

APRA Advisor

WWW.APRA-USA.COM

PUBLISHED BY THE ASSOCIATION OF PROFESSIONAL RESERVE ANALYSTS

JAN-FEB 2013

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**.

Board of Directors

PRESIDENT

Richard Thompson PRA
rich@regensis.net
Regensis, Inc.

VICE PRESIDENT

Roy Helsing PRA
roy@helsing.com
The Helsing Group, Inc.

TREASURER

Rob Forney PRA
raforney@complexsolutionsltd.com
Complex Solutions LTD

SECRETARY

Justin Maier PRA
justin@reserveadvisors.com
Reserve Advisors, Inc.

DIRECTOR

Mike McDermott PRA
mike@browningrg.com
Browning Reserve Group

PAST PRESIDENT

Theodore J. Salgado PRA
ted@reserveadvisors.com
Reserve Advisors, Inc.

Contact Information

W175 N11117 Stonewood Dr. Ste 204
Germantown, WI 53022

Phone: 877.858.5047

Fax: 262.532.2430

Email: APRA@TEAMwi.com

Website: www.apra-usa.com

Green Building Renovation

Homeowner associations wishing to renovate in an environmentally friendly, green and sustainable way need to know if the renovation will provide the desired results. The easiest way is to fulfill the requirements of a green building certification program. There are over 30 active green building rating systems in the U.S. today used to set performance goals for buildings, old and new. Five of these have gained national attention:

1. The US Green Building Council's Leadership in Energy and Environmental Design (LEED) www.usgbc.org/LEED
2. ICC 700 National Green Building Standard developed by the National Association of Home Builders (NGBS) www.nahbgreen.org/ngbs
3. Green Globes from the Green Building Institute www.thegbi.org
4. Passive House from the Institute of the same name
5. The Living Building Challenge (LBC), the building certification program under the umbrella of the International Living Futures Institute. www.ilbi.org/lbc

LEED, Green Globes and NGBS have entire programs or credit categories tailored to existing buildings focused on improved operations and maintenance. In addition, the NGBS focuses primarily on single and multifamily residential homes. Passive House and LBC could be applied to existing buildings but may miss out on the advantages gained by the integrative design process now becoming a requirement of new construction with informed clients.

With the exception of Passive House and its energy focus, the rating systems address all of the following categories to some degree:

Site and Communities
Appropriate Landscape
Transportation Impacts
Water Use and Conservation
Energy Use and Conservation
Indoor Environmental Quality
Healthy Materials

Two additional categories (Social Justice & Beauty) have been added by the LBC, leading to its claim to be the greenest building standard today. All programs but the LBC use a credit points system to define successful achievement. Compliance and performance is proven either by engineered models or by actual metered results. The trend is towards requiring a year of measured analysis that defers certification until final performance is verified by the organization or a third party review.

Importantly, four of these programs offer a limited vision of sustainability. LEED specifically says it is not attempting to offer a definition of sustainability but set the bar for "leading edge" technology and best practices. Green Globes and the Green Building Certification are alternative market responses to some of the more contentious issues embraced by LEED such as the credit requirements focusing on FSC certification for wood products. Passive House is all about limiting energy consumption with exceptional insulation and air infiltration standards.

Each program has strengths and weaknesses, but all are intended to advance the science and thinking behind green building. The fifth and newest program, the Living Building Challenge, offers a integrated, sustainable approach to the design of buildings and communities, clearly stating on its website that it provides a "framework for design, construction and the symbiotic relationship between people and all aspects of the built environment." Using the metaphor of

the flower, it envisions building design and function that is "informed by its local environment, generates all of its own energy with renewables, captures and treats its own water, and operates efficiently." Petals for Site, Energy, Water, Health, Materials, Equity and Beauty organize 20 Imperatives (no credits, just do it) that must be met and proven by the actual performance of the building. Some buildings may achieve a few petals, others will successfully become full Living Buildings.

HOAs can apply any one of these green building programs to their existing facilities with beneficial improvements in operation costs, resource consumption, occupant health and environmental responsibility. But existing conditions may present challenges in meeting all requirements of certification without careful planning, integrative design and budgeting. Community awareness, involvement and enthusiasm is key to success. With the right design tools and advice your HOA can make great strides in achieving sustainability goals within a given budget.

