

RESERVE STUDIES VERSUS ENGINEERING REPORTS: WHAT'S THE DIFFERENCE?

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Common interest communities such as a condominiums, homeowners associations, timeshares, and cooperative properties require scientific and financial tools to help them thrive. They routinely turn to engineering professionals or reserve analysts to offer reports and advice.

One of the more common tools used by common interest communities is the **Reserve Study**. Many also use **Engineering Reports** to help guide them down the path of a proper maintenance and replacement schedule for common elements that will age and fail over time. These two types of reports have some similar features but are different and need to be used for their intended purpose. Do you know the difference?

What is a Reserve Study?

A [Reserve Study](#) is a general evaluation of all of the elements and materials that comprise a common interest community. It takes into account the quantity of materials, the likely useable life of materials, and the likely cost of replacement adjusted for predicted inflation.

While there are many engineering elements to the Reserve Study, the study is truly a budgeting guide to help association leaders determine the proper amount of monthly common fees that need to be allocated for the Reserve Fund.

For instance, if the Reserve Study were to predict that a roof will need to be replaced in twenty years' time and the replacement cost is likely to be \$200,000.00, the association would be well advised to save about \$10,000.00 per year in [Reserve Fund](#) contributions so that the money will be there when the roof needs replacing. The Reserve Study eliminates some of the guess work than can go into budget preparation.

What is an Engineering Report?

An Engineering Report, on the other hand, is far more concerned with the mechanical workings of the common elements. Operating and Replacement Costs are generally included in this type of report as well as the current state of deterioration of the common element.

For instance, an Engineering Report might include a review of the seven year-old roof and determine that it is wearing as planned and that the association can expect another thirteen years of useful life before replacement is necessary. An Engineering Report might also include an observation or recommendation such as the flat roof design is not as effective as a pitched roof would be at shedding water or that the tar and shingle roof is not as effective as a rubberized roof might be. The Engineering Report might also suggest covering the existing roof instead of fully replacing it as the double roof will add more durability.

Clearly, a Reserve Study and an Engineering Report are two **very different** documents. By combining the budget preparing friendliness of the Reserve Study with the actual status reporting and recommendation of the Engineering Report, a well-meaning association can [save both time and money](#) while properly maintaining and saving for the replacement of their common elements.



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