

APRA Advisor

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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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Appearances Count

One of the advantages of a homeowner association is being able to enforce appearance standards which are designed to protect property values. Research has shown that if all homes follow the same basic theme, the average buyer is willing to pay more.

Most subdivisions have appearance standards, but, in truth, only a lawsuit (or a Mafia hitman) can stop someone determined to violate them. Since most neighbors hate confrontation, appearance standards usually go by the wayside opening the door to the things like RVs parked along side the house, tarped "classic" cars, hubcap sculptures and eye wincing paint colors. Thus, the need for appearance standards and the enforcement thereof.

The governing documents usually outline the appearance standards when they are very strict but often say little when they're not. They may define the standards but not the enforcement method. leaving the bBoard in an awkward position when confronted with multiple appearance "challenges".

This is a great topic for the Resolution Process. Resolutions are board policies that deal with complex issues like collection of money, pets, parking and appearance standards. Resolutions provide a framework to deal with them effectively. By the way, resolutions **cannot** amend or change the meaning of the governing documents, only expand on the authority. Amending the governing documents requires an appropriate vote of the owners.

After your Appearance Standards Resolution is drafted, ask your attorney to review it for compliance with state statutes and your governing documents. Then, allow the other owners to participate in the outcome. Once drafted, it should be circulated to all the

owners for a 30 day review and comment period. The approval process shouldn't be rushed. Change is difficult for some.

A good way to broach the subject with the membership is to send out a newsletter discussing the main reason why they are necessary: to preserve property values. Consistent appearance standards are in all owners' best interests. Describe how, for example, junk vehicles, unkempt lawns, collapsing fences and peeling or hot pink paint drag property values down (without pointing fingers or naming names). Encourage attendance to a special meeting to discuss the Appearance Standards Resolution.

After the new Appearance Standard Resolution is cussed, discussed, amended and approved, it's time to start enforcement. Select the closest equivalent you have to Henry Kissinger. If he or she isn't able to schmooze a correction, use an attorney to turn up the heat. Never be guilty of selective enforcement. Treat everyone the same.

Appearances do count and it's up to the board to watch dog what happens in the community. Don't wake up one day and ask "Where am I going and why am I in this handbasket?" Safeguard your HOA's appearance **today!** **APRA**

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APRA members provide high quality reserve study service throughout the United States and Canada.

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

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values and livability of the homeowner association.

Have your reserve study done by a trained professional with both credentials and local references to prove capability. Having and following a good reserve Study can dramatically increase asset values and marketability. Having none or a bad one is like an appendix: absolutely useless and one day may do you in.

Q The board recently decided that each owner should maintain the fence that adjoins the property even though the fences belong to the HOA. They say it's to save the homeowner association money.

A If the fences are common elements, the board cannot unilaterally reassign maintenance responsibility to the owners. To do this, an amendment to the governing documents must be approved by the owners. But even if it could be done, this is ill advised. One of the advantages of an HOA is reducing the cost of maintenance by joining together and making sure the maintenance gets done properly and in a timely manner. Requiring individual owners to be responsible is more expensive and bound to fail due to inadequate or improper maintenance.

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Ask the Professional Reserve Analyst (PRA)

Q Our HOA is trying to get on track after years of self management and neglect. Lots of people were well intended but hadn't a clue of what being a board member really meant. Any advice on getting pointed in the right direction?

A One of the first things to get done is a reserve study so that the scope and cost of your current and future repairs can be fully understood. Consider hiring a homeowner association management company to handle your business. There is simply too much going on for unpaid and untrained volunteers, even if they have the best of intentions. And no one should have to enforce rules on or collect money from their neighbors.

Above all, be patient but persistent. Change comes slowly to some. Years of management by neglect is a hard mindset to change. Encourage more flexible minds to run for the board.

Q Our HOA is considering doing a reserve study. We have an owner who is a CPA that says he will do one for nothing. While free is a good price, what are the downsides of this arrangement?

A HOA members (regardless of profession) are rarely qualified to do reserve studies unless they have extensive construction background and knowledge of HOA operations. A reserve study is meaningless if the numbers are not reality based. Homeowners typically do not have access to reliable construction cost information or contractors so end up guessing at or using off the cuff estimates given by contractors over the phone. Accurate reserve studies require site work by trained experts that know what they are looking at.

