned special assessments.

Our funding recommendations are as follows:

#### Option One: Immediate Disbursement from Reserve Fund to Owners

The Reserve Fund is well beyond full funding. If the Board would like to bring the Reserve Fund down to the level of full funding than they should make a disbursement of \$7,202 from the Reserve Fund to the owners. This translates to an average disbursement of \$36 per unit.

Following this initial disbursement, the funding plan necessary to maintain a Fully Funded Capital Reserve Fund for the duration of this study will be a total property contribution of \$10,873 per year in the initial year, which translates to \$4.35 per unit per month. This annual contribution will need to be increased 3% each subsequent year to maintain Full Funding and to account for inflation.

For a detailed look at the annual funding contribution necessary per year, see Table 4.5 “Reserve Fund Balance Sheet” (Section 4.5).

**Option One**  
Average Immediate Disbursement Per Unit:  
**\$35.65**  
Avg. Contribution Thereafter Per Unit Per Month:  
**2023 \$4.35**  
(with 3% annual increase thereafter)

Other funding options are also possible. Section 4.6 details other common funding methods as well. It is up to the Association to decide which funding option is best for them.

### 4.3 OTHER REQUIRED FUNDING PLAN OPTIONS

Per Washington State HB 1309, our Reserve Study is required to provide the following funding plans:

- **30-Year Make up** - Funding Plan necessary for the Association Reserve Fund to reach a Full Funding Level in 30 years.
- **Baseline Funding** - Minimum level of funding required in order to maintain the Reserve Fund above zero while paying for all components listed in Table 3.1 - Component Assessment and Valuation Table.

*Special Note: Because these are “bare minimum” funding options that increase an Association’s risk for special assessments (and financial instability), we do not recommend either of these funding options. We recommend that the Association obtain a level of Full Funding as soon as possible to ensure that the Association has the resources necessary to adequately maintain its collective property and minimize the burden of special assessments.*

These required options are as follows:

#### **Full Funding in 30 Years**

*As the Reserve Fund is already above the level of full funding, this option is not applicable.*

-OR-

#### **Option Two: Baseline Funding – Keeping Reserve Balance above Zero**

The funding plan necessary to maintain the Reserve Fund above zero for the duration of this study will be an annual contribution of \$8,349 per year in the initial year, which translates to \$3.44 per unit per month. This annual contribution will need to be increased 3% each subsequent year to maintain the Reserve Fund above zero and to account for inflation.

For a detailed look at the annual funding contribution necessary per year, see Table 4.5 “Reserve Fund Balance Sheet” (Section 4.5).

<p><b>Option Two</b></p> <p>Average Contributions Per Unit Per Month:</p> <p><b>\$3.44</b></p> <p>(with 3% annual increase thereafter)</p>
--

#### 4.4 ASSUMPTIONS FOR FUTURE INTEREST RATE AND INFLATION

For the purposes of this report, we have assumed that the inflation rate over the next 30 years will average 3%. This is based on historical averages over the last 25 years and our conservative best guess for the future. This percentage can vary greatly just as global economic conditions can vary, which is one reason this Reserve Study should be updated annually per Washington RCW 64.90.550, which we provide complimentary over the next two years with this Reserve Study (see Appendix).

For the purpose of this study, we will assume that the Association manages their money in the Reserve Fund so that the average interest rate return on its money will be equal to that of inflation. This is a conservative estimate given that since 1965, the average yield between short term treasuries and inflation has been 1.04%, which means that these relatively conservative investments have been able to outpace inflation over the long term (according to Crestmont Research, [www.crestmontresearch.com](http://www.crestmontresearch.com)). Since we have assumed that the inflation rate over the duration of this study will average 3%, we have conservatively also assumed that the Reserve Fund average interest rate will equal 3%. Again, this does not reflect current averages but rather a best guess of the future assuming you have invested effectively.

A common strategy is to invest in multiple accounts. Funds that will be necessary in the shorter term must be kept in a relatively liquid account. Funds that are not allotted for near future planned expenditures can be deposited into longer term investments which frequently earn higher interest rates. Consult with a qualified financial advisor for the best solution for your Association.

#### 4.5 ANNUAL FUND BALANCES; ANNUAL FUNDING TABLE AND FIGURES

The table and figures shown in this section are intended to give the Association a clearer view of the likely future financial position that the Association will be in, provided that the reserve funding plan is followed.

