PROMENADES EAST ASSOCIATION RESERVE STUDY UPDATE

Report Date: July 26, 2021

Located at:
21405 Olean Blvd
Port Charlotte, FL 33952

By

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McQUEEN ENGINEERING
Engineering the way it should be!

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EXECUTIVE SUMMARY

Projected Reserve Balance at End of May 2021:……..…….....$ 322,534
Most Recent Reserve Contribution Rate (yearly).....$ 46,545
Most Recent Reserve Contribution Rate (monthly).....$ 3,879

Cash Flow Funding Analysis
Recommended yearly Reserve Contribution (2021)…….....$ 46,545
Recommended monthly Reserve Contribution (2020)…….....$ 3,879
Recommended Special Assessment this year: ..... $ 0

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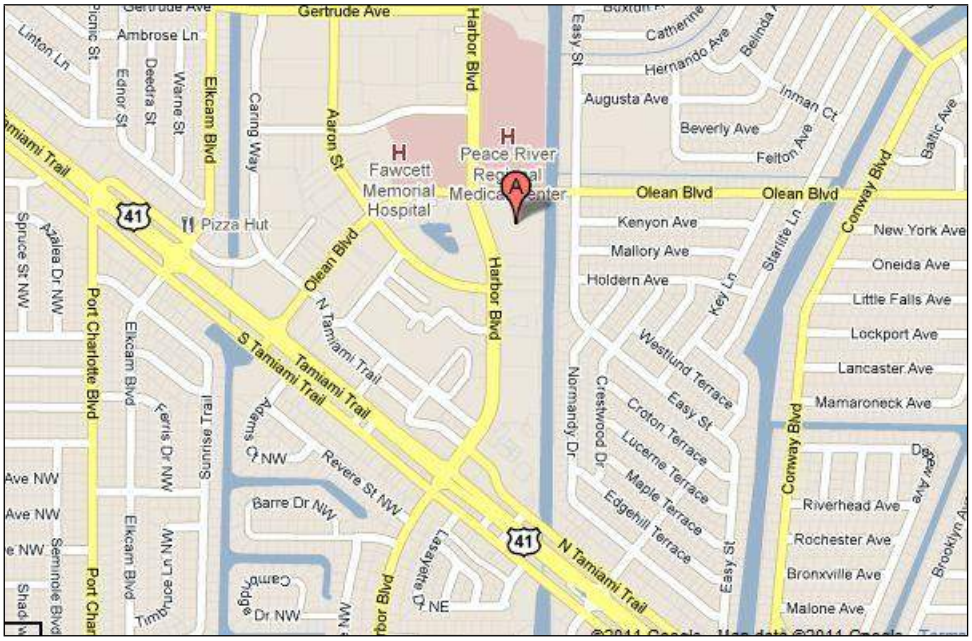
PROJECT OVERVIEW
AND
CONDITIONS ASSESSMENT

DATE OF OBSERVATION

On-site observations of the common areas were performed on June 11, 2021.

ADDRESS/LOCATION

The subject property is located on Olean Boulevard in Port Charlotte, Florida.



Site Location Map

PURPOSE AND USE RESTRICTIONS

The purpose of this report was to estimate the reserve requirements for future repair or replacement of several required components of the subject property. **This report is for the Promenades East association.** It is my understanding that this report will be used for reference purposes only to aid in the determination for cash reserves needed. No other use or user is permitted. Any other person relying on this report is instructed to obtain a release from the aforementioned client and McQueen Engineering, LLC before relying on this report.

