

## Capital Needs Assessment



### The Ridges Nags Head, NC

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The Ridges is part of The Village at Nags Head private residential community. The Ridges is located adjacent to Seawatch, and consists of 47 single-family homes. This portion of the development was constructed in 1990.

This assessment is aimed at determining the development's current and prospective capital needs for asset management purposes. The scope of this assessment is limited to site systems, including paving, appurtenant structures, fencing and distribution systems. For planning purposes, Year 1 of the report is shown as 2005. Twenty-year capital needs are projected at approximately \$2,954 per unit in inflated dollars. Existing replacement reserves, and current reserve deposits, are seen to be adequate to meet the property's long-term capital needs.

### Site

#### Site Surface

The Ridges is comprised of Ridge Lane with seven branch roads. Each road has an asphalt and chip-seal surface, and a dumpster with a wood enclosure. The asphalt is in good condition. Site management reported that the asphalt surfaces were sealed in 2004. Costs to crack-fill, and apply additional chip-seal surfaces are shown every ten years starting in Year 3. Costs to resurface the parking lot are shown in Year 20.

Wood retaining walls are located throughout the development. A higher section of retaining wall is located around the dumpsters. This portion displays leaning sections and mildew growth on the wood sections. Some past repair attempts were noted throughout the dumpster enclosure. Costs to replace the dumpster enclosure wall are shown in Years 2 and 20 of the plan. One section of concrete has been replaced at the dumpsters. Costs are shown to replace the remaining portions in Year 2. The lower sections of wall are in fair condition. Costs to replace these timber members are shown in Year 7 of the plan.

The painted wood sign and insignia, are mounted on a stone wall. The sign displays minor paint cracking. Costs for surface preparation and paint are shown every five years starting in Year 1. Sign replacement is shown in Year 11. Incandescent sign footlights are also included to be replaced. Wood railroad ties serve as curbs along Fairway Lane. These ties have deteriorated, and are shown in Years 1 and 16 for replacement.

#### **Site Distribution Systems**

The site is serviced by public water and sewer, and by electric service from the local utility company. There were no reported problems with any of the site distribution systems (including irrigation), and no capital expenditures are anticipated with regard to them.

#### **Capital Needs Summary, Replacement Reserve Analysis**

Future capital actions are based on useful life expectations and assume continued effective maintenance and physical management. The timing of actions by system (including quantities and costs) is also presented in the **Capital Needs Worksheet**. Costs for the twenty-year plan total **\$203,855**, or \$2,954 per unit in inflated dollars (\$2,049 in 2005 dollars).

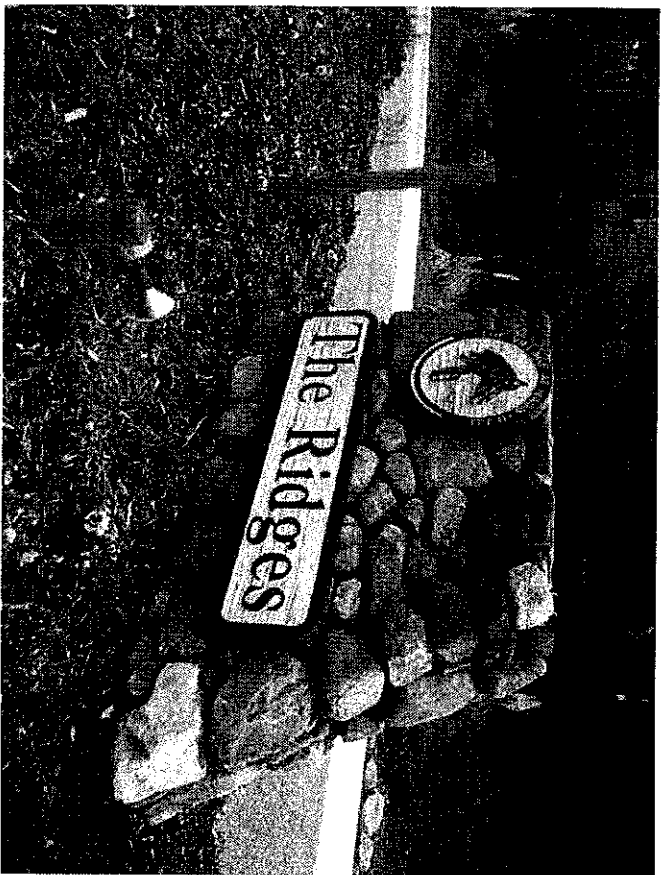
One approach to funding the property's physical needs through replacement reserves is presented in the **Replacement Reserve Analysis** section of the report, with accompanying graphics.

