

# 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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## Selling a Special Assessment

The scenario is common. The HOA is aging, roofs are overdue for replacement, decks are too, paint is peeling and, on the whole, the community is looking pretty ragged. Previous boards have muddled by with patch and repair rather than major renovation. But the new board sees the writing on the wall. Major work can't be put off any longer.

The board meets, discusses the priorities and assigns a committee to get bids. Within 60 days, the committee tenders its report which indicates the reserves are woefully inadequate to the tasks at hand. Applying the pittance in reserves to the project leaves it \$10,000 *per member* short. \$10K is not chump change but considering what needs to be done, that's how much it will cost. The board organizes the information and presents the findings to membership in a "Coming Soon to Your Neighborhood...A Special Assessment" letter.

The day the special assessment letter hits launches a scene out of the French Revolution. Angry phone calls rattle the lines, mobs pound on board member doors and cry of "OFF with their heads". These guys are angry! Friends and neighbors turn on one another and recriminations abound.

Does this sound familiar? After years of previous boards living on Fantasy Island, this board had the common sense to recognize simple science: All things wear out and return to the dust from whence they came. They also recognize that the board was elected to manage the business of the HOA. Managing the business does not include sitting idly by while the buildings deteriorate and property values tumble. The fiduciary duty they assumed demands that action be taken.

This avoidable scenario invariably

happens in HOAs that lack a proper reserve study with an adequate funding plan. The reserve study identifies all the building and ground components that are the HOA's responsibility to maintain, measures each of them, assesses their condition, projects a useful life and repair/replacement cost. All of this information when projected out 30 years with an inflation factor provides the board a schedule to follow for both repairs and funding. It answers the mystery, "How much should we have in reserves at any given time?"

Funding reserves by way of regular contributions as opposed to special assessments is the fairest way to address this need. Special assessments penalize those that have to pay them since former owners were able to skate without contributing their fair share. With a 30 year reserve plan funded with regular contributions, each member contributes a fair share based on the time in ownership. For example, if a member owns for three years, he pays 3 of 30 years; one that owns for two years only pays 2 of 30 years. There are no gaps in contributions and all pay. More importantly, the money is available when needed and the board knows when to spend it. Advance planning! What a concept!

While a reserve study is indispensable for future planning, it can't solve immediate and pressing needs. For this, the board must follow an undesirable but necessary alternative, like a special assessment. The fact that some members don't like it doesn't mean the board shouldn't move ahead with its fiduciary duty. In HOAs, it is the majority that rules. The board is not charged with getting a consensus. However, out of respect for members and their concerns, the board should hold an informational meeting explaining the "whys" and "wherefores" and to answer questions.

If the board does not have authority to pass special assessments, the matter



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must be formally presented to the members. Do this at a special meeting called for this purpose. Send and retrieve proxies from members prior to the meeting so a quorum is assured. DO NOT mail ballots out on a matter of this importance. It's too easy to ignore them or mark them "No" without considering the Big Picture. The meeting should include a detailed presentation of the facts and recommendations from professional consultants that have no financial interest in the contracts.

Having informed third parties helps tremendously and it's well worth it to pay an architect or engineer to make the case. Do not skip over the case building phase of this meeting. Like a good trial lawyer, establishing the need for special assessment should be made point-by-point until the jury has little option but to agree. The board can usually sense when that point has been reached. A strong indicator is when individual members stand and give their support. Take your time on this one.

If the board, after careful planning and case making, still cannot muster the majority vote for special assessment, the next board meeting minutes should reflect the facts so the directors won't be held accountable for the results. And don't let this matter die on the vine. Matters will only get worse as assets get older. Move forward with a professional reserve study to help build

the case, analyze the reasons for failure and repeat the process taking a different approach until successful.

By *Rich Thompson PRA - Regensis*  
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## Ask the Professional Reserve Analyst (PRA)

**Q** Our condominium is undergoing a total siding replacement this summer. The building is 30 years old and has single pane windows. Many believe we should replace the windows as well but replacement is an owner's responsibility. Can the board force the issue?

**A** If window replacement is an owner's responsibility, the HOA cannot force an owner to participate in a window replacement project. However, it is very likely that getting all the windows replaced at the same time will reduce the cost by up to 50% over the cost an owner would normally pay due to bulk buying discounts and having the siding removed for the installation.

