

“Saving Your Money – Don’t Waste Your Existing Assets”

By Richard Tippett

Occasionally we are asked by a Board of Directors to provide construction management services for complete replacement of some asset, usually roofing or paving, that isn’t completely worn out yet.

Telling the Board that all of the roofing or paving doesn’t need to be replaced isn’t always greeted favorably. We are generally told that “we have to replace all of it to be fair to everybody,” or “if we don’t replace them for everyone, the owners that don’t have theirs replaced won’t vote for the assessment.”

On the surface of it, this is logical. Everybody gets treated equally, everybody shares the cost equally, everybody feels the pain equally. The approach seems very politically correct; very warm and comfortable, very egalitarian.

Let’s pull back a bit and really think about this for a minute. Let’s look at a couple of similar examples.

Example #1: You have three children with autos. You buy new tires for one of them whose tires are worn out. Do you, just to be fair, buy new tires for the cars of the other two children even if they don’t need them?

Example #2: One of these same three children injures her leg while playing soccer. Do you, just to be fair, insist the other two children stop playing soccer while the first one recovers?

Example #3: Your husband has an accident with his car and his auto insurance doubles. Do you insist that your insurance rates be raised also, just to be fair?

I didn’t think so.

In the commercial/industrial world, building components are regularly maintained, yet are not replaced until they are worn out. This is considered to be simple common sense: if the roof doesn’t leak, or can be repaired, it stays in service. This keeps costs down. To remove and replace the roof before that time would be a waste of money that can be kept in reserve for other things.

It is the same for the maintenance of condominiums. Not every roof on every building wears out at the same time. Replacing all of the roofs at one time is not really fair to anyone. It is, in fact, unfair to everyone because it makes the cost of reroofing much higher than it really should be.

Nor do all building components wear out at the same rate. Some roofs, balconies, siding, paving and trim boards will last two or three times longer than others. The

difference in working life can be due to better workmanship, better material quality, a different weather exposure, a different phase of construction, even a change in design.

Replacing components that are not ready for replacement, just to be “fair”, is equivalent to destroying the value of that component.

For example, if a deck that is worth \$20,000.00 and has a working life of 25 years is torn down and replaced after only 15 years, 2/5 of the value of that deck, or \$8,000.00, was thrown away.

Another example: Replacing a stucco wall after only 23 years that has a working life of fifty years, just because it has a few cracks, is equivalent to throwing away more than half of the value of the wall. That is a lot of money wasted.

You should also take into account the inconvenience and unpleasantness of turning your homes into a construction site. Construction is intrusive, noisy, disturbing and can create a lot of dust and debris.

Here is the best way to insure that any proposed major maintenance or reconstruction project truly is fair and equitable to all of the owners.

- Do only the maintenance/construction work that is really necessary. This may require a partial site survey by a construction specialist.
- Assure all of the owners whose units will not be worked on this time that, by following this optimal strategy, you are lowering the cost of ownership for everyone.
- Remind those owners whose units will be worked on in future years that they will be treated equally, and that their work will ultimately have a longer useful life than the units being done now.
- Continue to build reserves based on both the present cost of replacement and on the (future) staggered schedule for the work. *This will actually reduce the monthly assessment.*

Summary:

By following this optimal strategy the Board can lower the overall cost of ownership for all, as well as minimizing the disruption that accompanies reconstruction.

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