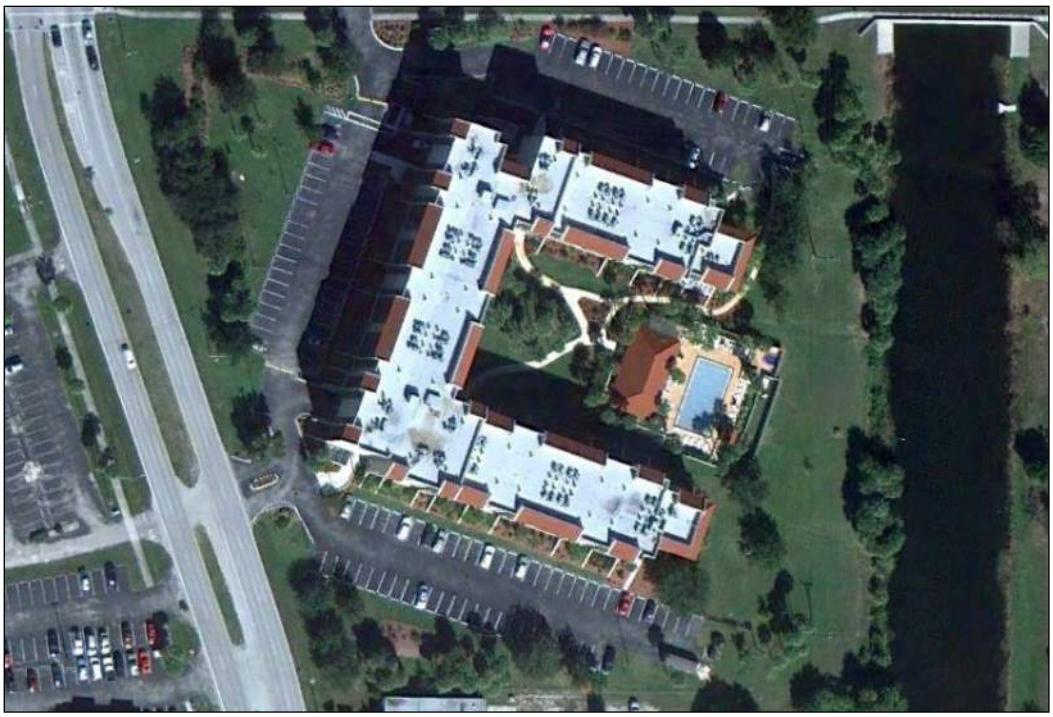
This report is our opinion and is based on observed conditions and our evaluation of the state of repair of the components. This report is intended to be a useful tool in the assessment of the association's reserve needs; however, determination of actual reserve funds is at the sole discretion of the association.

SUBJECT IMPROVEMENTS

The Promenades East association is responsible for the maintenance of all common elements within the Promenades East development. This includes but is not limited to the following:

- Parking Lot
- Building Roofs and Paint
- Common Area Air Conditioning, Paint and Carpet
- Pool Area
- Fire Protection Systems
- Water and Sewer Utility Systems
- Elevators

The site development construction was completed in approximately 1981.



Aerial Photograph of Site

Dates for recent improvement were provided by the association, the management company and/or were obtained from Charlotte County records. These dates will be used as the baseline for analysis in determining remaining useful life for all components. The common areas and building exteriors were observed to be in very good condition as of the date of the inspection.

ITEMIZED RESERVE LIST

Reserve expenses are major expenses that do not occur annually and must be budgeted for in advance to provide the necessary funds in time for their occurrence. Florida Statute requires reserve expenses to be maintained for roof replacement, building exterior paint and/or waterproofing, pavement resurfacing and all other items that have a deferred maintenance or replacement cost that exceeds $10,000.

Some items in this report may have replacement costs less than $10,000 however their presence in the list was deemed appropriate. Reserve Components are limited to major, predictable expenses.

Reserve funds may only be used for the specific expenditures that they are intended.

The following are the reserve items that have been identified along with an assessment and description of each:

RESIDENTIAL BUILDING

There is a single residential building containing five floors over a covered parking area at ground level. The exterior of the building is of concrete and stucco construction with individual unit balconies and screen lanais. These lanais and association screens and aluminum frames are the responsibility of the individual unit owners and, as such, are not included in this study.

