



Transition Study, Reserve Study

What's the Difference?

by Sally Conley

Today, most community associations and property managers are familiar with what a Reserve Study is and the crucial role it plays in the future of the association. There also exists a study that is not as well known, but is decidedly just as important in shaping the repair and replacement schedule of an association, the Transition Study.

A Reserve Study is the physical and financial analysis of all common elements that the board is responsible for maintaining. It details a repair and replacement schedule over the next thirty years. A Transition Study is an independent analysis of the common elements to identify the estimated cost to remediate condition, construction, and design defects. A Reserve Study determines remaining useful life due to normal wear and tear, and a Transition Study identifies only defects relating to condition, construction, or design.

While a Reserve Study can be conducted at any time, a Transition Study should be done near the date of turnover from the developer to the association board. It is important for new construction and recent conversion properties to be aware of the benefits a Transition Study can provide.

First, it is essential to note that a defect is a deficiency attributed to premature aging (abnormal wear and tear) or improper construction and/or design. This would include such things as roof leaks, water infiltration at windows, or significant concrete settlement. It would not include such things as a few hairline cracks in concrete/pavement (which is normal), squeaky door hinges, leaves in gutters, etc. If an element has deteriorated due to lack of maintenance, it is not a defect. As a Transition Study is an independent evaluation of the methods and materials of construction, this unbiased opinion can gain more leverage with the developer. This impartial list of defects also helps an association focus on the larger problems at hand.

On the same note, a Transition Study can be conducted on behalf of the developer who is looking to turn over the property with a “clean bill of health.” Historically, it has been the association board that has contracted the service. More recently, developers have learned that turning over a healthy association is in their best interest. Now, it is not unusual for a developer to seek the independent evaluation in order to sign off on a project.

Another benefit of a Transition Study is that it holds the developer accountable for any major defects and can prevent homeowners from having to pay unnecessary expenses. The burden of remediation costs should fall on the developer and not the homeowners. It also helps to ensure that a defect is corrected right away and, therefore, does not diminish the useful life of the element.

A Transition Study will also aid the association board in fulfilling its fiduciary responsibility. It can reduce claims of financial mismanagement because the board sought out the advice of an independent expert. It demonstrates sound fiscal management and provides the owners with a high comfort level that their investment in their property is being managed properly. It can also alleviate fears of future remediation costs due to defects that were not anticipated.

So, while a Reserve Study serves as a master plan for the future, a Transition Study is essential for ensuring that new and conversion properties start out on the right foot. The ability to plan for the future is key to the success of any association.

Sally Conley is the Director of Graphics/Media for Reserve Advisors, Inc. For more information visit www.reserveadvisors.com. ■

BUILDING RESTORATION

DEVELOPER TRANSITION

HURRICANE RESTORATION

RESTORING THE PAST - ENGINEERING THE FUTURE

DELTA
ENGINEERING

ENGINEERS
INSPECTORS
PROJECT MANAGERS

- Structural Engineering & Design
- Restoration & Repair Consulting
- Hurricane Restoration Consulting
- Forensic Investigation
- Moisture Intrusion Investigation
- Property Condition Assessments
- Reserve Studies
- Developer Transition Studies

SARASOTA
PHONE: 941.727.2600

FT. LAUDERDALE
PHONE: 954.577.3779

NAPLES
PHONE: 239.417.4458