By Logan Cravens, AIA LEED AP BD+C - Neumann Sloat Blanco Architects LLP **APRA**

APRA Symposium
April 20-21, 2013
San Diego California

Each year, the **Association of Professional Reserve Analysts** hosts a Symposium for reserve study professionals to brainstorm, debate and receive cutting edge education. APRA members receive special discounts and those holding the industry's most prestigious credential **Professional Reserve Analysts (PRA)** earn continuing education credits. The future is bright for the reserve study industry. Won't you join us? For an information brochure, see www.apra-usa.com

It's time to...
Experience the Difference

Tax Research & Returns	Audits	
	Reviews	
	Compilations	
	Reserve Studies	
	Maintenance Plans	

www.SchwindtCo.com

Schwindt & Company
 Certified Public Accountants
cpa@schwindtco.com | (503) 227-1165

Reserve Study Tutorial

Every homeowner association should develop a long range plan to properly maintain common area components like roofs, siding, paving, fences and decks. Having such a plan has a number of significant advantages that relate directly to member home value, marketability and livability, Consider that:

- ✓ Buyers finding lack of reserves back out of real estate purchases.
- ✓ Lenders finding lack of reserves may not lend money.
- ✓ The board has a fiduciary responsibility to plan for predictable expenses.
- ✓ The costs of maintaining the property will be fairly shared by all owners.
- ✓ The Reserve Study provides a predictable maintenance plan.
- ✓ A healthy Reserve Fund helps maintains the highest market value of the homes.
- ✓ Adequate reserves prevents special assessments which are both unfair and difficult to collect.

Here is a step by step tutorial for conducting a Reserve Study

Step 1 - Make a List of Common Element Components Identify all components that have a useful life of 3 to 30 years, such as decks, gutter and downspouts, roofing, paving, pool equipment and fences. Check your governing documents for specific common element components that must be included.

Step 2 - Determine Life Expectancy & Replacement Cost Check historical records to determine an item's installation date and cost. Qualified contractors can also help with this if records are unavailable, especially if they have an opportunity to bid the work. Costs for labor, material and useful lives are also available through recognized cost estimating resources like **RS Means** or **Craftsman Books**, which publish comprehensive and invaluable information which can be adapted to your locale.

Step 3 - Establish a Funding Plan The recommended 30 year funding strategy combines reserve contributions, expenditures, current inflation rate, current yield on invested reserves and taxes payable on interest. Combining these elements can produce a funding plan (monthly, quarterly or annual) that will adequately fund future needs and eliminate the need of special assessments.

Step 4 - Annual Review & Update All good plans need review and revision because key factors can change. Component life expectancy assumptions can vary due to use, weather and workmanship. Certain repair costs can fluctuate as will inflation rates and interest yields. Components may need to be added or deleted. Since reserve plans typically project over 30 years, making annual adjustments can have significant financial impact over those projections. The review is best done in conjunction with the annual budget review since reserves funding is a critical piece of that exercise.

Step 5 - Follow the Plan A well designed reserve plan not only provides

A reserve study is a fundamental planning tool that every homeowner association needs to function properly.

APRA members carry the Professional Reserve Analyst (PRA)TM credential which requires extensive education, years of experience and client references.

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

For contact & membership information:
www.apra-usa.com
Phone 877.858.5047

APRA

Association of
Professional
Reserve Analysts



a good roadmap for the board to follow, it holds the board accountable for what is done and when, instead of making it up as time passes. This is the key to successful planning. Have a good one and follow it.

Who Performs the Reserve Study? Professional Reserve Analysts (PRAs), members of the Association of Professional Reserve Analysis, specialize in this invaluable work. PRAs are held to high standards of experience and training. *For a list of PRAs, see www.apra-usa.com*

Healthy reserves are critical to the well being of every homeowner association. Investing in a comprehensive Reserve Study and following a carefully charted funding plan will reap huge dividends in the coming years. If your homeowner association hasn't already done so, get the ball rolling today!

By *Richard L. Thompson* of www.Regensis.net **APRA**

Composite Deck Dryrot

Composite decking is very attractive but not all brands are created equal. Composite decking components include decking, railings, spindles, post wraps and caps. It is made using a mixture of plastic and wood or other cellulose material. The industry wooed consumers and contractors with extensive advertising, some of which states that the composite decking materials will not rot. This has not turned out to be the case. Composite decking materials first appeared in the early 1990s. To make the products environmentally friendly, one manufacturer made the material by combining recycled plastic milk cartons and discarded shipping pallets. Others used virgin plastic and cellulose fibers or flour and/or a blend of virgin products with recycled materials. Some are still made with 100 percent recycled materials.

There have been negative comments about composite decking. Consumers on the East Coast were so unhappy with

one of the brands, they filed a class action law suit in state court. Rather than fight expensive future legal battles in different states, the manufacturer agreed to a national settlement so the plaintiff's claims was never disclosed in a public courtroom.