The issue of conflict of interest with a homeowner generated reserve study is also a real one, especially if you have members pressing for lower assessments (almost always the case). There will be a steady pressure to suppress reality to justify reducing fees. This is always detrimental to the asset

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Fungus Amongus

While fungi are considered a delicacy when found on your dinner plate, when found in wood, they cause dryrot, a wood "cancer". And like cancer, it's best to avoid the conditions that cause it. In the case of structures, the culprits are improper materials, flashing and design.

Dryrot's name is a misnomer because the rot occurs in wet conditions, not dry. It occurs when water is allowed to penetrate wood in places and in a way where it won't dry out. Wood destroying fungi require a food source, oxygen and favorable temperature in order to survive. It's a vicious circle: Moisture promotes fungi which increases wood permeability which allows moisture to penetrate further which encourages more decay, etc. etc.

There are three classes of dryrot:

Brown Rot Wood decayed by brown rot looks like dry leather and breaks easily into small cubical pieces. Wood strength decreases as the growth spreads. Most of the damage to structures is caused by brown rot.

White Rot Wood decayed by white rot often assumes a bleached appearance, frequently has black lines through it and feels spongy. Wood strength decreases gradually. If caught soon enough, white rot may be treated by bleach spray and scraped away. It is important to correct the moisture problem that

caused the wet wood in the first place.

Soft Rot This looks like brown rot but the affected wood softens gradually from the surface inward developing cavities (invisible to the naked eye) within the wood cell walls.

Four Principles of Dryrot Prevention

1. Build with properly seasoned wood.
2. Keep wood dry.
3. Break contact of wood and soil.
4. Where soil must contact wood, use properly pressure treated lumber.

The odor of mold and mildew inside the home is a sure sign of condensation and dryrot. Warm weather condensation can be reduced with fans and by decreasing the humidity of crawl spaces with adequate ventilation.

When mold and decay occur, the problem is either water conducting dryrot or dryrot growing on wet wood. Water conducting dryrot feels leathery and can often be peeled off in sheets. The other form of dryrot feels powdery or stringy. The only way to get rid of molds and decay fungi embedded in wood is to remove the piece. Frequently extracting a rotted structural piece can be an expensive proposition. Prevention is far cheaper.

A common source of dryrot is wood decks. Wood decks should be constructed of either cedar, redwood, sunwood or pressure treated lumber which all resist dryrot. The deck should have at least a 1/2" air gap between it and the siding that allows water to run down between. The deck should have positive drainage away from the building. The deck door should have proper flashing to prevent water intrusion. Indoor/outdoor carpet should be removed from the deck during the rainy or winter season since it traps moisture and promotes dryrot.

Windows and doors are a prime location for dryrot due to improper flashing and caulking. They all should have drip flashing over the top edge and proper caulking around all edges. Where there is more than a 1/4" gap, backer rod (flexible foam rope) should be laid into the gap and then sealed with a high quality silicon caulk.

Another major source of water intrusion that promotes dryrot is improper

"kick-out" flashing. Kick-out flashing is found near the rain gutter where the roof meets a vertical wall. It "kicks out" rain water which runs along the vertical wall that would often miss the gutter and run behind the siding and get trapped in the wall. Missing kick-out flashing can cause huge dryrot damage. Have a competent roofing contractor check your roofs for proper flashing.

Finally, do an annual inspection of all siding, trim and decks to detect dryrot in its early stages. Since it spreads like cancer, the sooner you remove it, the less costly the correction. **APRA**

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Pernicious Contradiction

There is a vicious rumor going around. The board is talking about raising the dues again and everyone's up in arms. They raised the dues last year! And the year before! It's time to fire up the tar and pluck the chicken!

Ever hear this kind of thunder roll through your community? At the core of this storm is a pernicious contradiction. Members want the property taken care of but expect the board to do it on a slumlord's budget. With too little money chasing too many expenses, maintenance suffers, home values slide and livability diminishes.

Yet, year after year, the Spend No Money Drum gets beaten.