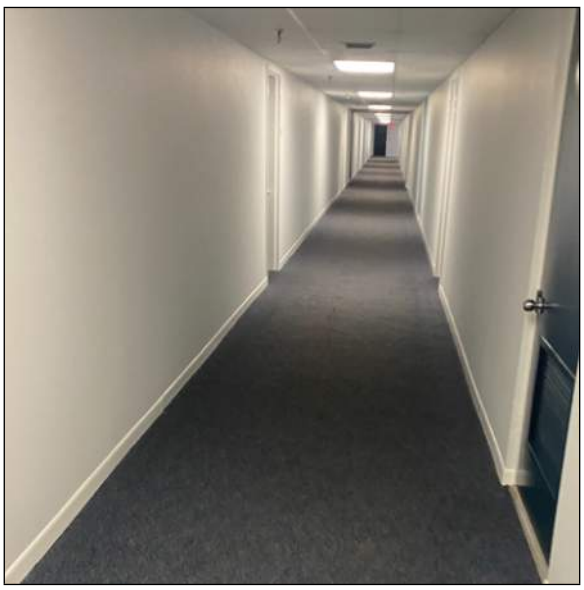
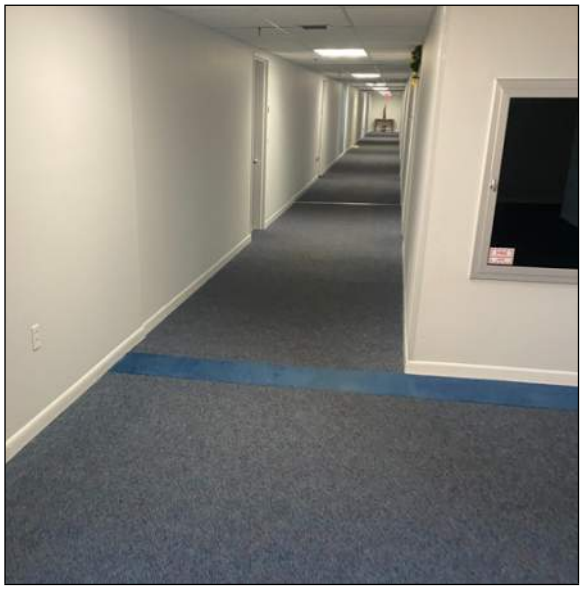
The exterior paint is approximately 3 years old and shows no obvious signs of peeling or failure. In Southwest Florida, exterior paint should be applied every 7-8 years so exterior painting at Promenades East should be scheduled for 2026.

There are two separate roofing systems on the residential building. The first is an asphalt roll roofing system. This is composed of fiber and satin material rated with asphalt which it is laid in overlapping strips which are approximately 3 feet wide. The other roofing system is barrel tile which covers portions along the edge of the roof but is mostly decorative.

Roll roofing has a useful life of approximately 20 years in Southwest Florida while tile portions have a useful life of 25 to 30 years. Both have been combined in this study at the request of the association. This study creates a fund for a recoating layer of the flat roof in 4 years. Barrel tile roofing is in excellent condition and should not need replacement at the same time. There are also air conditioning systems for both the common areas as well as the individual units on the roof. Larger common area air conditions have a useful life of approximately 10-12 years and an estimated remaining life of approximately 8 years. Replacement of air conditioners for individual units is the responsibility of individual unit owners and is not included in this study.

Interior

All units are accessed via common interior hallways which are painted, air conditioned and carpeted. Hallway and lobby carpeting and paint are approximately 2 years old and have useful lives of approximately 12 years.

Repair or replacement costs of acoustic ceiling tiles, lobby furniture and lighting are relatively small and are not included in this study. In addition, hallways and lobbies are monitored via an onsite camera system with multiple cameras and data backup. The association has elected not to include the replacement of this system in this reserve study.

Elevator and stairs provided access to the hallways from lobbies and the parking area. The elevators are approximately 12 years old and were installed by General Elevators, Inc. Elevator cabs appear to have been renovated as well.


Elevators have a useful life of 20 to 25 years with proper maintenance and inspections so are not scheduled for replacement until 2034.

Access to elevators in the parking area is granted via electronic locks and owner key fobs. Future replacement of this electronic access system was not included in this study per the association.

Utilities

Water and sewer services are provide to each unit via common connections to Charlotte County utilities. These systems have comparable useful lives to that of the building structure and, as such, are not included in this study. Small repairs to common piping should be made as needed from the operations budget. Water pressure is supplemented by a water pump located on the ground floor. The replacement cost of this pump is relatively low and should come from the operations budget.

