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March 24, 2023

Palmsea Condominium, Inc.
c/o Kevin Hall, Property Manager
3520 S. Ocean Blvd
Palm Beach, FL 33480

Re: Structural Integrity Reserve Fund Study

Property Name: Palmsea Condominium, Inc.
Property Location: 3520 S. Ocean Blvd, Palm Beach, FL 33480
Total Units: 120 Units
For Budget Year: January 1, 2023 through December 31, 2023
Analysis Method: Component Funding Analysis, Straight Line Method

Inspection Dates: 12/14/22, 2/14/23

INTRODUCTION

The Florida Legislature enacted SB-4D/HB-5D that requires a Structural Integrity Reserve Study with inspections to be performed by a licensed engineer. The law requires structural integrity reserve studies every 10 years, and spells out how reserve budgets are to be calculated and funded. An Association must have a Structural Integrity Reserve Study completed every ten (10) years, with the initial Structural Integrity Reserve Study done by December 31, 2024. The Structural Integrity Reserve Study becomes an official record of the Association, which must be maintained by the Association for fifteen (15) years. The law may include other Association reporting requirements. We recommend consulting an attorney.

The structural integrity reserve study must identify the common areas being visually inspected, state the estimated remaining useful life and the estimated replacement cost or deferred maintenance expense of the common areas being visually inspected, and provide a recommended annual reserve amount that achieves the estimated replacement cost or deferred maintenance expense of each common area being visually inspected by the end of the estimated remaining useful life of each common area.

The law requires the following items to be included:

Roofs, Load-bearing walls or other primary structural members, Floors, Foundations, Fireproofing and fire protection systems, Plumbing, Electrical systems, Waterproofing and exterior painting, Windows and Any other item that has a deferred maintenance expense or replacement cost that exceeds \$10,000 and the failure to replace or maintain such item negatively affects the items listed above.

We inspected the required components and performed an analysis of the reserve funding requirements. The purpose of the analysis was to provide recommendations for repair or replacement costs of significant building components that occur on over multi-year periods, and

to provide recommendations for cash reserves. Building plans, when available, were used to aid in the determination of replacement quantities when appropriate.

This report does not include some items that are typically included in the routine reserve studies done by reserve analysts. This report may include some items that some Associations consider to be unit owner expenses. Annual expenses are not included in the report.

For each item, this report identifies its estimated useful life, estimated remaining life, and estimated cost to repair or replace. The estimated useful life and remaining life of the building components are based on observed conditions, review of relevant documents, interviews with maintenance vendors and Association staff. Estimated cost of replacements are based on our estimates, industry standards and cost estimating services, in combination with the Association's actual usage and past experience.

SITE OVERVIEW

The Palmsea Condominium is located in the city of South Palm Beach, in Palm Beach County, South Florida. It is a multi-building residential complex made up of 4 six story residential buildings. The buildings are referred to as villas: Villa Alegre, Villa Feliz, Villa Hermosa, and Villa Linda. Each villa contains 30 residential units. There are 2 configurations of residential units: Type A and Type B. The buildings were built in 1971.

There is a courtyard area on the east side of the property. The courtyard area contains a walkway with pavers and landscaping. At the end of the courtyard area, on the southeast side of the property, the pool and clubhouse is located.

DISCUSSION

The annual contribution is the lowest when the reserve account is fully 100% funded because money is collected for each item each year. If the current reserve balance is less than fully funded, then the annual contribution will be higher in order to be sure funds are available when the next item needs replacement. The current reserve balance amount can be distributed over all the items based on its per cent of the fully funded balance. If there is no current reserve balance, then the annual contribution will be the Maximum amount required to be sure funds are available when the next item needs replacement. Sometimes the current reserve balance will be less than the calculated fully funded reserve balance amount because the Association was not previously aware of some items.

THE COMPONENTS

The **Roofs** were replaced recently and are in good condition. The main roofs on each villa are flat roofs with a built up multi ply coal tar membrane. The clubhouse roofing is a combination of flat roofing and tile roofing. The flat roofing area is approximately 42,000 square feet, and the tile roofing area is approximately 1,000 square feet. Roofing was visually inspected on an audit basis. The overall condition of the roofing is good.