But it wasn't always thus. In the beginning, when the homes were new and the future bright, members basked in the glow of their own ignorance. The developer kept the homeowner fees low and, heck, why shouldn't they be? It doesn't cost anything to maintain something that's new. Let's worry about that when the time comes. Well, the time is now, the pot is empty, the assets worn out and recriminations abound. A \$3000 special assessment! Who's responsible for this? Why wasn't money being socked away years ago? I can't pay it! I *won't* pay it! Where's my lawyer?

It's at times like these that outside professionals are called for. The board is authorized to hire the expertise it needs to run HOA business. HOA consultants like managers, lawyers, architects and engineers can assist the board in making its case to the members. In the case of deferred maintenance and inadequate reserves, the board should hire a **Professional Reserve Analyst (PRA)** to perform a reserve study. A reserve study will consider all the repair and replacement issues, not just the urgent ones. A reserve study looks thirty years down the road and charts a course to proactively deal with these issues. The Reserve Study will identify priorities which the board can further prioritize according to funding.

Hiring a knowledgeable consultant to supervise each project is a real bonus. For example, roofing projects should have a roofing consultant who can detail the scope of work, draft a contract, gather proposals from qualified contractors, ensure that the project is done to proper specifications and lien waivers executed. Consultant oversight ensures that the material warranty is not voided because of faulty installation. The cost of a consultant is typically only a small percentage of the total project cost. Clearly, this is an investment worth making. The same principle applies to other major projects like structural repairs, painting and landscape renovation.

Playing catch up on major repairs costs a lot of money over a short time period. In an effort to soften the blow to the

members, the tendency may be to piecemeal the repairs over a number of years and break large costs into more manageable chunks. But, piece mealing causes the costs to go *up!* The bigger the project, the cheaper the cost per unit. Piece mealing also creates an imbalance in member asset values. If Building A gets new paint this year, those units are more attractive and valuable from a buyer's perspective than those in unpainted Buildings B, C and D. This inequity will lead to resentment among the members that didn't get the benefit of the repairs.

To avoid these costly traps, the board should only perform complete projects. If repairs must be split up by years, do them by type, not location. If painting is to be done, do all buildings at the same time. Same for roofing. Do it all at once, minimize disruption, get it over with and save a bundle.

If your HOA is suffering from deferred maintenance, consider raising the money to do multiple projects the same year. For example, if siding needs to be replaced, those energy inefficient windows should be replaced as well. The improved livability and value increase always far exceeds the cost so this is one of the best investments the members can make. And just consider the advantages to ending the bickering, debate and back biting. The sooner completed, the sooner the community chest will swell with pride and past resentment forgotten.

So, recognize your HOA's pernicious contradiction when it raises it's ugly head. This is one monster that's best dealt with directly and quickly. The harmony of your homeowner association hangs in the balance. **APRA**

Save the Date
APRA's 2014 Symposium will be held in Orlando Florida May 17-18. Learn cutting edge reserve study techniques. PRAs earn continuing education credits. Network with your peers. Registration information to follow in January 2014.

Caving In To Criticism

A father and his son once went to market with their donkey. The father rode the donkey and the boy walked. Onlookers said, "Can you believe it? There's a big strong man sitting on the donkey's back and the poor boy has to walk." So the father got off and the boy got on.

People said, "How terrible, this poor man walking and the boy sitting on the donkey." So both the father and son got on. But people said, "The poor donkey! Two people sitting on his back--that's terrible." So, the father and son got off the donkey. Then people said, "How crazy, the donkey has nothing on his back, and two people are walking." Sometime later, the father and son were seen both carrying the donkey!

Most people want to be liked, so try to avoid criticism. The father and his son were doing what they thought was right. When people criticized them, they tried to please everyone. They ended up looking like a donkey.

HOA boards handle difficult tasks. There will be differences of opinion on how to direct the course of business. It's important that the board consider input from constructive sources. It's equally important that discernment be used when the input is destructive. As Star Trek's Captain James T. Kirk said, "One of the advantages of being Captain is being able to ask for advice without having to take it."

Does your board cave in to criticism? The only way to avoid it is to do nothing, say nothing, and be nothing. Rather than making the same mistake as the father and his son, live what you believe. As long as you are making informed decisions, you are doing what you were elected to do. If some are critical, so be it. There are far worse reasons to be criticized.

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