- Table 4.5: “Reserve Fund Balance Sheet”. This table lists annual revenue, expenses, and year end reserve fund balances. All Section 4.5 Figures are based on this data.
- Figure 4.5A-1: “Comparison of Funding Plans -- Reserve Fund Balances Through 2052”. This line graph depicts the funding balances of the proposed funding options vs. the current. Note the current plan, in dotted red, falls below zero in several places. This represents insufficient funding for repairs needed in these years.
- Figure 4.5A-2: “Comparison of Funding Plans -- Reserve Fund Balances Through 2032”. This line graph focuses on the next ten years, comparing the proposed plans to get the Association to a Full Funding status.
- Figure 4.5B: “Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year”
- Figure 4.5C: “Comparison of Funding Plans – Percentage of Full Funding by Year”

LEVEL 2 RESERVE STUDY FOR HERITAGE PARK

**TABLE 4.5: RESERVE FUND BALANCE SHEET**

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>CURRENT FUNDING PLAN</b>													
Beginning Reserve Balance	51,865	61,432	57,487	77,026	94,358	116,088	115,739	128,014	152,507	178,353	196,343	208,431	222,845
Planned Special Assessments													
Regular Reserve Fund Contribution	11,438	17,040	17,551	18,078	18,620	19,179	19,754	20,347	20,957	21,586	22,233	22,900	23,587
Annual Total Property Contribution to The Reserve Fund	11,438	17,040	17,551	18,078	18,620	19,179	19,754	20,347	20,957	21,586	22,233	22,900	23,587
Average Monthly Contribution to the Reserve Fund per Unit	7.03	7.03	7.24	7.46	7.68	7.91	8.15	8.39	8.65	8.91	9.17	9.45	9.73
Annual Capital Expenses	3,000	22,743	-	3,278	-	22,954	11,081	-	-	9,133	16,127	14,860	4,277
Interest Income	1,129	1,757	1,988	2,533	3,110	3,426	3,602	4,146	4,890	5,537	5,982	6,374	6,975
<b>Ending Reserve Balance</b>	<b>61,432</b>	<b>57,487</b>	<b>77,026</b>	<b>94,358</b>	<b>116,088</b>	<b>115,739</b>	<b>128,014</b>	<b>152,507</b>	<b>178,353</b>	<b>196,343</b>	<b>208,431</b>	<b>222,845</b>	<b>249,130</b>
Percentage of Full Funding	137.5%	129.2%	134.7%	140.2%	142.7%	158.7%	167.0%	165.5%	164.4%	168.6%	176.7%	183.8%	183.4%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>													
<b>IMMEDIATE FULL FUNDING</b>													
Beginning Reserve Balance	51,865	61,986	44,488	57,190	67,286	81,364	72,929	76,663	92,141	108,478	116,442	117,967	121,254
Full Funding Annual Maintenance Funding	11,438	10,873	11,199	11,535	11,881	12,238	12,605	12,983	13,373	13,774	14,187	14,613	15,051
Planned Special Assessments / Make up Funds		(7,202)											
Annual Total Property Contribution to The Reserve Fund	11,438	3,671	11,199	11,535	11,881	12,238	12,605	12,983	13,373	13,774	14,187	14,613	15,051
Average Monthly Contribution to the Reserve Fund per Unit	7.03	4.49	4.62	4.76	4.90	5.05	5.20	5.36	5.52	5.68	5.85	6.03	6.21
Annual Capital Expenses	3,000	22,743	-	3,278	-	22,954	11,081	-	-	9,133	16,127	14,860	4,277
Interest Income	1,683	1,573	1,503	1,840	2,197	2,280	2,211	2,495	2,965	3,324	3,464	3,535	3,799
<b>Full Funding - Ending Reserve Balance</b>	<b>61,986</b>	<b>44,488</b>	<b>57,190</b>	<b>67,286</b>	<b>81,364</b>	<b>72,929</b>	<b>76,663</b>	<b>92,141</b>	<b>108,478</b>	<b>116,442</b>	<b>117,967</b>	<b>121,254</b>	<b>135,827</b>
Percentage of Full Funding	138.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>													
<b>BASELINE FUNDING</b>													
Beginning Reserve Balance	51,865	61,986	49,235	59,441	66,887	78,154	66,738	67,317	79,455	92,261	96,493	94,076	93,203
Full Funding Annual Maintenance Funding	11,438	8,349	8,599	8,857	9,123	9,397	9,679	9,969	10,268	10,576	10,894	11,220	11,557
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	11,438	8,349	8,599	8,857	9,123	9,397	9,679	9,969	10,268	10,576	10,894	11,220	11,557
Average Monthly Contribution to the Reserve Fund per Unit	7.03	3.44	3.55	3.65	3.76	3.88	3.99	4.11	4.24	4.36	4.49	4.63	4.77
Annual Capital Expenses	3,000	22,743	-	3,278	-	22,954	11,081	-	-	9,133	16,127	14,860	4,277
Interest Income	1,683	1,644	1,606	1,867	2,143	2,141	1,981	2,169	2,538	2,789	2,816	2,768	2,905
<b>Ending Reserve Balance</b>	<b>61,986</b>	<b>49,235</b>	<b>59,441</b>	<b>66,887</b>	<b>78,154</b>	<b>66,738</b>	<b>67,317</b>	<b>79,455</b>	<b>92,261</b>	<b>96,493</b>	<b>94,076</b>	<b>93,203</b>	<b>103,388</b>
Percentage of Full Funding	138.8%	110.7%	103.9%	99.4%	96.1%	91.5%	87.8%	86.2%	85.1%	82.9%	79.7%	76.9%	76.1%

