

The Deferred Maintenance Alarm is Sounding

Champlain Towers Tragedy Triggers HOA Industry Action



Champlain Tower 2 is an alarming example of a catastrophic failure that can occur when escalating deterioration and delayed action collide. I'm sure the responsible parties never imagined the possibility that deferring maintenance over the years would lead to a building collapse more commonly found in third world countries.

It's no surprise to anyone that deferred maintenance is a major contributor at the very top of Florida officials' list. Cause and effect is

pretty simple here. The Champlain Board's failure to take action, resident and Board inability to collaborate on repairs in a timely fashion, and other defects, accelerated a progression of structural weaknesses that triggered premature collapse.

Champlain Tower 2 is a solemn reminder to the HOA industry that a proactive, consistent, and scheduled approach to maintenance can prevent future loss and damage.

The scope of the problem is significant.

The start of the Champlain Towers failure began four decades earlier, but as a smaller and much less expensive concern. Over the years, suspicious symptoms surfaced that finally resulted in an inspection in 2018 as the buildings neared the age of 40 years. Officials suspect that compromise may have actually begun during the initial building phase.

Although it may be too late for Champlain Towers, it's never too late to begin addressing the deferred maintenance problem.

California's 3,427 miles of coastline is home to thousands of mid-rise and high-rise condo buildings. The irony is that the number one concern for condos here is fire, followed closely by flooding from plumbing system failures, and earthquakes.

In San Diego County there are over **14,000** condo communities at an average age of **30 years**. Building structures and mechanical systems begin to require maintenance as soon as they're put into use. Coastal structures are additionally exposed to a saltwater environment that is known to increase the rate of degradation more rapidly in wood, concrete, and steel.

There are **stages** in a building's life cycle.

RDH Building Science, expert in building and forensics, tracked buildings over a 20-year period. The RDH study explains cycles of buildings. the need to address maintenance begins first year of being built.

Most of San Diego's condominium structures *Stage 4* (30-49 years) of cycle, the "Adulthood" its 2015 study titled, [How Buildings Last?](#), RDH that,

Champlain Towers South

12-Story Condo building in Miami

- Collapsed June 24th, 2021
- Death toll rising as search and rescue continues. 113 potentially unaccounted for as of July 6th.
- Investigations have revealed reports of failed waterproofing and major structural damage, dating back to 2018.
- Association documents tell a story of contentious infighting and delay over cost and prioritization.



Inc., an research 1,651 period. five life Notably, within the

are in their life stage. In [Long do](#) states

"The largest and most expensive of all asset renewal projects tend to occur during the 4th life stage. As a result, significant funds will need to be reinvested in the building and the standard operating and maintenance budgets will need to be revisited."

As a consultant, RDH lists the [same stories](#) heard time and again as to why maintenance is deferred: (1) it's unnecessary, (2) we'll worry about it later, (3) we don't really care what happens, (4) we don't know what's expected of us, (5) we thought it was being maintained, (6) we don't have enough money to do it, and (7) we don't have someone in charge to help us.

The financial trap that associations fall into is a costly mistake. Deferring maintenance ultimately costs more than regular, preventative repairs. The top ten consequences of deferring maintenance include:

1. Deferred maintenance compounds at 7% a year
2. More extensive, long-term costs
3. Reduced equipment efficiency
4. Entire system failure
5. Safety and Health Risk to All Occupants
6. Possibility of fines from a regulatory agency
7. One problem can escalate into larger problems
8. Less preventive maintenance equals shorter life cycle
9. Emergency repairs are more costly than planned repairs
10. Deferred maintenance can cause more downtime

State and local protections for California HOAs.

State and local regulations establish parameters and best practices that guide associations in keeping communities safe. Some of these protections include:

- Health and safety repairs to prevent insurance claims
- Vertical balcony and walkway inspections, enacted in 2020 as Senate Bill 326
- Brush management to prevent fire, per City and County regulations
- Annual reserve studies, per the Davis-Stirling Act (Civil Code §5550, et seq.)

- Increasing member dues to manage regular maintenance
- Special assessments to pay for special maintenance projects or fund reserves
- Bank loans for larger deferred maintenance projects
- Using industry experts such as architects, engineers, and general contractors to create solutions

The increasing costs of insurance and excluded coverage for poor maintenance.

While California insurers don't use credit scoring, deferred maintenance and a property's condition are factors in obtaining access to coverage and may include more exclusions.

The Policy Research Division of the California Department of Insurance produced a study in August 2004 titled, [Underwriting Guidelines and Access to Homeowners Insurance](#). The Study found that various factors besides claims history can result in non-renewal or application refusal. Some factors are company limits. Others are strict exclusionary criteria.

At least one half of the insurance companies surveyed refuse applications based on vacant properties, **signs of poor maintenance**, proximity to brush areas, buildings located on hillsides, slope or piling over water.

Twenty five percent of insurance companies ask about water losses in their applications, and 41 percent put limitations or exclusions on water damages.

Management must help HOA Boards tackle repairs.

Keeping people safe in their homes is the primary goal. Boards that act with the determination to confront maintenance and make tough decisions are the very Boards that associations need.

Regular maintenance is an ongoing financial imperative, regardless of how resistant residents may be to increased dues, a special assessment, or the HOA obtaining a loan. Loans are used to fund low reserves or to address overdue repairs. The potential cost can be significant if reserves are funded at the recommended [70% or higher](#) of the property's calculated deterioration. Regular inspections and repairs are a critical necessity to protect the investment.

For the last several years ASPM has been among HOA attorneys and insurance experts in publishing articles and writing blog posts about the physical and financial dangers of gambling with deferred maintenance. We constantly work with our Boards to address overdue repairs to ensure resident safety, to control repair costs, and to increase residents' property values.

Our Board Members are fully committed to this endeavor, and this collaboration makes it possible for us to successfully implement our deferred maintenance program throughout our management portfolio.

Board Member Kathy W. of *The Summit of Rancho Bernardo*, a 360-unit luxury complex in north inland San Diego, states that,

“Although 2020 presented challenges in unique and unexpected ways, the Board continued to work closely with its property management team as an invaluable part of preserving the safety and sustainability of our community into the future. We feel a great job was done in making sure deferred maintenance was taken care of.”

Many Boards agree that taking on maintenance as it comes up is the most feasible way of confronting an ongoing concern.

Dennis R., former Board President of *Adobe Falls HOA*, a 272-unit condo complex in San Diego's Allied Gardens community, adds that,

“We found that keeping up with the maintenance of the buildings and property was a better strategy, as we weren't stuck having to do everything at one time. We were able to maintain a safe environment by maintaining things as they came up.”

In addition to resident safety, the ancillary benefits of a proactive deferred maintenance program are higher quality of life for all residents, and ultimately maximizing real estate return on their investment.

Wake Up Call

For a few fleeting moments in digital space, the deferred maintenance distress signal is reverberating through HOA community associations and their service providers.

So that we never forget our priority of *safety first*, it's critical that HOA industry partners use this momentum to act now. If we consistently and properly manage deferred maintenance in these next decades we can ensure a tragedy like Champlain Tower 2 never occurs again.

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