

APRA

Association of Professional Reserve Analysts

The ADVISOR

January 2019

2019 Symposium Registration is Now Open!



You definitely do not want to miss out on this year's Symposium in Tucson, Arizona. The beautiful Casino Del Sol has provided APRA with an incredible deal for our attendees. You can stay at the resort for a discounted rate of \$144.61 (including taxes). Rates are based on single/double occupancy and available April 5 through April 7. Discounted rates also apply to April 3, 4, 8 and 9 based on room availability.

For more information and to register, [visit our website](#).

A very special thank you to our Symposium sponsors, [Roof Maxx Technologies](#) and [Complex Solutions, LTD](#). Our sponsors will be featured in the coming months in our newsletters and on social media. You'll also learn more about them on-site in Tucson!

We are working hard to develop some incredible content to share with you at the Symposium! We're still in need of several APRA members who would like to spend 5 to 10 minutes talking about best practices and ideas that have worked for you or are important to your business. Please contact apra@teamwi.com to participate.

Featured PRA Member



David Chesky
The Falcon Group

Mr. David Chesky is a Senior Vice President at The Falcon Group. Mr. Chesky has extensive experience in the preparation of reserve studies and transition evaluation reports. He has achieved the Association of Professional Reserve Analyst's (APRA) designation as a Professional Reserve Analyst (P.R.A.). Mr. Chesky has prepared over 1,000 Reserve Studies.

Mr. Chesky is also a licensed New Jersey building inspector and performs site and building inspections for capital reserve fund studies as well as performing preliminary and documentary inspections for community transition evaluations and aides in the preparation and finalization of all reports.

Mr. Chesky's prominent experience lies with the property management of community associations. He has worked in every facet of a community association's operational and strategic activities including financial and fiscal management along with major capital improvement project planning, design and implementation. This experience brings valuable insight into the needs of a community association in order to deliver the most effective results possible.

Mr. Chesky has extensive knowledge in construction, business and fiscal management and has worked on association budgets, reserve planning and major capital improvement projects.

Questions? Comments?

Contact APRA
Headquarters!

877-858-5047
apra@teamwi.com



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The Special Assessment

By Richard Thompson, PRA of Regenesis Reserves

The president of Coastal Village Condominiums hung up the phone after talking to the property manager and breathed a heavy sigh. After having to deal with several significant renovation projects over the past five years, there was more yet to come. How could this have happened? The HOA had spent several hundred thousand dollars already to fix dryrot. What now?

Coastal Village had the misfortune of being built with wood... wood framing, wood steps, wood siding, wood shingles. It was beautiful to look at, yes, but cold, rainy weather plus wood buildings, unless properly constructed and maintained, is a formula for disaster. In the case of Coastal Village, the condominiums were built with a decorative plywood panels. Where the siding panels met, battens (decorative wood strips) were installed to cover the seams. On several recent site inspections, it was noticed that in places there was mushroom growth coming from beneath the battens. Woodpeckers had also been drilling holes in the siding, a further indication of dryrot.

So what is dryrot anyway? In brief, dryrot is wood cancer. Actually misnamed, dryrot occurs under wet and cool conditions. Spores that thrive under these conditions grow and multiply, breaking down wood fibers and structural integrity of wood building materials. Dryrot spores love dark hidden places beneath the siding like studwalls, subflooring and floor joists. Unlike termites and carpenter ants, there is often no telltale signs until it erupts on the surface. A dryrot spot in the siding is often the proverbial tip of the iceberg. It is a call to action.

The board and manager met to discuss the preliminary findings. It was recommended that a detailed inspection be done to develop a scope of work that could be used as a basis for action.

Who was to develop this report? While a licensed building inspector can identify dryrot, correction usually requires technical knowledge of construction materials and techniques. The board approved an architect experienced in dryrot and gave him the task of physically inspecting all buildings. Lastly, a written communication was mailed to all homeowners advising of the dryrot alert.

It took the architect several days to complete the site inspection. Siding was probed for softness and marked, crawlspaces were inspected for rotten subfloors or joists. It was obvious that there had been a major oversight in the original construction: the siding had not been preprimed before the battens were nailed on leaving raw wood underneath the battens. Over time, rainwater had seeped behind

the battens, soaking the wood and giving dryrot a foothold. The weather sides of the buildings showed a greater decay but virtually all sides of all buildings showed varying degrees of deterioration.

The architect wrestled with the proper solution: Do a remedial repair (patch) or a comprehensive reconstruction? The board had experienced several partial fixes only to return to the problem all too soon. A special board meeting was called and all members invited to attend. The architect presented a comprehensive report detailing his findings. His recommendation: replace all siding and trim boards and perform needed repairs to the structure. The board's logical response was: How much is all of this going to cost?