Fire suppression system consists of a simplex 4100U fire alarm panel and a building wide sprinkler system. A fire pump and diesel engine provide the necessary water pressure to the sprinklers in the event of a fire. The fire panel and pump have useful lives of approximately 25 years and are scheduled for replaced in 11 years. These systems should be tested and serviced regularly but licensed technicians to ensure that they are performing appropriately and reach their full useful lives.

Finally, the building is also equipped with a backup generator designed to provide emergency electricity in the event of a power failure. The Baldor generator is also diesel powered and has a useful life of 25 years requiring replacement in 11 years. As with the fire pump assembly, the generator should be tested and serviced regularly by a licensed technician to ensure optimal performance and life span.

ASPHALT

The Promenades association is responsible for the maintenance and replacement of the asphalt parking lot and concrete parking areas within the development. The asphalt parking area is approximately 5500 square yards and is comprised of approximately 1.5" of asphalt over a concrete slurry mix. Per the association, seal coats are applied regularly.

Asphalt over a base course of crushed stone has a useful life of approximately 20 to 25 years in southwest Florida. Promenades East has asphalt over a base course comprised of a concrete slurry. This type of base course provides much more stability for the asphalt and is much less prone to erosion from water seepage

through and around the asphalt. The asphalt at Promenades East has significant cracking. This cracking, while not a problem for the structural base, will continue to worsen. At some point in the future, the asphalt will need to be replaced as portions of the asphalt break free. At this point, there is no way to determine when that will be necessary so the association has elected not to reserve for a new asphalt surface coat, only regular seal coats.

Seal coating is a protective layer designed to prevent premature asphalt degradation due to sun and automotive oil exposure. Seal coating does not structurally reinforce the road nor is it a substitute for new pavement.

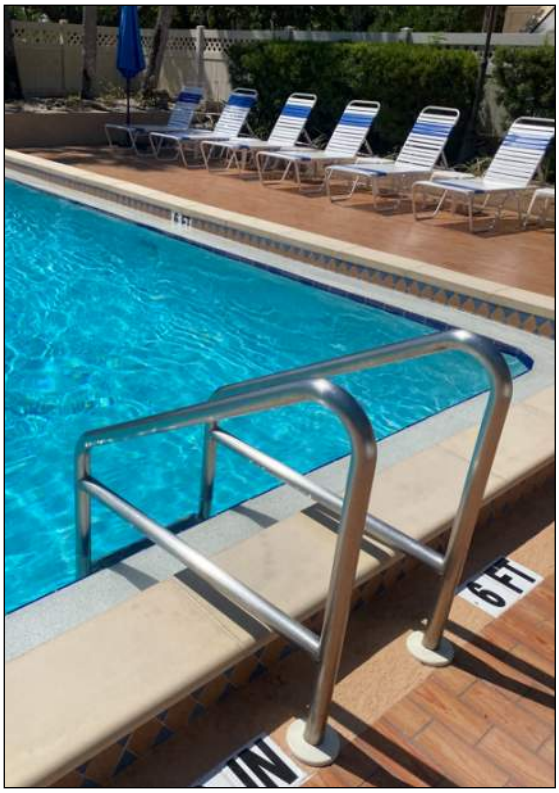
CONCRETE

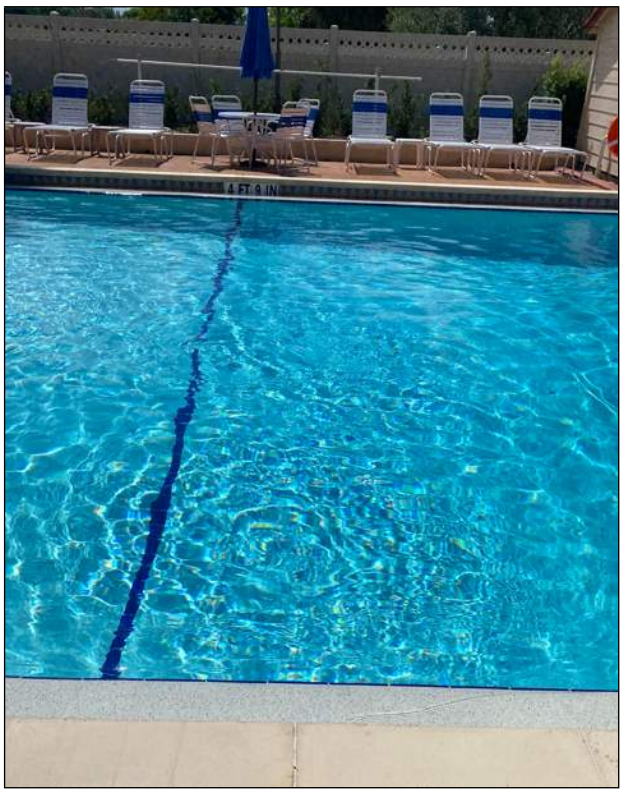
There are concrete sidewalks providing access to the pool and clubhouse as well as to the parking areas. These sidewalks appear to be in good condition and have a useful life that exceeds the scope of this study. Occasional cracks and heaving should be repaired as soon as they are indentified to prevent unnecessary liability to the association. Individual repairs should be minor and handled through the operations budget. As such, sidewalks have not been included as an item in this reserve study.