Load-bearing walls or other primary structural members

The main residential buildings structural components are reinforced concrete with reinforced masonry block infill. The major exterior surfaces are covered with stucco. Building exteriors were visually inspected. No Areas of damage were observed throughout the building areas. The close proximity of the building to the saltwater to the east along with the prevailing winds from the east contributes significantly to the presence of salt on the building surfaces. This salt along with normally acid rain gets into the concrete and migrates to rebar. Concrete damages will be occurring more often as the building gets older. We recommend doing concrete repairs at least every 5 years to minimize the growth and repair costs of damages. The **floors** being interior are normally protected from water intrusion. The **foundations** are piles with pile caps that support columns. Any concrete columns with spalls at ground level allows water intrusion into hidden pile caps below ground level. These ground level columns are the most significant areas to keep current with spall repairs.

The **Fireproofing and fire protection systems** are good for now. There is a fire alarm system installed in each building. Each building has pull station and exterior alarms. The panels appeared in good condition and well maintained. Smoke detection devices within the units were not observed.

The **plumbing systems** are in good condition for now. The plumbing systems consist of domestic water supply, sanitary sewer system, condensate drain system and storm water drainage. The domestic water supply system incorporates a booster system located in each building. The booster systems are packaged systems with 2 pumps controlled by a common control panel. They are from the original construction and will need some replacements within the next 7 to 10 years.

The **electrical systems** are in good condition for now. The main electrical distribution system (House Service) consisted of three main meters. Each building has a 1200 amp service with a 450 Amp house service and two 800 amp residential services. There is a double meter bank for services to the units. All panels and disconnects appear to be original and in serviceable condition. The panels are Federal Pacific and appear in good condition. They are from the original construction and will need some replacements within the next 7 to 10 years.

The **waterproofing and exterior painting** is in good condition for now. The majority of the painted surfaces on the buildings are stucco. During painting projects, repairs will include areas of delaminated and cracked stucco. Replace delaminated stucco as needed. Seal all cracks in stucco that are sound and not delaminated. Perform the stucco survey as part of a painting project. No significant chalking, peeling or cracking of the paint film was observed. The overall condition of the paint is good. Painting and waterproofing is a separate project normally done right after concrete repairs. The concrete repairs work will fix the concrete cracks due to spalling concrete. It is the waterproofing and exterior painting that fixes the stucco cracks.

The Exterior **Windows and Doors** will eventually all need to be replaced. The exterior windows and doors protect the entire building against hurricane forces. Window frames suffer hidden corrosion due to the saltwater exposure. Many windows have already been replaced. Any remaining original construction windows are no longer safe against hurricanes and should all be replaced now. The presence of shutters in front of a window does not count as protection and does not mean that the window does not need to be replaced. After all original construction

windows have been replaced, the rest of the windows will all need to be replaced on a schedule. We prorated the remaining life based on apparent age. The goal should be that all the windows are replaced at the same time about every 40 to 50 years. We recommend the Association control the schedule.

ANALYSIS

1. Items may not last as long as projected or may last longer than estimated. Improper maintenance, weather, physical abuse, or abnormal use, as well as extra maintenance, waterproofing and normal variations can affect both actual and estimated lives. Very accurate cost estimates are not needed for items due for replacement in the far away future. The effect on annual contributions of cost estimate uncertainties will be significantly reduced due to dividing by the number of years of estimated remaining life. For example, a 10% cost estimate uncertainty for an item to be replaced 5 years in the future will result in a 2% error in the annual contribution for that item. Similarly, a 20% cost estimate uncertainty for an item to be replaced 10 years in the future will result in a 2% error in the annual contribution.
2. More accurate cost estimates will be needed for items due for replacement in the near future. This means the calculated annual contribution for each item will be more accurate the closer in time to when actual replacement is required. The annual item contribution calculated for items due for replacement within one year will self correct for all previous estimate uncertainties and fully “fund” the item.
3. The effect of inflation will be small compared to the uncertainties in the analysis for estimated lives and costs, and possible unexpected cost increases do to unforeseen events. Accumulated interest on funds held can be used to offset unknown future cost increases due to inflation.
4. The calculated reserve fund current annual contribution for individual items should be determined each year based upon current estimated remaining life, current reserve fund balance and current estimated cost (or actual cost based on contractor quotes).

