

Emerging Technologies and Preventive Maintenance With Changes in Reserve Requirements

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The tragedy of the Champlain Towers South collapse is coming close to its second anniversary. While the physical reasons for the collapse remain under investigation, the marketplace and statutory approach in Florida has shifted, which may lead to further changes in other markets. The most likely change to be considered in other states are mandatory reserves for associations.

The concept of mandating reserves is not new and having sufficient reserves has long been an industry best practice; however, it is not a perfect solution. One, a reserve study is not an invasive examination of the physical structures - it is a visual inspection and financial tool to assist a board and community understanding its long-term obligations. Two, a reserve study's quality depends upon the party conducting the reserve study. Three, the pressure to "keep assessments low" cannot be discounted. After all, Florida already had a reserve requirement before, and the legislature eliminated the requirement in part because it was viewed as unnecessary government overreach.

The new requirements will result in a bit of sticker shock as the structural integrity of the buildings now becomes a focus, but it also presents an opportunity for the market to help by re-emphasizing preventive maintenance and emerging technologies. By investing in maximizing the life of a component and employing emerging technology, the reserve requirement for a component could be significantly altered resulting in the community having many more years to fund replacement. This approach has the added benefit of demonstrating to the community that the board is being diligent and thorough, which, to a sophisticated buyer or owner, is invaluable.

Still, some owners will inevitably view any increased investment with skepticism so a good analogy might work: Is it better to wait for your teeth to fall out or to be diligent in protecting them? Sounds like a silly analogy but it is appropriate. Taking care of your teeth may not eliminate all risks of a cavity but the chances of losing all your teeth become very low. So, let's stop waiting for a problem by protecting against it in the first place.