POOL AREA

The pool area Promenades East consists of a 4800 square foot pool deck, pool, hot tub and associated pool equipment and furniture.

The pool deck appears to be a concrete slab with rectangular tile applied to the surface. The concrete and tile appear to be in good condition with no surface cracking or other visible degradation. While structurally, the tiles should have an effective useful life which exceeds the scope of this study, they may require replacement sooner to maintain the pool aesthetic. The association has elected not to include replacement of the pool deck tiles as a reserve item.





The pool is a 25 foot by 50 foot rectangle pool and the hot tub has a five person capacity. Both have a marcite coating that is was resurfaced in 2019. The effective useful life of pool surfaces in southwest Florida is approximately 10-12 years so resurfacing is scheduled in approximately 9 years. This work will include the repair and replacement of any tile along the pools edge that is worn or damaged.

The pool equipment consists of two heaters for the pool and spa as well as associated pumps, chlorination equipment and filters. The heaters are 7 years old and have an effective useful life of approximately 8-9 years. Pumps and filters have a relatively low replacement cost and should be handled from the operations budget. Pipes and chlorination containers should be replaced as needed, also from the operations budget.

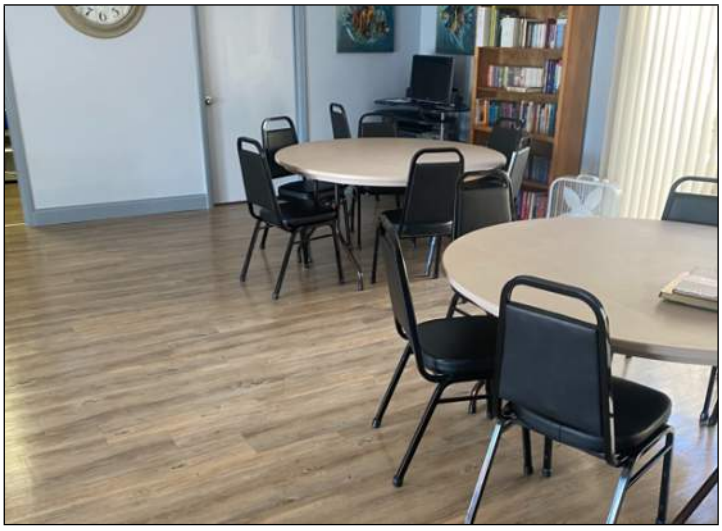
The pool furniture consists of 24 banded chaise lounges, 4 plastic tables, 16 banded chairs and 14 plastic side tables. Per the association, this furniture is approximately 3 years old and has a useful life of approximately 10 years.

In addition, the pool area and pool equipment are surrounded by a 7 foot vinyl privacy fence which appears to have an effective age of approximately 5 years. Vinyl fences have extremely long useful lives which are outside the scope of this study.

CLUBHOUSE

The Clubhouse is a 2200 square foot concrete block and stucco building with a barrel tile roof. The roof has an effective age of 13 years and a useful life of 25 to 30 years however its replacement cost is included with the residential roof replacement. Exterior painting is scheduled for 5 years. The clubhouse air conditioner is a smaller unit with a lower replacement cost than the residential building common area air conditioners. As such, its replacement can be funded from the operations budget as necessary.

