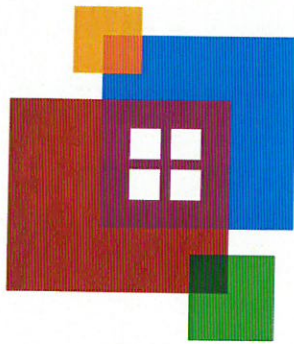


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COMMUNITY ASSOCIATIONS INSTITUTE ADOPTS NEW RESERVE STUDY STANDARDS

by Lawrence Szabo, Esq. | Oct 18, 2023 | Finances

A primary responsibility of the directors of an association that governs a common interest development is to protect, maintain, and enhance the assets of the association. To do so, associations must plan for ongoing preventive maintenance, structural inspections, and the timely repair and replacement of common area components. To facilitate this process, the Community Associations Institute ("CAI") has developed updated Reserve Study Standards to provide those vested with the responsibility of preparing a reserve study for a community association with guidance and methodology in the preparation of the reserve study. The new standards were based on the recognition that an association's long-term planning relative to evaluating and budgeting for the proper care of the common area components necessitates a proactive preventive maintenance plan together with periodic structural inspections.

The purpose of a reserve study is to facilitate the preparation of a budget by an association's board of directors. The reserve study identifies the common area components that an association is responsible for maintaining or replacing, the status of the reserve fund, and establishes a plan for funding the reserves to provide funds that will be needed for future major common area expenditures.

The new Reserve Study Standards describe the minimum requirements for the following four different levels of service that are covered by reserve studies:

1. Level 1- Full Reserve Study. A full reserve study is based on an on-site evaluation of the common area components by the reserve study provider, and information provided by the association and other subject matter experts. The study includes: (i) component inventory; (ii) condition assessment; (iii) life and valuation estimates; (iv) fund status; and (v) a funding plan.

2. Level 2 – Update, With Site Visit/On-Site Review. This study is an update of a prior full reserve study. It is based on an on-site evaluation and information provided by the association and other subject matter experts.

3. Level 3 – Update, No-Site-Visit/Off Site Review. This study is an update of a prior full reserve study that is prepared without conducting on-site visual observations. The following tasks are performed based on the provider’s experience and information provided by the association and other subject matter experts: (i) life and valuation estimates; (ii) fund status; and (3) funding plan.

4. Level 4 – Preliminary, Community Not Yet Constructed. This study is typically used to create budget estimates before the community’s common area components are constructed. It is based on design documents (i.e. architectural and engineering plans) and includes the preparation of: (i) component inventory; (ii) life and valuation estimates; and (iii) funding plan.

In addition to the four levels of service utilized for the preparation of a reserve study, the standards recommend the following two supplemental reports: (i) a preventative maintenance manual; and (ii) periodic structural inspections.

The Reserve Study Standards also details the process for preparing a reserve study, which involves the following procedures: (1) establishing the components that are included in the reserve study; (2) developing a funding plan; (3) detailing the contents to be included in a reserve study; (4) incorporating disclosures; and (5) updating the reserve study.

A full copy of the Reserve Study Standards adopted by the CAI in 2023 may be viewed via the below link.

See: [CAI Reserve Study Standards July 2023](#)

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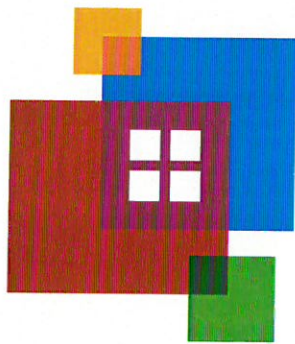
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