

**PROPOSAL FOR
FULL RESERVE STUDY**

East Campus/Trinity Heights
Durham, NC

Prepared for:

East Campus/Trinity Heights Homeowners Association, Inc.
&
Allenton Management

Prepared by:

Criterion – Giles Engineers
1150 SE Maynard Rd., Suite 220
Cary, NC 27511
www.criterion-giles.com
(919) 465-3801

March 23, 2016



1.0 INTRODUCTION

Based on our communications with Arnold Spell of Allenton Management, we understand that a reserve fund analysis of the buildings and site improvements located within the East Campus/Trinity Heights Homeowners Association in Durham, NC is required.

Criterion - Giles Engineers Inc. specializes in working with existing buildings and building owners; from problem solving to maintenance planning. We have been involved in evaluating buildings since 1984. Projects have ranged in scope from pre-purchase single family home inspections to million-square foot shopping centers and office buildings. We provide over 150 reserve studies and comprehensive facilities evaluations each year for community associations throughout North Carolina.

The proposal that follows is in response to our communication with Mr. Spell. This proposal is intended to provide you with our understanding of your project needs, a clear understanding of how we would complete this evaluation, what you can expect to receive, and why we are most qualified to provide these services.

2.0 WHY CHOOSE US?

To summarize our qualifications, Criterion - Giles Engineers has:

1. Experience with hundreds of community associations.
2. Several staff members designated by the Community Associations Institute as Reserve Specialists (RS)
3. Senior staff member involvement throughout project.
4. Experience and knowledge of local climate and economic conditions.

3.0 DESCRIPTION

Based on information provided by Mr. Spell and our research, approximately 16 townhome units in 2 buildings and approximately 25 single family homes are located within the East Campus/Trinity Heights community. The community is located around West Markham Avenue and Sedgefield Street in Durham, NC.

The association maintains the exterior façade of the townhome buildings including roofs and exterior brick veneer, gutters, downspouts, shutters and trim. The association is also responsible site improvements in the community including rear alleyways/parking areas, concrete walkways, entrance signage, two private pocket parks with site fencing and block walls, common area landscaping and other HOA site improvements and relevant conditions.

4.0 SCOPE OF SERVICES

Based on information provided by Mr. Spell, we understand that the purpose for the reserve study is to fulfill a responsibility that the association has to its residents to maintain an ongoing understanding of the condition and maintenance requirements of the property. This study may serve as a working tool well into the future for East Campus/Trinity Heights HOA.

Based on our limited information of the complex, we have developed the following scope of services. Our approach to preparing a reserve study for the building/site components involves two phases.

The first phase is to review the specific condition of the buildings and site improvements. This will give us an opportunity to develop an inventory of the existing major components, evaluate their current condition, as well as quality of installation, and estimate expected remaining useful life of each major component. This phase gives us an opportunity to understand these specific assets and your association thoroughly.

Our component useful life estimates are based on our vast experience with similar buildings/site improvements and industry guidelines. Our experience with updating reserve studies for similar communities has also proven to be a highly effective tool in estimating the useful life of components.

We derive the component repair/replace cost estimates from several sources:

- Experience in construction monitoring/management for our local community Association clients
- Historical information and estimates provided by our local community Association clients during reserve studies and updates
- Our network of local contractors
- RS Means construction cost data

The second phase will be to compile the data from Phase I to use as a basis for projecting a 20-year reserve fund that will be adequate to take care of non-annual maintenance/repair items. This fund will take into consideration a reasonable return on invested monies and inflation for which we would expect you to consult with your accountant prior to our finalizing the reserve budget analysis. There will be alternatives presented for the reserve fund based on fixed annual payments to the fund, uniform payments with an annual escalation, and uniform payments with periodic special assessment. Other alternatives that the association finds attractive will also be analyzed. The final decision on how to gather funds for the reserve fund will, of course, be determined by the association.

Specifically, our work will include the following steps:

- 4.1 Develop a specific list of components to be evaluated and to be made a part of the reserve study.
- 4.2 Review the common area structural, site, and life safety systems as they relate to future maintenance and repair issues.

