

APRA Advisor

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PUBLISHED BY THE ASSOCIATION OF PROFESSIONAL RESERVE ANALYSTS

JUL-AUG 2013

Association of Professional Reserve Analysts (APRA) is a nonprofit corporation established in 1995 by principals of America's leading reserve study companies. The purpose of APRA is to provide a forum to establish a common base of knowledge, standards of care and professionalism within the reserve study industry.

The **APRA Advisor** is a bimonthly publication designed to expand the understanding of reserve planning and increase awareness of **Professional Reserve Analysts**.

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Reserveability

Maintaining the common elements is a core purpose of every homeowner association (HOA). Those common elements can be as simple as an entry monument or as involved as siding, painting, roofing, landscaping, pools, paving and much more. All of these components wear out at some point and must have substantial repair or replacement. The costs are high and funds must be accumulated to address those costs. All of this needs thoughtful advance planning which is summarized in a Reserve Study.

A reserve study identifies the common elements that the HOA is responsible to maintain, the life expectancy of each component and a current repair or replacement cost. This information, when combined with the current rate of inflation and return on invested funds over a projection period of, normally, 30 years will produce an annual contribution amount adequate to meet those future costs. By collecting reserve contributions monthly (normal for a condominium), costs are fairly distributed among the owners that benefit. Whether an owner is long term or short term, the amount of individual reserve contribution is directly related to the individual benefit received.

While a reserve study may or may not be required by state law or the HOA's governing documents, no HOA should be without one. Properly maintaining the common elements directly affects the livability and market value of the owners' homes or units.

Each year, the reserve study needs to be reviewed and revised for accuracy. The reserve fund balance, inflation rate and investment rate always change. Any reserve events that actually take place should be amended for price and particulars. Any known cost changes need to be revised. Going through this exercise and reforecasting the 30 year projection ensures that the board always

has the best information available and that reserve contributions are keeping pace with costs.

One way of funding reserves is by special assessment. Basically, when money is needed, current members pony up the money. Several complications exist with special assessment funding:

1. Owner Vote Might Be Required.

The board may not have the authority to approve a special assessment and must obtain a vote of the members. It is not uncommon for the level of vote needed to be quite high, like 2/3 or 3/4 of all members. This could make getting approval for a special assessment extremely difficult.

2. They're Unfair.

A special assessment impacts only current owners, regardless of time in ownership. So owners that have not enjoyed the facilities are forced to pay for those that have benefitted but have sold their property.

3. Hard to Collect.

At any given point in time, a certain number of members are unable to pay a special assessment due to divorce, job loss, disability, illness or other valid reasons. The result is the same: cashflow problems for members mean cashflow problems for the HOA. The HOA can file a lien but that doesn't mean the money comes when needed.

Another challenge to getting a reserve study done or funded is **Short Term Thinking Syndrome (STTS)**. HOAs with large numbers of seniors often have little interest in investing in long range planning. Many members see reserves as paying for a benefit they will not enjoy. The truth is reserves pay for assets as they are being used up. When collected monthly, reserve contributions merely pay for what the current residents got the benefit from. Paying into reserves is like refilling the gas tank of a rental car. You only put

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APRA Institute offers professional reserve study provider education with its Annual Symposium, Webinar Series and PRAs-Only website resources.

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back what you used. If your HOA suffers from STTS, point out the reality of what is happening. Most of these folks want to be responsible and will cooperate when the reality is explained.

Reserves in a homeowner association are an absolute must. Having the right amount of funds and a reliable schedule for getting the work done is a fundamental that no HOA board should be without. The **Association of Professional Reserve Analysts** is the reserve study industry's trade association for reserve study professionals. Many APRA members have earned the coveted PRA (Professional Reserve Analyst) designation that denotes years of experience and expertise. For membership details and member contact information, go to www.apra-usa.com
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Case for Maintenance

One of a homeowner association's primary charges is maintaining the common elements. When done properly, the members are happier and homes sell for more (also a happy event). Proper maintenance requires consistency, planning and funding and

is necessary to:

1. Protect and maintain member property values.
2. Protect the board from personal liability, and
3. Preserve legal options when a contractor fails to perform renovation properly.

Maintaining Property Values. The board has direct control over member home values, particularly in condominiums or planned communities with extensive common elements. How well those common elements are maintained directly affects how quickly homes sell as well as for how much. When maintenance slides, buyers (particularly bargain hunters) *do* take notice. .

Protect from Personal Liability. One of the board's basic duties includes the duty to maintain, repair and replace common elements. What if the board ignores that charge? HOA boards are protected by the "Business Judgment Rule", a legal theory designed to protect directors from personal liability for decisions made while on the board. However, the Business Judgment Rule does not protect against failure to "*exercise ordinary and reasonable*

care."