**Plan #1** presents current capital funding circumstances. The development is estimated to have a replacement reserve balance of \$74,017 on December 31, 2004. Annual contributions are currently \$4,050 per year, or \$59 per unit. From OSI's experience, this is seen to be sufficient to fund a property of this age and complexity. For planning purposes here, these contributions are shown being indexed at 3% for inflation going forward. Under this scenario, all projected needs are shown being met.

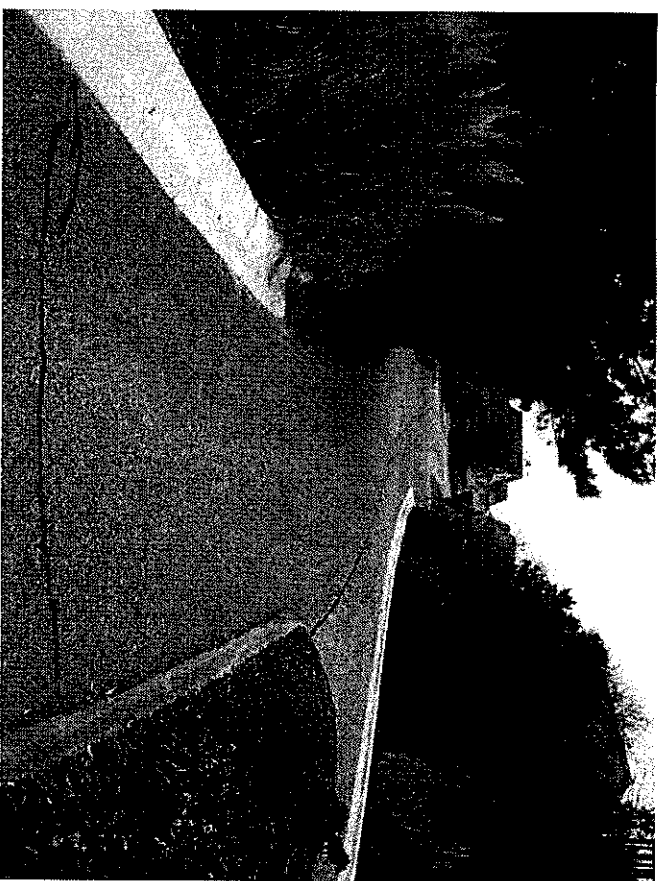
**NOTES:**

1. The Physical Inspection of the property was conducted on February 22nd, 2005. Additional information was provided to **ON-SITE INSIGHT** by site staff and others. OSI was represented on this assignment by Karl Atkinson. We would like to thank site staff for their assistance.
2. Regular updates of this plan are recommended to ensure careful monitoring of major building systems and to adjust the program to accommodate unanticipated circumstances surrounding the buildings, operations, and/or occupants.
3. Information reviewed in preparation of this report included historic data on capital activities and costs, original plans, and current prices for capital actions.
4. No evaluation of environmental concerns, including but not limited to asbestos containing materials (ACMs), lead-based paint, chlorofluorocarbons (CFCs), and polychlorinated biphenyls (PCBs) has been undertaken as part of this assessment.