LEVEL 2 RESERVE STUDY FOR HERITAGE PARK

**TABLE 4.5: RESERVE FUND BALANCE SHEET**

	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
<b>CURRENT FUNDING PLAN</b>													
Beginning Reserve Balance	249,130	281,263	315,100	314,660	340,816	378,795	368,635	402,019	422,409	349,476	392,136	437,040	478,095
Planned Special Assessments													
Regular Reserve Fund Contribution	24,295	25,024	25,775	26,548	27,344	28,165	29,009	29,880	30,776	31,699	32,650	33,630	34,639
Annual Total Property Contribution to The Reserve Fund	24,295	25,024	25,775	26,548	27,344	28,165	29,009	29,880	30,776	31,699	32,650	33,630	34,639
Average Monthly Contribution to the Reserve Fund per Unit	10.02	10.32	10.63	10.95	11.28	11.62	11.97	12.33	12.70	13.08	13.47	13.87	14.29
Annual Capital Expenses	-	-	35,522	10,078	-	49,371	7,014	21,673	115,116	-	-	6,098	41,457
Interest Income	7,838	8,813	9,307	9,687	10,635	11,046	11,389	12,184	11,407	10,960	12,254	13,524	14,241
<b>Ending Reserve Balance</b>	<b>281,263</b>	<b>315,100</b>	<b>314,660</b>	<b>340,816</b>	<b>378,795</b>	<b>368,635</b>	<b>402,019</b>	<b>422,409</b>	<b>349,476</b>	<b>392,136</b>	<b>437,040</b>	<b>478,095</b>	<b>485,518</b>
Percentage of Full Funding	180.7%	178.5%	193.7%	195.6%	192.1%	215.2%	213.8%	221.1%	349.8%	317.7%	294.8%	284.1%	315.9%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>													
<b>IMMEDIATE FULL FUNDING</b>													
Beginning Reserve Balance	135,827	155,637	176,513	162,447	174,285	197,223	171,270	188,077	191,073	99,896	123,423	148,272	168,312
Full Funding Annual Maintenance Funding	15,502	15,968	16,447	16,940	17,448	17,972	18,511	19,066	19,638	20,227	20,834	21,459	22,103
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	15,502	15,968	16,447	16,940	17,448	17,972	18,511	19,066	19,638	20,227	20,834	21,459	22,103
Average Monthly Contribution to the Reserve Fund per Unit	6.40	6.59	6.78	6.99	7.20	7.41	7.64	7.87	8.10	8.34	8.59	8.85	9.12
Annual Capital Expenses	-	-	35,522	10,078	-	49,371	7,014	21,673	115,116	-	-	6,098	41,457
Interest Income	4,307	4,909	5,009	4,976	5,490	5,446	5,311	5,603	4,300	3,300	4,015	4,679	4,759
<b>Full Funding - Ending Reserve Balance</b>	<b>155,637</b>	<b>176,513</b>	<b>162,447</b>	<b>174,285</b>	<b>197,223</b>	<b>171,270</b>	<b>188,077</b>	<b>191,073</b>	<b>99,896</b>	<b>123,423</b>	<b>148,272</b>	<b>168,312</b>	<b>153,717</b>
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>													
<b>BASELINE FUNDING</b>													
Beginning Reserve Balance	103,388	118,572	134,574	115,375	121,809	139,062	107,130	117,651	114,042	15,926	32,168	49,371	61,386
Full Funding Annual Maintenance Funding	11,904	12,261	12,629	13,007	13,398	13,800	14,214	14,640	15,079	15,532	15,998	16,477	16,972
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	11,904	12,261	12,629	13,007	13,398	13,800	14,214	14,640	15,079	15,532	15,998	16,477	16,972
Average Monthly Contribution to the Reserve Fund per Unit	4.91	5.06	5.21	5.37	5.53	5.69	5.86	6.04	6.22	6.41	6.60	6.80	7.00
Annual Capital Expenses	-	-	35,522	10,078	-	49,371	7,014	21,673	115,116	-	-	6,098	41,457
Interest Income	3,280	3,741	3,694	3,505	3,855	3,638	3,322	3,424	1,921	711	1,205	1,637	1,474
<b>Ending Reserve Balance</b>	<b>118,572</b>	<b>134,574</b>	<b>115,375</b>	<b>121,809</b>	<b>139,062</b>	<b>107,130</b>	<b>117,651</b>	<b>114,042</b>	<b>15,926</b>	<b>32,168</b>	<b>49,371</b>	<b>61,386</b>	<b>38,376</b>
Percentage of Full Funding	76.2%	76.2%	71.0%	69.9%	70.5%	62.6%	62.6%	59.7%	15.9%	26.1%	33.3%	36.5%	25.0%