- 4.3 Review and evaluate the site for any future maintenance and repair issues. This would include review of the following:
- Exterior façade of the townhome buildings including roofs and exterior brick veneer, gutters, downspouts, shutters and trim
 - Paved alleyways/parking areas for the townhomes
 - Concrete walkways for the townhomes
 - Entrance signage
 - Two private pocket parks with fencing and block walls
 - Common area landscaping
 - Other site improvements and relevant conditions
- 4.4 Develop a draft report, including a draft reserve fund analysis spreadsheet, for the Association to review and comment on.
- 4.5 After drafting the report, we will be available to attend one meeting to discuss our findings with the Board of Directors or full membership.**
- 4.6 Develop a final report for the site components, discussing the various items evaluated with regard to their current condition and expected future performance. Our report will also include a recommended non-annual maintenance plan for the site over the next twenty years, identifying work that will be important and when it is likely to be required. Associated with this plan would be the final version of the reserve fund analysis spreadsheet.
- 4.7 We will provide an electronic copy and a hard copy of our final report upon request.

Communication is a fundamental part of effective consulting services to any organization. As part of our project, please note that we have identified multiple times where we will be meeting with you to discuss our progress and to gather your feedback. This aspect of our service exceeds what many consultants do for this type of project.

Our investigation will not include any specific design documents for any repairs we might recommend. Such design is within the capabilities of Criterium - Giles Engineers Inc. Upon request, we could provide fee estimates for any repairs that might be needed or desired by the association.

5.0 PROJECT TEAM

This project team will consist of the following:

1. **Principal Engineer** – Robert C. Giles, PE, RS. Mr. Giles has served hundreds of condominium, townhome and homeowner associations. In addition to his Professional Engineer license, he has achieved the CAI designation of Reserve Specialist (RS).
2. **Project Manager** - Kevin R. Giles, RS. In addition to working with numerous community associations, Mr. Giles has expertise in the manufacture of building components and years of onsite construction and renovation experience. He has also achieved the CAI designation of Reserve Specialist (RS).
3. **Project Engineer** – Christopher A. Flythe, PE, RS. In addition to extensive experience in Reserve Studies and other building and site evaluations for our community association clients, Christopher has 8 years of experience in land development, civil and storm water design. He has also achieved the CAI designation of Reserve Specialist (RS).

As needed, other members of the Criterium team will be assigned to this project.

6.0 QUALIFICATIONS AND EXPERIENCE HIGHLIGHTS

Our staff has locally served hundreds of community associations. Multiple staff members have earned Community Associations Institute's Reserve Specialist (RS) designation. The RS designation is awarded to experienced, qualified professionals who help community associations plan for the long-term repair and replacement of major components. RS designees are required to perform reserve studies according to CAI's National Reserve Study Standards, which include a list of tasks that must be performed in each level of service, minimum contents that must be included in each study, required disclosures and terms and definitions.

The software we use for the financial analysis of your reserve fund was developed exclusively for us by the accounting firm of KPMG Peat Marwick. It meets all the requirements of the AICPA audit guidelines for Common Interest Realty Groups and CAI's Reserve Study Standards.

Criterium - Giles Engineers Inc. is a part of a nation-wide network of engineering offices which has a wide range of diverse engineering expertise upon which we can draw to complement our own staff as a project requires.

7.0 FEES

The lump sum fee for this project is **\$2,700**

Payment for those services requested will be required based on the following schedule:

1. First payment due at time of authorization to proceed..... **\$1,350**
2. Final payment due within ten days following submittal
of our final invoice..... **\$1,350**

A copy of our Standard Terms and Conditions, which are the basis for this agreement, is attached in Appendix A. Section 2 of these Standard Terms and Conditions does not apply to this project.

8.0 SCHEDULE

Once the enclosed Client Authorization is executed, Criterium - Giles Engineers Inc. will begin the site inspection within 2 to 4 weeks. Following that, we expect the total project to require no more than four to eight weeks to complete.

