

HIGH-RISE CONDOMINIUM

DEFERRED MAINTENANCE

By Robert N. Roop, P.E.,
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Many associations believe they are properly accounting for fiscal management by maintaining a healthy reserve account and updating it every three to five years. They are partly correct. Generally speaking, saving approximately seventy percent (70%) of the full funding threshold provided within the engineering study is recognized as a prudent level of reserves, along with frequent updates to check on whether conditions have changed.

Perhaps no one ever explained that there is another category of expenses they should be planning for – deferred maintenance. How is that different from a reserve account? The reserve is for capital replacement. Deferred maintenance is defined by Century 21 Real Estate as “necessary maintenance, repairs and upgrades or replacements that are put on hold until sometime in the future.

Maintenance and repairs may be postponed for a number of reasons, but the most common cause is the lack of necessary funds needed to complete a project. Ironically, the result of deferred maintenance is usually more costly than if the projects are not postponed. Maintenance can also be deferred due to the lack of manpower, available resources, and many other reasons.”...In any case, however, deferred maintenance

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almost always leads to a loss in cash flow. The best way to avoid these problems is to ensure that the cost of preventative maintenance and capital improvements are worked into the budget.

According to the CAI Reserve Professional Committee, "A replacement reserve fund and a stable and equitable multi-year funding plan together

"Think of deferred maintenance as costs for maintenance that are accumulating until the maintenance is actually done."



provide for the timely execution of the association's major repair and replacement expenses, as defined by National Reserve Study Standards, without reliance on additional supplemental funding."

Then, there are operational expenses. Let's try and better define those expenses for a high-rise building. Operational expenses include common area utilities, equipment service contracts, fees for professionals including property managers, landscaping and plowing, as well as inspections like fire alarm, sprinkler, elevator, and pool.

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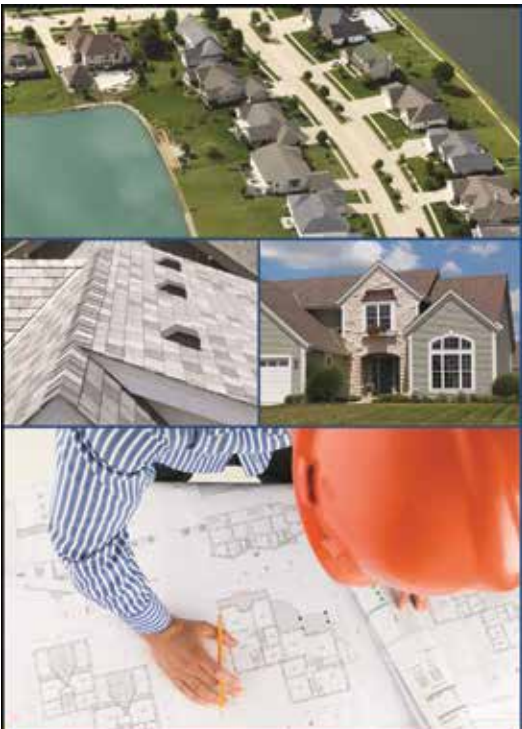
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True capital reserves include replacement of common elements that have reached the end of their useful lives – new air handlers, fans for bathrooms, kitchen laundry exhausts, stairway pressurization, water booster and fire pump, elevator gear like ropes, controls or car interior, to name just a few.

Think of deferred maintenance as costs for maintenance that are accumulating until the maintenance is actually done. It's the paint that is getting older every year, the brick mortar needing pointing, the power washing of the façade or window washing of a high rise, balcony or deck waterproofing, crack sealing of garage drive on surfaces, parking control equipment service, and periodic maintenance or major overhaul of HVAC equipment, boilers, chillers not included in a service contract – like internal cleaning of chillers, replacing packing in a cooling tower.

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High rises have an inventory of specialized mechanical equipment requiring inspection and maintenance. A larger building may have a building management system to operate complex HVAC systems. Calibration of sensors, lubrication of electric-mechanical actuators, and filter changes are operating expenses, but what about software upgrades? Electrical panels in distribution systems have large circuit breakers and switch gear. The National Electrical Code requires listed equipment to be inspected and tested according to manufacturer recommendations. Other recommended tests are related to emergency generators. Regular testing of automatic transfer switches is typically part of an



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"Another often overlooked inspection is sprinkler obstruction tests. Required every five years..."

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operating expense service contract. But what about diesel fuel testing for water or contamination?

Another often overlooked inspection is sprinkler obstruction tests. Required every five years, a flushing connection is opened to inspect for corrosion and debris. Some high rises have garages or loading docks with dry sprinkler systems. Dry sprinkler heads are tested every ten years. Normally, a number of heads are replaced so the removed heads can be tested off-site by a lab. If a single head fails in testing, more extensive testing of the remaining heads is required.

Depending on municipal ordinance, façade inspections may be required to identify and repair loose decorative or other elements that could fall off the building. Even the window washers get into the act. Without periodic certification that the attachment points on the roof they use are tested, no more clean windows.

Other deferred maintenance costs will be identified during fire code, Department of Community Affairs (DCA), insurance or other regulatory inspections. The DCA is particularly observant of life safety and accident prevention issues. Having a contingency in the deferred maintenance

account to correct unexpected deficiencies is a prudent step in fiduciary management.

High-rise condominiums offer many unique attributes and amenities for their owners. These buildings also include unique and specific

infrastructure that require special attention to deferred maintenance accounting. ■

Robert N. Roop is a Professional Engineer with over 40 years of experience in providing engineering services. He is responsible for the process and execution of all engineering projects at Lockatong Engineering. The firm's focus is comprehensive investigations and design of buildings and associated property.

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