Failure to act is no defense. The board members must act prudently to protect themselves. This issue also directly affects the effectiveness of Directors & Officers (D&O) Liability insurance. As a wise insurance agent once said, "D&O doesn't defend against stupidity."

Preserving Legal Options with Contractors Many builders lean toward low cost designs and materials that are quick to assemble. Speed of construction can run roughshod over quality of construction due to lack of proper detailing. Since one facet of construction often conceals another (framing is covered by sheathing which is covered by vapor barrier which is covered by siding which is covered by paint, etc.), haste generally means sloppy installation that has dire consequences. Most construction defects, however, don't reveal themselves immediately. It may take years.

In the meantime, the HOA is charged with proper, adequate and consistent maintenance. That means that the roof is kept clean and in good repair, the gutters are kept clear so they don't overflow, siding is recaulked and railed periodically, etc. Failure to do these things can be used by a contractor as a defense for poor construction. If the HOA is faithful in doing its part, the case for construction defect is easier to prove.

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Does your HOA have an adequate maintenance plan in place? If not, make the case today to ratchet up and get moving. There is simply too much riding on failing the charge. [APRA](#)

Fungus Amongus

Dryrot is a generic term for a variety of wood fungi which cause mildew, mold, staining and decaying in wood. Dryrot is always a concern in extreme weather locations that swing from hot and dry to cold and wet. Weather like this stresses building materials and creates ideal conditions for dryrot to develop. Taking steps to prevent it, and to catch it early when it does develop, can save big bucks.

In order for dryrot to develop, it requires a certain combination of moisture and heat and air. If the conditions are right, it can occur before you can visually detect it, sometimes within months. Infected wood loses its structural integrity. Damaged wood must be totally replaced or the fungi, which are living organisms, will continue to spread and cause more damage. Dryrot can also attract destructive pests like termites, which will only compound the problem. Repairing dryrot should never be postponed, because the damage and costs will only increase dramatically.

Dryrot can be found in many places but the most common areas are the bathroom walls/floors, around windows and sliding glass doors, decks, around roof gutters, improperly designed or flashed roofs and in wet crawlspaces.

- ▶ Inspect the attic for roof leaks and moisture from improperly vented dryers or exhaust fans.
- ▶ Check interior walls around windows for mildew.
- ▶ Ask residents if any detect a persistent mildew/mold odor. Besides the damage dryrot does to wood, it can lead to concentrated mold that is a health problem, especially for those that suffer from asthma or other lung ailments.
- ▶ Check crawlspaces for ground water or wetness. Probe floor joists, posts and flooring with a small screwdriver in suspect locations.

- ▶ Probe decks and deck rails wood in suspect areas.
- ▶ Check the sprinkler heads to make sure there is no direct spray hitting the buildings.
- ▶ Check for dirt to wood contact on fences, siding and deck posts.
- ▶ Look for evidence of termites and carpenter ants, both moisture loving pests.

Dryrot doesn't happen by accident. It's the result of material, installation or design problems that need to be corrected along with the removal of the dryrot itself. Left to do its dirty work, dryrot can create enormous damage in a short period of time. So when it comes to dryrot, *deal* with it. [APRA](#)

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Can't Top That!

As the name suggests, topping is the indiscriminate cutting back of treetop branches. Other names for topping include "heading," "tipping", "hat-racking", and "rounding over". Topping often removes most of the leaf-bearing crown of a tree. Since the leaves are the "food factories" of a tree, this can starve a tree. The severity of the pruning triggers a survival mechanism. The tree activates latent

buds, forcing the rapid growth of multiple shoots below each cut. The tree needs to put out a new crop of leaves as soon as possible. If a tree does not have the stored energy reserves to do this, it will be seriously weakened and may die.

Insects and Diseases. A stressed tree is more vulnerable to insect and disease infestations. Large, open pruning wounds expose the sapwood and heartwood to attack. The tree may lack sufficient energy to chemically "defend" the wounds against invasion. Some insects are actually attracted to stressed trees by chemical signals.

Topping Can Lead to Sunburn. Branches within a tree's crown produce thousands of leaves to absorb sunlight. When the leaves are removed, the remaining branches and trunk are suddenly exposed to high levels of light and heat. The result may be sunburn of the tissues beneath the bark. This can lead to cankers, bark splitting and death of some branches.

Topping Creates Hazards. The survival mechanism that causes a tree to produce multiple shoots below each topping cut comes at great expense to the tree. These shoots develop from buds near the surface of the old branches. Unlike normal branches that develop in a "socket" of overlapping wood tissues, these new shoots are only anchored in the outermost layers of the parent branches. The new shoots grow very quickly, as much as 20 feet in one year, in some species. Unfortunately, the shoots are very prone to breaking, especially during windy conditions.

