

# APRA Advisor

**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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## Eye for Compromise

One of the vexing issues a new board has to contend with is lax enforcement of owner additions and modifications by former boards. Lack of enforcement often results in non-compliant decks, fences, sheds and other creature comforts. The violators often claim they got verbal approval for the installation from the developer or some board president that moved years ago. Others claim they didn't know approval was necessary. But for whatever reason, there are now a boatload of violations that need to be reconciled. How should the current board deal with them?

The length of time a violation has been in place affects the course of action. If it's been no more than a year or two, the board's case is fairly strong. The new board had to displace the old lax board to correct the problem. If the violation has been in place longer, the owner can make a stronger case that a series of boards consented by silence. But action is still called for or the current board is accomplice to mismanagement.

**Send Violation Notices.** To begin the enforcement process, violation notices should be sent to every violator with a demand for removal of the offending modification. Some may comply willingly and narrow the list. However, some won't comply so the board must decide how strongly it feels about the violations. In this regard, choose battles wisely. Legal battles are exhausting financially and emotionally.

**Agree to Compromise.** The idea of a compromise is to permit the violation to continue while the current owner owns the property. Once the property is sold, the offending modification must be removed at owner expense. Further, the current owner must provide for all maintenance and is responsible for any damage it might do to HOA maintained structures (like a deck that leads to dryrotted siding). It is fairly easy to get an owner to agree to this compromise

since it allows the modification to remain, it averts a potential lawsuit and it demonstrates to the other members that the board took reasonable action without going to court.

**Written Agreement.** Have violators pay to have the HOA's attorney formalize the agreement in recordable form which identifies the modification, the legal description of the subject property and the conditions of the compromise. Then date, sign, notarize and file it at the local title company. This makes the matter public record and puts all prospective purchasers on notice of the requirement should the owner "forget" to comply with the agreement. Then even if there is a sale, the board can require the new owner to comply with the condition of the recorded document.

**Owner Maintenance Responsibility.** In the case of owner modifications, all repairs and maintenance should be the owner's responsibility. This too should be described in a recorded document for the benefit of future owners. For ease of tracking, the board should compile a list of such modifications by type, date of installation and location. Ancient history in an HOA is two years ago. This list will prove invaluable over time and keep the board from spending money for something that it shouldn't.

**Damage to HOA Components.** Repairs of damage caused to HOA components by owner installation should be charged back to the owner. For instance, it's not uncommon for improperly installed deck and privacy fences to cause dryrot or structural problems to the building.

**Establish Reasonable Standards.** Even if the board approves owner modifications, it is *extremely* important that they be professionally and properly installed for aesthetics and compatibility with the existing construction. To this end, the board may set reasonable standards such as

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# APRA

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requiring the owners to:

1. Use only licensed, bonded and insured contractors for the work.
2. Submit detailed plans in advance, say 30 days, so the board can consider the issue adequately.
3. Show evidence of proper permits required for the work.
4. Pay for architect or engineer plan review if the modification is complex or affects structural integrity.

The board should approach owner modification violations and requests in a businesslike way. Life is not black and white and neither is life in an HOA. Keep an eye for compromise.

By *Richard Thompson - Regensis, Inc.* [APRA](#)

## Analyzing a Reserve Study

You get your board meeting packet and included with the agenda is a draft reserve study to be discussed at the board meeting. You see a bunch of data and funding recommendations. What are you supposed to do with this? The following steps will help you understand if the draft reserve study is

accurate in its underlying assumptions:

**Step 1 – Check the Starting Balance.** The reserve study identifies the first day of your coming fiscal year (often January 1 but may July 1 or some other day). The Starting Balance is a mathematical projection based on your reserve balance year to date (like October) plus assessments to be received for the remaining part of the year less any reserve expenses to be during the remaining part of the year. So, based on this formula, is the Starting Balance used by the reserve specialist accurate or does it need to be revised?

**Step 2 – Is the component list accurate?** Does the list of components accurately represent the items that your homeowner association is responsible for maintaining and do the useful lives and costs seem reasonable? If not, the board should discuss revisions to the study with the reserve specialist.

**Step 3 – How much risk does the board want to take?** The draft reserve study may provide one or more funding recommendations with more or less risk. There are, in fact, numerous

funding strategies that are driven by the degree of risk to be taken. More reserves equals less risk. Less reserves equals more risk.

