

FINDING MONEY FOR YOUR CONDOMINIUM REPAIRS

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INTRODUCTION

A note from the author

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I worked in the construction industry for over 30 years, with a focus on the building envelope for over 20 years. My professional experience encompasses all facets of the industry from hands-on trade work, estimating and project management, building envelope design, construction administration, construction defect analysis, and expert witness testimony.

I have worked with hundreds of homeowners association board of directors, and in this eBook you will find the most common ways to fund your repairs. Your specific needs should always be reviewed by your attorney and your board. I am not offering legal advice, I'm not a banker or accountant, and I haven't read your governing documents. So use this for what it is: a guide based on experience and knowledge about what has worked for my clients as they raise money for their repairs.

Some of these methods are not groundbreaking ideas, but we know that common sense is not always common practice, so hopefully these are good reminders or a new way to look at things.

Will all these methods apply to you right now? Probably not. But they may be relevant in the future! Some rely on contracts with vendors that need to have these inclusions and protections written into them, so hold on to these tips for when the time comes. Working with your attorney to integrate these provisions *now* will benefit you later. The concept of budgets and saving reserves is an annual process that requires time for the money to build up. Saving important documents is a long term process as well.



8 BEST WAYS TO FIND MONEY

FOR YOUR BUILDING REPAIRS

As the title suggests, this is a book written for condominiums or homeowners associations who find themselves with a construction project, and wondering where the money will come from to fund it.

We start with what you have



Savings



Reserves

Then add it to what you can get from other sources



Contracts



Insurance Policies



Warranties

Want to know more?

At the end of this eBook I have included links to video interviews on these topics. I have created over 3 hours of expert discussion, and it's all included for you here, *for free!*

CHAPTER 1

RESERVES AND SAVINGS

What are reserves and savings?

There is a difference between reserves and savings, so review your governing documents and use the advice from your attorney or manager as to what you can “touch” for various projects.

The benefits

There are always surprises when it comes to managing a community, so it’s our recommendation to add a line item in your budget to have some extra funding when the need arises. Having the funds on backup helps reduce the stress about projects and minimize additional assessments.

Having cash on hand puts you in a better financial position for loans (discussed later in this book), and gives your community a positive image for new buyers and resale value, giving residents the peace of mind that the association is “properly funded.”

Where to start

You know the budget that you are asked to do each year? **Put in a line item for “contingency” or “maintenance” at 5% and see what can happen when you have a little extra money.** OK, enough guilt tripping. Turn the page!

RESERVES AND SAVINGS

How much do you have?

Your **reserve account** represents the funds that come out of your assessments each month to replace items as they fail, which comes directly from your **reserve study** and **annual budget**.

We don't have any of those!

I know, I know, those are three big things that some associations don't even have: **a reserve study, reserve account, and budget!**

If you don't have these things, make a note and contact your manager or board and get these things done! Even though these items are likely required by your governing documents and even the law in some states, many boards give me a blank stare or nervous laugh when I ask about their reserve account. They know they are grossly under-funded and feel helpless to change things.

Remember when I said common sense is not common practice? How will you feel when you have a savings account? How will your property values and your community look and feel when you are spending money on your community based on a budget plan?

All organizations feel more connected and do greater things when they have a plan and feel confident that the plan is reasonable and successful. If you don't yet have that plan in place, today is a great day to start.

Working with a reserve

Let's assume you have a reserve account and you have been saving for siding and windows replacement, and it's time for that work to be done. J2 can use that reserve account to perform the work. **Your reserve account is an easy way to save money long term for the planned projects that come up.**

CHAPTER 2

HOW MUCH MONEY COULD YOU RAISE?

“No new dues under my watch”

This is a popular election platform for new board members and board Presidents. During the economic recession, not raising dues was an acceptable promise. But now we have had quite a few good years and property values are rising—provided the necessary maintenance is performed.

- We all know every other cost is going up, so why aren't the dues? -

Why should you raise the dues?

We work with many associations that haven't raised the dues for several years. These communities are usually struggling to find the money to make repairs, and property values are flatlining.

Think of it this way

For an association with 300 units, raising the dues by only \$30 a month can raise \$9,000 per month or \$108,000 per year. That means only \$1 a day more per household and you can raise six figures a year, depending on the size of your association. Now you can make your repairs and have a much more attractive community!



CHAPTER 3

LOANS FOR REPAIRS

We have really good news

If you don't have enough in your savings and reserves, you can get a loan for something like this.

In the past 10 years, loans have become easier for associations to obtain due to banks focusing on the assessment collections of the association rather than the individual unit owners for lien rights.