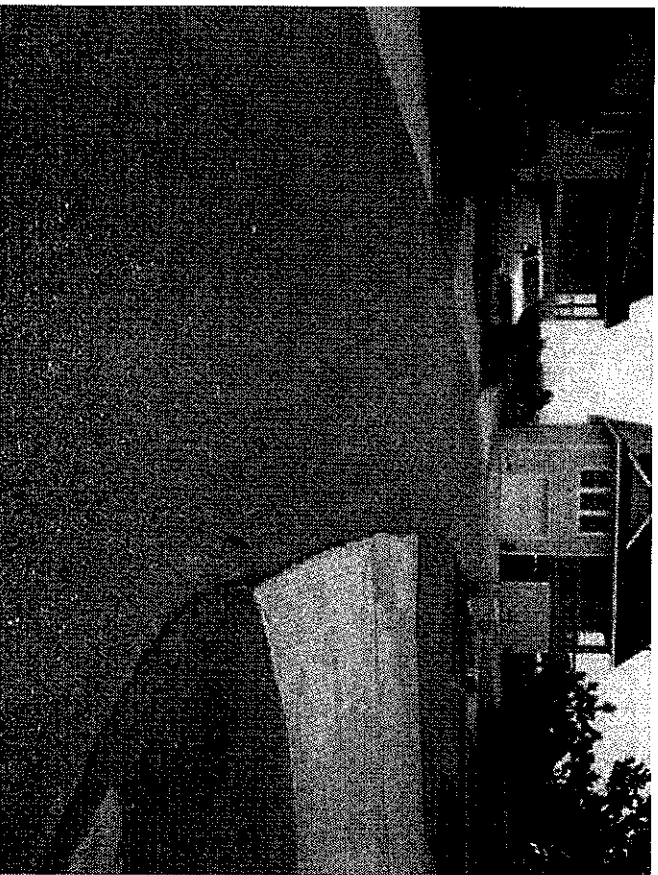
The Ridges



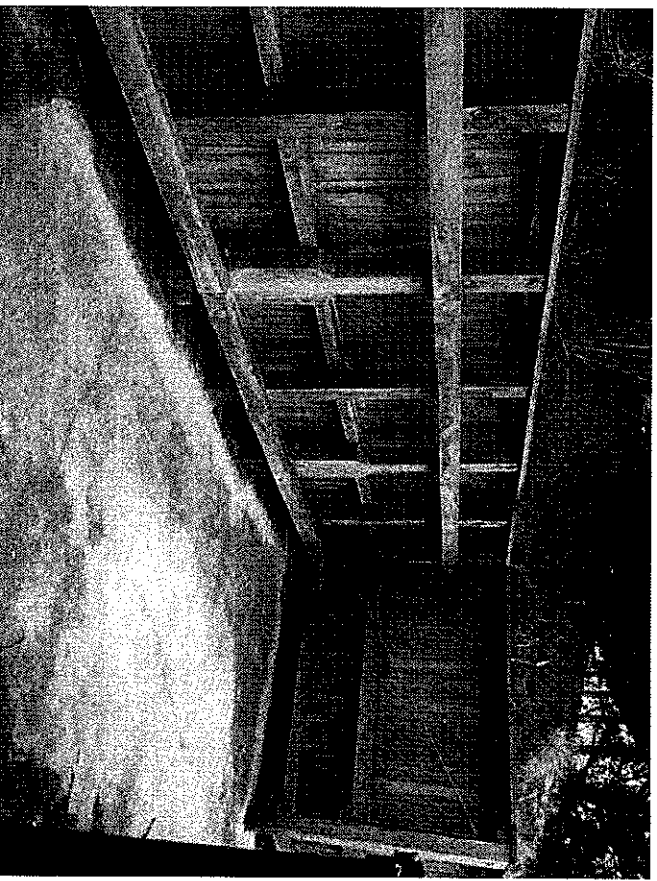
View of development sign



Chipseal surface has been crackfilled

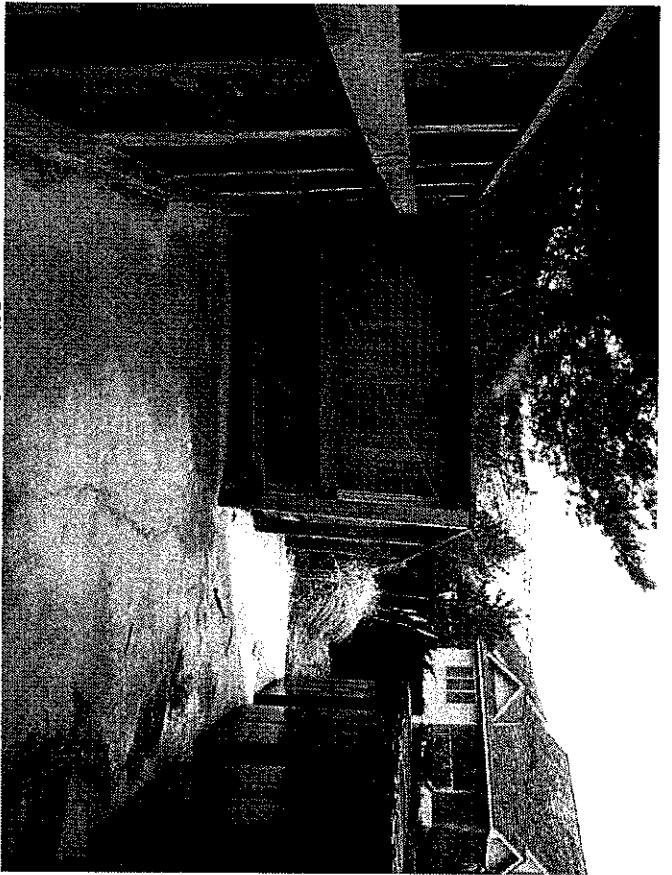


Some sections of the driveway are in good condition

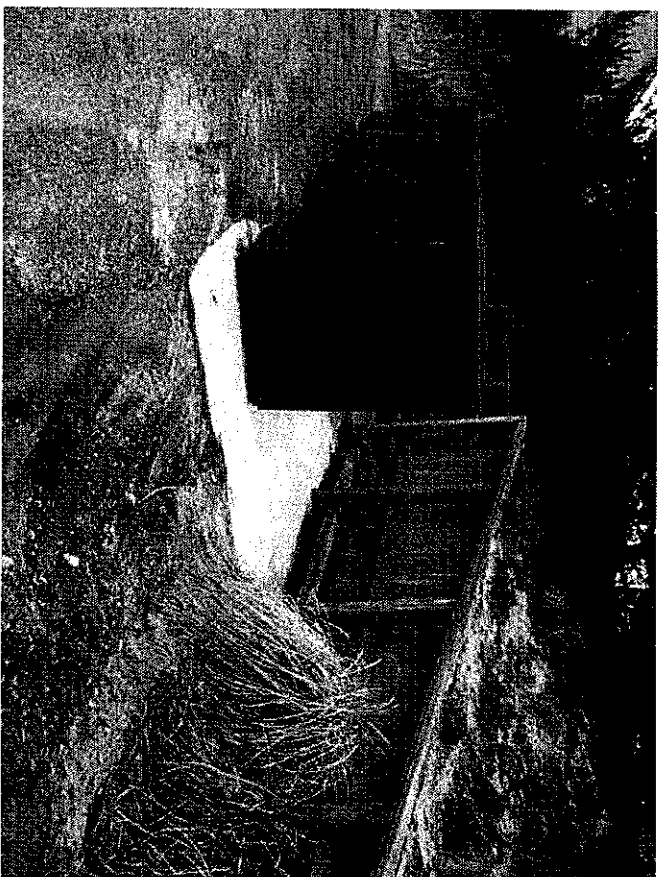


Dumpster enclosure--Some leaning sections