Buying this many windows at once usually qualifies the HOA for factory direct pricing. With the HOA contracting the entire installation, instead of unit owners doing it piecemeal, the cost will drop dramatically over the best price any owner could ever hope to get. Installing new windows now also ensures that the new siding is not altered or damaged by future window replacements.

Noise reduction and utility savings of energy efficient windows always justifies spending the money. Your local utility company can provide you with savings calculations. Dividing the installation cost by the annual utility savings produces the payback period in years. Some states offer energy tax incentives which can significantly reduce the installation cost. New windows are often one of the best investments you can make.

Energy efficient windows will also increase the unit market values due to enhanced curb appeal and livability. Between reduced energy costs and increased market value, this one is a no brainer. The board simply should make its case and assume all owners will fall in line. If you only get a majority, it is still possible to amend your governing documents to make window replacement an HOA responsibility. Then, the HOA could move forward with the project even over the protests a minority. Or move ahead for those that agree and require future installations by owners to comply with the same standard. Finally, siding replacement time is also a good time to consider exterior lights and door replacement. All of these events can be part of the reserve plan.

**Q** One of our owners recently defaulted on a special assessment and our attorney advises that the rest of us are liable for paying for it. Is this right?

**A** Unfortunately, there is no magic money tree. If one owner defaults, the rest are on the hook until the debt is paid. Fortunately, the HOA has the right and should pursue aggressive collection on the defaulting owner. At minimum, a lien should be filed against the unit so the HOA has some recourse to collect the debt. State law may allow

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foreclosing on the property but that makes sense only if there is enough equity to pay the association debt plus resale costs. You may also have the right to shut off common utilities like water as well. These actions should be handled through an attorney that specializes in homeowner association law.

Timely collection on delinquent accounts is critical. The longer delayed, the bigger the problem. However, special assessments are often the result of poor planning that can be solved by developing a good reserve plan with consistent and adequate funding. A reserve plan anticipates large expenses years in advance and funds are collected from all owners along the time line, not just those that happen to be in ownership when the events come due. Order one done today. For a list of Professional Reserve Analysts, see [www.apra-usa.com](http://www.apra-usa.com)

**Q** Our HOA is 20 years old and our landscaping is looking pretty tired. We have a Grounds Committee but it seems it's not making much progress in beautifying the grounds. Thoughts?

**A** What you need is a master landscape plan provided by a landscape design professional that will take into account your

irrigation system, trees, plantings, turf, maintenance costs, curb appeal and, of course, cost of installation. This plan can be competitively bid by landscape construction contractors since it will show all the details of plant and bush species and placement.

Landscaping is a big part of value and livability and should not be neglected. Investing in landscape renewal will pay dividends in reduced maintenance costs, water bills, increased curb appeal and member pride. Pay a little and reap a lot of rewards. Landscape renovation is an important component of a well executed reserve study.

*Have a burning homeowner association management question? Email [APRA@teamwi.com](mailto:APRA@teamwi.com) **APRA***

## Why Not Join APRA?

Membership in **Association of Professional Reserve Analysts** is extended to professional reserve study providers and service providers offering products and services to homeowner associations. Let APRA promote your interests.

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## Fall Fix Up

Every fall, homeowner associations should exercise a series of preventive common area maintenance functions. For small HOAs or those with few common elements, the list will be short and easy to complete. For larger, more complex HOAs, the list can be daunting. But, overlooking these things can have disastrous and expensive consequences. Here's a helpful checklist to kick start the process.

**Smoke Detectors.** Change batteries for those that require them and check to make sure all are operating properly.

**Clean Carpets, Upholstery, Draperies & Air Ducts.** Carpets should be cleaned at least once a year and more often if traffic demands it. Furniture upholstery and draperies of common

areas should be inspected and cleaned if necessary at least every two years. Common area air ducts in the hallway, clubhouse, etc. should be cleaned at least every three years to abate spores, dust and mold that trigger respiratory problems or allergies.

## Heating System Maintenance

**Forced Air Systems.** Remove any flammables stored in the room since the fumes could be ignited by the furnace when it's fired up. Change the filters. Set the thermostat to heating mode and test the furnace to burn off the dust that collects over the summer and to ensure it is in working order.