**Step 4 – Are there other funding strategies?** Typically, your draft reserve study will ramp the assessment up each year to keep pace with inflation. However, the board may not want to increase the assessment in the short term and defer increases to the future. If this is the case, work with your reserve specialist for alternative funding strategies that meet both the HOA's current and future needs.

Following this four step approach will prepare board members for a meaningful discussion and help craft a reserve study that is both responsible yet fits the longterm needs of the homeowner association.

By *Roy Helsing - The Helsing Group*  
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## Design Standards

Many homeowner association boards struggle with the issue of architectural standards and their enforcement. While virtually all boards are empowered to control the look and feel of the buildings and grounds, the governing documents are often silent as to what that look should be. Staying with the status quo is easy, but getting locked into a dated look erodes market value of the homes or units. Changing with the times helps retain the highest market values.

The board's design oversight power must be exercised with prudence and restraint because the HOA is composed of different personalities which need

personal expression. Standards the board enforces should have a degree of flexibility whenever possible.

Design restrictions should be based on maintaining structural integrity and curb appeal. So, if a member proposes an exterior change that does no harm to the structure, can't be seen from the street and the immediate neighbors don't mind, it should pass muster. Avoid the hardline approach because it defies logic and makes the board appear dictatorial.

For common architectural requests like storm/screen doors and privacy fences, standards should be approved that maintain high quality, attractive appearance and consistency. The standards should be of average cost so that the average member can afford them. Besides brand and model, a color standard is very important.

When the HOA controls exterior painting, color options should be reviewed every paint cycle since consumer tastes change. For this, use the free color consultant services offered by virtually every paint supplier. Not only can they provide a number of contemporary trim and body color options, they provide a contractor quality inspection service if the HOA uses their paint to ensure proper application.

Roofing styles, quality and colors change as well. If your shingles are coming due for replacement, take advantage of products alternatives to increase fire safety, ease maintenance and reduce reserve fund needs. For applications like siding, fence and decks, there are a variety of synthetic or recycled material options that significantly reduce maintenance and cost. Vinyl siding reduces or eliminates painting, one of an HOA's biggest expenses. Vinyl fencing is an affordable and easy to maintain option. Recycled deck boards are easier to clean and don't rot. When using synthetic materials, choose color carefully since it will be around for 30-50 years.

When it comes to establishing

architectural standards, it's best to let the members choose by poll or vote. This is a great way of including them in the process. The results needn't be unanimous but there should be a clear majority that favor a particular standard.

For older HOAs trying to establish standards after the "horse is out of the barn", the first order of business is to compile information about existing changes and violations by address. Use a camera and notepad to make a record of each modification. Write a description of each item, its condition, its location and overall attractiveness on a scale from 1 (Hideous) to 5 (Stunning). That exercise will give the Board the scope of changes and examples of what works and what doesn't. Sometimes, the best standards are right there in the community just waiting to be recognized.

Defining architectural standards is an important task. Once done, the look, feel and value of the property will be significantly enhanced. The board should identify those things that members are most likely to want some customization on and figure out how they can have them without causing harm to home values. Remember:

HOA standards make sense  
Aside from the dollars and cents  
Awnings and fences  
Should not give offenses  
But have a judicious pretense

*By Richard Thompson - Regenesys, Inc.*  
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## Really Roof Ready

For many homeowner associations, this year will bring a new roof. Roofs, of course, come in many variations, designs and materials. Some can last a hundred years like tile or a few decades like flat hot tar builtups. With longevity comes increased cost although many higher priced options are better values. Architectural composition shingles are very affordable and carry 30 to 50 year warranties. For flat roofs, rubberized membranes offer better durability and ease of repair than traditional hot tar varieties.

While improvements in roofing materials is great news for consumers, the best roof invented can be your worst nightmare if it's not installed properly. Installing a roof is a technical exercise that requires special training and attention to detail. Since roofs are intended to last many years, selecting a roofing company that will likely be around for years is also extremely important. Here's how to get ready for a proper roof job:

- Hire only licensed roofing contractors that specialize in the kind of roof you want. If you have a multiple year roofing repair schedule, it's very important to use the same roofing company even if it costs a bit more money. When different contractors are used, sorting out repair, maintenance and warranties gets to be almost impossible.
- Get at least three bids from qualified contractors
- Check contractor licensing with the appropriate state agency. Most states keep licensing and insurance information plus a history of complaints made.
- Call at least three references from each of your bidders to inquire about performance.

