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Built to Last: Strategies for Extending the Economic Life of Community Associations

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Acknowledgement

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The Foundation for Community Association Research extends its sincere gratitude to the members of the Think Tank for their leadership, expertise, and commitment to advancing this project. Their thoughtful collaboration and dedication made it possible to develop this guidance on extending the economic life of community associations.

To learn more about the Think Tank and its ongoing work to support research that benefits community associations, please visit:
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Printed in the United States of America



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Executive Summary

Community associations around the world are confronting the long-term implications of aging buildings, infrastructure, and governance systems. This report examines strategic approaches for understanding, evaluating, and managing the life cycle of community associations as they progress through different stages of maturity.

By identifying typical lifecycle phases and examining key building performance indicators, governance practices, and financial considerations, the report equips board members and professional managers with a structured framework for assessing risk, prioritizing investments, setting up preventive maintenance programs, and planning for long-term sustainability. Practical guidance is reinforced through real-world case studies.

For policymakers and industry professionals, the report offers insight into the structural, maintenance, financial, and governance challenges facing aging communities. These findings are intended to inform policy discussions, regulatory approaches, professional standards, and resource allocation related to the preservation and long-term viability of community association housing.

DEFINITIONS

Lifecycle Phase of a Community Association: A community association's stage of physical, financial, and organizational maturity from initial development and turnover through mid-life maintenance and capital replacement to aging and potential redevelopment or deconversion. Each phase presents distinct challenges and priorities related to governance, infrastructure, reserve funding, and long-term economic sustainability.

Economic Life of a Community Association: The period during which its buildings, infrastructure, and operations remain financially sustainable and functionally viable—before the cost of maintaining, repairing, or replacing major components exceeds the property's economic value or residents' capacity to fund them.





Introduction

Community associations play a critical role in housing stability, resident well-being, and the preservation of property values. Yet as buildings and shared infrastructure age, many associations encounter compounding financial, operational, maintenance, regulatory, and legal pressures that if left unaddressed can threaten both physical safety and economic viability.

Managing aging community assets is not the responsibility of any single stakeholder. Boards, community managers, professional advisors, and policymakers each influence outcomes through decisions related to maintenance, funding, governance, regulation, and risk management. These decisions often involve complex tradeoffs that vary across a community's lifecycle and are shaped by local conditions, building structure, market forces, and regulatory environments.

This report provides a shared framework for understanding those challenges and navigating them over time. It examines how risks and responsibilities evolve as communities mature, highlights common inflection points that signal increasing vulnerability, and explores strategies to prevent premature obsolescence while enhancing quality of life, livability, and resilience. The goal is to help stakeholders anticipate challenges earlier, evaluate options more clearly, and make strategic decisions that support the long-term economic and physical sustainability of community associations.



Lifecycle Framework of Community Associations

Every community association progresses through identifiable phases that reflect its physical condition, financial maturity, and governance capacity. Understanding these lifecycle phases helps boards and managers anticipate challenges, plan for long-term sustainability, and make informed decisions about maintenance, funding, and renewal.

The Four Lifecycle Phases

For each lifecycle stage, this report offers guidance on:

- **Capital planning and budgeting**
- **Maintenance protocols**
- **Professional assessments** (e.g., reserve studies; structural and facade reviews; MEP [mechanical, electrical, plumbing], and FP [fire protection] system inspections)
- **Community engagement strategies** (communication and education efforts that help homeowners understand building conditions, financial planning, and major capital decisions so they can participate meaningfully in association governance)

1. Pre-Transition and Turnover (-1 to 0 Years)

Communities in development or newly transitioned from developer control must focus on warranty issues, completing turnover requirements, and initiating key operational policies such as preventive maintenance and reserve planning.

- **Capital planning and budgeting.** When budgeting for new communities, developers rely on the design drawings before communities have been built. After construction, the newly formed board must assess whether all budgetary guides such as the preliminary reserve study prepared by the developer are adequate,

and initial contributions have been made to the reserve fund. A transition audit and a full reserve study should be conducted to determine capital repair and replacement timelines and financial projections based on the as-built construction.

- **Maintenance protocols.** Boards should create, adopt, and fund a preventive maintenance program immediately upon turnover to establish a clear baseline understanding of building systems and responsibilities. A formal maintenance manual should be developed to guide ongoing operations. All documentation from the developer, including warranties, service contracts, commissioning reports, as-built drawings, and O&M (operations and maintenance) manuals, should be collected, reviewed, digitized, and securely stored. Maintenance training materials should also be preserved to support continuity as management and volunteer leadership change often over time.
- **Professional assessments.** Commission an independent engineering transition report to identify potential construction defects and system deficiencies. An independent, board-commissioned reserve study also should be conducted at the completion of construction to validate assumptions and establish a reliable baseline for future funding decisions.
- **Community engagement strategies.** Build community trust through early transparency. Use welcome events, advisory committees, and education on governance to foster engagement and a shared sense of responsibility.

DEFINITIONS

Functional obsolescence in a community association occurs when the design, layout, amenities, or building systems no longer meet current resident expectations, code requirements, or market standards, even if the property remains structurally sound. Examples include outdated common areas, inefficient mechanical systems, limited accessibility, or amenities that no longer align with modern lifestyles. Over time, functional obsolescence can reduce property values and make the community less competitive or desirable.

2. New Communities (0–10 Years)

Early-stage associations benefit from preventive maintenance programs, governance education, and foundational financial practices like creating and adequately funding reserve studies and designing and implementing preventive maintenance programming. This stage represents a time for standardization, planning, and creating a culture of proactive maintenance and management.

- **Capital planning and budgeting.** Ensure the initial reserve study is updated regularly (best practice is every three years) and used to guide capital planning. Evaluate assessment structure to ensure financial sustainability and proper funding for future replacements. If you elect to not adequately fund reserves, develop an alternate funding strategy (bank loans, special assessments, etc.). Ensure the membership is aware of the strategy and the financial implications.
- **Maintenance protocols.** Communities often underestimate maintenance needs in early years and rely too heavily on warranties. Boards should implement structured inspection routines and establish preventive maintenance schedules immediately, track warranty claims diligently, and document repairs. Early identification of minor defects, particularly in roofs, plumbing, building envelope components, and mechanical systems, can prevent costly failures later. All common area elements should be inspected “at least” once per year.
- **Professional assessments.** Engage engineers and reserve study professionals to confirm building systems are functioning as expected and still under warranty where applicable.
- **Community engagement strategies.** Encourage board and committee participation. Offer basic governance training for volunteers. Establish transparent budgeting and reserve planning processes.



3. Mid-Life Communities (11–30 Years)

While the most critical planning occurs in a community's early years, the mid-life stage (11–30 years) is when the results of those decisions become most apparent. Deferred maintenance, underfunded reserves, or outdated systems often surface during this period, making it essential for boards to reassess priorities and plan proactively for renewal. As systems begin to age, communities must plan for capital repairs and replacements, confirm adequate reserve funding, and begin addressing deferred maintenance risks.

- **Capital planning and budgeting.** Review and revise reserve studies regularly (best practice is every three years). Ensure longer-life components (e.g., plumbing, electrical systems, and windows) are accounted for in your plan. Forecast capital projects and create a long-term funding strategy.
- **Maintenance protocols.** Preventive maintenance becomes critical during this stage as wear accelerates and major components begin approaching the end of their expected service lives. Track systems nearing end-of-life and prepare for phased replacements. Compare actual repair and maintenance costs against reserve study assumptions to identify emerging funding gaps and adjust projections proactively. Update maintenance records, as-built documentation, and O&M (operations and maintenance) manuals to reflect modifications and system upgrades. Where appropriate, consider modernization efforts that improve durability, reduce lifecycle costs, or enhance energy efficiency.
- **Professional assessments.** Commission detailed building inspections and specialty reports (e.g., plumbing assessments, facade inspections). Evaluate the adequacy of insurance coverage.
- **Community engagement strategies.** Provide regular updates to residents on upcoming projects and funding needs. Host town halls, surveys, and workshops to build buy-in and support.

4. Aging/At-Risk Communities (30+ Years)

These communities may face declining property values, costly structural and facade repairs, or **functional obsolescence**. Strategic decisions could include reinvestment, major renovation, or deconversion. Older communities often face structural, financial, and market viability challenges due to a lack of planning. Decision-making must be strategic and supported by expert analysis.

- **Capital planning and budgeting.** Conduct a full **capital needs assessment** including a comprehensive evaluation of near- and long-term repair, replacement, and modernization needs that may extend beyond the scope of a traditional reserve study and determine whether existing reserves or special assessments will cover upcoming repairs. Explore financing options or redevelopment scenarios.
- **Maintenance protocols.** Address deferred maintenance urgently, recognizing that repair decisions at this stage carry significant financial and market consequences. Evaluate whether continued repairs are cost effective or whether system overhauls, modernization, or redevelopment provide better long-term value. Consider the impact of rising insurance premiums, regulatory compliance requirements, and lending restrictions when assessing options. Maintenance decisions should align with comprehensive assessments that integrate structural condition, financial capacity, and long-term strategic planning.
- **Professional assessments.** Require full building evaluations by licensed engineers, appraisers, and reserve specialists. Assess economic viability through land versus improvement value and cost-benefit analysis of rehabilitation versus redevelopment.
- **Community engagement strategies.** Communicate clearly and frequently with residents about challenges and potential solutions including deconversion or redevelopment. Engage legal counsel and hold structured, inclusive community forums to ensure informed consent and decision-making.

DEFINITIONS

Capital Needs Assessment vs. Reserve Study

Reserve Study: A reserve study is an independent, professionally prepared analysis that identifies and evaluates major common-area assets, estimates their remaining useful life and future replacement costs, and provides a funding plan to help the association meet its long-term capital obligations in a fiscally responsible manner.

Capital Needs Assessment: A broader evaluation of a community's physical assets and future obligations that may include deferred maintenance, modernization needs, code compliance, and redevelopment considerations in addition to reserve-eligible components.



IV. Key Factors That Impact Economic Life and Obsolescence

Understanding the factors that influence a community association's long-term viability is essential for effective planning and decision-making. The 10 categories outlined below represent key drivers of a community's economic life and potential obsolescence.



1. Building structure and systems



2. Maintenance and preservation



3. Reserve funding and financial planning



4. Governance and management



5. Insurability and market risk



6. Legal and regulatory compliance



7. Sustainability and modernization



8. Disaster preparedness and risk mitigation



9. Economic viability and obsolescence



10. Land use and property utilization

1. Building Structure and Systems

The condition and performance of a community association's building structure and systems are central to its long-term economic life. Structural and nonstructural components influence not only safety and habitability, but also operating costs, reserve adequacy, insurance availability, lending eligibility, and market perception. While individual building designs and materials vary widely, the principles of effective oversight, timely maintenance, and informed capital planning apply across all community associations.

