

APRA Advisor

Association of Professional Reserve Analysts 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**.

Reserve Study Protocol

The reserve study is one of the most valuable planning tools available to the Board of a homeowner association (HOA). It measures all HOA components which require repair and replacement within (usually) a 30 year projection period. It provides a schedule for performing each event, a budget estimate based on today's cost, and a funding plan so the board can anticipate the cost and gather the necessary money.

But all reserve studies are not created equal. Like painting, there is a right way and a wrong way to do it. Some HOAs attempt to perform a reserve study internally without the assistance of a trained and experienced reserve study provider. Many of these studies have measurement and cost errors plus missing components which create huge disparities in the projections. In many cases, there is no audit trail which tracks the source of the information used for each component. It often appears as though numbers were derived using the FTA (From Thin Air) Method. Since HOAs don't usually have reliable sources of such information, guessing is what they do.

While an internally generated reserve study can work in theory if the person performing it has specialized training, there is always the issue of conflict of interest. How can the results be free of bias when the preparer has a vested interest in the outcome? For example, would it be wise to allow a board member to perform an audit on the HOA's books? For the most reliable results, it's highly recommended that this task be reserved for professionals with the proper training and experience.

When requesting a reserve study proposal, laying out the scope of work is very important. A Request for Proposal (RFP) should include compliance with state statutes and all

components to be included so that the Board receives the information needed to make sound financial decisions.

It's highly recommended that the Board preview a sample reserve study before hiring a company to do the work. The reserve study you order should be laid out logically and easily understood by laymen. If the Board can't grasp information easily, the report will be of little value.

The Reserve Study itself should include a Table of Contents, the reserve study provider's List of References, Limitations of Study and Methodology Used. In addition, there are several key reports:

Component Summary:

- Name and description of each component
- Cost (per unit and/or total)
- Number of Units
- Repair/Replacement Cost
- Useful Life when new
- Remaining Useful Life if not new

Funding Plan

- Starting Reserve Balance
- Span of Years Included
- Recommended Annual Contributions
- Interest Yield on Reserve Funds
- Percent Funded Indicator
- Inflation Factor Used
- Annual Expenditures by Year with inflation adjusted costs
- Income Tax Owed on Interest Earned
- Ending Reserves Balance

Professional Reserve Study Providers. There are two trade organizations that provide education and credentialing for reserve study providers:

1. Association of Professional Reserve Analysts (APRA) offers the Professional Reserve Analyst (PRA) designation. Criteria for the designation includes at least two years of full time reserve study experience

IN THIS EDITION

**Reserve Study Protocol
Ask the PRA**

**Is You Is or Is You Ain't?
Where Buffalo Roam**

**Good Fences Make Good Neighbors
Amzanig**

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and demonstration of a reviewed work product consistent with APRA standards. For a list of PRAs, go to www.apra-usa.com

2. Community Associations Institute (CAI) offers the Reserve Specialist (RS) designation. For a list of RS designees, go to www.caionline.org

A reserve study that includes the proper protocol and performed by a knowledgeable provider will provide the Board with an indispensable and useful planning tool which will help in maintaining the HOA's assets in their best condition.

Article by Richard L. Thompson of www.Regenesis.net with excerpts from article by Kenneth Rowan of www.afiprofessional.com APRA

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Ask the Professional Reserve Analyst

Q Some of our members would like the HOA to take on maintenance of windows, entry doors and garage doors. Is this advisable? Are there any legal ramifications?

A It is common for replacement responsibility for these components to fall on the owner. The HOA can and should dictate the standard for window and door style to maintain a consistent look and insist that replacements only be done by licensed, bonded and insured contractors.

However, in rainy climates like the Pacific Northwest and the Southeastern seaboard, keeping buildings weather tight can be a real challenge. If windows or doors leak, resulting dryrot, structural damage and mold can be very expensive to repair or remediate. Owners are seldom prepared to deal with this level of maintenance. To properly secure "building envelope" integrity, it may make sense for the HOA to assume this responsibility.

Q Our Board struggles with understanding how far the HOA should intrude in unit owner remodeling projects. We have assumed that the owners' contractors are getting proper permits to do the work. Should we verify this before giving the Green Light?