Several renowned scientists have discussed composite decking materials in three separate professional white papers published between September 2001 and December 2002 in the Forest Products Journal. The findings in these three papers indicated that the wood fibers and other cellulose products used in the composite decking products they tested rot if not treated with a preservative.

A common misconception is that wood or cellulose content of composite materials is low. Many of the products have a cellulose and/or wood fiber content of nearly 50% and some nearly 70%. Laboratory tests have shown that some can lose between 10 - 20% of their overall weight over time, which translates to a possible 40% or more loss of wood content due to rot.

There is at least one preservative, zinc borate, which can be blended with the wood or cellulose component as the decking is manufactured. This additive acts as a poison to many fungi that typically consume wood fiber. Zinc borate is long-lasting and can remain active in the composite decking materials for 20 or more years.

Most untreated lumber exposed to the elements rots over time. Wood or cellulose fibers in composite decking materials can be readily seen at the surface of the products and at all cut edges, they are randomly interconnected throughout the entire length, width and depth of each board. Water can and does soak into many of the composite decking materials and this water fuels the wood rot process in those materials that do not contain a preservative.

If considering composite decking, buy only the brands that contains preservatives and get it in writing. More importantly, be sure to follow the written installation instructions to the

letter. Creating gaps between decking boards, spacing of other components and support joist placement are critical. If you fail to install the materials correctly, the warranty may be voided.

Ask the Builder by Tim Carter **APRA**

Regenesis Pacific Northwest Reserve Study Service

- COMPLIES WITH STATUTE
- FAIR FUNDING PLAN
- EASY ROAD MAP TO FOLLOW
- EXTRAS BONUSES
- 100S OF SATISFIED CLIENTS

FOR A FREE NO OBLIGATION PROPOSAL OF THE BENEFITS AND COSTS, CALL

503.977.7974

MEMBER OF
Association of Professional Reserve Analysts
Community Associations Institute

Right Roof Maintenance

A good roof is more than a component...it's essential. Roofing professionals generally agree that a good roof requires proper design, quality materials, and quality application in order to perform successfully. Yet once the roof is installed, nothing is more critical to its long-term performance than establishing a program of regular inspections and proper maintenance. The National Roofing Contractors Association (NRCA) believes that the most effective way to keep a roof performing for a long period of time is to have a maintenance program with a professional roofing contractor. The contractor:

- Understands local building practices.
- Can recommend the roof systems best suited for the building.
- Has an experienced crew.
- Can respond quickly to problems.

Long-term warranties offered by many roofing material manufacturers do not guarantee satisfactory roof performance. Warranties often contain provisions which significantly limit the warranty and the consumer's remedies in the event that problems develop or damage occurs to the roof system. A maintenance program addresses leaks before they occur, allows for a planned program of capital expenditures and improves response time.

Consider adding this invaluable service to extend the life of your roofs and lower overall costs. Discuss a roof maintenance program with a reputable local roofing contractor.

By Richard L. Thompson of www.Regenesis.net **APRA**

**Advertise
in the
APRA Advisor**
A bi-monthly newsletter
distributed to over 10,000
homeowner association
boards, managers and reserve
study providers nationwide. If
this is your target audience, see
www.apra-usa.com >
Newsletters> Advertising for
more information.

One Percent Rule

Most building professionals would agree that water intrusion problems at exterior walls typically are found at changes in plane and/or changes in material, such as door and window perimeters and wall intersections with decks. The "One Percent Rule" states that 99 percent of the sources of water intrusion damage is found in 1 percent of the building envelope.

Water infiltration usually occurs at the transitions between the work carried out by different contractors. In most cases, successful long-term weatherproofing of these transitions requires careful design and installation of flashing

crafted from corrosion-resistant metal or flexible waterproof membranes.

The International Building Code (IBC) includes the following guidance for flashing exterior walls:

Flashing shall be installed at the perimeters of exterior door and window assemblies, exterior wall intersections with roofs, chimneys, porches, decks, balconies and similar projects and at built-in gutters and similar locations where moisture could enter the wall.

Flashing with projecting flanges shall be installed on both sides and the ends of copings, under sills and continuously above projecting trim.

Flashing shall be installed in such a manner so as to prevent moisture from entering the wall or to redirect it to the exterior.

These instructions are an example of performance language. The IBC authors do not prescribe any specific flashing design or material or any standard installation practice; instead, the IBC simply mandates that a project's designer and builders have a shared responsibility to design, craft and install all flashing necessary to keep the exterior walls dry.