Boards are not expected to diagnose technical failures. Rather, their responsibility is to ensure *that building components are appropriately evaluated, risks are understood, and professional expertise informs planning and funding decisions.* When structural and systems issues are overlooked or deferred, deterioration tends to accelerate, costs rise nonlinearly, and options for remediation narrow over time.

Structural Components and Building Envelope

The primary structure of a building is generally considered permanent, assuming ongoing maintenance of the building envelope and associated moisture and drainage systems. However, the building envelope, which includes roofing, cladding, windows and exterior openings, waterproofing assemblies, and joint systems, has finite service lives and is highly sensitive to environmental exposure, installation quality, and maintenance practices.

Failure of envelope components is among the most common and costly sources of building deterioration. Small deficiencies, particularly those related to water intrusion, often go unnoticed for extended periods and can result in widespread damage before symptoms become visible inside the building.

Key governance considerations for boards include:

- Establishing a routine annual inspection program for building envelope systems, aligned with the building's age, construction type, and environmental exposure.
- Recognizing that envelope components typically require significant renewal or upgrading on a 20–30-year cycle.
- Understanding that improper installation, blocked drainage paths, or neglected sealants can lead to structural degradation and unplanned capital expenditures.

While the technical evaluation of envelope systems should be performed by qualified professionals, boards should understand that water management failures are cumulative in nature. Each event compounds prior damage, and delayed intervention often transforms manageable repairs into major reconstruction projects.

Roof Systems and Waterproofing

Roof systems are among the most critical and expensive building components to maintain and replace. Roof membranes, insulation assemblies, drainage components, and penetrations vary widely by building type and design. Improper repairs, lack of annual maintenance, inadequate surface preparation, or deviations from manufacturer specifications are common causes of premature failure.



SUMMARY

Building Structure & Systems

The condition of a community association's building structure and core systems plays a decisive role in its long-term economic viability. This section emphasizes board-level oversight to ensure regular inspections, appropriate professional expertise, and proactive planning so that deferred maintenance does not compound risk, increase costs, or limit insurance, lending, and future investment options.

Boards should ensure that:

- Roof inspections are performed annually and after major weather events.
- Repairs are overseen with sufficient rigor to confirm adherence to design and manufacturer requirements.
- Exposed or vulnerable concrete and roof-adjacent elements are evaluated for waterproofing needs to prevent hidden water infiltration.

Roof failures frequently trigger secondary impacts including insurance claims, interior damage, and accelerated deterioration of adjacent systems that make proactive oversight essential to economic longevity.

Plumbing Systems

Plumbing infrastructure is often hidden from view but plays a critical role in building performance and risk exposure. Service life varies significantly based on pipe materials, water quality, and maintenance practices. Older materials and aggressive water chemistry can accelerate deterioration, while deferred inspection increases the likelihood of undetected leaks and costly failures.

Boards should ensure that plumbing systems are evaluated with attention to:

- Material type and remaining useful life.
- Maintenance of domestic water risers, sanitary piping, and vent systems.
- Preventive practices such as flushing, jetting, and water treatment where appropriate.

Plumbing failures frequently result in cascading damage across units and common areas, creating both direct repair costs and indirect impacts on insurance premiums and claims history.

Electrical Systems

Electrical infrastructure supports both safety and evolving building demands. Core distribution equipment typically enjoy long service lives, but requires periodic inspection, maintenance, and modernization to remain reliable and insurable.

Key oversight considerations include:

- Regular inspection and testing of main electrical equipment.
- Planning for replacement of obsolete or high-risk components.
- Anticipating service upgrades driven by renovations, added amenities, or new technologies such as electric vehicle charging and solar panel installations.

Emergency power systems, lighting controls, and life-safety requirements are increasingly influenced by code changes, insurance standards, and climate-related resilience planning. All of these items should be incorporated into long-term capital forecasting.

Mechanical Systems

Mechanical systems such as heating, cooling, ventilation, and vertical transportation systems (elevators) represent some of the most complex and capital-intensive building assets. Their performance and service life depend heavily on maintenance quality, operating practices, and environmental conditions.

Boards should ensure that mechanical systems:

- Are maintained in accordance with manufacturer and professional guidance.
- Receive regular inspection and performance monitoring.
- Are evaluated for efficiency improvements and regulatory compliance as standards evolve.

In particular, elevator systems require long-term planning as major modernization or replacement is typically necessary every 20–25 years and can significantly affect building operations, accessibility, and resident satisfaction.

Inspections, Preventive Maintenance, and Professional Expertise

Routine inspections and preventive maintenance are the most cost-effective tools available to extend building life and reduce long-term risk. Inspections should be matched to the appropriate level of expertise: reserve specialists provide financial planning models while licensed design professionals evaluate the condition and performance of engineered systems.

Boards also should recognize the value of early detection. Unit owners are often the first to observe warning signs such as leaks, odors, unusual sounds, or performance changes. Associations benefit from clear reporting channels and a culture of resident education and vigilance. In nearly all cases, earlier intervention reduces cost and disruption.



Bottom Line

Boards have a fiduciary obligation to manage building assets in a manner that balances predictable investment against avoidable escalation. Reactive maintenance programs tend to produce higher long-term costs, greater disruption, and diminished return on investment. In contrast, proactive oversight preserves options and allows communities to allocate resources toward upgrades, amenities, and long-term value creation rather than crisis response.

2. Maintenance and Preservation

As buildings age, disciplined maintenance becomes one of the most important determinants of a community association's long-term economic viability. Maintenance decisions directly affect operating costs, reserve adequacy, insurance availability, resident safety, and property values. When upkeep is deferred, deterioration accelerates, risks compound, and associations often face costly special assessments, insurance coverage challenges, and avoidable disruption.

This section focuses on maintenance as a governance and planning responsibility rather than a technical exercise. Effective maintenance is not simply about fixing what breaks. It is about anticipating deterioration, managing risk over time, and aligning physical care with long-term financial strategy.

Types of Maintenance

Maintenance activities generally fall into three categories:

- 1 **Corrective (reactive) maintenance.** Repairs performed after a component fails or a problem becomes apparent. While unavoidable at times, overreliance on corrective maintenance is more expensive and disruptive than preventive maintenance.
- 1 **Preventive maintenance.** Planned inspections and routine tasks performed to reduce deterioration, extend useful life, and minimize failures. Preventive maintenance is the most cost-effective long-term approach.
- 1 **Deferred maintenance.** Needed maintenance that is postponed. Deferred maintenance accelerates deterioration, increases safety and liability risks, and often results in higher total costs over time.

Expanded definitions, implementation guidance, and examples are available in the Foundation's *Best Practices Report: Maintenance*.

"The greater issue with deferred maintenance is that it only grows in scope—and cost—the longer it is deferred, resulting in 30 to 100 times the cost to apply repairs versus keeping up with routine preventive maintenance."

—Guidelines for Life Cycle Cost Analysis, Stanford University

Repair Versus Replacement Decisions

Maintenance decisions should be guided by life-cycle cost analysis rather than short-term savings. Boards should evaluate whether ongoing repairs remain cost-effective compared to full replacement and consider not only direct costs but also disruption, safety implications, and impacts on insurability and financing. Continued patching of aging systems often signals increasing vulnerability rather than fiscal prudence.



SUMMARY

Maintenance & Preservation

Disciplined maintenance is one of the most powerful tools boards have to protect long-term value. By prioritizing preventive care, aligning maintenance strategies with a community's lifecycle, and addressing problems early, associations can reduce risk, stabilize budgets, and avoid the escalating costs and disruptions caused by deferred maintenance.

Planning for Regulatory and Code Compliance

Building codes, safety standards, and energy regulations evolve over time. Associations should monitor regulatory changes, particularly those related to structural integrity, fire safety, accessibility, and energy efficiency, and anticipate how compliance requirements may affect maintenance priorities and capital planning. Periodic consultation with qualified professionals can help boards incorporate future compliance costs into long-term budgets.

Core Maintenance Framework

A well-structured maintenance program supports consistent execution and accountability. Key elements include:

- 1 A written maintenance plan or manual that inventories common components and establishes inspection and maintenance schedules.
- 1 Clear roles and responsibilities for inspections, reporting, and corrective action.
- 1 Integration of maintenance planning with operating budgets and reserve funding.

Without adequate funding, even the best maintenance plans cannot be implemented. Annual budgets and reserve contributions should reflect the natural aging of building systems and be adjusted proactively to avoid reliance on special assessments.

The Three Laws of Maintenance

Three core principles consistently emerge in successful community associations:

Law #1: Every Community Must Have a Maintenance Plan

Without documented inspection schedules and maintenance protocols, issues go unnoticed until they become emergencies. A maintenance plan demonstrates proactive governance and supports defensible reserve planning.

Law #2: Fix Problems Early

Delays compound cost and risk. Inflation, accelerated deterioration, and system interdependencies ensure that waiting almost always increases total expense and disruption.

Law #3: Preventive Maintenance Saves Money

Consistent preventive maintenance reduces emergency repairs, extends asset life, stabilizes budgeting, and supports higher property values. Communities that invest early preserve flexibility and avoid crisis-driven decision-making.

Bottom Line

Building deterioration is not solely a function of age—it reflects management choices made over time. Associations that commit to disciplined maintenance, informed planning, and proactive investment are better positioned to protect property values, ensure resident safety, improve quality of life, and sustain long-term economic viability. The choice is not whether to spend money, but whether to spend it predictably and strategically or reactively and at greater cost.

1

“Every common area component must be inspected at least once per year.”

2

“The proper use of corrective maintenance is to make repairs quickly.”

3

“For every dollar spent on preventive maintenance, the community association saves three dollars.”





3. Reserve Funding and Financial Planning

Reserve funding and long-term financial planning are fundamental to sustaining the economic life of a community association. Under CAI's *Reserve Study Standards*, the reserve study is no longer treated as an isolated snapshot in time, but as part of an integrated asset-management framework. By expanding physical analysis, strengthening financial modeling, broadening component inventories, and prioritizing transparency, the standards promote reserve planning that evolves alongside ongoing maintenance, inspections, and observed building performance.

Expanding the Component Inventory

A major advancement in the most recent standards is the requirement to consider unseen and long-life components that include concealed waterproofing systems and other assemblies that cannot be visually inspected without disruption. At a minimum, these components must be disclosed so the community is aware of their existence.

