

CAI Illinois Condo-HOA Conference & Expo 2022



Pillars of Structural Safety: Maintenance

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Learning Objectives

- Importance of having a maintenance schedule
- Risks associated with deferring maintenance
- Dealing with residents regarding importance of maintenance



Maintenance Schedule

- Reserve study
 - Update reserve study regularly (3-5 years)
 - Update maintenance budget accordingly
 - Include previous capital projects completed
 - Maintenance Calendar
 - 5 year plan



Maintenance Schedule

- Have a plan
 - Anticipate problems
 - Schedule preventative maintenance
 - Seek evaluations by consultants
 - Engage qualified contractors
 - Ask for referrals
 - Implement repairs and/or replacement
 - Managers are NOT experts



Maintenance Schedule

- Monitor conditions
 - Check interior building components
 - Cracks in ceilings
 - Cracks in walls
 - Gaps between wall and floor
 - Excessive deflections
 - Evidence of water leakage
 - Significant changes
 - Use an engineer when needed
 - Operating vs. Reserve item



Maintenance Schedule



- Monitor conditions
 - Check exterior building components
 - Sagging or soft spots in roof
 - Bowed or out-of-plane walls
 - Racked window frames
 - Areas of staining or discoloration
 - Significant cracks in concrete or masonry
 - Spalled concrete or masonry on ground
 - New or precarious conditions
 - Proactive vs. Reactive
 - Document recommendations
 - Professional Opinions



Risk of Deferred Maintenance



- Deferred maintenance- Definitions
 - The practice of postponing maintenance in order to save costs or meet budget goals
 - An amount needed but not yet funded for repairs, restoration or replacement of a portion of the property
- In an association, boards often engage in long range planning for both maintenance and in terms of the budget

Risk of Deferred Maintenance



- Legal Obligations of the Board with respect to maintenance
 - Fiduciary Duty
 - Definition
 - In terms of maintenance obligations
 - Duty to Investigate
 - Reserve Study obligations
 - Ask questions and request information
 - Maintain property values and the safety of the building
 - Adopt a proper and adequate budget



Risk of Deferred Maintenance

- Increased costs to the Association- deferred maintenance is likely more expensive
 - Becomes an emergency repair, replacement or restoration project later on
 - Costs for materials and labor are not stagnant
 - May cause additional deterioration or damage while you are waiting



Risk of Deferred Maintenance



- Exposure to additional Liability- Breach of Fiduciary Duty claims
 - Failure to properly maintain the building- ex. an owner claims that they suffered damages on the interior of the unit as a result of the Board's failure to perform necessary common element work
 - Failure to adopt a proper budget- ex. An owner claims that the Board's failure to properly budget for long term maintenance resulted in an unnecessary special assessment
 - Failure to engage adequate experts

Risk of Deferred Maintenance



- Negative impact on community
 - New Lending guidelines- Disclosure
 - Reserve study requirements
 - Disclosure of deferred maintenance, structural defects, etc.
 - Must include copy of engineering reports/ façade inspections
 - Buyers are more detailed in their questions regarding financing- budgets, reserve amount
 - Obligation to maintain the property value



Risk of Deferred Maintenance

- Building collapse or human injury
 - Worst case scenario
 - Chicago facade ordinance is one example of how municipalities are stepping in more proactively
 - Effect of Surfside collapse on governmental involvement to prevent such catastrophic events
 - Liability is extensive



Risk of Deferred Maintenance



- How to Avoid Liability
 - Engage your experts and follow their advice
 - Engineers, managers, attorneys, accountants can all help a Board navigate maintenance issues and planning
 - Get a reserve study
 - Explore financing options to help defray the costs of capital projects so that you can proceed with the work when needed
 - This is an ongoing, continual process



Risk of Deferred Maintenance

- Case Study 1
 - Roof Issues at Wood Structure
- Case Study 2
 - Close-up Facade Inspection



Case Study 1



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Case Study 1



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Case Study 2



Case Study 2



Case Study 2



Case Study 2



Dealing with Residents

- Educate residents
 - Inform owners on necessity of maintenance
 - Explain safety issues remedied by maintenance
 - Discuss increased property values
- Over communicate
 - Townhall Meetings
 - Budget Meetings
 - Newsletters
 - Management Communication Tools



Dealing with Residents

- Prepare for difficult residents
 - Expect confrontation regarding raising fees
 - Budget accordingly – submit draft
- Consult attorney
 - Navigate the situation
 - Raise needed funds
- Have a plan
 - Protect board, association & management
 - Transparency with board
 - Safety and well being of everyone



Questions?



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