

September 15, 2022

As you may know, Reserve Advisors is working diligently to develop a Structural Integrity Reserve Study (SIRS) that meets the requirements set forth in Senate Bill 4-D. Because we strive to provide every client with the most accurate and detailed report possible, we are continuing to solidify how various components will be addressed in our SIRS report offering. Here is an overview of how we are interpreting a few of the questions that have come from these new regulations.

Can we still have Pooled Reserves? We do believe the intent was to allow for pooled reserves, but no longer just a single pool for condominiums and cooperatives 3 stories or more. The Administrative Code still allows for “grouping” of assets but the new laws appear to create a need for a segregated, non-waivable STRUCTURAL reserve as well as a NON-STRUCTURAL reserve that has the same restrictions that existed prior to the new bill. If a community is currently pooling reserves, Reserve Advisors will separate the funds into two “pools” when conducting the SIRS. The actual separation of existing funds may still require a vote of the owners but this likely depends on the defined purpose of the existing funds and may require a legal opinion. We are encouraging legislators and the Department of Business and Professional Regulation (DBPR) to weigh in on this process.

What's the best way to “split” our existing reserves? Generally, the criteria for re-allocation into two funds will essentially be the distribution of replacement costs and remaining useful lives between the two funds. Reserve Advisors has developed a proprietary algorithm to determine the ideal split of existing pooled funds based on the association-maintained components' specific circumstances (costs and remaining useful lives). We believe this will identify the most optimal, advantageous split of existing resources to ensure the funds are in the right place at the right time.

How will we account for Foundations, Floors, Load Bearing Walls, etc? We do not believe the intent was to fund for complete replacement of these items, as doing so would be cost prohibitive and, in some cases, impossible without replacing the entire building. Instead, our engineers will visually inspect these areas (to the best of their ability without removing finishes, drywall etc.) and determine if the conditions warrant repairs, partial replacements, and/or nothing at all. Reserve Advisors' report will note both recommendations and corresponding funding for the specific structural items as needed based on the actual conditions observed.

Do we have to include windows if they are an owner's responsibility? We believe the intent here was to include common area windows and doors, not unit windows or sliding glass doors (which are often unit owner's responsibility). Our studies are going to only include funding for windows and doors that are considered a common expense.

We know that the legislation has brought some uncertainty to associations throughout the state, and we are eager to support our clients through these changes. As we look forward to offering the SIRS service in the coming months, we will keep you up-to-date and will contact you directly as we are able to support your community association. Please do not hesitate to reach out with any questions regarding SIRS.

Sincerely,

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