In the past, banks would have individual liens on each unit to secure the loan, now they just secure the association's reserve account and use monthly assessments as their collateral. **This makes the underwriting process much simpler.**



LOANS FOR REPAIRS

Things to consider when obtaining a loan

Loans are a great way to spread the assessment payments out over time at an attractive interest rate versus paying a big chunk now. It also helps some residents with budgeting these repairs and makes the lump sum assessment less of a hardship.



Delinquencies – Get these under control, usually under 10% is the ideal amount for being 60 days overdue. If you are over 10% review them closely. We have seen several occasions where there are disputed fees or fines that are small in nature, causing several owners to be “delinquent” according to the report. A closer look at this report may reveal some easy fixes to bring your delinquency account under 10%.



How are your reserves? Do you have money in the bank? Do you have a history of funding your accounts on time? (See ‘delinquencies’ above). This helps the bank in the underwriting process know that you have a track record of paying your dues.



Banks vs Brokers – The banks will have their programs and guidelines that they must follow, but brokers can go to several different lenders if there are problems with certain guidelines. For example, one bank says that since you are only 24 units we cannot give you a loan, but a broker may be able to find another bank or lender that will loan on associations your size. For this reason, its good to get a couple different quotes so that if you are turned down by one party you don’t feel that you are un-financeable.

LOANS FOR REPAIRS

More things to consider when obtaining a loan



Size of complex – Different banks have different requirements about the minimum size of the association to obtain a loan.



Are your financials in order? I hear it too often – “we don’t have updated financials yet” Come on, you are running a business called the association, get your financials in order and updated so that the bank knows you can keep track of the accounting necessary to pay back the loan. They don’t have to be audited, but they need to be professionally presented so that the bank can review them – the shoebox of documents needs to be cleaned up!



Who is on your team? – The bank will be looking for a formal scope of repair, plans, and specifications prepared by a professional, such as an architect or engineer or construction manager (hint....that’s us). They also like an experienced contractor with a hard bid and formal contract ready to perform the work. They are making sure the project has been defined, can be carried out, and will be overseen to make sure its properly done.



Do you have any large percentage owners? Does the developer still own 30% of the units? This may be a problem for the bank, they don’t like this, because what if that one owner defaults? Now they are only receiving 70% of the payments. Ask them about this if you think you have a concern.

CHAPTER 4

ENERGY COMPANY & UTILITY REBATES

What does this mean for me?

This one depends on your state and federal guidelines and usually benefits older communities that are updating their building with more insulation, lighting, or windows.

Some examples of projects I'm referring to



Window replacement – Upgrading the older aluminum frame windows to energy efficient vinyl or fiberglass.



Flat roof replacement – Replacing the old flat roof and adding tapered insulation to increase the slope for drainage as well as provide additional insulation value to the building.



Exterior lighting upgrades – Replacing the new lighting with LED or similar more energy efficient lighting.



Solar panels – Installing new solar panels to supplement the power supply.

ENERGY COMPANY & UTILITY REBATES

Power companies are your best friend

Different power companies and geographic markets have different incentives, but the theme is: **power companies appreciate the improvements that will lower your utility bills.**

Because of this, they often offer incentives that help pay for some of these upgrades. In some instances they will have specific performance requirements, that can be easily incorporated into the project specifications so that the qualifying products get used and the rebates are processed efficiently.

How much money are we talking?

*We have helped our clients obtain
5- and 6-figure rebate checks!*

We check with your power and utility companies to see what they offer, then help you fill out the paperwork.



CHAPTER 5

WARRANTY PROVISIONS

There are warranties for this stuff

Many products used in the restoration projects these days offer 5 – 20 year warranties, which are much longer than the contractor's warranty or statute of repose (meaning how long they are legally "on the hook" for the warranty).

These warranties can provide "funding" for replacing the product in question. Just like your car warranty, extended warranties can be purchased for additional time and coverage.

Here's what to pay attention to



How long of a timeframe? Put this on a calendar somewhere.



What does it cover? Understand what the warranty covers. Labor? Materials? Damages? Demolition and haul away costs?



What do you have to do initially? Some warranties require a sign off or inspection during or after installation, otherwise they are not valid. Make sure this gets done.



Are there annual or milestone requirements? Some require inspections or cleaning. Others require "after 5 years do this," in order to qualify for a full 10-year warranty. These requirements should be put into the maintenance plan and marked on the calendar.

WARRANTY PROVISIONS

Here's an example

There is a roofing membrane warranty that will pay for labor, materials, and any consequential damages caused by the roof. This warranty may be worth 6 or 7 figures depending on the size of the roof!

While this isn't "cash" for your repairs, these warranties are coupons for value, and they should be treated with respect and followed accordingly.

A helpful tip

ALWAYS save the paperwork and contact information, as well as your documents with respect to the maintenance and rules you followed.

Paperwork in a binder works great, and today's ease of free cloud storage is great too—consider free online storage options through Google, Apple, or Microsoft.