During each update, these components should be evaluated and discussed to assess their condition and determine when they should be incorporated into the funding plan. Once a component's remaining useful life falls within the funding plan horizon (a minimum of 30 years), funding should begin. By expanding the component inventory, the standards encourage earlier financial planning for systems that directly affect the community's economic life.

Integrating Maintenance and Engineering Feedback

Accurate reserve planning now depends on a strong feedback loop between the reserve study and the association's maintenance, structural, and facade evaluation programs. Preventive maintenance directly influences remaining useful life. Routine engineering and facade assessments identify early signs of distress that may alter replacement timing or scope. Incorporating this information ensures that the financial plan reflects actual conditions rather than generic estimates. This alignment allows the association to address issues before they escalate, enabling components to reach their intended service life and reducing unplanned capital costs.



SUMMARY

Reserve Funding & Financial Planning

Communities that maintain an up-to-date reserve study and fund it adequately are far more resilient and less likely to rely on large special assessments or unplanned borrowing. When reserves are underfunded, boards may be forced to impose special assessments or secure financing under less favorable conditions, which can reduce marketability and erode trust. By contrast, thoughtfully structured financing, when used as part of a long-term capital strategy, can provide flexibility and allow communities to phase costs over time. Reserve adequacy and funding remain key indicators of long-term financial health.

Modernization and Code-Driven Upgrades

Reserve planning also must anticipate the broader forces that shape a community's long-term viability. Many aging buildings require modernization related to energy efficiency, accessibility, electrical capacity, fire protection, and evolving code requirements.

These upgrades extend beyond simple replacement and play an increasingly important role in preserving the relevance, safety, and marketability of the community. Incorporating modernization expectations into reserve planning helps prevent functional obsolescence and strengthens long-term economic stability.

Technology and Data-Driven Planning

New technologies enhance both the physical and financial aspects of reserve planning. Communities are increasingly using workable spreadsheets or cloud-based programs to keep reserve planning current. Cloud-based programs provide access to reserve documents, dashboards, and budgeting integrations to keep long-term planning at the forefront.



Reserve providers are employing mobile inspection tools, drone imaging, and AI-supported analysis to generate more accurate and comprehensive evaluations. These advancements improve the quality of condition assessments, support clearer communication, and contribute to more reliable financial planning.

An Integrated Financial Strategy

Taken together, these practices create a single, coordinated system to support the community's economic life. Adequate funding, informed by maintenance data, structural and facade evaluations, modernization requirements, and improved assessment tools, allows major components to be repaired or replaced at the right time before deterioration accelerates, risks compound, and costs escalate. This integrated approach reduces financial shocks, strengthens lending and insurance eligibility, and preserves long-term property values.

In this framework, the reserve study is not the best practice by itself. Rather, best practice is the integration of reserve funding and financial planning with the systems that shape building performance and long-term sustainability. When aligned, these elements provide a comprehensive strategy that supports the enduring economic health of the community.

Bottom Line

Funding the reserve account adequately allows owners to repair or replace components *when needed* rather than deferring work due to lack of funds. Timely interventions slow physical deterioration, extend the remaining useful life of major systems (roofs, facades, mechanicals, waterproofing) and prevent minor issues from escalating into major failures. Without reserves, owners are often forced into emergency repairs at premium costs, short-term fixes instead of durable solutions, and reactive decision-making that increases lifecycle costs.

4. Governance and Management

Governance and management extend the economic life of a community not through good intentions alone, but through timely, informed decisions about reinvestment, funding, and risk—decisions that may sometimes be unpopular but are essential to long-term stability.

Communities that combine informed volunteer leadership with experienced professional management are better positioned to anticipate risk, fund capital needs, maintain building systems, and adapt to changing market conditions.

This section outlines governance and operational practices that support long-term economic viability, including market awareness, board education, strategic planning, management capacity, communication practices, technology, and institutional continuity.

Market Awareness and Economic Context

Effective governance requires awareness of the broader real estate and economic environment in which a community operates. Boards and management should periodically assess how external market conditions may influence property values, capital planning decisions, and the long-term positioning of the association.

Key indicators include:

- The current phase of the regional and local real estate cycle.
- Development trends in the surrounding area, including growth, decline, or reinvestment.
- Comparable properties with similar size, amenities, age, and unit mix.
- Demographic trends such as population shifts and resident age profiles.
- Unit-level market performance relative to nearby communities.

Understanding these factors helps boards evaluate long-term investment decisions and determine whether the community remains competitive within its market.

Board Education and Decision-Making Capacity

Board education is a critical component of effective governance. Volunteer directors serve as fiduciaries responsible for complex decisions involving finances, infrastructure, maintenance, legal compliance, and resident safety—often without prior professional experience in these areas.

Boards that pursue ongoing education are better equipped to evaluate professional recommendations, understand long-term risks, and make informed decisions that affect the community's future. Best practice encourages continuing education covering governance responsibilities, financial oversight, reserve planning, and strategic decision-making, with periodic updates as laws, technologies, and industry standards evolve. Education also reinforces expectations for board conduct, confidentiality, and collective decision-making.



SUMMARY

Governance & Management

A well-functioning board of directors and experienced professional management are central to protecting a community's long-term economic viability. Effective governance supports informed decision-making, financial oversight, policy enforcement, and transparent communication. Boards that prioritize education, strategic planning, preventive maintenance, and proactive capital funding reduce the risk of deferred maintenance and financial instability.

In addition to governance fundamentals, informed boards develop a working understanding of their community's physical systems and infrastructure. Engagement with engineers and building professionals helps directors understand system lifecycles, typical failure modes, and the consequences of deferred maintenance or inadequate capital planning. Together, board education, professional management, and expert guidance strengthen decision-making discipline and help communities address lifecycle challenges before they become crises.

Community association boards often face pressure from homeowners to keep assessments as low as possible. While understandable, consistently prioritizing short-term affordability over long-term maintenance and capital planning can create significant financial and structural risks. One of the most common governance challenges in community associations is the tendency to defer necessary repairs, postpone reserve contributions, or delay difficult funding decisions in order to avoid assessment increases.

Keeping assessments artificially low does not reduce costs—it merely postpones them, and often makes them significantly larger later. When maintenance and capital funding decisions are delayed, deterioration accelerates, repair costs increase substantially, insurance availability may become more limited or expensive, lending eligibility can be affected, and safety risks may grow.

Recent high-profile building failures have underscored the risks associated with deferred maintenance and inadequate reserve funding. In many cases, boards faced difficult decisions about approving major repairs or increasing assessments. Delaying these decisions allowed building conditions to worsen and ultimately resulted in significantly larger repair costs and financial strain for owners.

Unlike many sectors responsible for managing multi-million-dollar physical assets, community association boards are typically composed of volunteer homeowners who may have limited experience with building systems, capital planning, or long-term financial management. Without adequate education and professional guidance, boards may underestimate the consequences of deferred maintenance or insufficient reserve funding. For this reason, professional management, engineering expertise, reserve studies, and board education programs play a critical role in helping volunteer leaders understand lifecycle risks and make decisions that protect the long-term safety and financial stability of the community.

Long-Term Viability and Strategic Planning

Long-term viability requires disciplined planning. Strategic planning should be treated as an ongoing governance responsibility rather than a one-time exercise. Recommended practices include:

- Reviewing long-range goals and priorities annually.
- Updating formal strategic plans every three to five years.
- Conducting periodic property reviews incorporating engineering assessments and reserve studies.
- Holding joint planning sessions between the board and management to evaluate progress and adjust course.
- Establishing structured transitions when new board members are elected.

Strategic planning helps ensure governance decisions remain aligned with evolving physical, financial, and market realities.



Succession Planning

Leadership turnover is inevitable in volunteer governance. Without structured onboarding and knowledge transfer, associations risk losing institutional knowledge that is essential for informed decision-making.

Best practice encourages a documented onboarding process that provides new directors with access to governing documents, financial reports, reserve studies, maintenance plans, and historical context for major decisions. Orientation sessions involving professional management and outgoing directors help preserve continuity and reduce disruption during leadership transitions.

Committees and task forces can also help cultivate future leaders. By involving owners in areas such as finance, maintenance, capital planning, or communications, communities create opportunities for education and leadership development while building a pipeline of informed volunteers.

Communication, Transparency, and Meeting Practices

Transparent communication builds trust and supports informed decision-making. Communities function more effectively when owners have timely access to information about operations, finances, and capital planning. Best practices include:

- Holding board meetings regularly.
- Posting board actions and meeting summaries promptly.
- Providing periodic written communications to owners about association activities.
- Issuing targeted updates during major projects or special initiatives.
- Maintaining management platforms that provide access to financial reports, governing documents, and communication tools.

An informed ownership base is more likely to support necessary investments and long-term planning decisions.

Professional and Credentialed Management Capacity

The effectiveness of a community association is closely tied to the quality and continuity of its professional management. Experienced managers translate board policy into operational execution, maintain institutional knowledge, and coordinate the technical, financial, and governance functions required to sustain long-term viability.

Indicators of strong management capacity include:

- Credentialed managers with demonstrated industry experience.
- Engagement with industry organizations to remain current on emerging standards and risks.
- Robust recordkeeping systems that preserve drawings, warranties, maintenance logs, and capital project documentation.
- Established relationships with engineers, reserve specialists, legal counsel, and financial professionals.

Professional credentials such as CMCA®, AMS®, and PCAM®, along with firm-level credentials like the Accredited Association Management Company (AAMC®) accreditation, signal a commitment to professional standards, ethical practices, and operational discipline.

Over time, experienced professional management helps integrate maintenance planning, reserve funding, financial oversight, and regulatory compliance into a coordinated operational framework.

Technology, Records, and Institutional Continuity

Modern management technology improves transparency, accountability, and continuity. Digital systems allow boards and managers to track operations, maintain records, and preserve institutional knowledge. Common tools include:

- Work-order systems that track maintenance tasks and vendor performance.
- Reserve and asset-management software that models capital planning scenarios.
- Association management platforms that support financial reporting, document retention, compliance tracking, and board communication.

These systems help boards fulfill fiduciary responsibilities with greater consistency, even as leadership or management personnel change.

A community association's long-term viability also depends on the quality and accessibility of its institutional records. Historical documentation provides essential context for decision-making, risk management, and long-term capital planning.

Associations benefit from adopting a formal record retention policy aligned with legal requirements and industry standards. Best practice encourages maintaining a centralized repository containing governing documents, reserve studies, engineering reports, warranties, drawings, maintenance manuals, service histories, capital project documentation, and insurance records.

Maintaining this historical record allows boards and managers to track system performance, understand prior decisions, and determine whether recommendations from engineers, reserve specialists, or other professionals were implemented or deferred.