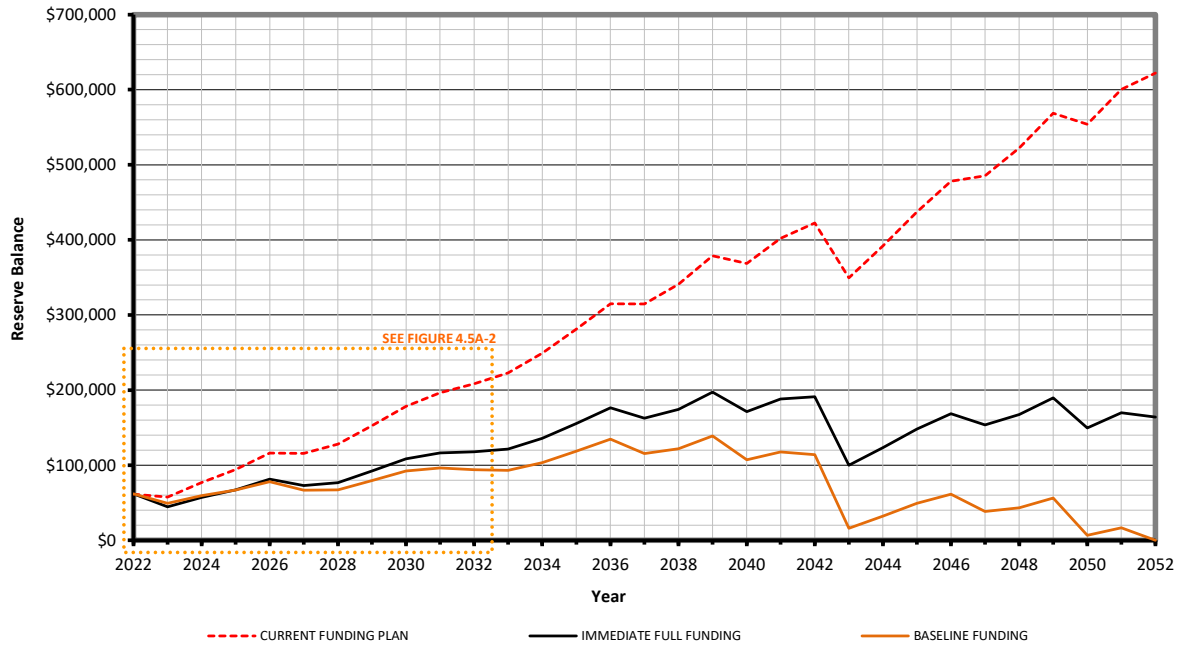


LEVEL 2 RESERVE STUDY FOR HERITAGE PARK

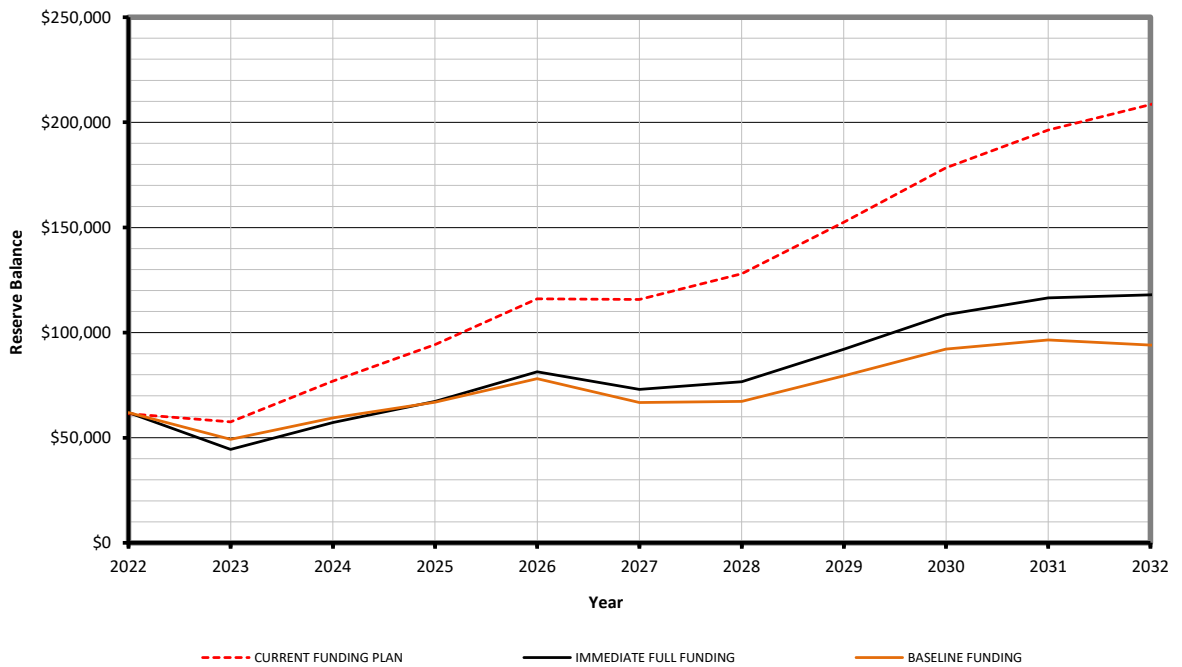
**TABLE 4.5: RESERVE FUND BALANCE SHEET**

	2048	2049	2050	2051	2052
<b>CURRENT FUNDING PLAN</b>					
Beginning Reserve Balance	485,518	522,549	568,761	553,890	600,510
Planned Special Assessments					
Regular Reserve Fund Contribution	35,678	36,748	37,851	38,986	40,156
Annual Total Property Contribution to The Reserve Fund	35,678	36,748	37,851	38,986	40,156
Average Monthly Contribution to the Reserve Fund per Unit	14.72	15.16	15.62	16.08	16.57
Annual Capital Expenses	13,544	6,664	69,313	9,426	36,409
Interest Income	14,898	16,128	16,591	17,060	18,072
<b>Ending Reserve Balance</b>	<b>522,549</b>	<b>568,761</b>	<b>553,890</b>	<b>600,510</b>	<b>622,329</b>
Percentage of Full Funding	311.6%	299.7%	370.2%	353.7%	379.6%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>					
<b>IMMEDIATE FULL FUNDING</b>					
Beginning Reserve Balance	153,717	167,688	189,755	149,610	169,781
Full Funding Annual Maintenance Funding	22,766	23,449	24,152	24,877	25,623
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	22,766	23,449	24,152	24,877	25,623
Average Monthly Contribution to the Reserve Fund per Unit	9.39	9.67	9.96	10.26	10.57
Annual Capital Expenses	13,544	6,664	69,313	9,426	36,409
Interest Income	4,750	5,282	5,015	4,720	4,932
<b>Full Funding - Ending Reserve Balance</b>	<b>167,688</b>	<b>189,755</b>	<b>149,610</b>	<b>169,781</b>	<b>163,927</b>
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>					
<b>BASELINE FUNDING</b>					
Beginning Reserve Balance	38,376	43,523	56,340	6,501	16,517
Full Funding Annual Maintenance Funding	17,481	18,005	18,546	19,102	19,675
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	17,481	18,005	18,546	19,102	19,675
Average Monthly Contribution to the Reserve Fund per Unit	7.21	7.43	7.65	7.88	8.12
Annual Capital Expenses	13,544	6,664	69,313	9,426	36,409
Interest Income	1,210	1,476	929	340	245
<b>Ending Reserve Balance</b>	<b>43,523</b>	<b>56,340</b>	<b>6,501</b>	<b>16,517</b>	<b>28</b>
Percentage of Full Funding	26.0%	29.7%	4.3%	9.7%	0.0%