A There are many examples of owners and their contractors who have unwittingly compromised bearing walls and supports or extended utilities in an illegal manner. Anytime there is major structural work, utility renovation or demolition going on, a permit is required and the owner or contractor is responsible for getting them. If the proposed remodel includes utility or structural work, the plans and permits should be reviewed by the HOA's architect or structural engineer to ensure the work is in compliance with code and accepted construction procedures. The owner should pay the reasonable cost and no work should take place until the architect or engineer approves the plans.

Q Our board is considering a proposal from a homeowner which includes a heat pump in the common area. The specs look reasonable but will allowing this kind of installation create unintended consequences?

A There are several things to consider. If heat pumps are allowed for one, they should be allowed for all. The Board should look at this request as if all owners want one. Should this equipment be the standard for future requests or would another design be more universally acceptable in all locations? Would the curb appeal suffer if there were many such installations? Heat pumps can be noisy and hot, especially for neighbors who have their windows open for fresh air. Heat can

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also damage the landscaping.

If there is a way to allow all members to take advantage of this kind of installation without creating curb appeal, noise or heat problems, it's probably okay. But if only a select few can meet the test, you will be setting up a platform for conflict. You're in a better position to answer the hypothetical questions. Keep the big picture in mind.

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 HOA 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 qualifies the HOA for factory direct pricing and with the HOA contracting the installation, 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 thermopane windows always justifies spending the money. Your local utility company can provide you with energy savings calculations. Dividing the installation cost by the annual utility savings produces the payback period in years. 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 that agree, 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 others to comply with the same standard. Finally, siding replacement time is also a good time to consider exterior lights and door replacement. Don't overlook opportunities to upgrade other components as you do those that are necessary.

Article by Richard Thompson of www.Regensis.net. APRA



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Is You Is or Is You Ain't?

The curious expression "Is you is or is you ain't?" has a number of meanings but one is "are you really what you appear to be?" Appearances can often be deceiving and none is more prone to deception than construction contracting. Since most HOA boards possess little knowledge of how complex contract jobs should come together, a contractor with an engaging personality coupled with a cheap bid can be a recipe for disaster.

Choosing the right contractor for your HOA renovation work takes time, but in the long run, the more care that's taken, the less chance of shoddy work, cost overruns and legal entanglements.

Getting references is not only a good idea, but absolutely necessary to discovering your contractor candidates' true natures. Get at least three references from each that demonstrate the contractor's ability to do comparable work with a quality result. Those references should include location, contact name and phone number. Visit each reference location to inspect the work and discuss the experience with the contact. Here are key questions to ask:

1. Were you able to communicate effectively with the contractor?
2. Were all change orders done in writing?
3. Was the job site picked up each day?
4. Were you pleased with the quality of

work?

5. Did the crew show up on time?
6. Was the job completed on schedule?
7. Did final costs match your expectations?
8. Were follow up repairs done quickly?
9. Would you use the contractor again?

Many states have an agency devoted to contractor licensing and oversight. Check with that agency for complaints against your contractors, current licensing status and state required insurance. This can usually be done online.

Once you have narrowed down the field and are reviewing contract proposals, remember that the proposal is written for the benefit of the contractor and few have the kind of provisions that a balanced agreement should have including

1. Evidence of contractor insurance (liability, workers compensation)
2. Set date for job completion
3. Penalty for not completing work on schedule
4. Provide lien waivers in exchange for payment
5. Progress payments for work completed (only if job is extended and expensive)

Take the time to screen your contractors. Make sure you only pick an "is you is" candidate and not an "is you ain't".

Article by Richard Thompson of www.Regensis.net 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.

Why not join APRA to promote your interests?

For more, see:

www.apra-usa.com

Where Buffalo Roam

Noise is a very subjective thing. When it comes to music, some forms are considered noise even when barely audible. The problem is not always the volume. It can be the *content* that offends the ear of the beholder. Such is often the case in poorly sound insulated common wall HOAs. Normal household noise travels through walls, ceilings and floors and can sound like stampeding buffalo. Round'em up and move'em out!