Bottom Line

Governance and management do not preserve buildings on their own, but they determine whether a community acts early or reacts late. Communities with educated boards, experienced management, strong institutional records, and the willingness to make difficult but necessary financial decisions are far better positioned to protect long-term value and safety.

5. Insurability and Market Risk

Across the country, community associations are facing a growing challenge involving aging buildings and infrastructure. Roofs, plumbing, electrical systems, and structural components are reaching or exceeding their expected lifespans often without sufficient reserves to fund necessary repairs. These conditions affect property values and resident safety. They also have a direct impact on insurance coverage, pricing, and availability.

Since the tragic Surfside condominium collapse in Florida, the insurance industry has tightened its underwriting standards. Property carriers are now more cautious than ever, demanding greater transparency regarding building conditions and maintenance practices.

The New Reality for Property Coverage

Carriers are increasingly reluctant to insure properties that show signs of deferred maintenance or outdated building systems. Many insurers will only write coverage for buildings below a certain age or limit replacement-cost coverage for older structures.

Roofs have become a focal point in underwriting reviews, with insurers closely evaluating roof age, condition, and materials. Even when a roof appears intact, its age alone may trigger underwriting concerns, higher deductibles, or coverage limitations. As a result, insurers increasingly require documentation of regular inspections and preventive roof maintenance as a condition of coverage.

Reinsurers are also influencing these trends by imposing stricter underwriting standards on primary insurers. These requirements filter down to community associations in the form of tighter eligibility criteria, mandatory inspections, and more limited coverage options.

Regional Variations and Reserve Study Requirements

The underwriting environment varies widely from state to state often depending on local laws and building codes.

- In some states, reserve studies are not legally required even though many associations voluntarily conduct them every few years to guide financial planning.
- In others, reserve or engineering reports are required under specific conditions, such as building height or property value thresholds.
- In states like Florida, where statutory reserve and structural integrity requirements have increased, insurers are placing more emphasis on compliance verification.

Where such requirements do not exist, underwriters typically rely on documentation of system updates including roofing, plumbing, electrical, and HVAC (heating, ventilation, and air conditioning). Insurers often expect evidence of replacement or upgrades every 10 to 20 years depending on the building's age and original construction materials.



SUMMARY

Insurability & Market Risk

Aging infrastructure directly affects a community association's insurability, financial stability, and market competitiveness. Insurance carriers now evaluate building condition, reserve funding, maintenance discipline, and governance practices when determining coverage availability and pricing. Associations that proactively maintain buildings, common areas, and systems, fund reserves, and document repairs are better positioned to secure coverage and protect property values. Communities that neglect these responsibilities may face restricted coverage options, rising premiums, and reduced market appeal.

How Underwriters Evaluate Risk

Today's property underwriters are taking a much more holistic approach to assessing community associations. Instead of focusing solely on claims history, they are looking closely at how a community manages and maintains its assets.

Common underwriting considerations include:

- **Building age and condition.** The older the structure, the greater the expectation for recent system updates or maintenance.
- **Maintenance and inspection records.** Associations that can demonstrate proactive preventive maintenance tend to receive more favorable treatment.
- **Reserve funding.** Underwriters often review financial statements to determine whether the association is adequately funding reserves and prioritizing repairs.
- **Loss control responsiveness.** Insurers want to see that past recommendations or inspection findings have been addressed.
- **Governance and communication.** Communities with transparent leadership and documented maintenance plans are viewed as better long-term risks.

Underwriters also are increasingly leveraging technology from virtual inspections to AI-based risk scoring to evaluate properties more efficiently. However, human judgment remains key, especially when assessing the nuances of construction quality, deferred maintenance, and local environmental conditions.

Liability and Umbrella Considerations

Aging infrastructure also impacts liability and umbrella coverage. Common area hazards such as cracked walkways, malfunctioning elevators, and deteriorating pool facilities can create significant exposure.

In states that require engineering or structural integrity reports, insurers are primarily concerned with compliance confirmation rather than interpreting the reports themselves. In other states, where such regulations are absent, insurers focus on whether key systems have been proactively updated and whether the association is following a consistent maintenance plan.

What Boards and Managers Can Do

While community associations cannot control the age of their buildings, they can take deliberate steps to improve insurability and maintain access to competitive coverage:

- 1. Schedule regular reserve studies and building assessments.** Even when not required by law, these evaluations provide a roadmap for maintenance and demonstrate proactive risk management.
- 2. Maintain a comprehensive maintenance plan.** Conduct regular inspections of all common areas and implement a maintenance program that addresses all building systems, not just those currently targeted by insurance carriers.
- 3. Document system upgrades and maintenance.** Maintain detailed records of roofing, electrical, plumbing, and mechanical work. Thorough documentation can significantly strengthen underwriting reviews.
- 4. Prioritize safety and loss prevention.** Promptly address inspection findings, structural concerns, and deferred maintenance issues.
- 5. Maintain healthy reserve funding.** Well-funded reserves are often viewed by underwriters as a sign of responsible governance and long-term financial stability.
- 6. Communicate openly with insurance partners.** Transparency about maintenance programs and planned improvements helps build trust and can support more favorable underwriting outcomes.



The Bottom Line

Aging infrastructure is no longer just a maintenance issue. It's a key factor in how insurers evaluate and price community association risks. As carriers become more selective, communities that invest in maintenance, documentation, and sound financial practices will be best positioned to secure coverage.

By treating infrastructure maintenance and inspections as a shared responsibility and a long-term investment, boards and community managers can better protect both the physical assets and the financial health and insurability of their communities.

6. Legal and Regulatory Compliance

The Expanding Regulatory Landscape

Legal and regulatory requirements affect nearly every aspect of community operations, including governance authority, maintenance responsibilities, inspection mandates, financial disclosures, lending eligibility, and insurance availability. These requirements evolve over time in response to aging infrastructure, safety concerns, market conditions, and public policy.

Staying current requires continuous attention to legal and regulatory developments rather than reliance on past practices or outdated interpretations. Failure to recognize changing requirements can result in compressed timelines, unplanned capital expenditures, and reduced decision-making flexibility.

Legal obligations are carried out through a community's governance and operational structures. Boards of directors are responsible for ensuring compliance with applicable laws, regulations, and governing documents. Professional managers support this work by coordinating inspections, tracking regulatory changes, maintaining records, and elevating emerging issues. When these roles function effectively, regulatory obligations can be identified early and incorporated into maintenance planning, reserve funding, and long-term financial decisions.

Coordinated Professional Expertise

Long-term compliance depends on coordination across multiple professional disciplines.

- Engineers provide guidance on structural integrity, facade performance, life-safety systems, and inspection requirements that shape capital planning.
- Legal counsel interprets statutory requirements, advises on governance authority, and ensures that policies and enforcement practices remain legally defensible.
- Reserve specialists and accountants translate inspection findings and regulatory obligations into long-term financial plans that support funding stability and transparency.
- Insurance professionals, lenders, and underwriters assess risk exposure and establish standards that affect insurability, financing, and marketability.

Integrating these perspectives into decision-making strengthens risk awareness and supports more informed, forward-looking planning.

Compliance and Aging Infrastructure

As buildings age, legal and regulatory requirements increasingly intersect with physical assets. Structural inspections, facade safety programs, fire protection requirements, accessibility standards, and environmental regulations can significantly influence the timing, scope, and cost of capital projects.

Anticipating these requirements and incorporating them into maintenance programs and reserve planning helps manage project sequencing and control costs. Delayed action often leads to enforcement-driven repairs, accelerated deterioration, and higher lifecycle expenses.



SUMMARY

Legal & Regulatory Compliance

Legal and regulatory compliance is a core driver of stability and risk management in community associations. While physical deterioration is inevitable, long-term economic viability depends on how effectively communities keep pace with evolving requirements. Proactive compliance supports cost control, reduces risk, and preserves value. Reactive approaches can lead to enforcement actions, litigation, and unplanned financial burdens that accelerate decline.

Financial Planning and Regulatory Alignment

Regulatory requirements are not just operational. They are also financial. Many compliance obligations trigger significant capital expenditures that must be planned and funded over time.

Integrating compliance into reserve studies and long-range financial planning supports long-term stability. Without this alignment, associations often turn to special assessments or borrowing, which can erode affordability, owner confidence, and long-term value.

Communication and Transparency

Compliance efforts often require homeowner cooperation, whether through funding decisions, access for inspections, or acceptance of construction-related disruption. Clear and consistent communication builds trust and improves decision-making. When boards and managers explain legal requirements, risks, and long-term benefits, communities are more likely to support necessary actions. Poor communication can delay progress, increase resistance, and ultimately raise costs.

Bottom Line

Legal and regulatory compliance is not simply a constraint. It is a stabilizing framework for long-term viability that reinforces responsible governance, informed decision-making, and disciplined financial planning. Proactive alignment across governance, management, technical guidance, and financial planning helps reduce risk, control lifecycle costs, and sustain long-term value.

7. Sustainability and Modernization

A building that operates without an intentional strategy for modernization is engaging in a subtler form of deferred maintenance. While reserve studies are designed to fund the repair or replacement of existing components, they are not intended to anticipate the steady evolution of building standards, technologies, and resident expectations. History demonstrates that buildings remain viable not simply by maintaining what exists but by periodically adapting beyond the status quo.

The modern residential building is the product of continuous advancement. Indoor plumbing and electricity—now taken for granted—were transformative innovations of the early 20th century. Electric water heating did not become common until the mid-1900s. Insulation was not a building-code requirement until the 1960s, and central air conditioning only became widespread in the 1970s. More recently, cable television, internet connectivity, and broadband infrastructure reshaped residential expectations. Today, secure package delivery systems, fitness amenities, high-speed connectivity, smart building controls, and electronic access systems are no longer luxuries in many markets but baseline expectations.

These examples underscore a critical reality: *buildings that fail to modernize risk functional obsolescence even when they are structurally sound.* Systems may continue to operate as designed, yet become comparatively inefficient, undesirable, or misaligned with contemporary use. Over time, this gap erodes market competitiveness, depresses property values, increases operating costs, and limits financing or resale options.

Sustainability as an Operational and Market Strategy

Sustainability and modernization efforts are closely linked. As building technologies advance, newer systems typically deliver greater efficiency, resilience, and performance. Upgrades such as energy-efficient lighting, high-performance windows, improved insulation, modern HVAC (heating, ventilation, and air conditioning) controls, water-conserving fixtures, and renewable energy installations can materially reduce operating expenses while improving occupant comfort. These investments also help communities respond to rising utility costs, regulatory pressures, and environmental risks.