Consider hiring a heating professional to perform a maintenance check-up, including these steps:

1. Inspect thermostat for proper operation.
2. Inspect filter and change or clean as needed.
3. Check all electrical components and controls.
4. Oil motors as needed.
6. Inspect heat exchanger for possible cracks, which would introduce carbon monoxide into the living space.
7. Check air flow. If diminished, it may be necessary to clean the evaporator coil and ductwork.
8. Check air fuel mixture, where appropriate.

**Gas Burner System.** Clean burners and ports or have them professionally cleaned.

**Oil Burner System.** Have a professionally serviced; lubricate fan and motor bearings.

**Heat Pump.** Have a professional inspect wiring, belts and oil the moving parts.

**Hot Water System.** Have a professional check shut-off valve for leaks and drain lower water cut-off per manufacturer's instructions. Lubricate pump and motor; bleed air from radiators or convectors.

**Oil Fired Boiler.** Have professional perform annual maintenance including flue cleaning, a fuel-filter change, cleaning and adjustment of the jets.

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**Door & Window Weatherstripping.** Check the weather stripping around all doors and windows and replace it if necessary.

## Fireplace & Chimneys

- Arrange a professional chimney inspection of all chimneys as a fire safety precaution. Have those that need cleaning done at the owners' expense.
- Install chimney caps where missing and replace those that have rusted out to protect your chimney from water, debris and critters.

## Storm Windows & Doors

- Inspect and replace cracked or broken glass. Repair frames; replace broken, worn, or missing hardware; tighten and lubricate door hinges and closers; check for broken or missing glazing.
- Consider installing thermapane windows to replace storm windows and improve energy efficiency.

**Garage Doors.** Clean and lubricate hinges, rollers, and tracks; tighten screws.

## Parking Lots

- Arrange for sweeping.
- Have drains cleaned out.
- Repaint curbs.
- Repair deteriorated areas.

## Exterior Lighting

- Replace burned out bulbs for better security and night visibility.
- Reset exterior lighting clock to adjust for seasonal change or replace with photocell system.

## Water Heaters

- Every six months you should turn off the energy source and flush until clear of sediment.
- Inspect flue assembly (gas or oil heater); check for leaks and corrosion.

## Foundation

- In cold weather climates, close or plug foundation vent openings.
- Check and correct grade for proper drainage away from foundation.
- Repair cracks.

**Decks.** Remove potted plants and removable carpet which can promote wood dryrot under wet conditions.

## Gutters & Downspouts

- Clean gutters and downspouts and make sure they are running clear
- Correct known drainage issues.

## Landscaping

- Prune back trees or shrubs at least three feet from the siding and roof.
- Fertilize, thatch, aerate and reseed turf areas.

## Pipes

- Check for rust or white lime deposits that indicate leaking
- Install covers on outside hose bibs if danger of freeze is possible.
- If drain line blockage is common due to buildup or tree roots, perform a preventive flush or rooting to prevent back ups and flooding.

## Roof-Shingled

- Check for warping, aging, moss and cracking; Repair or replace as needed.
- Inspect and repair flashing around chimneys, skylights and vents.

## Roof-Flat

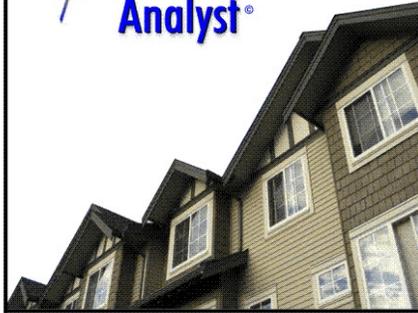
- Sweep to remove debris; clear all drains and scuppers.
- Inspect and repair separated roofing

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A timely and well executed Fall Fix Up can go a long way to preventing unexpected failures of your building and grounds components. It will also ensure that your components get the longest life and reduce unnecessary expenses. Guess what? Fall will soon be here and it's time to get busy!

By Rich Thompson PRA - Regensis **APRA**

APRA offers the Professional Reserve Analyst (PRA)™ credential to members that qualify by related education, years of experience and client references.

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 PRA's-Only website resources.

# APRA

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seams

- Inspect and repair parapet wall caps.
- Inspect and repair vent and pipe flashing

**Siding.** Inspect siding (especially on the sun and weather sides) for evidence of deterioration, including cracks, splintering, decay, and insect damage; clean, treat, recaulk and repair as needed.