CHAPTER 6

CLAIMS - 3RD PARTY

What is a 3rd party claim?

3rd party claims are claims caused by someone else, typically related to construction defect, or when a building wasn't built correctly.

Some states have warranty provisions or "condo acts" that describe these provisions and timeline requirements.

How do I know if this fits my situation?

A quick internet search for "your state condo act" will point you in the right direction. These claims usually relate to new construction or a recently "converted" condominium (converted from apartments to condos).

Get some help

The timelines and coverage provisions vary so get some guidance from an attorney who is savvy with construction defects.

Depending on the state and its coverage provisions, these claims can be very valuable and are usually paid by the developer's or contractors insurance or the project's wrap policy.

CHAPTER 7

INSURANCE COVERAGE

What does insurance cover?

A covered loss on your insurance policy would be something like a fire, storm damage, etc.

Have the right coverage for your risks, and understand overlapping coverage.

Overlapping coverage

The first point I want to highlight is the overlapping areas of coverage between the master policy and the homeowner's policy. Many, if not most policies have a provision that makes the master policy primary when there are instances of overlapping coverage.

What this means is that if both policies cover a particular loss, then the master policy pays, *not* the homeowner's policy.

Many times the manager or board asks (or makes) the homeowner pay for a loss, even though the master policy provides coverage.

- Know your coverage! -

Get the right coverage

My second point: Always —*always*— have the right insurance coverage for the anticipated risks. If you live in earthquake-prone area, have earthquake insurance!

Policy coverage items and determining how much is enough, is really a question for your insurance professional who will help you through these decisions. Proper insurance is key to paying for losses as they occur.

CHAPTER 8

CLAIMS - 1ST PARTY

What is a 1st party claim?

1st party claims are claims made against your insurance policy when they *should* pay for something, but they don't.

These claims require an attorney to interpret the policy and the claim basis. There has been recent success with older policies paying for “hidden” or “collapse” type damage.

We have helped several clients with 6-figure recoveries for policy covered water damage on older buildings.

And there you have it!

These are the top 8 ways associations find money to pay for their condominium repairs.

I hope you have found some additional tips and tricks to make your project easier next time.

If you found this information valuable, feel free to share it.

This allows us to broaden our message for those who need it.



WHAT'S NEXT?

J2 On Call

Still have questions? Give us a call!

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Follow us on social media for more helpful tips



[Linkedin.com/company/J2consultants](https://www.linkedin.com/company/J2consultants)



@J2Consultants



@J2Consultants



<http://bit.ly/J2YouTube>

Bonus below!

As a thank you, and for those of you who want to learn more, I have invited specialists into our studio to discuss and elaborate on the following topics centered around finding money for your condo repairs.

These videos are about 30 minutes each and they will give you further insight into each topic. At the end of each video you will find their contact information and they have all agreed to provide a free consultation to you if you have further questions.

Continue to the next page to see the videos.

- Enjoy! -

BONUS!

Conversations with Experts

Visit our “Conversation with Experts” playlist on YouTube to view 6 videos that can answer your questions about building repairs.

- <http://bit.ly/ExpertsYouTube> -

Video 1 -

J2 Banker Interview - Obtaining a Bank Loan for Condo Repairs

Video interview with a loan officer from Mutual of Omaha Bank. In this video I sit down with a loan officer and we discuss what it takes to get a condominium loan funded for your repair project.

Video 2 -

J2 Reserve Study Specialist Interview - What Makes a Good Reserve Study for Your Condominium

Video interview with a reserve specialist from Cedcore. In this video I sit down with a reserve study specialist and we discuss what it takes to assemble a reserve study or capital replacement plan for your condominium, both before and after a repair project.

Video 3 -

J2 Attorney Interview - First Party Insurance Coverage for Condo Repairs

Video interview with an attorney from Barker Martin. In this video I talk 1st party insurance claims to an attorney who specializes construction and insurance claims and we discuss what it takes to get coverage under your policy.

BONUS!

Video 4 -

J2 Attorney Interview - Construction Defect Litigation and Insurance Recovery

Video interview with another attorney, this time from Harper Hayes. In this video we discuss construction defect and insurance claims and how those types of claims can be covered under your policy.

Video 5 -

J2 Insurance Company Interview - How to Select the Right Insurance Coverage for your Condominium

Video interview with an insurance specialist from HUB International. In this video I sit down with an insurance specialist and we discuss the types of insurance policies a condominium should have, and what types of policy overlaps there are. I learned some new things in this video.

Video 6 -

How to Run a Condo Repair Project

Video interview with a contractor from McBride Construction. In this video I sit down with a contractor and we discuss the importance of using a general contractor in your repair project versus hiring the subs direct, and what other items make up a successful repair project.

As always, if you have any questions, please [contact us](#).

THANKS FOR READING!