Not all modernization initiatives produce immediate cost savings. Infrastructure such as electric vehicle charging stations, enhanced access control systems, or advanced communications networks may not reduce expenses directly, but they increase a community's functional relevance and market appeal. In many markets, these features influence buyer decisions, lending eligibility, and long-term demand.



SUMMARY

Sustainability & Modernization

Sustainability and modernization are essential to preserving a community's long-term usefulness, competitiveness, and economic life. Buildings that focus only on maintaining existing systems without periodically upgrading infrastructure, efficiency, and amenities risk functional obsolescence, even when preventive maintenance and reserve funding are well managed. Strategic investments in modernization can reduce operating costs, align communities with evolving codes and resident expectations, and maintain market relevance. When integrated with reserve planning, preventive maintenance, and long-range strategy, these efforts represent responsible stewardship of shared assets and play an important role in extending the economic life of community associations.

Planning for Modernization Beyond the Reserve Study

Because modernization often extends beyond like-for-like replacement, boards should treat it as a strategic planning function rather than a purely reserve-driven exercise. Effective modernization planning integrates:

- Long-range strategic plans.
- Reserve studies and capital funding strategies.
- Preventive maintenance programs.
- Market and demographic awareness.
- Regulatory and code trend monitoring.

Boards and management should periodically evaluate which building systems, amenities, or infrastructure may require enhancement, not simply replacement, to remain competitive and resilient. This assessment is especially important as communities approach mid-life or later lifecycle stages when the gap between original design assumptions and current expectations widens.



Avoiding Functional Obsolescence

Modernization helps prevent functional obsolescence, a condition in which a building remains structurally intact but no longer meets contemporary standards of use, efficiency, or market expectations. Proactive investment signals responsible stewardship, supports long-term economic viability, and helps ensure that the building can continue to serve its intended residential purpose without requiring disruptive or reactive interventions later.

Bottom Line

Modernization is not a luxury add-on. It is part of keeping a community usable, efficient, and competitive over time. Communities that plan for thoughtful upgrades are better able to reduce functional obsolescence and protect long-term value.



8. Disaster Preparedness and Risk Mitigation

Disaster preparedness and risk mitigation are integral to extending the economic life of community associations, particularly for communities located in flood zones, wildfire-prone regions, coastal environments, or areas subject to severe weather or other environmental risks. Natural disasters, infrastructure failures, and human-caused emergencies can result in sudden physical damage, prolonged disruption to operations, escalating insurance costs, and long-term financial strain. Communities that proactively assess and manage risk are better positioned to protect life safety, preserve assets, and recover more efficiently following disruptive events.

Understanding Community Risk Exposure

Risk exposure varies significantly based on geographic location, construction type, building age, proximity to salt water, and system configuration. Preparedness efforts are most effective when informed by an understanding of the hazards most likely to affect the community such as flooding, hurricanes, wildfires, earthquakes, extreme temperatures, extended power outages, fire events, or failures of critical building systems. Integrating risk awareness into governance, maintenance planning, and financial decision-making supports long-term resilience and reduces the likelihood that a single event accelerates economic decline.

Emergency Planning and Governance Framework

As a best practice, associations should maintain a formal, written emergency preparedness and disaster response framework that addresses preparedness, response, and recovery considerations. Effective planning establishes clarity around decision-making authority, communication protocols, and coordination with emergency responders and professional advisors. Clearly defined roles and responsibilities, particularly during emergencies, reduce confusion, support timely action, and limit secondary impacts that can arise from delayed or inconsistent responses.

Communication and Resident Support

Emergency preparedness relies on reliable communication systems capable of reaching residents, staff, and stakeholders in a timely and consistent manner. Communities benefit from identifying primary and alternative communication methods and maintaining accurate contact information. Plans should account for residents who may require assistance due to mobility limitations, medical needs, or other vulnerabilities.



SUMMARY

Disaster Preparedness & Risk Mitigation

Communities in flood zones, wildfire-prone areas, or coastal regions face heightened risk. Preparedness efforts that include emergency plans and enhanced insurance coverage directly influence recovery capacity and long-term viability. Ignoring risk exposure can lead to catastrophic financial consequences.

Life-Safety Systems and Infrastructure Readiness

Risk mitigation also encompasses the condition and performance of life-safety and emergency systems, including fire alarms, fire suppression systems, emergency lighting, generators, access controls, and related infrastructure. Regular inspection, testing, and documentation of these systems support regulatory compliance, insurance eligibility, and effective emergency response. Over time, consistent attention to system readiness reduces exposure to loss and contributes to the preservation of asset value and human life.

Financial and Insurance Preparedness

Financial and insurance preparedness are closely linked to disaster resilience. Associations benefit from maintaining organized records of insurance policies, coverage limits, deductibles, claims procedures, and prior loss history.

Understanding policy requirements and exclusions in advance supports more efficient claims processing and reduces disputes following an event. Proactive engagement with insurance professionals also allows communities to anticipate evolving underwriting expectations and align maintenance and capital planning accordingly.

Continuous Improvement and Plan Evaluation

Preparedness is not static and benefits from periodic review and refinement. Post-event evaluations, tabletop exercises, and coordination with professional advisors allow boards and management to assess effectiveness, identify gaps, and update plans as conditions change. Engagement with local emergency responders and subject-matter experts can further enhance readiness and coordination.

Disaster Preparedness as a Driver of Economic Life

Viewed through the lens of economic life, disaster preparedness and risk mitigation are governance responsibilities as well as operational considerations. Communities that incorporate risk assessment, planning, system readiness, and insurance awareness into their broader management framework are better equipped to limit catastrophic loss, maintain marketability and insurability, and sustain long-term viability. Conversely, failure to address known risks can result in negative financial consequences, prolonged recovery, and accelerated economic obsolescence.

Bottom Line

Communities that plan before an event are more likely to protect residents, preserve assets, and recover efficiently. Those that ignore known hazards risk avoidable loss, prolonged disruption, and faster economic decline.



9. Economic Viability and Obsolescence

Economic viability refers to a community's ability to maintain its physical assets, meet financial obligations, and remain competitive in the housing market. It is not determined by age alone, but by how effectively a community adapts to changing conditions over time. As buildings mature, increasing maintenance needs, evolving standards, and rising costs can place pressure on both financial resources and decision-making.

Forms of Obsolescence

Obsolescence can take several forms, each with distinct implications:

- **Physical obsolescence** results from deterioration of building systems, structural components, or safety conditions.
- **Functional obsolescence** occurs when design, layout, or amenities no longer meet current expectations.
- **Economic obsolescence** arises when the cost of maintaining or upgrading the property exceeds its practical or market value.

Identifying the type and severity of obsolescence is essential to selecting an appropriate response.

The Distinct Nature of Community Association Ownership

Unlike commercial real estate entities, which are structured to maximize asset value and financial returns, community associations are rooted in collective ownership. Their primary purpose is not to optimize property value for sale or redevelopment, but to preserve housing stability, maintain shared infrastructure, and support the quality of life for their members. As such, the incentives and decision-making processes are fundamentally different and often more constrained than those found in investor-driven environments. Major decisions often require broad consensus, and boards must balance financial realities with the needs, expectations, and circumstances of individual owners.

Early Warning Signs of Declining Viability and Obsolescence

Boards should proactively monitor for indicators that a community may be approaching functional or economic obsolescence. These warning signs often emerge gradually but, when occurring together, can signal increasing risk to long-term viability. Key indicators include:

- **Chronic deferred maintenance.** Ongoing postponement of necessary repairs or replacements due to funding constraints or lack of community support.
- **Reserve funding shortfalls.** Inability to adequately fund reserves or meet future capital obligations without relying on special assessments or borrowing.
- **Increasing reliance on loans or special assessments.** Growing dependence on external financing to address routine or recurring capital needs.



SUMMARY

Economic Viability and Obsolescence

Economic viability reflects a community association's ability to sustain its infrastructure, financial stability, and relevance over time. As buildings age, physical, functional, or economic obsolescence may emerge, particularly when capital needs exceed financial capacity or market expectations. Early identification of these conditions allows boards to evaluate whether reinvestment, phased renovation, or alternative strategies are necessary to support long-term sustainability.

- **Insurance and financing challenges.** Rising insurance costs, reduced coverage availability, or loss of eligibility for conventional financing (e.g., Fannie Mae, Freddie Mac, FHA).
- **Escalating owner financial stress.** Increasing assessment delinquencies or signs that owners are unable or unwilling to absorb rising costs.
- **Declining property values.** Values that lag behind comparable communities due to physical deterioration, financial instability, or reputational concerns.
- **Structural or system deficiencies.** Evidence of building envelope failures, recurring leaks, aging mechanical systems, or emerging life-safety risks.
- **Functional obsolescence.** Outdated layouts, accessibility limitations, or amenities that no longer meet current market expectations.
- **Life-cycle cost concerns.** Recognition that cumulative repair and replacement costs may exceed the long-term value or utility of the property.
- **Legal or operational strain.** Significant or recurring litigation, governance challenges, or operational instability.
- **Market and ownership shifts.** Increasing rental concentration or reduced owner engagement, which may indicate declining community stability.



When multiple indicators are present, boards should move beyond incremental planning and undertake a comprehensive viability assessment. This evaluation may include lifecycle cost analysis, reserve adequacy review, deferred maintenance assessment, structural evaluations, and market comparisons to inform strategic decision-making.

Multidisciplinary Evaluation and Scenario Planning

Assessing long-term viability requires input from multiple disciplines. Reserve specialists, engineers, legal counsel, contractors, appraisers, and financial advisors each provide important perspective.

Scenario-based analysis can help boards compare the long-term implications of reinvestment, phased renovation, or other strategic options. This process supports more informed and realistic decision-making.

Communication and Community Engagement

Transparent communication is essential when addressing viability concerns. Boards should share findings, explain potential paths forward, and create opportunities for meaningful input. These conversations can be difficult, but early engagement helps build trust and prepares the community for informed decisions.

Viability as Leadership Opportunity

Addressing economic viability requires leadership, discipline, and a willingness to confront difficult realities. With thoughtful

planning and informed decision-making, community associations can navigate these complexities and chart a sustainable path forward that reflects their unique values, governance structures, and commitment to community.

In some communities, these conditions lead boards to consider not only how to reinvest, but whether the property's current use remains the most viable long-term option.

Bottom Line

Economic viability is not determined by age alone. It is shaped by whether boards recognize changing conditions early, seek credible guidance, and make informed decisions about reinvestment, modernization, affordability, and long-term use.

10. Land Use and Property Utilization

Land Value and Changing Market Conditions

Over time, external factors such as population growth, infrastructure investment, and shifting development patterns can significantly increase land value. In certain locations, particularly urban or transit-oriented areas, properties originally developed at lower density may no longer represent the most economically productive use of the land. These shifts can influence long-term decision-making.