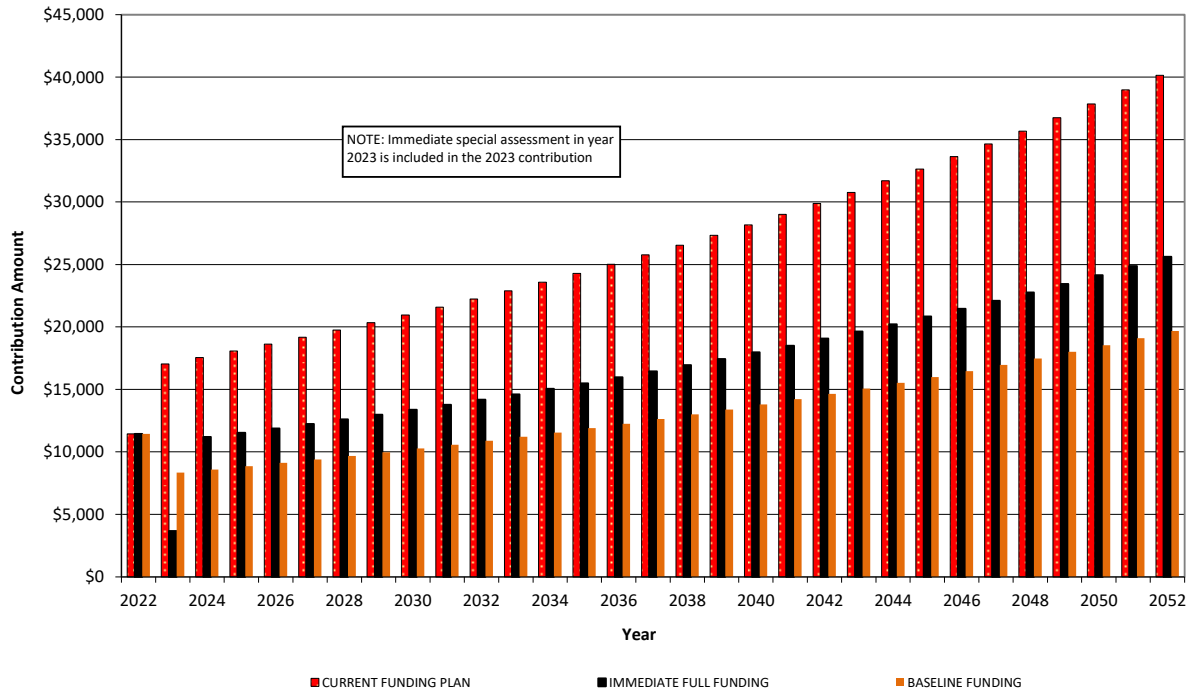
**Figure 4.5A-1 Comparison of Funding Plans – Reserve Fund Balances Through 2052**



