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Governor Murphy Signs Legislation to Maintain Structural Integrity of Residential Housing

01/8/2024

TRENTON – Governor Phil Murphy today signed S2760/A4384, which puts in place additional procedures for inspecting, evaluating, and maintaining the structural integrity of certain residential housing structures across the state. Together, these procedures will help ensure the safety, stability, and resilience of New Jersey's condominiums and coops for generations to come.

"Today we underscore that we will continue to do everything in our power to ensure that no New Jersey community has to endure the tragedy that befell Surfside, Florida just a few years ago," **said Governor Murphy**. "Every New Jersey family, regardless of their zip code, deserves to live with the peace of mind that comes with knowing your home will shelter and protect your loved ones against the elements and the test of time."

New Jersey Legislative Mandates for Reserve Studies and Structural Integrity

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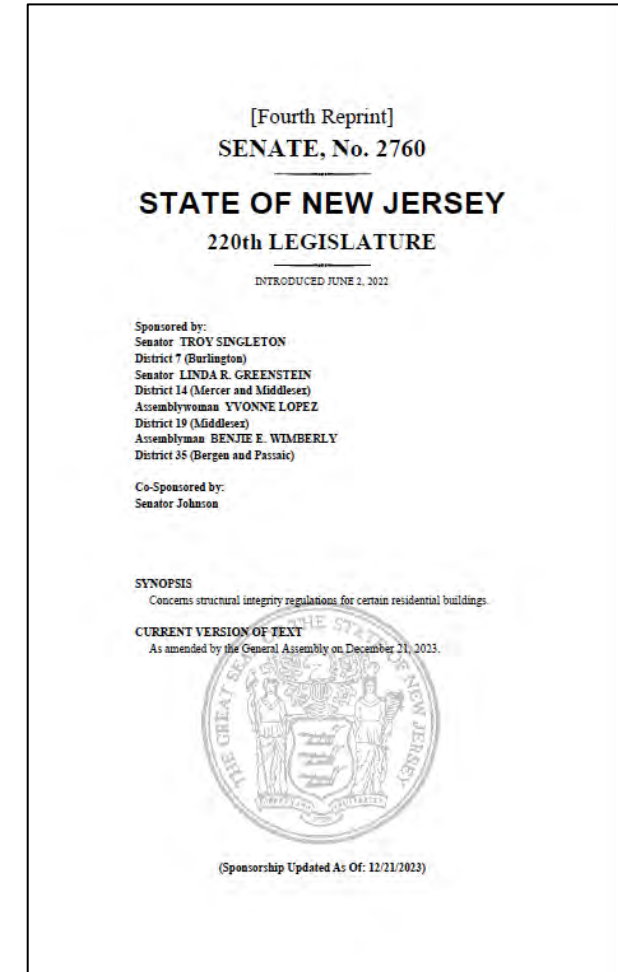
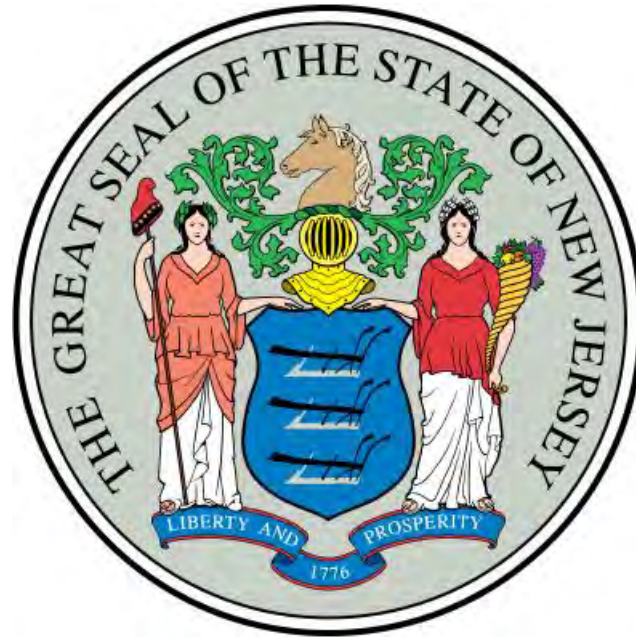
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Some Background

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What We Are Talking About New Jersey New Law Reserve and Structural Integrity Requirements

