

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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Caught in a Quagmire

Reserve studies recommend scheduling and funding models to keep major building and grounds components like painting, fencing and paving in good repair. Unfortunately, the study recommendations are often being ignored by HOA boards, or only partially implemented. As HOAs reach around 20 years old, many of the most expensive repairs come due. HOAs that are not prepared face unpopular and unfair special assessments.

The natural consequence of this kind of unpopular action is for the board to defer and delay. The thinking is, what's a year or two more going to matter? By then, the directors might be able to sell their units and avoid the unpleasantly altogether. Hmmmm.

Deferring maintenance always costs more money and dampens sales of homes. When your HOA is caught in this kind of quagmire, it's best to call in a Professional Reserve Analyst (PRA) member of the Association of Professional Reserve Analysts that can produce a proper reserve study and explain it to the board and members. PRAs don't have the political problem that board members do of being neighbors. PRAs can explain the hard realities of raising the funds and getting the job done and the dire consequences for failing to do so.

PRAs can also recommend material and design upgrades to reduce future repair and replacement costs plus interval maintenance that will significantly extend the useful lives of some components. With longer lives, comes reduced owner contributions. Yippee!

One oft overlooked advantage of effective reserve planning is strategic investing of the funds. The study reveals when funds will be needed and thus allows available funds to be invested for longer terms and higher yields. An increase of only 1-2% in investment yield can lead to *many*

thousands of dollars in additional interest earnings which radically reduce owner contributions. It's almost like having a rich uncle.

One option that HOAs use to finance urgent repairs is bank loans. Unfortunately, when HOAs borrow money, it's considered a commercial loan and both the rate and loan fees are considerably higher than home loans. These loans are also short term, five to ten years and HOA loans require monthly payments just like any other. Lenders require much hoop jumping to get them. There are only a few lenders that will do them at all. There's simply no free lunch and this one comes at a premium price.

The HOA should not finance special assessments. If certain owners lack the cash to pay, they can get a home equity loan or draw on a credit card. Home equity loan interest is deductible for this purpose.

For a variety of reasons including disability, divorce, retirement and unemployment, some HOA members may not be able to fulfill their financial obligations to the HOA. But consider this: shelter is only trumped by food as a life priority. If a member is unable to afford HOA expenses, it may be time for a lifestyle adjustment. The HOA simply cannot fulfill its financial obligation when it plans according to the weakest link. While this sounds cruel, remember that there is no government bail-out for HOAs. If some don't pay, the rest must ante up.

Most members can come up with their share of cash when pressed. For the rest, it may be time for a heart to heart about downsizing.

All things wear out sooner or later. A reserve study analyzes those assets that the HOA is responsible for, projects future costs, current funding needs and a schedule for keeping the assets in good repair. The approach is fair to all

owners, now and in the future, and ensures repairs are done when needed. Result: happy members with sustainable home values. Ignoring the obvious has obvious pitfalls. As the saying goes, "If you find yourself in a hole, stop digging." Contact a Professional Reserve Analyst (PRA) for a pit stop. See www.apra-usa.com for a list of PRAs. **APRA**

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Mining for Gold

There has been a nasty rumor hanging around for years that homeowner associations are inherently flawed. The premise is that both volunteer and hired management are incompetent, invasive and tyrannical. Picture the board trooping through the property with clipboard and citation ready to smite any residents that step out of line. Not a pretty picture for those that want "care free" living.

There are valid complaints about how some HOAs are being run. In some cases, the board or manager may be autocratic or power mad. But don't confuse the power and purpose of a HOA board with a Fortune 500 corporate board.

In the Fortune 500 case, the board is composed of highly paid and trained professionals. They consciously can and do make risk management decisions based on whether profits will

exceed the cost of defense litigation. They don't live next to the people impacted by their decisions. They rarely have to personally pay out of their own pockets for either bad or good decisions they make. And while these board members may lose their jobs for bad decisions, they stand to profit enormously from good ones. None of this is true with HOA boards.

100% of all HOA boards are unpaid volunteers. While usually competent in their chosen professions, they are largely unschooled and inexperienced in HOA property management. Unfortunately, many professional HOA managers often have no little training to manage HOAs.

Homeowner association management is by far the most complex of all forms of property management because the lines between management and residents are not rigid or definable by contract. There is an annoying "humanity" factor in homeowner associations that keeps getting in the way of business decisions. Residents are, after all, neighbors and not associates or clients.

A whole new paradigm emerges: Not only do homeowner association professional and volunteer managers need to be consummate business people, they need to be as compassionate as Mother Theresa. They are expected to intuitively know when business is off and humanity is on. It is a tightrope that even the most experienced managers fall from. With inexperienced managers, the falls are bound to be frequent.

Inexperience produces lack of planning because if you don't know what's coming next, how are you to plan for it? Failure to plan results in crisis management and crisis makes homeowners rightfully nervous and irritable. A case in point: Failure to have and follow a Reserve Study will produce deteriorating assets and unwelcome special assessments.

