

This discussion about **repair & replacement** took place in [Habitat Magazine's](#) online forum. "C/CS" is the long-standing web name of an ACCO officer.

Alliance of Condo & Co-op Owners



NewMember: engineer report

Wed Jan 26, 2011 1:30pm

New Board Member, who is in a building that is refinancing this summer (building has over 100 units). We need to consider all capital projects for the next 10-15 years. I suggested we get an engineer in but the managing agent says it is a bad idea because then we will have to disclose all of the recommendations in the financial statements. what's the consensus? have 'clean' financials, or know what the potentials risk areas are as we look to refinance the building? What is the damage in having an engineer report and that info in the financial statements?

Steve-Inwood: Get It

Wed Jan 26, 2011 5:17pm

I hear this all of the time. Do nothing so that you know nothing. Not great advice. Isn't it better to know so you can plan? An engineering report costs so little – get it done.

NewBoardMember: re: engineer report

Tue Feb 15, 2011 10:25am

The managing agent is the one who says that it isn't necessary because whatever the engineer finds, has to be then disclosed on the financial statements, and that could cause 'problems' if anything significant is found. The managing agent isn't the Sponsor.

I agree knowledge is good and it is better to be aware of the state of the building, but I am also concerned about what he says (the need to disclose in the F/S). That's why I was curious if having to disclose everything is really is a big issue or if it will have a negative impact on our financials.

C/CS: Your agent is nuts.

Thu Feb 17, 2011 11:39pm

I applaud you for pursuing this line of inquiry, & suggest you trust your own instincts more than your agent's advice.

If the engineer does find a serious condition, are you going to be upset because it has to be mentioned in your financials? Or will you be gratified because you're able to prevent a catastrophic failure...or at least enabled your building to plan & fund efficient repairs?

Remember:

1—The agent is hired help, & works for you. Board members are fiduciaries, & MUST do what's right for the building. I've seen far too many board members blindly accept agent recommendations without asking basic, common-sense questions.

2—The agent says an engineering study "could cause 'problems' if anything significant is found." Knowledge of significant issues never causes problems. Rather, that knowledge gives you choices, & allows you to plan effectively. It's lack of knowledge that causes problems.

3—A real problem would be if, because you've followed the agent's advice to make like an ostrich, you're surprised when you have to announce a big assessment to deal with something that's worn out. Or, much worse—if there's a failure resulting in injury. In either of those instances, exactly how have you served the interests of your association?

4— An absence of needed repairs & capital improvements is not what makes a set of financials “clean.” Auditors will deem your statement “clean” if there are no fiscal irregularities or unexplained/suspicious items. A footnote on your financials can explain that the warranty on your roof has expired & the engineer says it has 3-5 years of useful life remaining; your audit will still be “clean.”

A recent law requires every owner in the state, when selling a 1-4 family home, to make detailed, affirmative statements to the buyer about its condition. A loophole allows sellers to “buy” their way out with a \$500 credit to the buyer, but the intent of the law is clear. When you accept the role of fiduciary for a building comprising dozens, or hundreds, of families, is it really OK to perform to a lesser standard, saying “the Board has opted not to conduct a study; the Board chooses not to know”?

Pretend NY has no auto inspection law. If your dealer says “don’t inspect your car because you might find that something major needs replacing soon,” how would you react? If he says “you should especially avoid inspection because you might sell the car soon, & if you find something like a fractured hydraulic line that could cause brake failure, you’d have to disclose that to the buyer”...what would you do?

The image of fiscal health you present to prospective buyers is important, as is keeping your common charges reasonable—but should you really let that concern trump your need to know that the building is safe? You also must ensure that your reserves are sufficient; how is it possible to state that they are, without conducting a thorough assessment of your infrastructure?

Whatever your motives for serving on your board, you surely believe you can do a good job, & make good decisions—for your family, for your neighbors, & for your collective investment. If others are so concerned about short-term fiscal impact or liability that they won’t objectively assess building conditions & implement necessary maintenance & repair protocols, they have no business becoming board members.

More here: <http://condocoowners.org/repair-replacement/>

VP: Advice from MangAgent

Fri Feb 18, 2011 9:20am

Thank you. Our building is the PosterChild for bad advice from the MangAgent -- and worst.

Its difficult for Board members to understand that the Agent works for the Board and they have NO vested (financial) interest in keeping our cost down.

Until Board members understand that they are running a business and the PropAgent is not their friend, we will continue to pay.

VP

NewMember: C/CS - thank you!

Fri Feb 18, 2011 10:11am

C/CS - thank you very, very much for such a detailed explanation...your insight helped me tremendously (as did others on here).

You completely opened up my eyes as to why the report is so important by your examples, and now I know what I need to do! Thank you so much...as a new Board member, I'm still learning, but this helped tremendously.

Many thanks for taking the time to write your response with such details...very helpful...