The interior consists of an office for the management personnel, showers and bathrooms, and a common room containing tables, chairs a television area and full kitchen. The association has elected not to include any reserve items for the interior portions of the clubhouse.



EXTERIOR LIGHTING/LANDSCAPING

Exterior lighting has not been included in this study and should be repaired and replaced as needed from the operating budget.

Landscape items (including trees) are not included in the reserve study as their lifespan is impossible to determine and their replacement is discretionary.

It is assumed that all assets have been designed and constructed properly and each estimated useful life will approximate the norm per industry standards. Items may not last as long as indicated or may exceed the estimated lives provided. Weather, routine maintenance and other external factors may affect the components longevity and/or the replacement costs.

DEFINITION OF IMPORTANT TERMS

EFFECTIVE AGE: The difference between the Useful Life and Remaining Useful Life. This is not always the same as the chronological age.

REMAINING USEFUL LIFE: The estimated time that a component can be expected to fulfill its intended function at a specific time.

REPLACEMENT COST: The cost of replacing or repairing a component to its original condition or intended function.

USEFUL LIFE: The estimated time that a component can be expected to serve its intended function from the time of its original installation.

FUTURE REPLACEMENT COST: The cost of replacing or repairing a component to its original condition or intended function at the end of its useful life based upon an inflation rate of 3%.

ESTIMATED RESERVE BALANCE: Amount currently held in reserve for each item.

UNFUNDED BALANCE: The difference between the future cost and the reserve balance for each item.

RECOMMENDED YEARLY CONTRIBUTION: The amount that should be set aside to cover the future replacement or repair cost for a reserve component. This is the unfunded balance divided by the useful remaining life.

ABBREVIATIONS:

SY = Square Yards	EA = Each
Unkn = Unknown	SF = Square Feet
Est = Estimated	LF = Linear Feet

TABLE 1: RESERVE COMPONENT LIST DETAIL

Line	Component	Quantity	Unit	Effective Age (yrs)	Useful Life (yrs)	Remaining Useful Life (yrs)	Current Replacement Cost
1	Roof Replacement	433	SQ	6	10	4	$ 110,000
2	Building Painting	73,000	SF	3	8	5	$ 146,000
3	Parking Lot Resurfacing	5,556	SY	1	6	5	$ 11,111
4	Pool Furniture	1	EA	3	10	7	$ 5,000
5	Pool/spa	1	EA	3	12	9	$ 30,000
6	Building Carpet	22,704	SF	5	12	7	$ 90,000
7	Spa/pool Heaters	1	EA	7	8	1	$ 14,000
8	Generator	1	EA	14	25	11	$ 56,000
9	Fire Pump	1	EA	14	25	11	$ 80,000
10	Common A/C - 15 Ton	2	EA	2	12	10	$ 33,000
11	Common A/C - 7.5 Ton	2	EA	2	12	10	$ 24,000
12	Elevators	2	EA	12	25	13	$ 80,000
13	Fire Panel	1	EA	14	25	11	$ 95,000

FUNDING ANALYSIS

Reserve Study Analysis Method

The cash flow funding method was used to estimate the reserves required for this report.

Cash Flow analysis is a method of calculating reserve contributions where contributions to the reserve funds are designed to offset the variable annual expenditures from the reserve fund. This analysis calculates the future replacement cost for reserve components when they are due for replacement, and recognizes increases in construction costs, as well as interest income attributable to reserve accounts. Funds from the beginning balances are pooled together and a yearly contribution rate is calculated to arrive at a positive cash flow and reserve account balance to adequately fund the future projected expenditures throughout the period of the analysis. Per request from the association, this study focuses on the next 14 years and plans for a $0 balance after that time. In practice, the study will be revised every 1-2 years pushing the $0 balance data out indefinitely.