REPLACEMENT OR REPAIR OF COMPONENTS

The total annual recommended funding to repair or replace each building component was broken down into categories and summarized in Appendix A of this report. Recommended annual contributions are provided based on being 100% funded, 0% funded and the existing current fund balance. The current fund balances for each item are based on the 11-25-22 reserve study report balances. The annual amount is lowest if the current fund balance is 100% funded and highest if there is no current fund balance. Monthly amounts, or per unit amounts are determined by the Association according to their requirements.

The reserve fund provides for specific replacement or repair costs for each. Some items will be full replacements. Some items will be repairs. Some items will be partial replacements. Some items will be partial repairs. Sometimes unexpected partial repairs will be required before the anticipated scheduled repair of that item. If the unexpected partial repair does not change the cost or schedule of the repair in the future, then the unexpected cost should not be paid from the reserve funds. For example, temporary repairs of roof leaks in advance of a planned roof replacement will not reduce the cost of the roof replacement or change the expected life of the roof. Therefore, the roof repair in this example would not be paid for with reserve funds.

RECOMMENDATIONS

1. For components within 2 years of remaining life, engineering inspections and contractor bids should be obtained. Availability of options and variations in costs can be considered, allowing time for adjustments to the reserve funding if necessary.
2. The reserve study should be updated every 5 years for changes in estimated cost and remaining life. The minimum annual amount may increase.
3. We recommend accounting be handled separately for each reserve item.

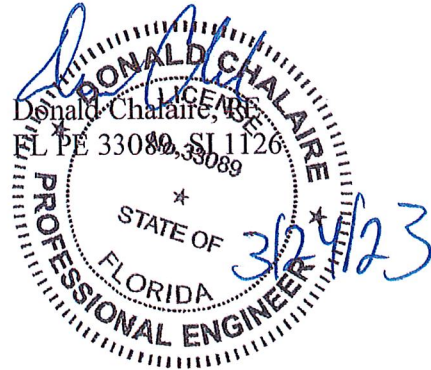
2023 BUDGET RECOMMENDATIONS:

1. The Recommended 100% 2023 Fund Balance should be \$1,899,000
2. The 100% Fund Balance current Annual Contribution can be \$186,000
3. Based on the current Fund Balance, the current Annual Contribution should be \$288,000

The recommended Annual Contribution is a function of the current Fund Balance. The recommended annual contributions for the current balance being less than 100% funded are listed in the Appendix A table. Annual amounts are provided for the current funding levels based on the previous reserve study report. The Funding level and Annual amount can also be applied separately for each component.

If there are any questions, please give us a call.

Attachments: Appendix A



PalmSea
Structural Integrity Reserve Fund Estimates for 2023 Budget Year

	A	B	C	(A-B)*C/A	C/A	C/B	D	(C-D)/B
Components	Est Typical Life	Est Remaining Life	Est Cost	100% Fully Funded Balance	Annual Amount if 100% Fully Funded	Annual Amount if NO existing Fund Balance	Current Fund Balance from Reserve Strudy	Annual Amount based on existing balance
	(years)	(years)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)
Roofing								
Flat roofing (4 bldgs)	40	10	600	450.0	15.0	60.0	78.4	52.2
Flat roofing (clubhouse)	20	10	20	10.0	1.0	2.0	1.7	1.8
Tile roofing (clubhouse)	30	4	5	4.5	0.2	1.3	0.8	1.1
Building Components								
Load Bearing Walls & Pprimary Structural Elements	5	5	100	0.0	20.0	20.0	0.0	20.0
Railings	45	29	100	35.6	2.2	3.4	6.2	3.2
Floors / Foundations			incl					
Fire Protection Systems								
Fire Alarm Panels	30	14	22	11.7	0.7	1.6	2.0	1.4
Plumbing Systems								
pumps	20	4	64	51.2	3.2	16.0	8.9	13.8
pipng	40	4	40	36.0	1.0	10.0	6.3	8.4
Exterior Painting								
building exterior areas	9	8	600	66.7	66.7	75.0	11.6	73.6
stucco repairs			incl					
Electrical Systems								
Electric Risers/Panels	50	7	30	25.8	0.6	4.3	17.7	1.8
Windows and Doors								
Exterior SGD's	50	34	1078	345.0	21.6	31.7	10.4	31.4
Exterior Windows	50	34	2592	829.4	51.8	76.2	25.1	75.5
Exterior Doors	40	24	83	33.2	2.1	3.5	0.8	3.4
TOTALS				1,899	186	305	170	288
							8.9%	