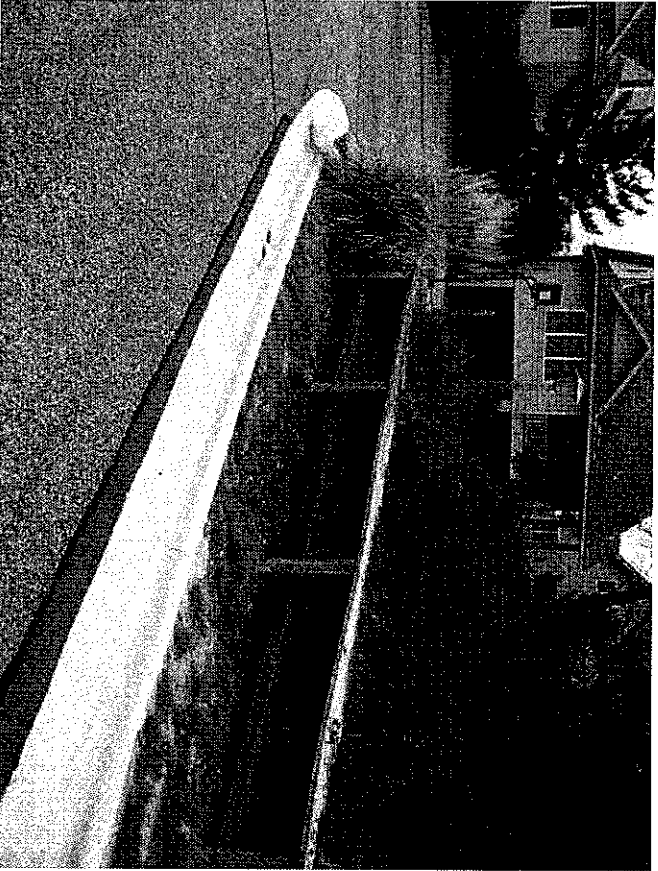
The Ridges



View of recent repairs



New concrete sections for dumpsters

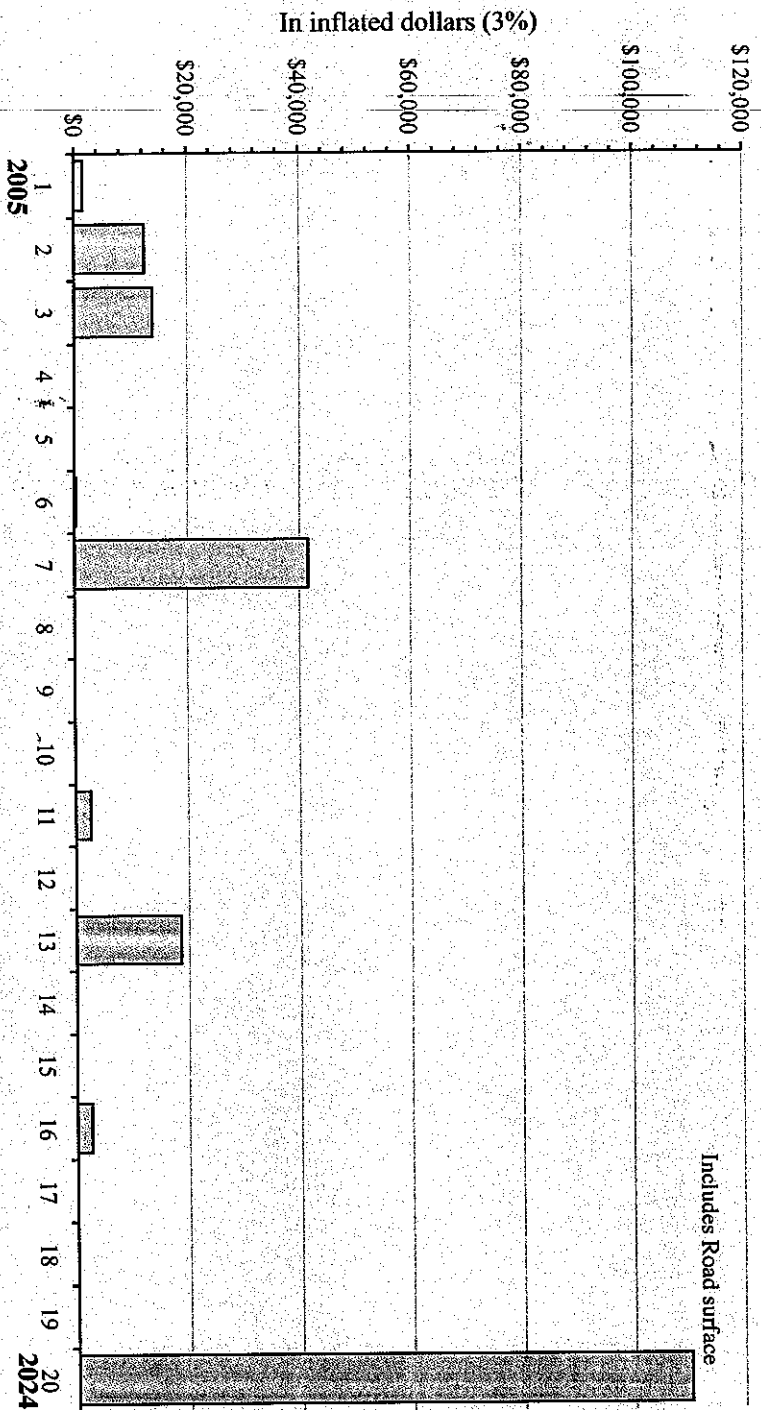


Railroad ties have deteriorated



# Capital Needs Summary

# The Ridges Property Owners Association



<b>Site Systems</b>	<b>In Year 1</b>	<b>In Years 1-10</b>	<b>In Years 1-20</b>
	\$1,630 or \$24/unit	\$69,854 or \$1,012/unit	\$203,855 or \$2,954/unit

<b>In inflated dollars:</b>	<b>\$1,630 or \$24/unit</b>	<b>\$69,854 or \$1,012/unit</b>	<b>\$203,855 or \$2,954/unit</b>
<b>In current dollars:</b>	<b>\$1,630 or \$24/unit</b>	<b>\$61,888 or \$897/unit</b>	<b>\$141,397 or \$2,049/unit</b>