This study does not include operational expenses. Operational expenses occur at least annually, no matter how large the expense, and can be effectively budgeted for each year. They are characterized as being reasonably predictable both in terms of frequency and cost. Operational expenses include all minor expenses which would not otherwise adversely affect an operational budget from one year to the next. Examples include:

Utilities
Landscape Maintenance
Pool Maintenance
Accounting & Management
Administrative

Cost Establishment

Costs were established based upon conversations with local contractors. Costs are meant to be guidelines only and should not be taken for actual quotes or a promise of services. It is recommended that multiple bids from reputable contractors be obtained before any work is performed on the premises.

TABLE 2: CASH FLOW FUNDING DETAIL (2021-2026)

Line #	Component	2021	2022	2023	2024	2025	2026
1	Roof Replacement	$ -	$ -	$ -	$ -	$ 119,068	$ -
2	Building Painting	$ -	$ -	$ -	$ -	$ -	$ 161,196
3	Parking Lot Resurfacing	$ -	$ -	$ -	$ -	$ -	$ 12,268
4	Pool Furniture	$ -	$ -	$ -	$ -	$ -	$ -
5	Pool/spa	$ -	$ -	$ -	$ -	$ -	$ -
6	Building Carpet	$ -	$ -	$ -	$ -	$ -	$ -
7	Spa/pool Heaters	$ -	$ 14,000	$ -	$ -	$ -	$ -
8	Generator	$ -	$ -	$ -	$ -	$ -	$ -
9	Fire Pump	$ -	$ -	$ -	$ -	$ -	$ -
10	Common A/C - 15 Ton	$ -	$ -	$ -	$ -	$ -	$ -
11	Common A/C - 7.5 Ton	$ -	$ -	$ -	$ -	$ -	$ -
12	Elevators	$ -	$ -	$ -	$ -	$ -	$ -
13	Fire Panel	$ -	$ -	$ -	$ -	$ -	$ -
	Total	**$ 42,000**	**$ 14,280**	**$ 15,028**	**$ 25,469**	**$ 5,412**	**$ -**
	starting reserve balance	**$322,534.23**	**$356,407.56**	**$ 396,406**	**$ 453,364**	**$ 513,482**	**$ 459,594**
	contribution	$ 27,151.14	$ 46,545	$ 48,545	$ 50,545	$ 55,545	$ 60,545
	interest	$ 6,722	$ 7,454	$ 8,414	$ 9,573	$ 9,634	$ 8,063
	Ending Balance	**$356,408**	**$396,406**	**$453,364**	**$513,482**	**$459,594**	**$354,738**

TABLE 2: CASH FLOW FUNDING DETAIL (2027-2032)

Line #	Component	2027	2028	2029	2030	2031	2032
1	Roof Replacement	$ -	$ -	$ -	$ -	$ -	$ -
2	Building Painting	$ -	$ -	$ -	$ -	$ -	$ -
3	Parking Lot Resurfacing	$ -	$ -	$ -	$ -	$ -	$ 14,648
4	Pool Furniture	$ -	$ 5,000	$ -	$ -	$ -	$ -
5	Pool/spa	$ -	$ -	$ -	$ 35,853	$ -	$ -
6	Building Carpet	$ -	$ 103,382	$ -	$ -	$ -	$ -
7	Spa/pool Heaters	$ -	$ -	$ -	$ 17,735	$ -	$ -
8	Generator	$ -	$ -	$ -	$ -	$ -	$ 69,629
9	Fire Pump	$ -	$ -	$ -	$ -	$ -	$ 99,470
10	Common A/C - 15 Ton	$ -	$ -	$ -	$ -	$ 40,227	$ -
11	Common A/C - 7.5 Ton	$ -	$ -	$ -	$ -	$ 29,256	$ -
12	Elevators	$ -	$ -	$ -	$ -	$ -	$ -
13	Fire Panel	$ -	$ -	$ -	$ -	$ -	$ 118,121
	Total	**$ -**	**$ 108,382**	**$ -**	**$ 53,588**	**$ 69,483**	**$ 301,868**
	starting reserve balance	**$ 354,738**	**$ 428,033**	**$ 398,378**	**$ 482,646**	**$ 522,051**	**$ 553,764**
	contribution	$ 65,545	$ 70,545	$ 75,545	$ 83,045	$ 90,545	$ 98,045
	interest	$ 7,750	$ 8,182	$ 8,723	$ 9,947	$ 10,652	$ 9,037
	Ending Balance	**$428,033**	**$398,378**	**$482,646**	**$522,051**	**$553,764**	**$358,979**