**Brick and Stone.** Check joints between wood and masonry. Waterproof, repair or repaint if necessary.

**Wood.** Look for peeling paint or splitting wood which is evidence that water is getting into the siding. Prime and repaint as needed.

**Stucco.** A chalky residue is evidence of oxidation and deterioration of paint or color coat that reduces stucco's effectiveness. Check for cracks which allow water to get in around windows and doors. Hire a professional to correct the problem.

**Trim.** Remove peeling paint on the trim and fascia boards, window sills and sashes; Prime and repaint as needed.

**Winter Preparations.** Make sure your ice and snow removal equipment is in good repair. Buy snow melt product and place in accessible locations near steps and walkways for residents' use. Contract for future snow removal if appropriate.

## House of a Different Color

Beauty is in the eye of the beholder. However, when it comes to exterior paint colors in a homeowner association, beauty takes on a whole new meaning. While a majority of homeowners opt for neutral colors that generally blend well with the neighborhood, there are those that prefer to make a STATEMENT! The option to paint one's home Fluorescent Fuschia is in the Bill of Rights, isn't it?

A lot of the paint controversy begins in the beginning, when the developer chooses a color pallet for the HOA. Some of these developers only see shades of grey. In these communities, there is a sea of monotone housing colors capped with monotone color roofing. This is called the Military Camouflage Look: starched, pressed and blends into the landscaping.

While this look may warm a Brigadier General's heart, some homeowners want their home to stand out. These folks will petition the board to allow colors that often deviate significantly from the standard. And they can be very passionate about it, citing such authorities as Feng Shui which recommend this color for inner peace and serenity.

Paint color can add or detract significantly to a property's market value. Studies have shown that most buyers are attracted by certain colors and repelled by others. To determine this, scientists presented laboratory rats with color options and rewarded with food pellets for choosing one over

another. Just kidding. Like clothing, house color preferences are usually a product of fashion. And just like wardrobes, hot colors and combinations change. They are dictated by architects and designers who do their best to get folks dissatisfied with what they already have.

Some people claim to know what they like in a paint color. But more than often, choices are driven by the latest edition of House Beautiful or a home improvement show. This isn't altogether bad. If there wasn't a certain amount of prodding going on, paint colors would rarely change.

But for the most part, HOA members are usually pretty satisfied with the colors they have. So, the board has the challenge of balancing most members' inclination to stay with the color they have versus the wild eyed radicals that prefer that new neon colors they saw on a Shock Tarts package. Where is the middle ground?

When the HOA has direct control over the paint selection and application, it's wise to bring in a local paint consultant that can provide contemporary color options. Most major paint supply stores have in-house consultants available for no charge that can prepare color boards with three or four color combinations for all the members to view. In common wall communities like condominiums, the board can poll the members on preferences and even allow residents of different buildings to decide among themselves which combination they like for their building. This approach is democratic, takes the board out of the decision equation and defuses most of the contention.

In single family homeowner associations, the color issue is more chromatic. While the Appearance Standards may dictate specific color choices, some members may be inclined to roll right passed them. They figure once the Fluorescent Fushcia paint is applied, who's going to mind? These are the cases you read about in the paper. Mr. Homeowner standing defiantly in his front yard challenging the board to make him repaint his house. The media delights in painting the Board petty and the homeowner much put upon. Big Dictatorship against the Little Guy. Controversy

sells papers.

But a big reason that most folks live in HOAs is for better control and consistency of the neighborhood look. That doesn't mean that there can't be flexibility in the color scheme, just that the majority of the owners should be in agreement on it. To that end, and because color preferences do change over time, the board should establish a process to consider variations from the norm.

A year before the next paint cycle is the logical time for common wall communities. For single family HOAs, it makes more sense to establish an approved color palette with a margin for flexibility of, say, 10% lighter or darker. This allows for a myriad of variations without extremes. The wild eyed radicals aren't going to like it but, then again, there is very little they do like.

Whether it be horses or houses of a different color, taste is an elusive element. Use a color consultant for options and remove the board from this field of land mines.

*By Rich Thompson PRA - Regensis*  
**APRA**

## **APRA Institute**

Beginning in 2011, APRA launched formal education for professional reserve study providers, the first of its kind in the nation. APRA's annual Symposium offers 8 hours of professional level education plus networking with peers.

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