

Defer – Repair - Replace - Improve

Those involved in providing reserve studies (engineers and accounting managers) perform a valuable function for the Association. They can tell you how much to put aside today for tomorrow's capital expenditures, since they have it down to a science.

Developing a quality reserve study is an art that is rarely discussed. There are some intangibles or perceptions about an association complex that aren't as easy to measure, but can be extremely important in the sales and success of the organization. Is it just as important for the Board or Community Manager to consider these less predictable factors when budgeting for the future?

Below are 10 questions to ask your reserve study provider to consider—they just may make your association a better place in which to live.

How does the condition of the property affect property value?

This question is one of the reasons for maintaining a reserve fund in the first place. When you hire a reserve consultant, what is the dominant message you want to convey? Is it to keep the reserves as low as possible, or is it to be sure that with maintenance of the property is being kept up so it does not deteriorate? Be clear what your goals are.

What is the affect of curb appeal on unit sales?

Don't neglect the little things that convey that this property properly maintained. Have you budgeted for asphalt sealing?



Is there sufficient lighting strategically placed? Are special features / landscape well maintained? All of these, and many more, make a real difference.

How does maintenance of non-common element areas affect a buyer's impression of the community?

Although not specifically the domain of the reserve study, consider whether activities conducted by residents are potentially affecting common areas? This might include trash, water run-off, and similar noxious activities.

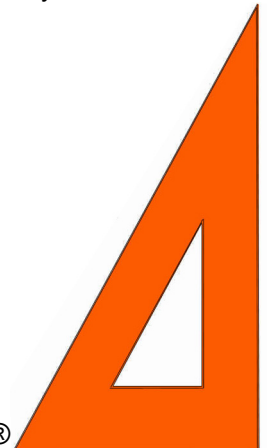


When should assets be retired?

We recently encountered a property that had bocce ball courts as one of their amenities, but it was rarely used! Why pay to maintain something that no one uses? Either save the money, or use it for other things that the community does want. Consider surveying residents.

Should we replace elements in kind, or upgrade?

This is a very important question, and can only be answered in an enhanced reserve study. Generally speaking, when budgeting for repair or replacement, the engineer will assume replacement in kind. This means replacement materials and equipment will be no better than what is there now. Often, more advanced materials and equipment are the only ones available, but there are also many choices. Should we upgrade bathroom counters to quartz? Is higher efficiency equipment available? Tell your reserve study provider that you would like them to consider upgrades at the time of replacement



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How responsive are we to modern trends?

Stores devoted to pets have increased. More and more bike paths and bike-to-work initiatives have increased. Wi-Fi is nearly ubiquitous and people expect it. So, has your association discussed these and other trends, and are you responding to them with amenities such as dog runs, bike racks/paths, and Wi-Fi in the clubhouse? With planning, these are items that can be included in the reserve study—especially if they are currently in the planning stages or under construction.

What improvements would we like to consider?

Are entrance monuments and signage dated (yes, they really can start to look dated even if well maintained)? Could we really use a new or additional pool or spa? Would additional landscaping add not only to curb appeal but also increase homeowner enjoyment of the association?

What can be deferred and what cannot?

This is a very important question for any reserve study provider. There are many tables that predict how long a component is supposed to last. However, these estimates are frequently wrong since they are only averages, and Arizona weather can accelerate component deterioration. An inspection of the current physical condition ensures that the reality of the situation is being considered and not just an average from a table.



Are there regulations that we will need to comply with?

From time to time, regulations impact requirements for the association. One of the more significant in recent years has been one of accessibility. Another is the Virginia Graeme Baker Pool & Spa Safety Act, which requires anti-entrapment drain covers and other safety devices be applied as needed to public pools.

Borrow, assess, or charge?

Previously, the only way to handle a shortfall of funds was with a special assessment (we all know how popular that is). Most associations try to avoid that if at all possible, and in fact, some states ban it. More recently, it has been possible for associations to borrow money, which allows them to make loan payments similar to the way payments are made to the reserve. We have also seen cases where the association has developed fee schedules for services to generate additional funds. These may be for the use of existing facilities, or the actual construction of new facilities. Loans and other income can be modeled in the reserve analysis.

Summary

A reserve study can be a static pro forma projection, or it can be a dynamic planning tool for maintaining your association the way you really think it should be. It just takes asking the right questions (and finding the reserve study provider who can answer those questions) to make it a bigger picture for your association.



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

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