

CAPITAL RESERVE STUDY

FOR THE

Pier 3 Condominium Association

Philadelphia, Pennsylvania



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Executive Summary

Pier 3 is a four-story, 172 unit condominium building located in Philadelphia, Pennsylvania. The complex is located off of South Christopher Columbus Boulevard. Roadways that service the area include Interstates 95 and 676. The building is a former shipping pier, Municipal Pier 3, which was built in 1923. The steel structure of the building is original and a large majority of the steel structure is visible. The exterior façade is covered by corrugated metal panels and the interior atrium façade is covered by an Exterior Insulation Finishing System (EIFS). The roof is covered by a single-ply EPDM rubber membrane. A parking garage for resident and guests is located at street level and below the atrium. The front portion of the building contains commercial space on the 2nd, 3rd and 4th floors. All residential and commercial units are serviced by private utilities. The complex features include a two-story foyer entrance and lobby, 2nd floor lounge, open center atrium, private decks, community pool, a fitness gym and exterior promenade.

Level of Service	Level I: New Study
Fiscal Year of Study	2015

Current Status of Reserve Fund (Component Method)

Current Balance	\$316,059
Fully Funded Balance	\$8,255,751
Percent Funded	3.83%

Reserve Budget Recommendations

	Prior Budget Year Contribution	Component Method *	5% Threshold *	10% Threshold *
Contribution/Year	\$290,000	\$4,753,268	\$3,747,058	\$4,246,676
Contribution/Unit	\$1,686	\$27,635	\$21,785	\$24,690
Contribution/Unit/Month	\$141	\$2.303	\$1,815	\$2,057

* Please note that this is the contribution for the period of January 2015 through December 2015.

Reserve Study Disclosures

General - Becht Engineering BT is not aware of any involvement with this Association, which would lead to an actual or perceived conflict of interest.

Physical Analysis - The inspections performed to determine the current physical condition of the common elements were visual in nature; no destructive testing or invasive inspections were performed. Quantities were taken from a combination of field counts/measurements and plan take-offs.

Personnel Credentials - Preparation of this Reserve Study was performed by a CAI designated Reserve Specialist and licensed Building Inspector.

Completeness - This Reserve Study assumes that proper preventative and corrective maintenance has been and will continue to be performed on the common elements. Failure to properly maintain the common elements may lead to premature failure. It should be noted that higher rates of inflation, lower earned interest rates or prematurely failing components can result in a negative closing cash balance. In addition, it is important to note that the capital fund contributions each year are assumed to rise at the assumed rate of inflation. Failure to raise the annual contributions with inflation will reduce the closing balance and may lead to a future shortfall.

Reliance on Client Data - This Reserve Study was prepared based on certain information provided by an official representative of the Association. This information includes the current asset balance of the Reserve Fund and the ages of the common elements and dates of most recent replacements.

Scope - This Reserve Study is a reflection of the information provided to us and assembled for the Association's use for budgeting purposes, not for the purpose of performing an audit, quality/forensic analysis or background checks of historical records. Interpretation of contradictions that may exist within the governing document's definition of common elements is not within the scope of this Study.

Reserve Balance - The actual and projected Reserve Fund Balance is based upon information provided by the Association and was not audited.

Component Quantities - Where this Reserve Study is an update of a previously prepared Study, the Association is considered to have deemed previously developed component listings and quantities as accurate and reliable.

Estimated Replacement Costs - Replacement costs are to be considered estimated projections of the cost to replace common elements in kind. These cost estimates are to be considered preliminary until such time as a project specific design or scope of work is developed. These costs can be affected by many variables including inflation, project scope and hidden damage conditions.

Reserve Projects - While the information provided in this Study is to be considered reliable, on-site inspections are not to be considered a project audit or quality inspection.

Introduction

The purpose of a Capital Reserve Study is to estimate the amount of money that must be funded annually to replace those common element components that will require replacement before the end of the effective life of the project.

Mortgage lenders recognize the conditions of inadequate reserves. Reserves are important in preserving the qualities of a particular complex or building and therefore can affect property values. Consequently, capital reserves are directly related to the security and risk of a lender's investment and the marketability of the property.

The Capital Reserve Study develops a recommended basic annual contribution based upon current replacement costs. Inflation may increase future costs unpredictably, and the accumulation of interest on the reserve fund deposits increases available funds. Accurate projection of these factors is not possible. However, the effects of inflation and interest are shown via cash flow projections using assumed inflation and interest rates. Accurate reserve funding requires regular updates. The Community Associations Institute recommends yearly reviews and a formal study every three years.