

## HOW TO SELECT A RESERVE CONSULTANT

We typically receive a call that goes as follows: “I’d like to get a bid for a reserve study.” Managers or board members who are a little more sophisticated will also ask: “What do you need to know?” The expected response to that question is, number of units, common elements, age of property, existence of plans and previous studies, etc.

Our response to that question, however, is: “What do you need?” CAI has done a valuable service by defining a standard reserve study. But in truth, our consulting service that results in a reserve study is anything but standard.

Standards define minimums. More often than not, our success, and our clients’ satisfaction, is dependent on properly defining the assignment. This falls into two categories:

- Agreeing on a scope
- Agreeing on who or what type of firm is necessary to achieve that scope

In this article, we hope to provoke your thinking about scope and qualifications, and then offer some tools to help simplify the task of developing a request.

### **Defining the Scope**

Any risk management consultant will tell you that most disagreements between clients and consultants occur as a result of the failure to properly define the scope of services. If the expectations of the parties are not aligned at the outset, dissatisfaction is almost guaranteed.

CAI defines a standard reserve study as:

“A report that provides an analysis of what funds are required to maintain a healthy reserve, as defined by the association board and owners.”

There are a great many considerations that are not part of a standard reserve study but may be of interest to the board and owners. Here are some.



- ✓ *Do you need a property condition assessment as well as a reserve study?*  
The standard reserve study incorporates the results of a field survey in the determination of reserves. However, those results are rarely reported to you. If you would like a more complete description of the property, buildings, systems, and components, as well as their current condition, you must ask for it—and your reserve study provider should be qualified to provide more detailed information.
- ✓ *Would you like the consultant to report on elements that are not part of what are defined as common elements?*  
Often, what are common elements are defined by legal documents. However, the condition of certain individually owned elements may have an effect on common elements, or may provide clues to future problems.
- ✓ *To what extent should the consultant consider alternative solutions?*  
Most common elements have been characterized in tables that provide “estimated useful lives” for those elements. These are just averages. Many reserve studies just use these tables. Factors such as geographic area of the country, use patterns, and weather may affect these averages. Further, the consultant may be able to suggest maintenance activities that will prolong the useful life of common elements. Finally, certain repair or maintenance functions can be planned over a period of time, thereby eliminating funding peaks or special assessments. If the consultant is to consider these, you must be specific in requesting that.
- ✓ *Do you anticipate future repairs or upgrades?*  
Perhaps you would like to add another swimming pool. Maybe the association wants to add amenities or aesthetic improvements that increase the value of the property. New regulations such as ADA (the Americans with Disabilities Act) may require upgrades to common areas. Again, these are not part of a standard reserve study.
- ✓ *Would you like to see funding alternatives?*  
The standard reserve study provides a calculation of what is necessary to maintain adequate funding. It does NOT make recommendations of how to achieve that. If you would like to see funding options, you need to say so.
- ✓ *Are there known problems, or does your reserve consultant recognize and tell you about potential new problems?*  
This is a big one. Often, management may know of a recurring problem. Or, owners may have complaints that have never been looked at as a systemic problem. Depending on who is performing your reserve study, the consultant may be able to offer repair designs and incorporate that into the study to include:
  - Building envelopes such as stucco, windows, and roofs
  - Drainage and erosion
  - Maintenance issues such as asphalt, water intrusion, etc.
  - Perimeter walls
  - Structural issues, including balconies and stairs



## Finding the Right Firm

Once you know what you want, it becomes a little easier to determine who should do it. A few of the questions you should be asking include:

- ✓ *What are the credentials of the person providing the service?*  
There are various designations that may be important to you. CAI has endorsed the Reserve Specialist. The RS designation conveys a certain level of experience and proficiency at performing standard reserve studies. However, if what you want is more than the standard – you want someone who can more completely evaluate structures, analyze problems, or plan repairs - you may need to consider firms that offer the services of licensed professional engineers or registered architects. Be sure to ask also who is actually performing the work and whether that individual has the credentials you seek.
- ✓ *Local or out of town consultant?*  
We've all heard that an expert is someone who is from out of town. There may be some times when this is applicable for the standard reserve study. However, if visiting the site up front to understand your problems, meeting with the board to explain the results, or being available to assist in the future is important, you may prefer a local firm—or at least a firm with local staff members who understand the environment and local conditions.

## Closing Thoughts

Rather than calling a reserve study provider for a quote, and hoping that all of the important issues are covered on the phone, we strongly recommend that managers issue a formal Request for Proposal (RFP), that way you will be more certain to cover all of your requirements and needs.

If you are not familiar with preparing an RFP, a sample RFP is ready to download [here](#). There, you will also find several other useful free publications including a Sample Reserve Study. Another free publication with valuable information “Seven Things You Must Know Before Conducting Your Next Reserve Study,” is located [here](#). Armed with knowledge and a clear scope and expectation, your next experience should be a very positive one.

Your selected company should be flexible, inquisitive to your special needs or concerns, and meet the long-term goals of your HOA board and your community, not just provide a standard report. Your community is unique, and you deserve a company that works closely with you on your reserve study, is a true partner in the process, and can save you time and money.

Ideally, since all capital assets need repair or inspection, you may also want a company that can provide additional insight into your structures, drainage, and other elements for which you are responsible. A strong relationship and a properly written report will be a great benefit to the HOA Board, the Management Company, and of course your community.

***Your Community is Unique,  
Why Isn't Your Reserve Study Unique?***

