

## **Condo Insights – Preventive, Periodic and Deferred Maintenance Guidelines for Condominium Associations**

**Its challenging to maintain our appearance as we age. Same applies to buildings.**

Preventive maintenance, also referred to as periodic maintenance and/or deferred maintenance includes inspections, work and projects that need to be performed on a basis typically less frequently than annually to preserve, protect and maintain association assets. For purposes of this column, we will use the term “periodic maintenance” or “PM”, to include preventive, periodic and deferred maintenance.

As it applies to condominium associations, PM typically includes: painting; exterior waterproofing and sealant work; rust prevention on metal surfaces; roof inspections and application of reflective coatings; gutter inspections and cleaning; concrete and asphalt maintenance and sealcoating; balcony and deck coating; fence and railing maintenance, and hydro jetting of main sewer lines.

A preventive/periodic maintenance schedule identifies the tasks, frequency and a cost allowance for these tasks and should include everything the association is responsible for. The schedule also includes estimates of the amount of money which must be put aside on an annual basis for PM. The schedule is a tool for evaluating and establishing a stable level of funding. The primary reason to set aside funds is to ensure that adequate funds are available for anticipated PM of common areas over the long term. The schedule serves as the framework for the Association’s plan to provide income to a PM fund to offset anticipated expenditures from that fund. Similar to an association reserve study, the basic funding principles are such that: sufficient funds should be available when required; that there is a stable contribution rate over the years; and that the schedule of contributions and work is fiscally responsible.

It is not unusual for the annual funding obligation for PM to be higher than for reserve replacement funding. The asset replacement schedule for a reserve replacement fund is projected over a 30- or 40-year cycle, but PM operates on a much shorter timeframe, often ten years or less. Therefore, while annual funding for reserve replacement might be \$100,000 for an association with an annual operating budget of \$1 million, that same association could expect an annual funding obligation for PM to be over \$150,000 per year, depending on a building’s exterior design, configuration and even how the building is oriented to the beach and prevailing storms.

PM funding is typically the first to get slashed in cost-cutting times, or when a new member joins the board on a platform of controlling or reducing expenses. That may be fine for a few years, but over time, avoiding or deferring PM does not make it go away. But that’s assuming the association even has PM funding in its budget. Many associations do not have PM schedules or annual contributions to fund PM costs. If no one schedules PM and no one is checking to make sure everything is operational, a property slowly falls into disrepair. As frequently happens, problems don’t get addressed early because no one notices that there’s a problem until it has evolved into something bigger, more expensive, and/or potentially dangerous.

Exterior maintenance and waterproofing is one of the largest elements of routine common area maintenance for many associations. If ignored, a poorly maintained exterior will lead to more extensive work and increased costs for the association at the time such upkeep is eventually completed. The paint on the exterior of any building is a very important component of any PM plan. The painting of metal and wood trim should be done every 2-4 years. Metal surfaces typically require rust-inhibitor applications as well as a final coat of paint. The complete painting of other common area buildings should be done every 5-8 years.

Association signage, typically viewed as non-essential, is commonly neglected. It, too, requires preventive maintenance and has an impact on an association’s members as well upon its visitors. When this component is not properly maintained, it can lead to accidents or rule infractions that could be otherwise avoided. Most importantly, signage must be visible and easily readable in order to assist police and fire personnel when an emergency arises.

The best way to limit risk is to perform regular inspections and proactive maintenance, retain professionals for their expert opinions, and follow their recommendations. Above all, board members should be aware of the risks of postponing maintenance. Proactive PM ultimately costs an association less over the long term and ensures that property values are enhanced in the long run. Be aware of any pattern or cluster of calls at a given time or about related issues and keep maintenance records. Keep track of your warranties and component life expectancies. Plan ahead, anticipating the need to replace building components, i.e., know when your roof is in the second half of its life expectancy and perform inspections and upkeep to maximize its useful service life before it has to be replaced.

Typical timeframes and life cycle estimates of association assets are based on the assumption that adequate preventative periodic maintenance exists and will be followed by the Association. Without proper maintenance, the common elements can deteriorate quickly and require major repair or replacement earlier than planned. Condominiums located on the barrier islands within close proximity to the ocean are exposed to a harsh chloride environment that needs to be considered when contemplating PM and asset replacement to utilize materials that are more resistant to the environment.

In recent months FNMA has included a supplemental addendum to its condo questionnaires. (FNMA, or “Fannie Mae” is a government-sponsored enterprise that purchases and/or guarantees mortgage loans). If you apply for a mortgage to purchase a condominium, the association is obligated to disclose to FNMA additional information revolving around the structural soundness, structural integrity and age of essential building systems and components as well as whether the association has a schedule for PM and PM funding. This addendum has been a discretionary part of the process for several years but is now a mandatory part of required disclosures going forward in reaction to the June 2021 Florida condo collapse.

Coastal buildings are exposed to severe environmental conditions. Board members and building managers must pay close attention to protect building envelopes from moisture infiltration to avoid more serious and complicated problems. Associations that follow best practices already commission periodic building inspections, reserve studies and a PM schedule. The annual condo association budget should include contributions to both the reserve for replacement *and* PM funds.

Buyers and their mortgage companies are starting to ask association boards for their documented plans. The important point to keep in mind – association board members have a responsibility to preserve, protect and maintain association assets – not just replacing those that reach the end of their service life but also to properly plan for maintenance to association assets and essential building components to maximize their useful service lives.

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