# Capital Needs Summary

**The Ridges Property Owners Association**  
Nags Head, NC

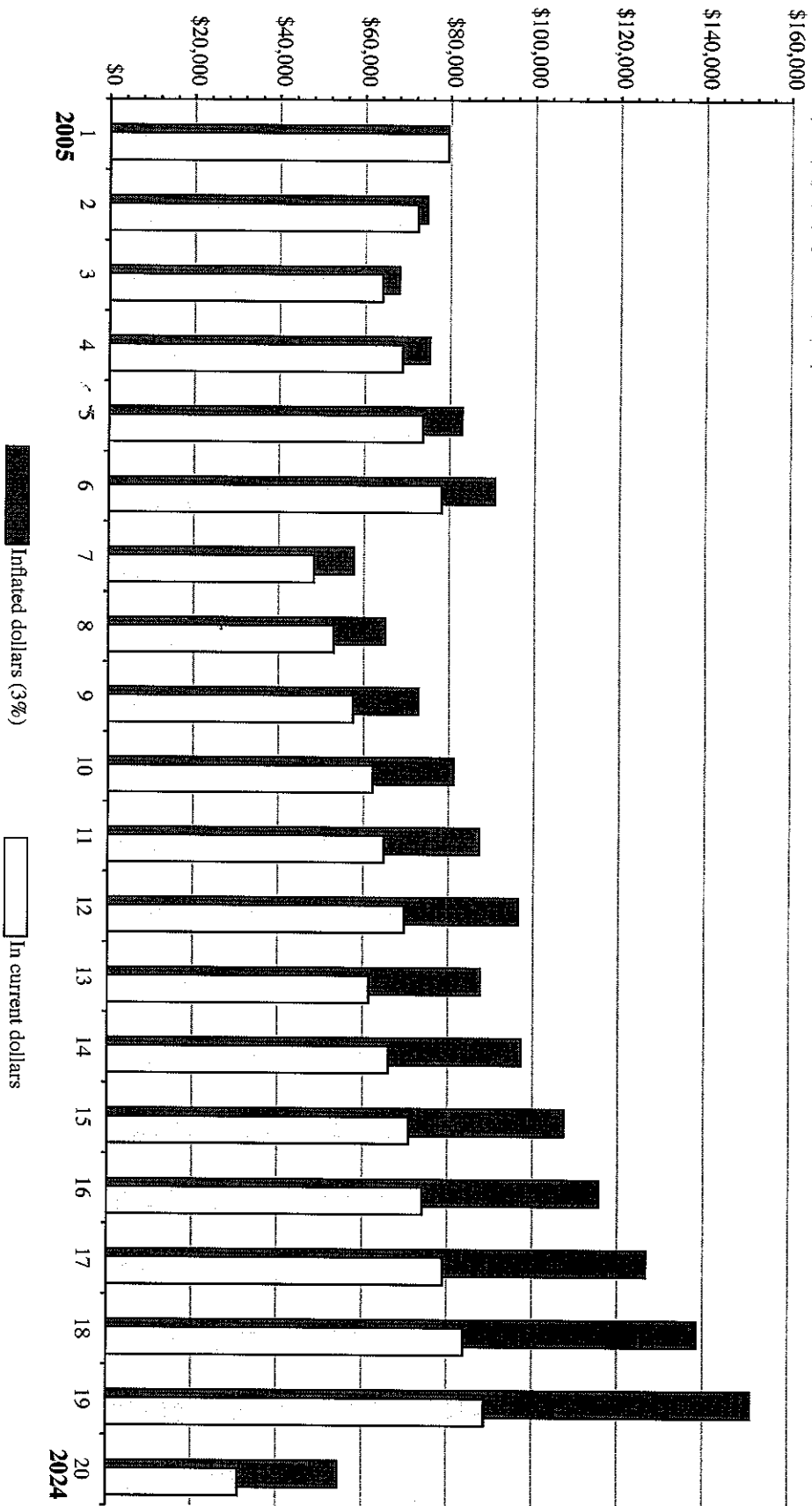
OSI Ref: 05114  
Property Age: 15 Years

Total Number of Units: 69

	2005 Year 1	2006 Year 2	2007 Year 3	2008 Year 4	2009 Year 5	2010 Year 6	2011 Year 7	2012 Year 8	2013 Year 9	2014 Year 10
<b>Site Systems</b>										
Surface	\$1,630	\$12,422	\$13,859	\$0	\$0	\$290	\$41,653	\$0	\$0	\$0
Site Distribution Systems	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Site Sub-Total	\$1,630	\$12,422	\$13,859	\$0	\$0	\$290	\$41,653	\$0	\$0	\$0
<b>Total Capital Costs</b>	\$1,630	\$12,422	\$13,859	\$0	\$0	\$290	\$41,653	\$0	\$0	\$0