Evaluating Highest and Best Use

The concept of “highest and best use,” commonly used in real estate and appraisal, refers to the most economically viable use of a property under current conditions. This concept is most often applied in commercial real estate but can also provide useful perspective for community associations facing long-term viability challenges.

Evaluating highest and best use requires consideration of zoning regulations, density allowances, access to transportation, surrounding development, and market demand. In some cases, alternative uses such as higher-density housing or mixed-use development may offer greater long-term value than maintaining existing structures.

Indicators of Changing Land Use Potential

While internal conditions such as deferred maintenance and financial strain may signal declining viability, external market forces can also influence a community’s long-term outlook. In some cases, these forces reveal that the underlying land has greater economic potential than its current use.

Boards should be aware of indicators that suggest the property may no longer reflect its highest and best use. These may include:

- **Land value exceeding the value of existing improvements.** The underlying land may command a higher value than the buildings it supports, particularly in high-demand or rapidly evolving markets.
- **Increased developer interest or unsolicited acquisition inquiries.** Outreach from developers or investors may signal that the property is viewed as a redevelopment opportunity.
- **Zoning or density changes.** Updates to local zoning ordinances or land-use policies may allow for greater density, mixed-use development, or alternative configurations that were not previously permitted.
- **Proximity to transit, infrastructure, or redevelopment corridors.** Access to transportation, public investment, or nearby redevelopment activity can significantly increase a property’s long-term development potential.



SUMMARY

Land Use and Property Utilization

When long-term viability is in question, evaluating land use may become a necessary next step. In some communities, the underlying value of the land may exceed the value of existing structures, particularly in areas experiencing growth or redevelopment. In these cases, understanding zoning, market conditions, and redevelopment potential can help determine whether continued reinvestment or alternative uses offer the most sustainable path forward.

Recognizing these signals does not mean redevelopment is inevitable or appropriate. However, they provide important context for long-term decision-making. When considered alongside a community’s physical condition and financial capacity, these factors can help boards determine whether continued reinvestment remains the most sustainable course or whether alternative strategies should be thoughtfully explored.

Governance and Structural Constraints

Because community associations are structured around ownership and long-term stewardship rather than asset repositioning, land-use decisions often present unique challenges. Governance frameworks, governing documents, and cultural expectations are typically designed to preserve existing housing and protect individual owners, not to evaluate redevelopment or repurposing options.

As a result, conversations about land use, density, or potential redevelopment may be unfamiliar, contentious, or deferred until financial, regulatory, or physical conditions limit available options. Understanding these constraints is essential to evaluating whether continued reinvestment remains viable and whether broader land-use considerations should be thoughtfully explored.

Deconversion and Legal Considerations

When redevelopment becomes a serious consideration, it often involves **deconversion**, the process of terminating the community association ownership structure. Deconversion typically requires supermajority approval, legal coordination, and engagement with lenders, insurers, and other stakeholders. It also involves careful consideration of the financial and personal impact on homeowners.

DEFINITIONS

Deconversion: The process by which a community association ownership structure is dissolved and the property is converted to another form of ownership, typically a single ownership structure such as rental apartments or redevelopment, often when continued operation as a community association is no longer economically viable.

Feasibility Analysis and Professional Guidance

Boards considering land-use alternatives should begin with a feasibility study that includes:

- A land versus improvement value analysis.
- Zoning and entitlement review.
- Market assessment.

Professional guidance from appraisers, land-use attorneys, and redevelopment consultants is essential to understanding the full range of options and implications.

Community Engagement and Consensus Building


Community engagement is equally critical. Transparent communication, education, and inclusive dialogue can help residents understand the rationale behind exploring alternative uses and the potential benefits and risks involved. Boards may consider forming a redevelopment task force to evaluate scenarios and report findings to the community. Building awareness and trust early can support more constructive decision-making over time.

While land use considerations may offer a path to long-term sustainability, these decisions require careful evaluation, broad consensus, and a clear understanding of legal, financial, and community impacts.



Bottom Line

Land use is not a routine consideration for most associations, but in some communities it becomes central to long-term viability. Evaluating these factors early helps boards better understand their options, make informed decisions, and preserve value before financial or market conditions limit those choices.



V. Action Framework for Communities at the Tipping Point

When warning signs of declining viability are coupled with changing market conditions, communities may reach a point where traditional approaches are no longer sufficient. At this tipping point, decisions become more complex, more consequential, and more time-sensitive.

The role of the board shifts from planning for the future to actively determining the community's path forward. Prompt, informed action is essential to stabilizing conditions and preserving long-term value.

Recognizing the Moment

When multiple indicators of declining viability are present, incremental solutions may no longer be sufficient. These conditions often signal that a community is approaching or has reached a tipping point.

Boards should be particularly alert when several of the previously identified risk factors occur at the same time, such as:

- Persistent deferred maintenance and reserve funding shortfalls.
- Increasing reliance on loans or special assessments.
- Rising insurance costs or loss of financing eligibility.
- Escalating assessment delinquencies or owner financial strain.
- Evidence of structural or system deficiencies.

When these factors converge, communities may face narrowing options and increasing financial and operational risk.



Assembling the Right Team

Effective response requires coordinated expertise across multiple disciplines. Boards should engage qualified professionals to assess conditions, identify risks, and evaluate feasible options. Key advisors may include:

- **Reserve study provider** to update capital funding needs and identify funding gaps.
- **Structural engineer** or **building envelope consultant** to assess safety, code compliance, and system integrity.
- **MEP engineer (mechanical, electrical, and plumbing)** to evaluate the condition and remaining useful life of mechanical, electrical, plumbing, and vertical transportation systems.
- **Community association attorney** to interpret governing documents, assess legal risks, and advise on potential structural changes.
- **CPA** or **reserve-focused accountant** to evaluate financial health, funding capacity, and long-term sustainability.
- **Real estate appraiser** to assess land versus improvement value and support comparative analysis.
- **Lender** or **financing advisor** to evaluate borrowing options and repayment implications.
- **Redevelopment consultant**, when applicable, to advise on land use, deconversion, or repositioning strategies.

This multidisciplinary approach ensures that decisions are grounded in technical, financial, and legal realities.

Evaluating Strategic Options

At the tipping point, boards must evaluate realistic paths forward based on the community's condition, financial capacity, and market context. Potential strategies may include:

- **Special assessments or loans.** These are often necessary to address immediate funding gaps for critical repairs, though they may place additional strain on owners.
- **Phased renovation plans.** Major projects are sequenced over time to improve manageability while maintaining progress toward long-term stabilization.
- **Grant or subsidy programs.** Communities may explore local, state, or federal funding opportunities to support infrastructure improvements, resilience, or sustainability initiatives.
- **Governing document amendments.** Updates may be needed to expand financial tools, clarify authority, or provide flexibility for future decision-making.
- **Deconversion or termination.** In cases of severe deterioration or financial instability, communities may evaluate whether to terminate the association structure and pursue alternative ownership or redevelopment.

Each option involves trade-offs. Decisions should be grounded in long-term sustainability rather than short-term relief.

Stabilization and Decision-Making

The objective at this stage is to determine whether the community can be stabilized through reinvestment or whether more fundamental change is required.

Delaying action can increase costs, reduce available options, and shift decisions from proactive to reactive. A structured, well-informed evaluation helps boards maintain control of the process and avoid crisis-driven outcomes.

Communication and Owner Engagement

Clear and consistent communication is essential throughout this process. Boards should share findings, explain potential paths forward, and provide opportunities for homeowner input.

These discussions can be complex and, at times, difficult. Transparent engagement helps build trust, reduce uncertainty, and support more informed and constructive decision-making.

Bottom Line

At the tipping point, timely and coordinated action is critical. Boards that act decisively, engage qualified expertise, and evaluate realistic options are better positioned to stabilize conditions and protect long-term value.



VI. Policy Recommendations and Industry Considerations

Extending the economic life of community associations requires not only board-level planning and professional management, but also supportive public policy, informed lending practices, and accessible industry resources. The following recommendations address systemic improvements that can empower communities to plan effectively, maintain viability, and avoid obsolescence.

1. Legislative Changes

State and local governments should consider targeted legislation to support aging community associations:

- **Mandatory reserve studies and funding disclosures.** Require periodic reserve studies (e.g., every three years) and disclosure of reserve study recommendations and funding levels to increase transparency for homeowners, buyers, and lenders.
- **Deferred maintenance disclosure.** Mandate disclosures of significant deferred maintenance during unit sales consistent with evolving Fannie Mae/Freddie Mac guidelines.
- **Deconversion and termination frameworks.** Provide clear legal processes for termination or deconversion including voting thresholds, owner protections, and judicial review where necessary.
- **Incentives for repairs and sustainability.** Create tax credits or grant programs for infrastructure improvements, energy efficiency upgrades, or resilience measures in older buildings.
- **Access to infrastructure funding.** Enable community associations to qualify for state and federal housing, infrastructure, and environmental funds (e.g., Community Development Block Grant [CDBG], U.S. Department of Housing and Urban Development [HUD], and Federal Emergency Management Agency [FEMA]).

2. Lending Guideline Reforms

Mortgage lenders play a central role in determining the financial viability of aging buildings. Reforms should aim to balance risk management with fair access to financing:

- **Transparent and consistent criteria.** Align Fannie Mae and Freddie Mac lending rules across regions and clarify documentation standards for reserve funding, insurance, and building inspections.
- **Alternative underwriting models.** Develop flexible underwriting paths for communities actively addressing deferred maintenance with phased plans and documented progress.
- **Reward best practices.** Offer lending advantages (e.g., reduced documentation or lower fees) for communities with recent reserve studies, professional management, and high reserve funding levels.
- **Data-driven risk evaluation.** Encourage lenders to use nuanced, building-specific assessments instead of blanket exclusions for older buildings or communities without certain certifications.

3. Board/Manager Training and Credentialing Support

Strong leadership and professional guidance are critical to long-term sustainability. Policies and industry efforts should expand access to education and standards.

- **Board education requirements.** Consider minimum governance training requirements for elected board members available online and on-demand, especially in states with a high concentration of community associations.
- **Funding for training programs.** Offer state or local grants to support board and volunteer education in lower-income or distressed communities.
- **Credentialing support for managers.** Promote credentials such as CMCA[®], AMS[®], and PCAM[®] for community managers and incentivize their employment through insurance or lending benefits.
- **Industry standards adoption.** Encourage associations to follow best practice frameworks such as CAI's *Reserve Study Standards*, *Best Practices Report: Maintenance*, and *Professional Manager Code of Ethics*.



