

REAL ESTATE WEEKEND

The Palm Beach Post

AUGUST 23/24, 1991

GUEST COLUMN

Check an association's reserve fund before you buy



John Math

By JOHN MATH

President of Associated Property Management of the Palm Beaches Inc.

When buying or selling a condominium or home in an association community, it makes sound financial sense to check for evidence that the association has reserve funds, as well as budgets that plan for estimated replacement costs.

In communities that are controlled by an association, there are documents that set forth the financial management of the association. In many instances, there will be reserves for deferred maintenance, repairs and improvements.

These reserve funds are to be used at a future time when needed for major capital expenditures.

As an owner you are responsible for the payment of any special assessments that are levied by the association.

It is possible for you to move into a community and be unaware of future replacements that are anticipated but not yet ordered. As a result, you may have to pay for this repair, replacement or improvement through a special assessment if reserves were not set aside for these items.

It is wise to investigate the reserve requirements of the community's association.

As a seller, if after many years of paying maintenance fees, your association has a healthy reserve fund, you should use this fact as a selling point for potential buyers.

It demonstrates that your association has had good leadership and fiscal management over the years and that the association is prepared to meet their obligations.

This means your buyer is not going to have to pay for unforeseen expenditures after the sale. Also, as a seller, you should command a premium for the years of paying that money into the association accounts.

By Florida Statute condominiums are regulated as to what must be reserved. The law requires that reserves be set aside for roof replacements, pavement resurfacing and painting of buildings.

Property owners associations and homeowners associations are not required by law to set aside reserve, but in many cases there may be reserve requirements set forth in the by-laws of these types of associations.

The types of reserve, the amounts or lack of amounts that have already been reserved and the remaining useful life of the reserved components are extremely useful and important for you as a buyer or seller to know and understand.

Reserve funds are a good way for associations to help manage the deterioration of common elements, meet unexpected and costly repairs and/or help save for major improvements without special assessing their unit owners.

If you have the opportunity to purchase in a planned community with an association, check their reserve procedures and requirements. It could prove helpful in your final decision.

■
For additional information, call 558-7210.
■

apm

Associated Property Management
of the Palm Beaches, Inc.