



Reserve Studies - Replacement Cost Valuations

Structural Integrity Inspection & Reserve Study - Information / Check List -



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Structural Integrity Reserve Studies / From the Inside Out

Everyone is talking about the new laws, and everyone is concerned. The new SB4D & SB154 Law passed last May has been the "hot topic" of so many conversations; some good, some not so good. So, let's break it all down and get a handle on this new requirement.

What is a "Structural Integrity Reserve Study"?

"Structural integrity reserve study" means a study of the reserve funds required for future major repairs and replacement of the common elements based on a visual inspection of the common elements. A structural integrity reserve study may be performed by any person qualified to perform such study such as someone who holds a PRA or RS designation. At a minimum, a structural integrity reserve study must identify the common areas being visually inspected, state the estimated remaining useful life and the estimated replacement cost or deferred maintenance expense of the common areas being visually inspected, and provide a recommended annual reserve amount that achieves the estimated replacement cost or deferred maintenance expense of each common area being visually inspected by the end of the estimated remaining useful life of each component. These items include; roofing, exterior painting and waterproofing, electrical systems, plumbing systems, fireproofing systems, structural systems and load bearing walls, windows and doors (association responsibility), and any other item that deferred maintenance expense or replacement cost exceeds \$10,000 and the failure to replace or maintain such item negatively affects the items listed above. The last definition can be items such as an underground parking areas, pool deck which is a support structure, or a seawall which serves as a holding device to name a few.

Who Needs a Structural Integrity Reserve Study?

An association must have a structural integrity reserve study completed at least every 10 years after the condominium's creation for each building on the condominium property that is three stories or higher in height which includes, at a minimum, a study of the following items as related to the structural integrity and safety of the building. Before a developer turns over control of an association to unit owners other than the developer, the developer must have a structural integrity reserve study completed for each building on the condominium property that is three stories or higher in height. Associations existing on or before July 1, 2022, which are controlled by unit owners other than the developer, must have a structural integrity reserve study completed by January 1, 2025, for each building on the condominium property that is three stories or higher in height. There are 1.8 million condominiums in Florida who will need this done to be compliant and less and less qualified reserve analysts to perform the task. So, the sooner an association can get scheduled, the better.

There are now 2 different reserve studies. The traditional reserve study, sometimes referred to as the "budgeting reserve study" is the report we have been producing for the last 20 or so years and is still a valuable tool. Not only does this product assist in preparing budgets, it prepares the Board and unit owners for the coming year, and give a schedule for future replacements and repairs. It can also assist in preparation for the Structural Integrity Reserve Study. Many items which have been included on the traditional reserve study will be included in the new structural integrity reserve study. However, the statute has included some items that were not included on any traditional reserve study. The statute has clearly outlined the list of items to be included. These components must be fully funded. All the options for partially funding these items have been removed.

Additionally, these components must be addressed by building. The Statue requires each building to have a separate listing of structural components within the report. This will be helpful in cases of phased developments and multi building developments with replacements in different cycles. This will also give Boards a chance to evaluate fully the task ahead of them.

The new parameters for Reserve Studies have developed an alternative to the Traditional Reserve Study. This new breed of report is deemed a "Combo" report that addresses all components the association is responsible for grouped into "Structural" and "Non- Structural". The advantage of this new report will ultimately show the board and unit owners an easy, concise listing of the required contributions and fully funded balances for each group, give annual expenditures, and prepare associations for the coming years.

Traditional Reserve Studies are now a product solely for condominiums 2 stories and below and Homeowners Associations. Traditional Reserve Studies are still as important as ever with the changing economy and the inflationary factors we are experiencing.

There are also repercussions. If an association fails to complete a structural integrity reserve study pursuant to this paragraph, such failure is a breach of an officer's and director's fiduciary relationship to the unit owners under s. 718.999(1), 1061 (h). This is included in the statute to assure Boards and Managers are completing their required duty.

In conclusion, the road ahead will be paved with challenges. Keep in mind as you navigate through these times the famous words of Benjamin Franklin " When you fail to plan, you plan to fail."

Congratulations! You are on the way to being compliant with the Florida State Statute!

The following is a list of “must have's” for your Reserve Analyst to perform this study:

Financials for the Association. Information needed is as follows:

- a. Reserve account balance for the beginning of the report year.**
- b. Contribution amount (annual, quarterly, or monthly) for the year before the report year**
- c. Any interest the reserve account may accrue.**
- d. Any special assessments planned or current.**
- e. Line item amounts for each component (component method only)**
- f. List of buildings in the association that qualify for the study and year built for each building.**
- g. Number of units in the association.**

SIRS Study Checklist

Below are the specific components that the State of Florida mandates to be included in the Structural Integrity Inspection and Reserve Study.

- Roof**
- Load Bearing Walls and other primary structure members**
- Fireproofing and fire protection systems**
- Plumbing**
- Electrical Systems**
- Waterproofing & Exterior Paint**
- Windows & Doors (Common areas only)**

Any other items requiring repair/ replacement that exceeds \$10K and the failure to replace or maintain negatively affects the above items.

The Process

Once all the information is received, the analyst can begin the report. There are 2 types of reports available:

1. Traditional Reserve study with Structural Integrity Reserve Study

A financial and budgeting study containing the non structural reserve components based on the designated funding method and a SIRS showing all statutory components based on component /full funding method.

2. Structural Integrity Reserve Study (one report)

An SIRS showing all statutory components based on component /full funding method



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