# Replacement Reserve (RR) Analysis: *Plan One*      **The Ridges Property Owners Association**



Current Replacement Reserve Balance: **\$77,392**      At the end of Year One, Reserve Balances are projected to be: **\$79,479**  
 Adjusted Replacement Reserve Balance: **\$74,017**      At the end of Year 20, Reserve Balances are projected to be: **\$54,322**  
 Current annual contributions to reserve accounts: **\$4,050**      All projected capital needs are met throughout the plan

# Replacement Reserve (RR) Analysis: *Plan One*      The Ridges Property Owners Association

## Reserve Funding In Year 1

Replacement Reserve (RR) analysis starts here with the starting RR balance reported, or imputed, to have been on hand at the start of Year 1, and current annual RR contributions. The projections below reflect Starting RR Balance (Line A), plus the Total Annual RR Contributions (Line D) and Interest Earnings on RR (Line E), minus Total Annual Capital Costs (Line F), taken from the CNS above. This is expressed arithmetically as (A+D+E)-F=G. Year-End Balances, then carries forward to Line A of the following Year.

Start replacement reserve balance:      **\$74,017** or \$1.073/unit  
 Contributions to Reserves:      **\$4,050** or \$39/unit

	2005 Year 1	2006 Year 2	2007 Year 3	2008 Year 4	2009 Year 5	2010 Year 6	2011 Year 7	2012 Year 8	2013 Year 9	2014 Year 10
<b>(A) Reserve Balances</b>										
Starting Replacement Reserves	\$74,017	\$79,479	\$74,491	\$67,994	\$75,228	\$82,886	\$90,701	\$57,608	\$64,993	\$72,826
<b>(B) Annual Funding</b>										
Contributions Indexed at 3%	\$59	\$60	\$62	\$64	\$66	\$68	\$70	\$72	\$74	\$77
<b>(C) Additional Unit Contributions</b>										
<b>(D) Total Annual Reserve Funding</b>	\$4,050	\$4,172	\$4,297	\$4,426	\$4,558	\$4,695	\$4,836	\$4,981	\$5,130	\$5,284
<b>(E) Interest on Reserves at 4%</b>	\$3,042	\$3,263	\$3,066	\$2,808	\$3,100	\$3,409	\$3,725	\$2,404	\$2,702	\$3,019
<b>Total Funds Available</b>	<b>\$81,109</b>	<b>\$86,913</b>	<b>\$81,853</b>	<b>\$75,228</b>	<b>\$82,886</b>	<b>\$90,991</b>	<b>\$99,261</b>	<b>\$64,993</b>	<b>\$72,826</b>	<b>\$81,129</b>
<b>(F) Total Capital Cost</b>	\$1,630	\$12,422	\$13,859	\$0	\$0	\$290	\$41,653	\$0	\$0	\$0
<b>(G) Reserve Balances</b>	<b>\$79,479</b>	<b>\$74,491</b>	<b>\$67,994</b>	<b>\$75,228</b>	<b>\$82,886</b>	<b>\$90,701</b>	<b>\$57,608</b>	<b>\$64,993</b>	<b>\$72,826</b>	<b>\$81,129</b>
Outside Capital:										
Adjusted Reserve Balances	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Notes:

\*ANNUAL RR CONTRIBUTIONS are shown being indexed for inflation at the % specified above except when Additional Contributions are called for. Line C, Additional Contributions allows for material adjustments in annual RR funding that would enable the property to meet all projected needs out of reserves through Year 20.

\*\*INTEREST EARNINGS ON RESERVES are calculated on 100% of starting balances and on 50% of the total annual contribution for the year at the rate shown  
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# Replacement Reserve (RR) Analysis: *Plan One* The Ridges Property Owners Association

## Reserve Funding In Year 20

Projected replacement reserve balance is \$54,322  
 This is \$787 per unit in inflated dollars or \$374 per unit in uninflated dollars  
 Projected annual funding to reserves is \$7,102  
 This is \$103 per unit in inflated dollars or \$59 per unit in current dollars