TABLE 2: CASH FLOW FUNDING DETAIL (2033-2035)

Line #	Component	2033	2034	2035
1	Roof Replacement	$ -	$ -	$ 160,017
2	Building Painting	$ -	$ 204,198	$ -
3	Parking Lot Resurfacing	$ -	$ -	$ -
4	Pool Furniture	$ -	$ -	$ -
5	Pool/spa	$ -	$ -	$ -
6	Building Carpet	$ -	$ -	$ -
7	Spa/pool Heaters	$ -	$ -	$ -
8	Generator	$ -	$ -	$ -
9	Fire Pump	$ -	$ -	$ -
10	Common A/C - 15 Ton	$ -	$ -	$ -
11	Common A/C - 7.5 Ton	$ -	$ -	$ -
12	Elevators	$ -	$ 103,489	$ -
13	Fire Panel	$ -	$ -	$ -
	Total	**$ -**	**$ 307,687**	**$ 160,017**
	starting reserve balance	**$ 358,979**	**$ 472,759**	**$ 285,626**
	contribution	$ 105,545	$ 113,045	$ 120,545
	interest	$ 8,235	$ 7,509	$ 5,318
	Ending Balance	**$472,759**	**$285,626**	**$251,471**

EXECUTIVE SUMMARY

Projected Reserve Balance at End of May 2021:……..…….....$ 322,534
Most Recent Reserve Contribution Rate (yearly).....$ 46,545
Most Recent Reserve Contribution Rate (monthly).....$ 3,879

Cash Flow Funding Analysis
Recommended yearly Reserve Contribution (2021)…….....$ 46,545
Recommended monthly Reserve Contribution (2020)…….....$ 3,879
Recommended Special Assessment this year: ..... $ 0

LIMITATION AND DISCLOSURES

To the best of our knowledge, all data set forth in this report is true and accurate. Although gathered from reliable sources, we make no guarantee nor assume liability for the accuracy of any data, opinions, or estimates that were used in formulating this analysis.

Substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, environmental mold or other potentially hazardous materials could, if present, adversely affect the validity of this study. Unless otherwise stated in this report, the existence of hazardous substances, that may or may not be present on or in the property, were not considered. Our opinions are predicated on the assumption that there are no hazardous materials on or in the property. We assume no responsibility for any such conditions. We are not qualified to detect such substances, quantify the impact, or develop the remedial cost.

We have made a visual inspection of the property and noted visible physical defects, if any, in our report. Our inspection and analysis was made by employees generally familiar with real estate and building construction; however, we did not do any invasive testing. Accordingly, we do not opine on, nor are we responsible for, the structural integrity of the property including its conformity to specific governmental code requirements, such as fire, building and safety, earthquake, and occupancy, or any physical defects that were not readily apparent during the inspection.

Our opinions of the remaining useful lives of the common and limited common elements do not represent a guarantee or warranty of performance of the products, materials and workmanship.

Because we have no control over future events, we cannot claim that all the events we anticipate will occur as planned. Our projections assume a stable economic environment and lack of natural disasters.

Because both the physical status and financial status of the association change each year, this Reserve Study is by nature a "one-year" document. This information can and should be adjusted annually as part of the Reserve Study Update process so that more accurate estimates can be reflected in the Reserve plan. Reality often differs from even the best assumptions due to changing economic factors, physical factors, or ownership expectations. Because many years of financial preparation help the preparation for large expenses, this Report shows expenses for the next 25 years. We fully expect a number of adjustments will be necessary through the interim years to both the cost and timing of distant expense projections. It is our recommendation that your Reserve Study be updated every three years.

We have relied upon the client to provide the current (or projected) Reserve Balance, the estimated net-after-tax current rate of interest earnings, and to indicate if those earnings accrue to the Reserve Fund. In addition, we have considered the association's representation of current and historical Reserve projects reliable, and we have considered the representations made by its vendors and suppliers to also be accurate and reliable.

Component quantities indicated in this Report were estimated by McQueen Engineering LLC unless otherwise noted and should only be considered estimates.