

# The Conundrum of Deferred Maintenance

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The term “deferred” means to put something off until a later time, while the word “maintenance” is defined as work that is done regularly to keep a building, or piece of equipment in good condition and working order. This begs the question, how does someone put something off until a later time while doing it regularly?

At a recent homeowner association meeting where extensive deferred maintenance issues were being discussed, we had invited a local real estate appraiser to address the membership concerning several different renovation options (and therefore costs) associated with the much needed repairs. In his opening remarks to the membership he bluntly stated, “The problem with homeowner associations is that the members have an ownership interest with an apartment mentality.” At the time I thought that statement was pretty harsh, but looking back over the past 18 years of consulting for homeowner associations I believe he has a point. Although I understand that this

is quite a generalization, there are many aspects of his statement that ring true.

If someone owns a single family home and the roof leaks, who but the owner is going to fix it? Yet somehow, when it comes to homeowner association property there is a strong tendency to think that all one ever needs to do is pay his monthly dues and one is “home free”. In a perfect world that might work. However, the reality is that the monthly fees would most likely be much higher in order to have the funds on hand when the time comes to make major repairs. In many situations, reserve studies are relied upon rather than physical inspections of various building components. How many associations have reserves that are fully funded, and how accurate are those reserve studies?

As we all know a very high percentage of homeowners do not get involved in the affairs of their associations. In their hectic day to day lives filled with a myriad of activities and responsibilities, there is a tendency to believe that someone else (the board or

the property manager) is taking care of all the important details concerning the management and oversight of their association. Yet for many of these homeowners this is their largest single investment. The board members, though usually quite dedicated to the association and its membership, are only volunteers and only have so much time to devote to the affairs of the association. In reality, most individual property managers are responsible for numerous associations and have very little time to be thorough in their individual review of needed property assessments. In most situations, the property manager is not really qualified to assess the physical conditions and make recommendations as to proper repairs, nor should he/she be the one expected to make these assessments. In this area of responsibility their duties are more similar to a first responder when problems arise.

Another cause of deferred maintenance is often the politics associated with neighbors assessing neighbors. Some boards, not wanting to be seen as unpopular with their neighbors or perceived as the board that causes everyone to dig into their pockets to cover what may be a much needed assessment, just refuse to take the necessary steps in that direction. There may even be a board member that learns of some large and expensive issue, who would like to just keep the costs down long enough for them to sell their unit and get out before a large expense is incurred. We have seen so many cases where a board will vote to put a “band aid” on a specific problem and leave the real core issue to be addressed by some future board. These tendencies are generally the very kind of activities that lead to severe deferred maintenance and to extreme financial hardship for some later board and the association as a whole to confront. The longer the situation is allowed to exist, the greater the potential damage to the association’s property and the bigger and more expensive the fix to the problem becomes.

This tendency to look the other way is true not only for some boards and

some property managers, but also for some of the individual homeowners. When the day comes to actually address the problem and collect the needed funds to make the repairs, many homeowners, regardless of what they are told, will choose to bury their heads in the sand and vote against, or even rally other homeowners to overthrow the current board, all in an effort to avoid the increased costs necessary take care of the much needed repairs. What they may see as a victory in defeating a board proposed assessment to make the necessary repairs, actually is a detriment to their own property values and their investment.

In an industry where litigation and threats of litigation abound, it is extremely important that board members understand that taking care of problems quickly today could save the association very large sums of money in the future.

We have seen insurance funds from the likes of the Northridge earthquake as well as funds received from construction defect litigation, go toward

making many of these much needed repairs. However, for most homeowner associations today those sources of funds are either not an option, or they have already been received and spent. Now the homeowners are left to dig into their own pockets to maintain and/or improve their property in an effort of preserving their property values.

When a homeowner association finds itself staring at a long list of repairs and the associated costs necessary to make deferred maintenance repairs, they need to do a little soul searching as to what is truly in the best interest of the property. Do they just slap on *another* band aid and hope for the best? This in reality usually just perpetuates the problems and exacerbates the condition. Or, do they consider the property, it's value and work to make sure that they optimize that value for all the homeowners over the next 5, 10 and 20 years? How the board addresses this crossroad moment can make a huge difference in the value and desirability of the property for many years to come.

A thorough assessment of all relevant conditions, by a community association construction expert, should be requested and recommendations and priorities should be established, first on the basis of life safety, then water/pest intrusion and any other elements that lead to property damage, and finally, to the over all aesthetics of the property. Many times these issues and conditions can be addressed simultaneously. Other times hard decisions will need to be made on where to draw the line due to the escalating costs associated with the priority items higher on the list.

The degree to which a property is well maintained will play a major role in determining the acceleration of the property value in the future. Properties that appreciate in value are generally sought-after properties. This is always a plus for those that own them.

So how do you define "conundrum"? The dictionary defines it as something puzzling, confusing, or mysterious. I guess I would define it as deferred maintenance. ■