VII. Conclusion

Recap of Lifecycle Importance

The economic life of a community association is shaped by the decisions made throughout its lifecycle from developer turnover to long-term reinvestment or potential redevelopment. By understanding the distinct needs of each phase in a community association's life cycle, boards and managers can take proactive steps to sustain physical assets, financial stability, and the overall quality of life for residents. Ignoring these natural lifecycle transitions can lead to mounting costs, resident frustration, and ultimately, physical or economic obsolescence.

This report underscores that no community is static. Systems age, expectations evolve, and external pressures such as disasters, lending constraints, and shifting land value constantly affect sustainability. The key is recognizing when and how to adapt with sound planning, adequate funding, and informed leadership.

Call to Action

Community association boards, professional managers, lenders, and policymakers all have a role to play in extending the life of community associations. We urge stakeholders to:

- Use the lifecycle framework as part of annual planning and budgeting.
- Educate board members and residents about capital needs and the long-term consequences of deferred maintenance.
- Fund and update reserve studies regularly and use their findings to guide responsible financial planning.
- Develop and implement a comprehensive maintenance program that includes regular inspections, preventive maintenance, and timely repairs.
- Advocate for supportive public policies and fair lending practices that reflect the realities of aging buildings.
- Seek professional guidance early before problems become crises.

A community's future is not just built in concrete and steel. It is shaped by the people who lead, maintain, and invest in it.



VIII. Case Studies

Case Study: Identical Needs, Divergent Futures

Condo East and Condo West Association: Community Profiles

It's rare to find two condominium associations with identical footprints let alone facing nearly identical capital planning challenges. Yet that was exactly the case for two long-standing communities that began capital planning journeys in 2012.

Condo East Association and Condo West Association, both built in 1980, consist of 58 residential units housed in identical three-story buildings of identical design. They not only shared the same footprint but also the same reserve components, aging infrastructure, and urgent funding needs.

When initial reserve studies were conducted for both communities, it became clear that both were significantly underfunded. With aging buildings and systems, pressing capital projects, and limited reserves, the choice was stark—act now or risk compounded problems down the road.

The Details

- Both condos completed an initial reserve study in 2012.
- Both condos are three stories, have 58 units, and were built in 1980.
- Both condos received the following recommendations:
 - Make windows, doors, and balconies the responsibility of unit owners.
 - Increase reserve contributions by 60%.
- Despite facing the same starting point, the two associations made very different decisions.

Initial Decisions, Divergent Paths

Condo East, while widely unpopular at the time but necessary to stabilize future funding, raised annual reserve contributions by 60%. Furthermore, the board made the difficult decision to reclassify ownership of windows, doors, and balconies, shifting responsibility to individual owners to reduce the association's long-term common area obligations.

By contrast, Condo West was able to implement a modest assessment increase of less than 5%. The association retained ownership of windows, doors, and balconies, keeping these high-cost components within its future financial responsibilities.

The Long-Term Results

Condo East:

Followed all recommendations:

- New roof
- New boiler system
- Updated interiors & amenity areas
- Recent reserve study recommendation: \$380/unit/month; 2.5% increase over five years

Condo West:

Did not follow recommendations, and increased assessments by less than 5%.

- Roof dates to 1998 with a 40% higher cost to replace than Condo East.
- Recent reserve study recommendation: \$920/unit/month; 25% increase over five years.

Condo East, as of its most recent reserve study, proactively tackled major capital projects without special assessments or delays. Roofs, boilers, and common area interiors have all been addressed on schedule thanks to a well-funded reserve account and diligent planning for the community's long-term needs. Current reserve contributions are recommended at \$380 per unit per month, reflecting healthy financial alignment with projected needs.

Condo West continues to face significant challenges. Underfunded reserves and limited ability to increase assessments have led to deferred maintenance and a reliance on special assessments. At the time of its last reserve study, common area interior finishes were 18 years old and boilers were being replaced using special assessments. Roof replacement, delayed due to financial constraints, were projected to cost over 40% more than what Condo East paid. The latest recommended reserve contributions have grown to \$920 per unit per month.

Key Takeaway

Condo East and Condo West began with identical conditions but their long-term outcomes reveal the compounding effect of early decisions. More importantly, their stories are a reminder that proactive planning is always possible. Every board faces difficult choices. The difference lies in having the right data, trusted guidance, and the resolve to act on a long-term plan.

Lifecycle Assessment

Lifecycle Stage. Mid-life transitioning to aging (30–45 years), with critical capital planning decisions occurring early in the aging phase.

Primary Drivers. Reserve funding decisions, governance choices, allocation of component responsibility, and long-term financial planning discipline.

Outcome.

- **Condo East:** Proactive funding and strategic decision-making stabilized the community, enabling timely reinvestment and long-term sustainability.
- **Condo West:** Deferred funding and limited early action led to escalating costs, deferred maintenance, and increased financial strain, reducing flexibility and available options.

Case Study: Comprehensive Reinvestment to Avoid the Tipping Point

Pointe Pacific Homeowners Association, Daly City, Calif.: Community Profile

Pointe Pacific Homeowners Association is a gated, residential community located on the edge of San Bruno Mountain in Daly City, Calif. Developed in the early 1980s and completed in stages between 1983 and 1988, the community consists of 326 homes across 53 residential buildings, including 19 10-plexes and 34 4-plexes, situated on approximately 90 acres. The community also includes a two-story clubhouse and shared amenities.

The property's location is characterized by persistent fog, salt air, wind, and heavy winter storms. These conditions created environmental exposure that exceeded the assumptions of the original developer, who lacked experience building in coastal Northern California. The original exterior cladding, Masonite siding, and inadequate flashing details proved particularly vulnerable to moisture intrusion over time.

By the early 2020s, Pointe Pacific had entered an aging phase and was approaching a tipping point in its lifecycle.

Escalating Warning Signs

Over a period of several years, the board observed multiple, compounding indicators that the community's economic life was at risk:

- **Accelerating maintenance costs.** A five- to six-year repainting cycle, combined with expanding pre-paint carpentry repairs, drove annual painting costs toward \$1 million, with continued escalation projected.
- **Escalating building envelope failures.** Winter storms increasingly exposed siding, window, and sliding glass door deficiencies, resulting in significant water intrusion. More than 100 leaking windows and doors required replacement in 2023–2024, reflecting years of deferred maintenance and sharply rising emergency repair costs.
- **Uneven deterioration across buildings.** Rear elevations with greater weather exposure deteriorated more rapidly, requiring targeted and increasingly costly repairs.
- **Reserve study projections.** Long-term forecasts showed sharply rising capital needs that exceeded the sustainability of the existing piecemeal repair strategy.
- **End of useful service life.** Taken together and confirmed through a forensic evaluation of the full building envelope system, these indicators demonstrated that the envelope had reached the end of its useful service life and required comprehensive replacement.

Numerous assessments by building envelope experts concluded that absent a comprehensive intervention, the building envelope should be fully restored within approximately 10 years to avoid accelerating deterioration and structural risk.

Limits of a Piecemeal Strategy

For several years, the association attempted to manage deterioration by restoring the rear elevations of one or two buildings annually using reserve funds. While well-intentioned, this approach revealed serious limitations:

- Mobilization costs were incurred repeatedly without the benefit of economies of scale.
- Inconsistent sequencing led to duplicated work including flashing and moisture barrier replacements that later had to be redone.
- The pace of deterioration began to exceed the association's capacity to address failures efficiently, resulting in growing homeowner frustration.
- Owner inequity was impacted regarding which units were addressed and in what order.
- Fragmented repairs complicated reserve planning, especially in relation to core infrastructure needs.
- Partial repairs and replacements prevented the potential to obtain comprehensive extended warranties important to protect the investment, manage long-term maintenance, and secure external funding.

The board concluded that incremental repairs were no longer cost-effective or sustainable and continued delay would narrow future options. A more comprehensive solution was needed.

Decision to Act: A Comprehensive Approach

Recognizing the risk of approaching economic obsolescence, the board committed to a fact-based evaluation of alternatives. The board did an extensive risk assessment and due diligence of potential business partners. It engaged a multidis-

disciplinary team that included an architect, structural engineer, community association construction consultant, community association specialty contractor, price auditor, legal counsel, and financial advisors.

Key objectives included:

- Fulfilling fiduciary duties to protect and enhance property values.
- Completing full building envelope restoration across all buildings within 10 years or less.
- Reducing long-term maintenance costs and minimizing emergency repairs.
- Evaluating the cost-benefit of including related components such as roofs and decks rather than deferring them.
- Developing multiple funding scenarios that avoided a large, one-time special assessment.
- Maintaining transparency and homeowner engagement throughout the process.

Financial modeling originated with a California-based advisory firm, offering a unique mix of building science and financial planning, that went beyond the prior reserve study to better reflect how to budget. As the scope of the evaluation grew, the firm recommended key potential expert partners.

Implementation and Governance

The board hired a construction firm with deep expertise in community association building envelope restoration. They led the process from planning through implementation and were instrumental partners throughout the project. Their analysis highlighted the long-term financial needs and demonstrated that combining related work such as advancing roof replacement originally scheduled six to seven years later would reduce duplication, extend warranties, and lower long-term lifecycle costs. The board adopted a contractor-led project structure supported by independent oversight with clearly defined checks and balances among the architect, price auditor, and board leadership. Core team members met weekly to track progress, manage risk, and address emerging issues.

Equally important was sustained homeowner engagement. The board, with critical guidance and support from the specialty contractor, held more than 20 town hall meetings, shared visual evidence of concealed deterioration, and incorporated owner feedback into planning decisions. Regular updates were provided to homeowners. While some opposition persisted, most homeowners ultimately supported the approach.

After five months of visible restoration progress, homeowners voted by 96% approval with record turnout to extend the one-year construction contract to complete the entire project, citing quality, safety, cost savings, and continuity.

Timeline and Results to Date

- In mid-2022, the community's advisory firm helped the board assemble a team of qualified experts to guide the project forward.
- By the end of 2023, a comprehensive, actionable, and measurable plan was developed.
- In March 2024, the comprehensive building envelope restoration began.
- Based on California's balcony inspection requirements and related inspection findings, the project scope was expanded to include private decks following homeowner input.
- Long-term financing of approximately \$50 million was secured in two phases, \$20 million in January 2024 and \$30 million in June 2025, reflecting broader market volatility at the time. An additional \$20 million in financing is in progress for the final phase. This financing structure avoided a large special assessment and allowed for gradual increases in homeowners' assessments, providing residents time to plan for the additional expense.
- Extended warranties will protect the community's investment and maintain or enhance property values. Financial institutions are increasingly demanding extended warranties that match the duration of long-term loans and useful life of the components.
- As of the end of January 2026, the project was approximately 40% complete, on time, and on budget.
- Completed buildings show measurable improvements in comfort, safety, weather resistance, noise reduction, curb appeal, and value.
- While construction is ongoing, the community has already transitioned from reactive maintenance toward a predictable, long-term asset management framework.

