



## The Importance of Reserve Studies: What We Can Learn from the Champlain Towers Collapse

In the wake of the tragic collapse of the Champlain Towers Condominium in Surfside, Florida, many people want to know how such a thing could happen. The dangers of aging infrastructure have been a concern for a while now, but little has been done to regulate how property owners prepare for, fund and conduct these repairs. Prudent community association boards make sure all repairs, maintenance and modernizing are properly funded by the reserve budget and executed at the right time.

### Reasons for Infrastructure Neglect

Reserve budgets often account for obvious and visible aspects of a condominium association, such as a lobby, a clubhouse or a pool. These areas are more likely to be maintained on a regular basis because everyone can see them. In many cases, their needs for maintenance are easily apparent.

However, infrastructure repair needs are often neglected because they're not as visually apparent. Subsurface utility piping and roofing are not viewable day to day, so they are often forgotten until there is a dire need for repairs.

There are other reasons why infrastructure repairs are often ignored:

- Higher fees – It can be an uphill battle to get agreement on implementing additional assessments and increasing reserve contributions, especially when members don't understand the value of that investment.
- Reliance on short-term fixes – It may seem easier to just make small fixes to immediate problems when they arise because these are often less expensive and less disruptive in the short term.

### Cost of Neglect

In reality, ignoring or deferring repairs of building infrastructure can have the opposite effect on these common concerns.

1. The most dangerous result of ignoring aging infrastructure is a catastrophic failure. The building collapse in Surfside is an extreme example of how neglected infrastructure can fail. More often, these failures are less dramatic but still create an emergency situation that requires immediate remedy. For example, failure to replace aging elevator control systems will inevitably result in emergency repairs and a major inconvenience to residents. A reserve study can identify potential infrastructure problems before they get out of hand.
2. Deferred maintenance and underfunded reserves have a negative impact on property values. It may seem like a good idea to set reserve budgets to reflect replacement needs of aesthetic elements of an association because appearance helps sell a property. In reality, when infrastructure problems are ignored and not budgeted for, conditions can deteriorate to the point that they lower property values.
3. An unexpected increase in fees to cover emergency expenses leaves owners angry and unprepared financially. This can lead to strained relations between boards and owners, as well as a tarnished reputation for the management company. A reserve study recommends appropriate, gradual increases to reserve contributions to cover impending infrastructure projects, which is more affordable and reasonable to owners over time.
4. Avoiding infrastructure repairs leads to higher expenses for maintenance overall. Instead of completing roof repairs annually, it may cost less and be less disruptive over time to invest in replacing roofs in a timely manner. Plus, a reserve study can help identify preventative maintenance activities that extend useful lives of building components and minimizes the total cost of ownership while greatly reducing the risk of unexpected repairs.

### **Reserve Study Considerations**

Associations should consider working with a firm that specializes in reserve study consulting services for community associations. These firms understand the complex nature of residential communities and have the necessary expertise to assess the condition of your property and to develop reliable funding recommendations. These firms also staff engineers with related qualifications. Hiring a firm who utilizes licensed professional engineers (PE), reserve specialists (RS) and professional reserve analysts (PRA) ensures you are partnering with the most qualified individuals in the industry. Experienced and highly-trained engineers are able to identify issues that a less-experienced person would not notice.

A reserve study provides a non-invasive, visual inspection. The report will document visually apparent structural conditions that are abnormal and/or a potential safety hazard. A reserve study will provide guidance as to conditions that warrant invasive inspection or a complete structural engineering analysis. At that point, it is necessary to schedule further invasive inspections conducted by an expert specific to the component in question. Associations should schedule a reserve study update every 2-to-4 years to stay current on ever-changing conditions and funding needs.

Keep residents informed about the importance of reserve studies and capital planning as the board has a fiduciary responsibility to maintain community infrastructure. Once a reserve study is completed, explain the findings and recommendations to residents as they are more likely to understand the reasoning behind your community's capital repair and reserve funding needs.

Learn more about the impact of aging infrastructure from the report **Breaking Point: Examining Aging Infrastructure in Community Associations**, sponsored by the Community Associations Institute.