Unless the roofing job is straightforward (remove and replace with no repairs), invest in a roofing consultant to prepare detailed specifications which can be bid by the contractors. Those specifications should include:

- a. Removal and disposal of existing roof

- b. Repair of damaged sheathing
- c. Protection of landscaping, decks, etc.
- d. Properly installed sheathing if required
- e. Proper underlayment
- f. Proper attic ventilation
- g. Adequate insulation, if applicable
- h. Selection of the right roof system
- i. Proper flashing
- j. Gutters and downspouts, if necessary
- l. Rain protection during course of work
- m. Regular debris clean up

There are building code and product specifications that need to be considered. Code may allow two layers of roof, however, it's recommended to remove the existing roof system so that the roof deck can be properly inspected and repaired. Also, some manufacturers will not warrant their product when it's installed over an existing roof. A roof installed over another never lays down properly and detracts from curb appeal.

If a new type of roofing is being considered that is heavier than the original, like tile or slate, a structural engineer should calculate the weight load requirements. It may require structural enhancements to carry the additional load.

Since a roofing project is always costly, it's worth hiring an attorney to prepare a contract. Besides getting the work done properly, getting it done within a certain time frame is important. This is done by including a per day dollar penalty for non-weather related delays.

The payment schedule is extremely important. DO NOT enter into an agreement that requires prepayment for labor or materials. This is a red flag for a contractor that is financially strapped or using your money to pay for other bills. Making several progress payments is normal but the payments should be based on actual work completed. Of course, never tender final payment until all work is completed and the contractor provides a properly executed lien waiver. Finally, assemble a Roofing file which includes the contract, product information and warranty.

Getting ready for a roofing job takes time, money, scheduling and expert input. You will live with the results,

good or bad, for many years. Take your time and the advice of Rambo the Rottweiler: "Roof! Roof! Roof!"

By Richard Thompson - Regenesi, Inc.  
**APRA**

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## Tree Planning

Consider the tree. It is a symbol of strength, durability and beauty. It is universally loved by all and worshiped by some. And what's not to like? It gives shade on a hot summer day and provides a shield against the chilling winds of winter.

Yet, trees require management in an urban setting like homeowner associations to be all that they can be. As they age, they encroach on buildings, sidewalks and paving. Branches overhanging roofs do damage and drop leaves clogging gutters. In wetter climates, tree shade accelerates moss and algae growth which destroys roofing and siding. Tree shade also hinders bush, plant and flower growth.

These eventual problems often start at the first planting. Developers, as part of their marketing effort, often overcrowd or mislocate trees trying to enhance curb appeal. Eight to twelve foot specimens are planted tight to buildings, sidewalks and parking. Since

the tree stock is small and inexpensive, greater numbers are planted for greater effect.

But time does what time does and those small trees have become a maintenance nightmares. The gutter cleaning budget is getting out of hand and tree roots have lifted sidewalks and broken up paving. Those hazelnut trees are prodigious and someone swears they saw rats roaming the common area at night feasting on them. The tree cover has gotten so dense that security lighting is totally blocked and residents complaint they need braille to find their way to from their car to their unit!

The Board's response: "Okay, okay, understood. The trees have gotten out of hand. Let's just cut them all down." "WHAT?" is the horrified reaction from long time resident and activist Ima Treehugger. "Are you crazy? The trees aren't the problem, it's what they do." Indeed.

Time to call an expert. Arborists are invaluable to tree care and management. They have extensive training for species likely to be found in an HOA. Arborists take a long term approach to trees since trees have the longest lives of any living thing. They understand the characteristics of each one, what it needs to flourish and how to keep it pruned for maximum beauty.

With a site plan in hand, an arborist can identify and locate every tree on the property by species, size, age and health. Ideally, every tree should be tagged with an identifying number so that records can be kept on each. With this information, a long range tree care plan is plotted out for pest control, pruning and even removal when trees are too concentrated, inappropriate or poorly located.

An arborist is one consultant that every tree festooned HOA should avail themselves of. With an arborist's tree plan in hand, the Board can budget and schedule properly to maintain one of the HOA's biggest assets. Whether planting or planning, an arborist is a tree-mendous asset.

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