Noise issues inevitably find their way to the Board or Property Manager, usually at 2 a.m. The complainer figures, "If I can't sleep, someone else should join me." If you've made the common mistake of providing your home phone number for "emergencies", you've probably found out that noise can have the same urgency as a three alarm fire.

There is a common misconception that because excessive noise making is against the rules of every HOA in creation, it's up to the Board to do something about it. Wrong. Neighbors making excessive noise is a matter for the police if neighbors can't reach an understanding. In most cases, the neighbors themselves can resolve the noise if they only talk to each other.

Poor sound insulation is common when older apartments are converted to condos or co-ops. But it still happens in new construction. Since the builder usually doesn't plan to live there and buyers rarely get to test drive their units, noise levels can be horrific in current code construction. The most noticeable noise usually originates from the kitchen due to hard surfaces, then from the hallway and living room due to higher concentration of traffic. If a unit has hardwood flooring throughout, noise will be like Chinese Water Torture, only worse.

In cases of poor sound design, the Board can enact floor finish standards that require sound deadening panels below hard flooring, area carpets over them or restricting hard surfaces altogether. Clearly, it's easier to prevent someone from installing a hardwood floor than demanding they rip it out, so the sooner these standards go into place, the sooner problems can be averted.

For those poor souls living below Buffalo Bill, sound deadening panels attached to the ceiling can offer relief.

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Attaching resilient metal channels to provide an air gap to which is fastened 5/8"-3/4" sheetrock will considerably reduce sound transmission. It is relatively inexpensive to install over the existing ceiling and only takes 1-1½" of ceiling height away. Adding 1" thick fiberglass insulation in the gap may help further. Even though this will cost money, it will certainly enhance livability and make the unit more saleable. As a token of good will, the upstairs neighbor may be willing to share in the cost. At least they should be asked. Their willingness to be part of the solution will go a long way toward mending fences.

Buffalo were designed to roam on the plains. When they lose their way and begin foraging overhead, don't get mad, get earplugs! (Just kidding.) First, talk to the neighbor to see if there is an accommodation that can be made. Most neighbors don't want to be a problem. Assume yours doesn't when you talk with them.

If, however, the neighbor turns out to be unsympathetic (read "jerk") or can't avoid making noise without learning to fly, the aggrieved should either take the matter up with the police, if we're talking domestic violence or all night parties, or install sound proofing. If there is an inherent construction design flaw, the Board can help further with proactive noise reduction standards.

Oh give me a home, where the buffalo don't roam. *For more, see www.controlnoise.com*

Article by Richard Thompson of www.Regensis.net APRA

Good Fences Make Good Neighbors

The need for privacy in common wall housing increases due to proximity of neighbors. For continuity of appearance, it's important to adopt a fence "standard" that addresses privacy, maintenance and reasonable cost issues. The following "Good Neighbor Style Fence" works well for that purpose:

Good Neighbor Style Fence Policy - This is the ONLY style of fence authorized for installation at our association. All repairs and replacements are to be order by the Board or Property Manager only. Wood will remain unpainted for uniformity and to reduce maintenance costs. When replacement of other style fencing is required, the "Good Neighbor Style" will be installed according to these specifications for maximum durability:

- ✓ All previous fencing material shall be removed and disposed of properly.
- ✓ 4" x 4" x 8' treated fence posts set a minimum of 18" deep in premixed concrete on 8' centers.
- ✓ 2" x 4" treated horizontal rails set for attaching vertical boards.
- ✓ 1" x 6" x 6' #1 select cedar board, alternating on railings with ½" overlap.
- ✓ 2" x 6" tight knot cedar cap rail.
- ✓ 1" x 6" clear cedar horizontal trim boards on top and bottom of vertical overlapping boards.
- ✓ All nails shall be galvanized.
- ✓ All boards shall be hand nailed.
- ✓ All work shall be done by a properly licensed, bonded and insured contractor.
- ✓ All work shall be done in a professional manner.

Article by Richard Thompson of www.Regensis.net APRA

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Aoccdrnig to a rscheearch at Cmabrigde Uinervtisy, it deosn't mttae in waht oredr the ltteers in a wrod are, the olny iprmoetnt tihng is taht the frist and lsat ltteer be at the rghit pclae.

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