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HANDLING AGING INFRASTRUCTURE: RESERVE PLANNING FOR OLDER COMMUNITIES

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As communities grow older, so do their essential components—roofs, roads, plumbing systems, and other critical infrastructure. For homeowners' associations (HOAs) managing older properties, aging infrastructure poses unique challenges that require strategic planning and decisive action. Ignoring these issues worsens the problem, leading to more costly repairs and potential safety concerns. Reserve planning tailored to older communities can help break this cycle, ensuring the long-term stability and sustainability of these neighborhoods.

This article explores the key challenges of managing aging infrastructure, the concept of the "deterioration rate," and actionable strategies to fund repairs and address structural concerns effectively.

The Challenge of Aging Infrastructure

Aging infrastructure represents a ticking clock for many communities. Over time, materials degrade, systems fail, and previously deferred maintenance compounds into a more urgent—and often expensive—problem. For older communities, the costs of addressing years of wear and tear can become overwhelming, especially if reserves are underfunded or nonexistent.

Consider a 30-year-old HOA with original plumbing systems nearing the end of their life. Delaying maintenance may save money in the short term, but a sudden pipe failure could result

in extensive damage, emergency repairs, and skyrocketing costs. Similar scenarios play out with aging roofs, deteriorating roadways, or compromised structural elements. Delaying maintenance only increases the complexity and cost of repairs.

Understanding the Deterioration Rate

To manage aging assets effectively, it's essential to understand the concept of the "deterioration rate"—how quickly a component or system declines in condition over time. While newer assets may deteriorate gradually, aging infrastructure often follows an accelerated curve. For example, a 15-year-old roof might lose 10% of its effectiveness over five years, but a 30-year-old roof could degrade by 30% in the same period.

Failure to account for these accelerated deterioration rates leads to greater risks, including unexpected failures and higher repair costs. Reserve studies that account for asset deterioration rates enable proactive planning for repairs, avoiding deferred maintenance issues.

Stopping the Cycle of Deferred Maintenance

To address aging infrastructure, HOAs must shift from reactive repairs to proactive planning. Boards of older communities should prioritize reserve funding and address underlying issues rather than opting for short-term fixes.

Key steps include:

- **Conducting a Structural Assessment**: Hiring a qualified structural inspector is crucial for understanding the current condition of key assets and identifying potential risks beyond the inspection provided in a Reserve Study. Inspections of foundations, roofs, plumbing systems, and other critical components can reveal underlying issues that may not be immediately visible.

- **Updating the Reserve Study**: An updated reserve study is essential for understanding long-term costs associated with maintaining aging infrastructure. Reserve studies for older communities should include detailed evaluations of high-risk components and realistic projections of future repair and replacement costs. Regular updates every three years—or more frequently for aging properties—ensure that funding plans align with current conditions.

- **Developing a Realistic Funding Plan**: Aging communities often require higher reserve transfers to address accelerated asset deterioration. While this may be a tough conversation with homeowners, it is necessary to prevent even more costly emergency

repairs and special assessments down the road. Incremental increases in reserve funding, coupled with clear communication, can help garner homeowner support.

Strategies for Addressing Aging Assets

Once the scope of the challenge is clear, boards can implement strategies to maintain and repair aging infrastructure effectively. These strategies include prioritizing urgent needs, planning for long-term sustainability, and leveraging professional expertise.

- **Prioritize Urgent Repairs**: Not all infrastructure issues carry the same level of urgency. Boards should prioritize repairs that address safety concerns or prevent further damage. For example, fixing a leaking roof or replacing a failing drainage system should take precedence over cosmetic improvements.
- **Plan for Long-Term Sustainability**: Boards should develop multi-year plans for replacing major components, with funding schedules that account for inflation and accelerated deterioration rates. A well-thought-out plan ensures financial preparedness and minimizes disruption to residents.
- **Leverage Professional Expertise**: Managing aging infrastructure is a complex task that benefits from expert input. Structural engineers, reserve study providers, and specialized contractors can offer valuable insights into asset conditions and maintenance or replacement approaches. Collaborating with professionals helps boards make informed decisions and avoid costly mistakes.

Communicating with Homeowners

For older communities, gaining homeowner buy-in is critical to successfully addressing aging infrastructure. Transparent communication is essential for explaining the need for increased reserve funding and structural inspections. Stress that it is “our” community, and that it needs “our” care (and “our” money). There is no “them”.

Boards should emphasize the importance of maintaining property values and community safety and explain how proactive planning reduces the likelihood of costly emergency repairs and special assessments. Visual aids, such as graphs showing component deterioration rates or the financial impact of deferred maintenance, can be especially effective in illustrating these points. Check with your Reseve Study provider who likely has some helpful graphics used in their presentations.

Breaking Free from Underfunding

Many older communities face the challenge of underfunded reserves due to years of low reserve funding or delayed projects that skyrocketed in cost. While addressing this issue may feel daunting, it is achievable through strategic planning and decisive action.

A gradual increase in reserve funding can help avoid the sticker shock of sudden large increases. Boards may also consider modest special assessments to address urgent needs while building up reserve funds for future projects. Utilizing reserve planning tools, like uPlanIt, which models different funding scenarios, can help boards determine the most sustainable and politically feasible path forward.

Underfunding is not a permanent condition. With a commitment to proactive planning and community engagement, older associations can regain financial stability and ensure the long-term health of their infrastructure. The data shows that responsible reserve funding is rewarded in significantly higher property values, because curb appeal is real.

The Role of Reserve Studies in Aging Communities

Reserve studies play a vital role in helping older communities manage their aging infrastructure. These studies provide a roadmap for maintaining and replacing critical assets, incorporating realistic cost projections and funding strategies. For aging communities, reserve studies should focus on high-priority components, account for accelerated deterioration rates, and include recommendations for regular structural inspections.

Regularly updating reserve studies ensures that plans align with the current infrastructure condition and evolving repair and replacement costs.

Conclusion: Planning for the Future

Managing aging infrastructure is one of the most significant challenges for older communities, but it also provides an opportunity to create a sustainable path forward. By understanding the risks associated with aging assets, prioritizing reserve funding, and leveraging professional expertise, HOAs can stop the cycle of deferred maintenance and build a more secure future.

Proactive planning, informed by structural assessments and updated reserve studies, helps communities address today's challenges while preparing for tomorrow's needs. With a commitment to transparent communication and realistic funding, boards can ensure their aging neighborhoods remain safe, functional, and financially stable for years to come.