Key Takeaways

- **Early recognition preserves options.** Acting before deterioration becomes unmanageable allows boards to choose reinvestment rather than being forced into crisis decisions.
- **Piecemeal repairs often cost more in the long run.** Fragmented work increases duplication, complexity, and lifecycle costs.

- **Developing a strategic plan requires time and alignment.** Board consensus on a long-term strategy is essential to establishing a comprehensive structural approach, identifying funding options, and implementing an effective community strategy. Planning should span the full lifecycle of the project, with flexibility to adapt as conditions evolve.
- **Business partner expertise is critical.** Community associations face unique maintenance, repair, and restoration challenges: complex and often incorrectly installed building envelope systems, shared financial responsibility, and varying homeowner preferences and priorities. Working with a lead community association building envelope expert to define and navigate a comprehensive solution is essential.
- **Multidisciplinary checks and balances matter.** Integrated architectural, engineering, financial, and governance input supports better decision-making.
- **Transparent communication builds trust.** Consistent, fact-based engagement can overcome skepticism and sustain community support.
- **Comprehensive planning protects economic life.** Addressing interconnected systems together can stabilize costs and extend viability for decades.

Lifecycle Assessment

- **Lifecycle Stage.** Aging/Approaching the Tipping Point (30–40 years).
- **Primary Drivers.** Environmental exposure, building envelope deterioration, escalating capital costs.
- **Outcome.** Proactive, comprehensive reinvestment to extend economic life and preserve and enhance property value, reduce long-term maintenance costs, avoid future obsolescence, and restore “peace of mind” for owners.

Case Study: Coastal Timeshare Community Redevelopment Following Deconversion

Oceanfront Condominium Association: Community Profile

This case involves a small, oceanfront condominium community in a coastal market in the Southeastern United States. Originally developed in the early 1980s, the property consisted of approximately 40–45 timeshare-style condominium units across a single complex. Ownership was structured through fractional interests with recurring fees assessed to support operations, maintenance, and long-term capital needs.

By the late 2010s, the community was more than 35 years old and exhibited many characteristics associated with the later stages of a building's economic life.

Conditions Leading to Economic Distress

Over time, several interrelated factors undermined the community's long-term viability:

- **Deferred maintenance.** Capital repairs were repeatedly postponed as ownership resistance to increasing fees intensified. Building systems, exterior components, and structural elements continued to age without comprehensive reinvestment.
- **Escalating assessments and fee fatigue.** As operating and maintenance costs rose, periodic fee increases became necessary. This led to growing dissatisfaction among owners, particularly in a timeshare ownership model where perceived value is closely tied to short-term usage rather than long-term asset preservation.
- **Deed surrenders to the association.** An increasing number of owners relinquished their interests back to the association, leaving the condominium responsible for carrying unsold or unwanted intervals. This further strained cash flow and concentrated financial responsibility among a shrinking base of paying owners.
- **External shock event.** A major coastal storm event in 2019 caused additional physical damage to an already aging structure. While insured losses were partially addressed, the event accelerated recognition of the building's underlying condition and long-term capital needs.

Together, these factors created a downward financial spiral in which rising costs, declining participation, and deferred reinvestment reinforced one another.

Tipping Point and Bankruptcy

By 2022, the association's financial position had become untenable. Required capital reinvestment far exceeded what the remaining owners were willing or able to fund through special assessments or further fee increases. The association ultimately entered bankruptcy proceedings, reflecting a formal recognition that the existing ownership and governance structure could no longer sustain the building.

At this point, the economic value of the land and location exceeded the value of the existing building in its current form given the magnitude of deferred repairs and the limitations of the timeshare structure.

Deconversion and Redevelopment

Through a court-supervised sale, the property was acquired by a new ownership group at a price reflective of its redevelopment potential rather than its value as an operating timeshare community.

Following acquisition, the new owners:

- Undertook a comprehensive renovation of the building.
- Reconfigured the unit layout, reducing the total number of residences.
- Eliminated the timeshare structure entirely.
- Relunched the property as a traditional condominium community.

The redeveloped units entered the market at significantly higher price points, reflecting modernized construction, improved systems, and strong demand for coastal housing in the surrounding market.

Key Takeaways

This case illustrates several critical lessons for boards overseeing aging condominium communities:

- | **Deferred maintenance is not cost avoidance.** Postponing capital reinvestment shifts costs to the future, often increasing them and limiting available options.
- | **Ownership structure matters.** Timeshare and highly fragmented ownership models can exacerbate financial fragility, especially as buildings age and capital needs accelerate.
- | **External events expose underlying weaknesses.** Natural disasters and other shocks rarely create economic distress on their own; they tend to reveal and accelerate preexisting vulnerabilities.
- | **Deconversion can preserve value when reinvestment is no longer feasible.** In certain circumstances, terminating the existing association and allowing redevelopment may offer the most equitable outcome for remaining owners.
- | **Earlier intervention expands options.** Had comprehensive capital planning, reserve funding, and governance reforms occurred earlier in the building's life, alternative paths such as phased rehabilitation may have remained viable.

Lifecycle Assessment

- | **Lifecycle Stage.** Aging/Approaching the tipping point (30+ years).
- | **Primary Drivers.** Deferred maintenance, financial strain, ownership attrition, external shock.
- | **Outcome.** Deconversion followed by redevelopment and reconstitution as a new condominium community.

Comparing End-of-Life Options: Rehabilitation vs. Deconversion

This case illustrates a fundamental decision many aging communities face. The comparison below outlines the key differences between pursuing rehabilitation and moving toward deconversion, based on financial capacity, building condition, and long-term viability.

Dimension	Rehabilitation Path	Deconversion Path
Primary Objective	Extend the useful life of the existing building through reinvestment and modernization.	Maximize remaining economic value by terminating the existing association and enabling redevelopment.
Typical Trigger	Recognition of aging systems but continued belief in long-term financial viability.	Determination that required reinvestment exceeds what owners can reasonably fund.
Building Condition	Aging but structurally viable; major systems nearing end of life.	Significant deferred maintenance. Structural, mechanical, or envelope systems require wholesale replacement.
Capital Requirements	Large special assessments or sustained increases in reserve contributions.	One-time transaction costs associated with termination and sale.
Owner Financial Impact	Uneven burden; owners must fund repairs regardless of individual circumstances.	Owners receive proceeds based on ownership interest; no obligation to fund future capital work.
Reserve Funding Reality	Often requires "catch-up" funding after years of under-contribution.	Reserves no longer relevant once termination is approved.
Governance Complexity	Requires sustained board leadership, owner buy-in, and long-term planning discipline.	Requires high level of legal, procedural, and owner coordination over a defined period.
Lending & Marketability	May improve if rehabilitation is completed successfully.	Existing units often become unsellable prior to termination; redevelopment resets marketability.

Risk Profile	Construction risk, cost overruns, owner resistance, future assessment fatigue.	Legal, timing, and market risk, but finite and time-bound.
Impact of External Events	Vulnerable to storms, insurance volatility, or regulatory changes.	External events may accelerate the decision but do not undermine the end strategy.
Time Horizon	Long-term with 10–30+ years of continued operation.	Short- to medium-term. Often 1–3 years from evaluation to completion.
Best Fit When	Owners have capacity and willingness to reinvest and the building retains strong functional relevance.	Land value exceeds building value and reinvestment is economically irrational.
Outcome	Continued operation of the association with a modernized but still aging asset.	Termination of the association and creation of a new ownership or development model.

Decision Framework

Rehabilitation preserves the building. Deconversion preserves value. Neither path is inherently good or bad. Each reflects a different assessment of economic reality, owner capacity, and long-term risk.

Boards that confront these choices early maintain flexibility. Boards that delay often find the decision made for them by financial distress, external events, or market forces.



IX. Additional Resources

Community association boards, managers, and professionals can access a wide range of materials from the Foundation for Community Association Research and Community Associations Institute to support long-term planning, maintenance, and decision-making. The following publications and tools offer practical guidance and data-driven insights relevant to the topics covered in this report:

From the Foundation for Community Association Research

- ***Best Practices Report: Building Maintenance.*** Strategies for proactive maintenance and extending the useful life of community assets.
- ***Best Practices Report: Reserve Studies and Reserve Management.*** Guidance on effective reserve planning, funding, and long-term capital replacement.
- ***Breaking Point: Examining Aging Infrastructure in Community Associations.*** A national study exploring the challenges of deferred maintenance, capital funding, and infrastructure replacement.
- ***Community Association Fact Book.*** Comprehensive national and state-level data on community associations, housing trends, and demographic characteristics.

From Community Associations Institute

- ***Board Leader Certificate.*** An educational program for volunteer board members covering governance, financial management, and maintenance planning.
- ***Education and credentialing programs.*** Courses and certifications for community managers, including the M-100, AMS, and PCAM designations that emphasize operational excellence and sustainability.
- ***Professional Manager Code of Ethics.*** Outlines ethical standards and professional responsibilities for community association managers to promote integrity, fairness, and accountability in association management.
- ***Public Policy on Building Maintenance and Structural Integrity.*** Recommended practices for maintaining building safety and compliance.
- ***Public Policy on Reserve Studies and Funding.*** CAI's official policy outlining the importance of adequate reserve funding and periodic study updates.
- ***Reserve Study Standards.*** Establishes consistent methodologies and professional expectations for conducting reserve studies and ensuring adequate funding for long-term repairs and replacements.

For more information or to download these resources, visit:
foundation.caionline.org and www.caionline.org



About the Foundation for Community Association Research

Our mission—with your support—is to provide research-based information for homeowners, association board members, community managers, developers, and other stakeholders. Since the Foundation's inception in 1975, we've built a solid reputation for producing accurate, insightful, and timely information. We are proud to continue to build on that legacy. Visit foundation.caionline.org.



About Community Associations Institute

Since 1973, Community Associations Institute has been the leading provider of resources and information for homeowners, volunteer board leaders, professional managers, and business professionals in 375,000 community associations, condominiums, and cooperatives in the United States and millions of communities worldwide. With more than 51,000 members, CAI works in partnership with 65 affiliated chapters within the U.S, Canada, United Arab Emirates, and South Africa, as well as with housing leaders in several other countries including Australia, Spain, Saudi Arabia, and the United Kingdom.

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