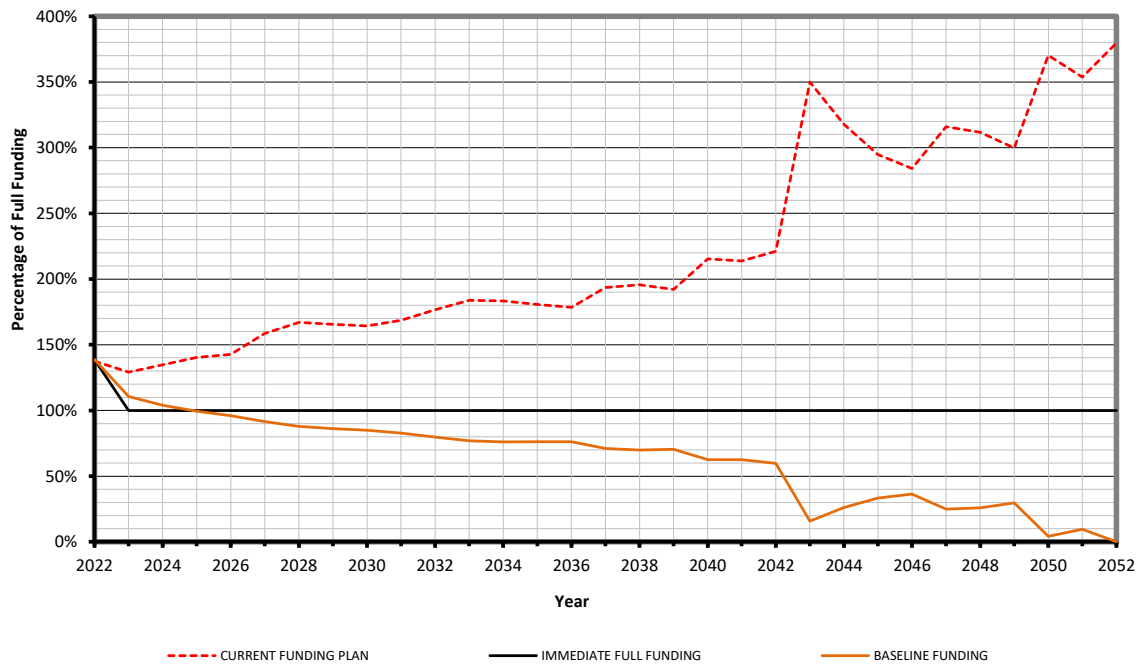
**Figure 4.5A-2 Comparison of Funding Plans – Reserve Fund Balances Through 2032**



**Figure 4.5B Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year**



**Figure 4.5C Comparison of Funding Plans -- Percentage of Full Funding by Year**



## 4.6 OTHER COMMON FUNDING METHODS

The following methods are methods that are sometimes implemented. We believe that many of these funding methods that keep the reserve fund at less than “Fully Funded” represent a weaker position for the Association. As the Fully Funded percentage decreases, the likelihood of unplanned special assessments increases.

### **Cash Flow Method**

A method of calculating Reserve contributions where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

### **Component Method**

A method of calculating Reserve contributions where the total reserve contribution is based on the sum of contributions for individual components.

### **Baseline Funding**

Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.

### **Full Funding**

Setting a Reserve funding goal of attaining and maintaining the Reserve Fund at or near 100% funded. *Recommended by Jeff Samdal & Associates*

### **Statutory Funding**

Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves 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 “Fully Funded.”

## 5.0 LIMITATIONS

This report has been prepared for the exclusive use of Heritage Park Homeowners Association and their property management company. We do not intend for any other party to rely on this report for any reason without our expressed written consent. If another individual or party relies on this study, they shall indemnify and hold Jeff Samdal & Associates harmless for any damages, losses, or expenses they may incur as a result of its use.

The Level 1 Reserve Study is a reflection of the information provided to us. This report has been prepared for Heritage Park Homeowners Association's use, not for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records. Our inspection report is not an exhaustive technical inspection of the property; we merely comment on the items that we believe that our clients would benefit from knowing. During a typical inspection, no invasive inspection is performed, no furnishings are moved, and no finishes are removed.

This report is a snap shot in time of the condition of the property at the time of inspection. The remaining life values that we list are based on our opinion of the remaining useful life and are by no means a guarantee. Our opinions are based on what we believe one could reasonably expect and are not based on worst case scenarios. These opinions are based upon our experience with other buildings of similar age and construction type. Opinions will vary and you may encounter contractors and/or consultants with differing opinions from ours. Ratings of various building components are most often determined by comparison to other buildings of similar age and construction type. The quality of materials originally impacts our judgment of their current state.

The life expectancy estimates that we prepare are based on National Association of Home Builders (NAHB) averages, Building Owners and Managers (BOMA) averages, product defined expected life averages, and our own assessment of typical life expectancy based on our experience with similar components in our area.

This report will tell you a great deal about the overall condition of this property. However, this report does not constitute a warranty, an insurance policy, or a guarantee of any kind. Owning any property involves some risk and while we can give an excellent overview of the property, we cannot inspect what we cannot see.