The Bidding Process. An invitation to bid the project was sent to three experienced and qualified contractors. "Experienced" meant specific and verifiable dryrot repair experience. Area contractors were chosen for proximity and ease of warranty followup work. The use of in-state contractors also meant more recourse for warranty issues through the state Construction Contractor Board.

Interested contractors met with the architect at the property for a bidder's walk through. Questions were asked and answered. The architect also considered suggestions from the contractors on materials and correction techniques to use. The three hours were well spent and revised job specifications were sent out to the contractors within several days. The contractors were given 30 days to submit a written bid.

Once the bids were received, the board scheduled another open meeting to which homeowners were invited. The bid review meeting was most interesting. Dryrot repair bids generally cause much uneasiness. Why? There are always two parts to the bid: Part One offers a set price to repair what can actually be seen. Part Two deals with what cannot be seen on a "time and material" basis. So the board asked the logical question: How much should we plan for in total? The architect's best guess: triple the Part One bid.

There is an expression, "If you're going to New York, don't stop at Chicago". After discussing the dryrot repair bids, one board member suggested that if all siding was to be removed, why not replace the outdated single pane aluminum windows with more energy efficient windows at the same time? Aside from the fact that the cost of the siding repair alone was sizeable, the suggestion made a lot of sense. The board agreed to consider options and costs.

Then, a board member who was also a construction contractor decided to submit a bid to do the work. That bid was substantially cheaper than the others received. Since there was an obvious conflict of interest, the remaining board members agreed that if his bid was accepted, he would have to resign from the board. The architect inspected the contractor's work and references and reported back to the board that all was acceptable. Based on the recommendation, the board accepted his proposal and he promptly resigned from the board.

An important piece of the analysis was getting a reserve study done which identified all of the common components, not just the ones in urgent need of repair. A Professional Reserve Analyst (PRA) was hired for this purpose. Once the Big Picture was known, the stage was set to discuss a funding plan. Based on estimates to replace all siding, paint, roofs and install new windows, the board approved a special assessment of \$14,000 per unit plus a regular and adequate monthly assessment to fund future renovation work.

An elaborate presentation was carefully prepared and laid out at the Annual Homeowners Meeting six weeks later. Samples of dryrotted siding, window and roofing samples were exhibited. Contractors, architect and PRA attended to answer questions. There were several vocal owners that protested loudly. Some had legitimate concerns about not being able to pay. However, most listened patiently to the discussion. All were given a chance to ask questions and voice their opinion. It was a long meeting. The board called for a vote and fell only a few shy of unanimous approval.

Following the meeting, a formal notice of special assessment was mailed to all owners of record. For those of limited means, a three year payment option was included while a discount was offered to those that prepaid.

It is said that an earthquake's after shock is often worse than the initial shockwave. After the special assessment notice was received by those that had not attended the Annual Meeting, the board was bombarded with phone calls from, you guessed it, those that did not attend the Annual Meeting. It was obvious that there was still more damage control to be done.

Another meeting was called and many that missed the Annual Meeting were in attendance, as well as others that had come before. Of course, there was a rehashing of old information for those that missed it the first time around. The board patiently indulged all input, positive and negative. While the meeting was long, this time it was different. Many of the owners that had attended the Annual Homeowners Meeting stood in defense of the board. By meeting's end, the overwhelming majority again affirmed the special assessment. Some thoughtful owners actually offered well deserved thanks to the board for their hard work job.

The Moral of the Story: This board undertook a huge challenge successfully using the following techniques:

Teamwork. Once alerted to a problem, a meeting of the board was convened, acted as a team which was crucial to success.

Consultation. A specialist was hired to determine the scope of the problem and proper correction. That informed opinion served as a solid foundation for action.

Communication. Members were notified early and updated regularly.

Integration. All members were allowed to give input both pro and con.

Patience. The board systematically analyzed and implemented the plan.

No Conflict of Interest. When a board member wanted the job, he did not vote on the matter and stepped off the board when he was selected.

Re-evaluation. The board made necessary course corrections, like adding window replacement, when logic dictated.

Leadership. The board was elected to make tough decisions and understood the need to lead.

Future Planning. Including a Professional Reserve Analyst (PRA) in the mix was critical to avoiding another special assessment. It showed that the board was not just putting out fires but was also planning for future expenses that would surely come.

This board was successful by integrating all of the important components in order. In so doing, it succeeded in achieving the ultimate goal of a well-run HOA: Harmony.

Interested in contributing an article to be featured in the APRA E-Newsletter? [Please fill out this form](#)

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