Physical Analysis Checklist

I have searched high and low for a good checklist for performing the physical analysis. Professional Reserve Study service providers in the interest of protecting their self-interests are loath to disclose this kind of information. The following checklist is copied from the State of Hawaii Reserve Study Manual is the most comprehensive that I have found. This checklist summarizes the major steps in developing the Physical Analysis and offers suggestions or certain actions the Board or its designated reserve study preparer may wish to consider in performing each step.

Criteria for Components

The board should establish criteria for determining common area major components. Many professionals suggest that items be placed on the list of components for the reserve budget if they meet all of the following criteria:

- the item is the responsibility of the association to maintain or replace, rather than the responsibility of the individual homeowners.
- the item costs over a certain amount to replace (amount to be determined by the board).
- the estimated useful life of the item is greater than one year; and the estimated useful life of the item is less than thirty years at the time of the study.

Develop the Component List

- Review the association's CC&Rs for description of common areas
- Some associations describe specific duties of the unit owner vs the association (e.g. areas outside each unit)
- Review the developer's reserve budget to see if specific components are included in the budget
- Perform a site analysis by knowledgeable persons for a list of items the association is or might be responsible for.
- Check with local governments and utility companies for areas of responsibility that may be their responsibility

Decide Which Components to Include:

- ☐ review relevant components mentioned in the declaration
- ☐ review relevant components mentioned in the master lease or deed
- ☐ review relevant components mentioned in the “as- built" set of construction drawings
- ☐ review relevant components mentioned in the developer's disclosure abstract contained in the public report
- ☐ review relevant components mentioned in the restrictive covenants
- ☐ review relevant components mentioned in by- laws
- ☐ review relevant components mentioned in the Association's house rules
- ☐ review relevant components noted in Association's book of policy resolutions
- ☐ review relevant components noted in Association's maintenance records review relevant components noted in the Association's records of purchases
- ☐ make an on-site inspection for possible additional components
- ☐ the Board holds a public discussion and adopts a policy on estimated life-of-the-building assets, replacement responsibility for limited common elements and other exclusive use elements, and quasi-structural components
- ☐ the Board holds a public discussion and approves a list of Association components.
- ☐ the Board communicates the list to the preparer of the component study and, in the annual operating budget, to the apartment owners

Specify Quantities of Each Component

- ☐ consult floor plans, elevations, and as-built drawings, if possible
- ☐ make an on-site inspection of each component and an on-site count or measurement of each type of component
- ☐ determine the quality of each component and express in terms that identify a specific grade of material

Determine the Estimated Useful Life of Each Component:

- ☐ consult manufacturer warranties whenever possible
- ☐ developer’s statement (when made for condominium conversions) of the expected useful life of all structural components and mechanical and electrical installations material (statement is contained in the developer’s disclosure abstract or public report)
- ☐ take into account environmental local factors that might affect useful life (see Appendix G as a beginning point for this step)
- ☐ determine that installation and materials are consistent with manufacturers’ description; if not, make adjustment to the estimated remaining life estimated by the warranty or by the manuals
- ☐ consult a standard manual
- ☐ determine that adequate maintenance schedules and standards have been followed, if not, make an adjustment to the estimated remaining life
- ☐ document maintenance assumptions

Assess the Estimated Remaining Life of Each Component:

- ☐ make an on-site inspection of each component
- ☐ take into account past maintenance
- ☐ have individuals with knowledge of the components participate in the assessment of estimated remaining life
- ☐ have Board determine what level of maintenance is expected to achieve the remaining life estimated
- ☐ consult manufacturer warranties whenever possible
- ☐ review developer's statement (when made for condominium conversions) of the remaining useful life of all structural Components and mechanical and electrical installations material (statement is contained in the developer's disclosure abstract or public report)
- ☐ take into account environmental local factors that might affect useful life (see Appendix F as a beginning point for this step)
- ☐ determine that installation and materials are consistent with manufacturers' description; if not, make an adjustment to the estimated remaining life estimated by the warranty or by me manuals
- ☐ consult a standard manual
- ☐ determine that maintenance schedules have been followed; if not, make an adjustment to the estimated remaining life
- ☐ document maintenance assumptions

Determine the Cost of Replacement:

- ☐ consult a standard costing manual (see Appendix F for a bibliography)
- ☐ consult a local costing manual or ask more than one licensed trades person tor a price for each component
- ☐ if a manual is used, adjust the "current" price of each component for the age of the data in the manual
- ☐ it a manual is used, adjustments in cost include: reasonable projections for inflation rate not less than that of the accepted Consumer Price Index for All Urban Consumers for the prior year; and for interest which will be earned during the estimated life of the component
- ☐ if manual is used, the application of the manual's limitations and assumptions have been examined and adjustments to cost made on estimates
- ☐ if a manual is used, take into account regional variations in price are and cost of replacement includes cost of removing old components, if necessary
- ☐ make adjustments for grade or quality of materials or levels of maintenance of materials
- ☐ review Association's past maintenance experience with the component