9.0 CONCLUSION

To the best of our knowledge, we believe this proposal outlines the work necessary to complete the studies requested by Mr. Spell on your behalf.

Criterium – Giles Engineers Inc. is ideally qualified to provide these services and anxious to move forward with this study. The key point to keep in mind with regard to our qualifications are:

1. Extensive experience during the last twenty years, specializing in investigation of existing buildings.
2. Extensive local experience in working with townhome, single family and condominium associations.
3. Designated by CAI as a Reserve Specialist (RS).
4. Small to medium-sized firm where senior staff members are actively involved with each project such that our clients benefit directly from their seniority and experience.

Further, we are willing to discuss any questions you may have to be sure that everyone understands exactly the services that will be provided. Also, should you choose, we would welcome the opportunity to be interviewed by you. Your comfort in getting to know the people that will be serving you is a valuable part of your decision-making process.

We encourage you to visit our website for more information about our reserve studies and to download a sample report: www.criterium-giles.com

After you have had an opportunity to review this proposal, please return the Client Authorization to proceed, along with the required retainer identified in Section 7.0.

Thank you for the opportunity to provide you with a proposal for our services on this project.

Respectfully submitted,

Robert C. Giles, P.E., RS
President

Kevin R. Giles, RS
Project Manager

APPENDIX A
STANDARD TERMS AND CONDITIONS

**STANDARD TERMS AND CONDITIONS
CRITERIUM – GILES ENGINEERS, INC.**

Section 1: Standard of Service

Criterium-Giles Engineers, Inc. (company) is dedicated to providing its clients with quality service. Services performed by Criterium-Giles Engineers, Inc. under this agreement will be conducted in a manner consistent with that level of care and skill that is ordinarily exercised by members of the profession currently practicing under similar conditions at the time the services are performed. No other warranty, express or implied, is made. Client recognizes that interpretations and recommendations of Criterium-Giles Engineers, Inc. are based solely on the information available to the company. Criterium-Giles Engineers, Inc. will be responsible for those data, interpretations and recommendations, but shall not be responsible for the interpretation by others of the information developed.

Section 2: Charges

Services are generally provided on a lump-sum basis or on an hourly basis plus necessary out-of-pocket costs. Current hourly rates for projects **not bid on a lump sum basis** are as follows:

| | |
|-------------------------|-------------------------|
| Drafting..... | \$50.00 - \$90.00/hr. |
| Staff Engineering..... | \$85.00- \$150.00/hr. |
| Senior Engineering..... | \$125.00 - \$200.00/hr. |
| Project Management..... | \$125.00 - \$250.00/hr. |
| Typing/Clerical | \$35.00 - \$50.00/hr. |

Where appropriate, company and personal vehicles used in conjunction with project work will be charged at \$0.50 per mile. Vehicle rental or special vehicle requirements will be charged directly to the client. Out-of-pocket costs such as printing, word processing, reproduction, special consultant fees, permits, special equipment, extraordinary insurance, fares, telephone, overnight lodging or meals expense, and other similar project-related costs are billed at cost plus 10 percent.

Section 3: Terms of Payment, Invoice Submittals

Extended engagements may require interim invoicing on a monthly or other basis. At the completion of the initial phase of the project, we will issue a final invoice for that phase of work.

Payment of each invoice is due upon presentation of our report unless credit terms have been established and are included in our project agreement. Unless otherwise agreed to in writing, invoices issued to clients with established credit will be due within 10 days from date of invoice. Failure to pay invoices within the allotted time period will constitute a breach of contract and may result in suspension of work until such time as all overdue payments are made in full. Should any suspension occur because of overdue payments, the time for contract completion, if any is stated, shall be extended by the period of the suspension.

All outstanding invoiced balances remaining unpaid for thirty (30) days after date of invoice will be charged a finance charge in the amount of 1½ percent per month from the date of invoice, with the annual percentage rate being 18 percent, computed on a monthly basis. In the event that any invoice remains unpaid and it becomes necessary, in the opinion of Criterium-Giles Engineers, Inc., to initiate collection procedures, the client hereby agrees to pay all collection costs including, but not limited to, reasonable fees for attorneys retained by Criterium-Giles Engineers, Inc. and court costs at our standard billing rate for time necessitated in court appearances or presentation of claim to the appropriate court jurisdiction. Exceptions to the foregoing "Terms of Payment, Invoice Submittal" must be specified in writing as part of our confirmation letter or project agreement.