	2015 Year 11	2016 Year 12	2017 Year 13	2018 Year 14	2019 Year 15	2020 Year 16	2021 Year 17	2022 Year 18	2023 Year 19	2024 Year 20	
<b>Reserve Balances (A)</b>											
Starting Replacement Reserves	\$81,129	\$87,238	\$96,446	\$87,567	\$97,137	\$107,271	\$115,458	\$126,705	\$138,601	\$151,178	\$151,178
<b>Annual Funding (B)</b>											
Contributions Indexed at 3%	\$79	\$81	\$84	\$86	\$89	\$91	\$94	\$97	\$100	\$103	\$103
Additional Unit Contributions (C)											
<b>Total Annual Reserve Funding (D)</b>	\$5,443	\$5,606	\$5,774	\$5,948	\$6,126	\$6,310	\$6,499	\$6,694	\$6,895	\$7,102	\$7,102
Interest on Reserves at 4% (E)	\$3,354	\$3,602	\$3,973	\$3,622	\$4,008	\$4,417	\$4,748	\$5,202	\$5,682	\$6,189	\$6,189
<b>Total Funds Available</b>	\$89,926	\$96,446	\$106,193	\$97,137	\$107,271	\$117,997	\$126,705	\$138,601	\$151,178	\$164,469	\$164,469
<b>Total Capital Cost (F)</b>	\$2,688	\$0	\$18,626	\$0	\$0	\$2,539	\$0	\$0	\$0	\$0	\$110,147
<b>Reserve Balances (G)</b>	\$87,238	\$96,446	\$87,567	\$97,137	\$107,271	\$115,458	\$126,705	\$138,601	\$151,178	\$151,178	\$54,322
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

© ON-SITE INSIGHT, Inc.  
 100 Crescent Road  
 Needham  
 MA 02494



Tel: (781) 449 7752  
 Fax: (781) 444 5352  
 Web: www.on-site-insight.com  
 General Email: OSI@on-site-insight.com

# The Ridges Property Owners Association

## SITE SYSTEMS

(Expected Useful life)

### Replacement Schedule

Notes



Replacement Items	Quantity	Cost per unit		Total Cost		AGE		EUL		Year of action AND duration of project		Notes
		in 2005 \$\$	in 2005 \$\$	in 2005 \$\$	in 2005 \$\$	(Years)	(Years)	(Years)	(Years)	Year of action	AND duration of project	
Roadways	52,255 sf	1.00		\$52,255		15	25+	20				Chipseal surface Recently crackfilled, costs to replace
Parking	sf											
Crack-Fill and Sealcoat	52,255 sf	0.25		\$13,064		15	10	3	1/3			Recently crack-filled, costs to chip-seal
Sidewalks	If											
Retaining Walls	410 lf	85.00		\$34,884		15	20+	7				Average 2' high
Fencing	If											
Fencing	If											
Dumpster Enclosures	96 lf	110.00		\$10,560		Varies	20	2	2/0			7' high Areas leaning. Past repair attempts, leaning and mildew growth
Concrete Dumpster Pads	1 ea	1500.00		\$1,500		Varies	20	2				One new section, costs to replace remaining portions
Site Lighting	ea											
Landscaping	460 lf	3.00		\$1,380		15	15	1	1/6			Some weathered rail-road ties
Signage	1 ea	2000.00		\$2,000		<15	5	11				Replace signs
Signage	1 ea	250.00		\$250		<15	5	1	1/6	1/6		Painted wood sign and insignia
Irrigation Lines	1 ls			\$0		15		20				Operating
Miscellaneous	ea											
<b>SITE DISTRIBUTION SYSTEMS</b>												
Gas Lines	If											
Sanitary Lines	1 ls			\$0		15	60					City of Nags Head--Operating
Cold Water Lines	1 ls			\$0		15	60					City of Nags Head--Operating
Electric Distribution	1 ls			\$0		15	60					Utility company--Operating
Sanitary Leach fields	If											
Miscellaneous	If											

# Projected Capital Needs Over Twenty Years

# The Ridges Property Owners Association

Costs inflated at 3%

## SITE SYSTEMS

Year 1 2005	Year 2 2006	Year 3 2007	Year 4 2008	Year 5 2009	Year 6 2010	Year 7 2011	Year 8 2012	Year 9 2013	Year 10 2014	Year 11 2015	Year 12 2016	Year 13 2017	Year 14 2018	Year 15 2019	Year 16 2020	Year 17 2021	Year 18 2022	Year 19 2023	Year 20 2024
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## SURFACE

\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$91,630
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$13,859	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$18,626	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$41,653	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
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\$0	\$1,545	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$1,380	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,150	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,688	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$250	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$290	\$0	\$0	\$0	\$0	\$0	\$0	\$389	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

## SITE DISTRIBUTION SYSTEMS

\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
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\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0