Topping Makes Trees Ugly. The natural branching structure of a tree is a biological wonder. Trees form a variety of shapes and growth habits, all with the same goal of presenting their leaves to the sun. Topping removes the ends of the branches, often leaving ugly stubs. Topping destroys the natural form of a tree. Without the leaves (up to six months of the year in temperate climates) a topped tree appears disfigured and mutilated. With the leaves, it is a dense ball of foliage, lacking its simple grace. A tree that has been topped can never regain its natural form.

Topping is Expensive. The cost of

topping a tree is not limited to what the perpetrator is paid. If the tree survives, it will require pruning again within a few years. It will either need to be reduced again, or storm damage will have to be cleaned up. If the tree dies it will have to be removed.

Alternatives to Topping. There are times when a tree must be reduced in height or spread. Providing clearance for utility lines is an example. There are recommended techniques for doing this. If practical, branches should be removed back to their point of origin. If a branch must be shortened, it should be cut back to a lateral that is large enough to assume the terminal role. A rule of thumb for this is to cut back to a lateral that is at least 1/3 the diameter of the limb being removed. This method of branch reduction helps to preserve the natural form of the tree. Sometimes the best solution is to remove the tree and replace it with a species that is more appropriate for the site.

If pruning involves working above the ground, or using power equipment, it is best to hire a professional arborist. An arborist can determine what type of pruning is necessary to improve the health, appearance and safety of your trees. A professional arborist can provide the services of a trained crew, with all of the required safety equipment and liability insurance.

A couple of closing caveats. Avoid using any tree company that advertises topping as a service provided. Hire only a trained arborist. Arborists know that topping is not an accepted practice. Pruning work should be accomplished by free climbing, ladders or lift equipment. Climbing spikes can damage trees, and their use should be limited to trees that are being removed. And never, never, never top your trees.

From the International Society of Arboriculture. [APRA](#)

Appealing Paint

Painting is often one a homeowner association's most frequent and expensive repairs. Paint has a relatively short life (depending on the surface, tree cover, exposure to sun and wind: 5-10 years) yet acts as a critical barrier of protection for siding which is intended to last thirty years or longer. When paint fails prematurely, the siding

deteriorates and fails faster. If the siding fails, it often leads to structural dryrot and failure. Cost of siding and structural repairs are massive compared to painting. Failure to paint properly has dire consequences.

One of the most vexing paint failure issues in HOAs involves new construction. New construction can, and often does, suffer from the

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consequences of "low bidder syndrome". Painting contractors that specialize in new construction often have extremely low profit margins which encourages cutting corners like:

1. Failure to Prime. Unpainted trim and siding requires primer so that the finish coat will adhere properly. While many sidings come pre-primed from the factory, wood trim almost always comes without it so needs to be field primed. Since the finish paint looks the same with or without a primer undercoat, this critical step is often skipped.

2. Application Temperature. 50 F is the minimum temperature that latex paint should be applied. Winter temperatures in many locations can fall below (way below) 50 F. Even if this happens only at night and the temperature rises during the day, the

surface temperature of siding can take hours to rise above 50 F. If latex is applied to a surface below 50 F, it will not bond properly and fail prematurely. Most paint contractors will not wait for the correct surface temperature since it reduces production time.

3. Using Oil vs. Latex Paint. Latex paint is recommended for most exterior siding applications because it remains flexible longer and resists solar, wind and temperature degradation better than oil base paint. But when colder application temperature is an issue, many paint contractors will use oil base paint which can be applied at lower temperature. While oil looks as good as latex, it fails much sooner.

4. Effects of Heat, Wind & Humidity. Hot, windy or low humidity conditions force paint to dry too fast. High humidity can cause paint to sag and run.

5. Painting Wet Surfaces. In wet climates, it's common for framing, sheathing, siding and trim to be applied in the rain and be thoroughly saturated with moisture. Applying paint to such wet surfaces creates a barrier that evaporating moisture will eventually cause the paint to fail.

So, as a rule, any new construction to completed in the cold, wet weather is likely to suffer from premature paint failure. What this means to a new homeowner association is that the next repaint should be planned in half the normal time. Since the HOA will usually be paying for the repaint, it is important to prepare proper specifications to correct the problems of the past.

The good news is that paint supply companies will inspect the property and prepare those specifications to ensure their product will perform properly. Many offer a paint contractor inspection surface to ensure that the contractor is following the specifications. Both of these services are free of charge.

If your HOA suffers from poor paint application, consult with painting professionals to correct the sins of the past. It's also wise to pay more for the application contractor so the job can be done correctly. [APRA](#)