Ever hear an HOA board grumble about the lack of volunteers? Many complaining owners fall into the description of "never served on the board, never will and mad because of what the board is doing". Owners that choose to be outsiders position themselves to be reactionary. What else

can they do since they're not involved? All owners owe their HOA some degree of volunteerism. Those that don't will always have a hard time understanding the homeowner association concept. Stand up and be counted. If after serving, you still feel a gross injustice is being perpetrated, you're probably right. Work to throw the bums out.

All's not lost. While it's sometimes easy to assume a defensive posture in HOAs, defense rarely produces a successful outcome. Owner versus board confrontation that one side may win but both parties lose. Because, at the end of the day, both sides are neighbors that now have a bigger hurdle to coexist.

While the homeowner association system has its pitfalls, it also has tremendous advantages: Economies of scale that allow wholesale buying of products and services and access to amenities that few homeowners could afford on their own. Many haven't quite grasped what a gold mine they live in. First, mine effective planning tools like the Reserve Study and seek products and services that will make homeowner association life a pleasure. If boards and managers take advantage of these nuggets, they will soon gain well deserved respect as they improve the livability of the HOA.

This is the "gold" that is waiting to be mined. It's there and it's real. Bring your picks and shovels and get to work!
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SAVE THE DATE

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Not So Noble Rot

While fungi are considered a delicacy when found on your 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

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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. Deterrent is the best policy when it comes to dryrot. Declare war and never, never, never, never, NEVER give up. **APRA**

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Preparing to Paint

Is your homeowner association preparing to paint? If so, should you use an elastomeric, acrylic latex or oil alkyd paint? Will a certain primer make the finish coat last longer? Can you deter mildew? What about a warranty? Who will inspect the painter's workmanship?

If you are not a painting expert, it's prudent to start with a major paint supplier before calling any contractors. A knowledgeable consultant will help you select color options, provide a manufacturer approved set of specifications and possibly even oversee the contractor's work. The specs ensure a well executed paint job and validate the warranty. Best of all, these services are offered FREE in exchange for providing the paint.

After contacting the paint supplier rep, a site inspection is the first order of business. The rep will evaluate the current condition of the paint and surfaces plus identify existing and potential problem areas. With this information, the specs will be developed which include the preparation techniques, primer, finish coat and application instructions for each type of surface.

After acceptance of these specifications by the board, it's time to solicit bids. The specifications will expedite the bidding process and ensure that all proposals received are for equal work and like materials (apples to apples). To do otherwise, requires comparing incongruous proposals and likely voiding the material warranty.

Once the contractor is selected, the specifications should be a condition of the contract. When the work commences, it becomes the paint company's job to monitor the contractor's work to ensure compliance with the specs. Progress inspections should be completed after cleaning, sealing, priming, patching and painting...before the contractor is allowed to proceed. Your consultant will also prepare a final punch list for the contractor. The job isn't finished until he is satisfied that the specs are completed and a warranty can be issued.

Insist that you receive partial lien releases from the contractor with each progress payment and a final lien release upon payment in full. To make sure the paint supplier gets paid, issue a check payable to both the contractor and supplier or purchase the paint separately. Buying the paint directly and having it delivered to the worksite guarantees that you get what you bargained for.

Your paint supplier is your ally so work closely and prepare early. If you plan a summer project, start in early winter. Contractors are easier to deal with and you often will get better pricing and scheduling. Paint on! [APRA](#)

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Bob's Rules of Disorder

Homeowner association meetings are not always run like well oiled machines. Sometimes, they can get downright nasty. Here are some suggestions on how to bring yours to a grinding halt:

Obtaining the Floor

1. Member shall address the Chair by rising and yelling, "Listen you (insert description of the Chair's birth and intellectual capacity).

2. Person who shouts the loudest shall have the floor.

3. A louder person may interrupt the speaker at any time and take the floor.

Making Motions

1. Motions may be prefaced by an obscene gesture or speculative statement about the occupation of a director's ancestors.

2. No motions shall be made which include a rope, horse and tree or bird plumage and a petroleum byproduct unless such has been approved in the budget.

3. Following the statement of the motion, the member shall make facial gestures towards two or more members. The Chair shall then repeat the motion and issue a statement suggesting the member either engage in self procreation or immerse forthwith in an aqueous body.

Voting

1. Members shall be allocated votes in proportion to their body weight and strength.

2. A group whose combined weight is greater than the combined weight of any other group shall be defined as the "majority".

3. The majority rules, except when the Chair sides with the minority.

4. The decision of the Chair is final, regardless of the will of the majority.

Appealing the Chair's Decision

1. When any member objects to the Chair's decision, the Chair shall respond, "So sue me, you jerk."

2. If a member, in response, hurls a ripe garden product or other object, the Chair shall immediately declare the member to be out of order.

3. The Chair may, at his discretion, hurl an object of equal or greater weight and ripeness at the offending member.

Now that you understand how NOT to run a meeting, see Roberts Rules of Order for the real deal. [APRA](#)