Example of a Flashing No-No. A majority of construction defect litigation cases arise from simple lack of attention to the One Percent Rule. Consider the case of hardboard lap siding and wood trim boards that form a "bellyband" at the floor line between the first and second stories. Typically, metal Z-flashing should be installed between the siding and trim board to direct water away from the building. If installed improperly, water will collect against the hardboard siding and infiltrate into the wall assembly.

To complicate matters, in an attempt to correct the leakage problem, a bead of caulking is often applied to the gap where the metal flashing is located. The caulk, however, blocks the intended exit route for any incidental moisture from a source located higher up the wall. Further, the caulking quickly fails, allowing continued leakage.

The Blame Game. In practice, virtually every party involved in the design and construction of a failed building gets blamed during the construction defects litigation process. This often implicates contractors that had nothing whatsoever to do with the issue being litigated. This often is done to extort money from the innocent parties' insurance carriers to get them released from the litigation. Sometimes, it is an unprincipled effort by a guilty party to hide their culpability behind a smokescreen of half-truths and misrepresentations. For example, in the case of inadequate flashing, a sheet metal installer may argue any or all of the following positions:

"I installed the metal flashing with proper outward slope but the flashing later was pushed flat by the siding installer. (It's the sider's fault!)"

"The hardboard siding soaked up water like a sponge, damaging the building paper and causing mold growth on the gypsum sheathing. (It's the manufacturer's fault!)"

"The framer should have provided outward slope in the horizontal wood trimboard under the flashing. (It's the framer's fault!)"

"The architect did not supply a satisfactory detail for how to flash this transition. (It's the architect's fault!)"

"It was the project's maintenance contractor who applied the caulk that trapped water within the wall. (It's the maintenance contractor's fault!)"

"I did exactly what the general contractor asked me to do. (It's his fault!)"

Without debating the merits or legitimacy of any of these claims, they do help explain the most serious problem plaguing designers and builders throughout North America: skyrocketing insurance premiums due to the high costs of prosecuting and defending a growing number of mold and moisture damage claims that in most cases still can be traced back to an insufficient focus on the One Percent Rule.

The ultimate solution to this insurance crisis is education. To that end, many industry organizations and manufacturers have established websites that detail proper flashing practices. An excellent resource is the Build a Better Home® program established by APA-The Engineered Wood Association at www.apawood.org/bbh_index.cfm which provides an extensive series of flashing details and basic construction guidelines for foundations, walls and roofs.

Until all participants in a building's construction—from the owner to the designer to the builder to the foreman to the skilled laborer truly recognize the importance of proper flashing of the building envelope, increasingly costly mold and moisture damage claims will continue to threaten the viability of the construction industry.

*Excerpts from an article by Colin Murphy and Lonnie Haughton of Trinity ERD **APRA***

APRA Symposium April 20-21, 2013 San Diego California

Each year, the **Association of Professional Reserve Analysts** hosts a Symposium for reserve study professionals to brainstorm, debate and receive cutting edge education. APRA members receive special discounts and those holding the industry's most prestigious credential **Professional Reserve Analysts (PRA)** earn continuing education credits. The future is bright for the reserve study industry. Won't you join us? For an information brochure, see www.apra-usa.com

Failing to Reserve

Question: For years, our board refused to put money away for projects like roofs, fences and painting. Well, now the roofs need replacing, the paint is peeling and fences are falling down.

Home values have been compromised and special assessments to pay for the projects are routinely shot down by the membership.

Answer: The concept of planning for future projects is called a "reserve study". It is a tried and proven way of dealing with these predictable expenses and events. Moreover, a fairly funded reserve study shares these costs with all members along the, usually, 30 year time line rather than nailing the unfortunate ones at special assessment time. Special assessments are the product of poor or no planning since virtually all reserve events can be anticipated many years in advance.

The board has a fiduciary duty to run business in a reasonable way. It also has a duty to protect the interests of current and future members. Any board that fails to plan for foreseeable events and expenses has failed in its duty.

Most governing documents obligate the board to budget for known (or knowable) expenses. Failure to plan for reserve events is usually indicative of a systemic problem like the operating budget being underfunded and poor maintenance. The results are plain to see: erosion of the property and home values.

The board usually has the authority to set the budget and reserves at a level to take care of HOA business without approval from the members. If your board is required to get member approval, it could easily roadblock getting things done. But often, the board simply doesn't raise the issue because nay sayers won't like it and the board doesn't want to get yelled at. However, nay sayers are usually few and far between because most want to protect the value of their property and know it costs money to do it.

Take this message to the board: "You have fiduciary duty to reasonably protect and maintain common assets. Reserve planning and funding is an accepted and fair way to do it." **APRA**