Section 4: Insurance

Criterion-Giles Engineers, Inc. represents and warrants that it is protected by Workers Compensation insurance and has such coverage under Public Liability and Property Damage insurance policies which Criterion –Giles Engineers deems adequate. Certificates for all such policies of insurance shall be provided to the Client upon request in writing. Criterion-Giles Engineers, Inc. shall not be responsible for any loss, damage or liability arising from any acts by Client, its agents, staff and other consultants employed by it.

Section 5: Limitation of Liability

Neither Criterion-Giles Engineers, Inc., its consultants, nor their agents or employees shall be jointly, severally, nor individually liable to client in excess of the compensation to be paid pursuant to this agreement or of Ten Thousand Dollars (\$10,000.00), whichever is less, by reason of any act or omission, including breach of contract or negligence.

Section 6: Ownership of Documents

All reports, field data, field notes, calculations, estimates and other documents prepared by Criterion-Giles Engineers, Inc., as instruments of service, shall remain the property of Criterion-Giles Engineers, Inc. Client agrees that all reports furnished to Client or his agents, which are not paid for, will be returned upon demand and will not be used by Client for any purpose whatever. Criterion-Giles Engineers, Inc. will retain all pertinent records relating to the services performed for a period of five years following submission of the report, during which period the records will be made available to Client at all reasonable times.

Section 7: Copies of Document

Criterion-Giles Engineers agrees to furnish a stamped electronic copy of our report, drawings, or documents relating to the services performed. Upon request, Criterion-Giles Engineers will provide a hard copy of the final report.

Section 8: Termination and Assigns

This agreement to perform engineering services may be terminated by either party by written notice. In the event of termination, Criterion-Giles Engineers, Inc. shall be paid for services performed and expenses incurred up to the termination notice date, plus any expenses or penalties resulting from the termination. Neither the Client nor Criterion-Giles Engineers, Inc. may delegate, assign, sublet or transfer his duties or interest in this agreement without the written consent of the other party.

Section 9: Disputes

Any controversy or claim arising out of or relating to this agreement, or the breach thereof, shall be settled by arbitration in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

In addition to and prior to arbitration, the parties shall endeavor to settle disputes by mediation in accordance with the Construction Industry Mediation Rules of the American Arbitration Association currently in effect unless the parties mutually agree otherwise. Demand for mediation shall be filed in writing with the other party to this Agreement and with the American Arbitration Association. A demand shall be made within a reasonable time after the claim, dispute, or other matter in question has arisen. In no event shall the demand for mediation be made after the date when institution or legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statute or limitations.

APPENDIX B
CLIENT AUTHORIZATION

March 23, 2016

CLIENT AUTHORIZATION

CLIENT: East Campus/Trinity Heights Homeowners Association, Inc.
PROJECT TITLE: FULL RESERVE STUDY
LUMP SUM FEE: \$2,700
PRINCIPAL ENGINEER: Robert C. Giles, PE, RS

I hereby authorize Criterium – Giles Engineers, Inc. to undertake the engineering services assignment as described in pages 1 through 7 of the accompanying proposal dated March 23, 2016, and guarantee payment of all fees and expenses less any credit due from a retainer, which will be credited on the final invoice. I further agree to make payment for the services rendered in accordance with the enclosed Standard Terms and Conditions of Criterium - Giles Engineers Inc. I have read and understand the enclosed description of services to be provided, any noted limits on those services and the Standard Terms and Conditions.

Date

Authorizing Signature

For: _____

NOTE: Please return a copy of this Client Authorization with a check in the amount of \$1,350 made payable to **CRITERIUM - GILES ENGINEERS, INC.** Thank you.

CRITERIUM®
G I L E S E N G I N E E R S