Our inspection and report do not include building code compliance or municipal regulatory compliance. Nor do they include mold investigations, hazardous materials investigations, or indoor air quality analysis.

The purpose of this report is not intended to be a statement of insurability of this property as insurance companies have particular standards for insurability of certain building types and certain building materials.

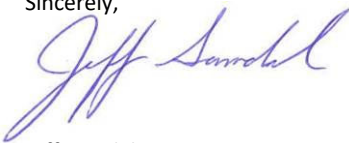
While we may comment that certain components have been recalled that we are aware of, we are not aware of all recalls. It is beyond the scope of this inspection to determine all systems or components that are currently or will be part of any recall in the future. You may wish to subscribe or contact the CPSC (Consumer Product Safety Commission) web site for recall information regarding any system or component. If a problem is encountered on your property, we cannot be responsible for any corrective action that you take, unless we have the opportunity to review the conditions, before repairs are made.

Please ensure that you have read and understand the entire proposal to perform this Level 1 Reserve Study that was signed prior to our inspection. If you have any questions regarding this document, please contact us.

We appreciate the opportunity to be of assistance and we hope that we have provided you a clear understanding of your financial situation and given you a better overall understanding of the property. This report supersedes any opinion or discussion that occurred during the inspection and should be considered our complete opinion of the condition of this property.

Please contact us if you have any questions regarding this report. We will be happy to be of assistance.

Sincerely,



Jeff Samdal, PE, RS, PRA

## **APPENDIX**

### Resume of Engineer Performing Study

# Jeff Samdal, P.E., Principal

## Professional Qualifications and Experience

### Areas of Expertise

Mr. Samdal is the owner of Samdal & Associates, Inc., a corporation that specializes in building inspections, engineering, project management, and related services. He is a double-licensed Professional Engineer (Mechanical and Civil) in Washington State. He is also an accredited Building Inspection Engineer (BIE) and Reserve Specialist (RS), and Professional Reserve Analyst (PRA). He has performed thousands of building inspections as well as numerous additional services such as building envelope investigations, construction management, and general consulting for property owners pertaining to building maintenance and long-term budgeting. Mr. Samdal consistently earns repeat and referral business because of his attention to detail, practical approach, knowledge of the industry, and genuine appreciation for clients' concerns for their real estate investments.

### Capabilities

Mr. Samdal is experienced at performing residential (single- and multi-family), commercial, and industrial inspections in Washington State and beyond. Mr. Samdal's experience includes the following:

- Property Condition Assessments (PCAs)
- Capital Needs Assessments (CNAs)
- Reserve Studies for Condominiums and Homeowner's Association
- Building Envelope Studies

### Relevant Work History

Mr. Samdal has been owner and operator of Samdal & Associates since 2005, performing or managing all aspects of this business. Additionally, Mr. Samdal has been the co-owner and president of True North Construction Management since 2017, which is informative in obtaining current construction costs and keeping up to date with modern construction methods and construction products.

Prior to concentrating on building inspections, Mr. Samdal worked for Washington Group International's (WGI) Hydropower and Water Resources Group. While working for WGI, Mr. Samdal was involved in rebuilding and rehabilitating hydro facilities. He served as the on-site powerhouse and switchyard inspector during construction. His duties included design, drawing and specification preparation, cost estimating, scheduling, and construction management. Prior to working for WGI, Mr. Samdal worked for Duke Energy in a similar role.

### Education

BS in Mechanical Engineering, University of Washington

### Licenses and Certifications

- *Licensed Professional Engineer (PE)*, Mechanical Engineering, State of Washington, #40985
- *Licensed Professional Engineer (PE)*, Civil Engineering, State of Washington, #40985
- *Reserve Specialist (RS)*, Community Associations Institute (CAI), #173
- *Professional Reserve Analyst (PRA)*, Association of Professional Reserve Analysts
- *Building Inspection Engineer (BIE)*, National Association of Building Inspection Engineers
- *Structural Pest Inspector*, State of Washington, #70763

### Professional Affiliation

American Society of Mechanical Engineers, 2002 – present

### Community Involvement

Mr. Samdal lives in Woodinville with his wife and 2 children and has been involved with many of their activities as a Little League coach, a scout leader, a personal fitness coach, among other activities.