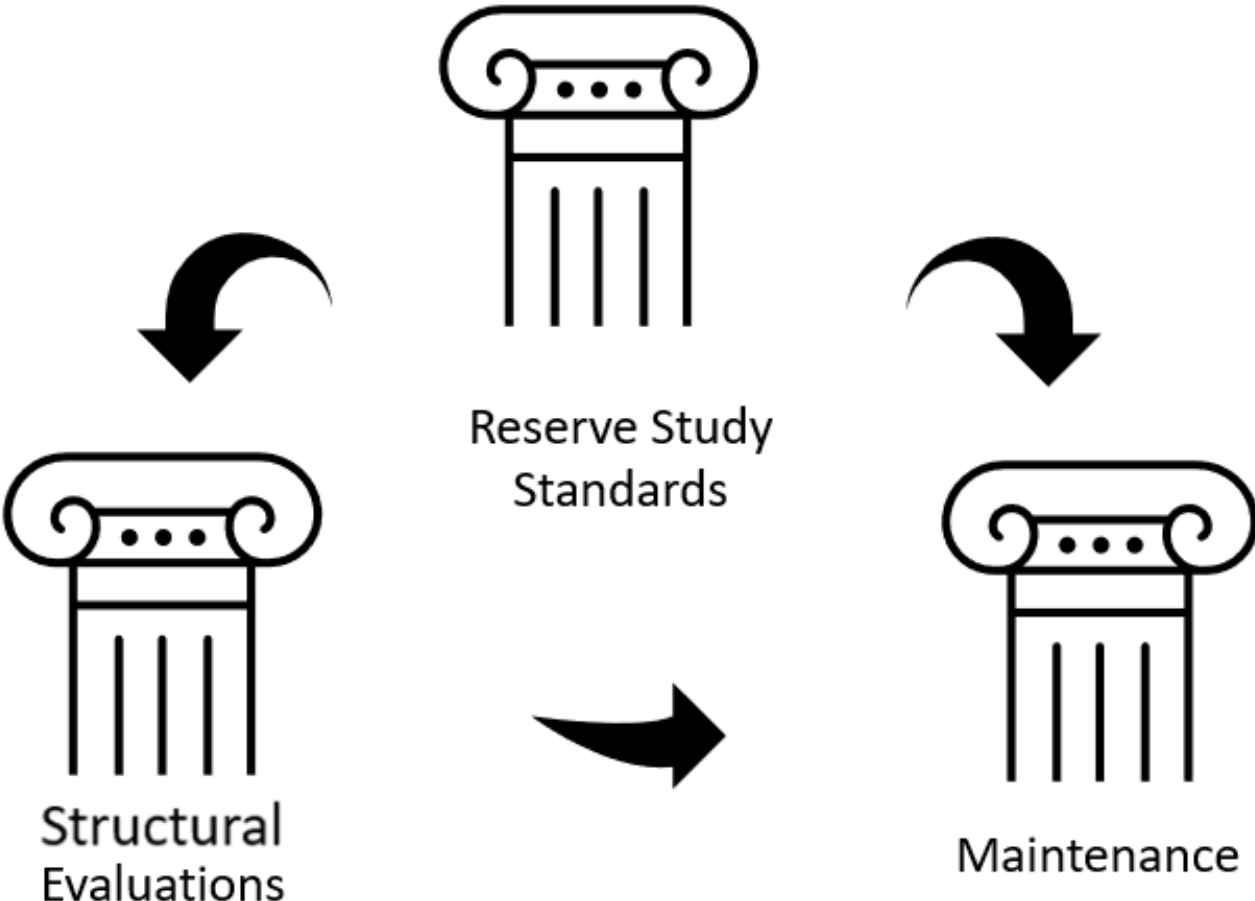


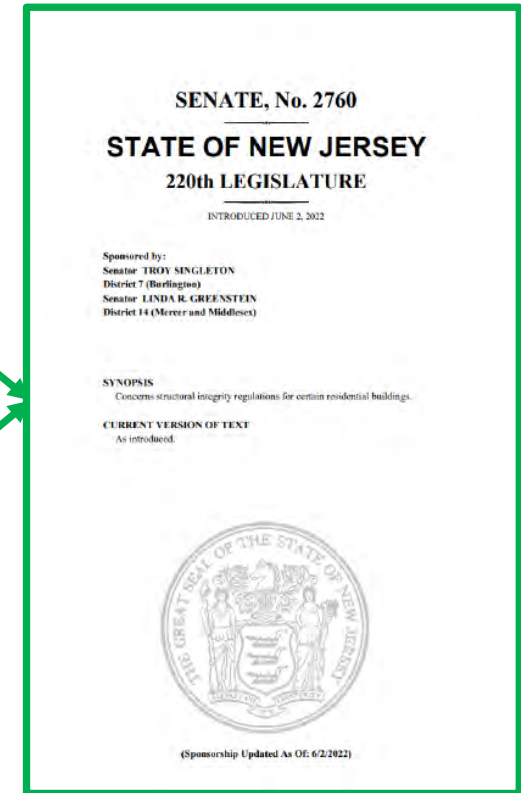
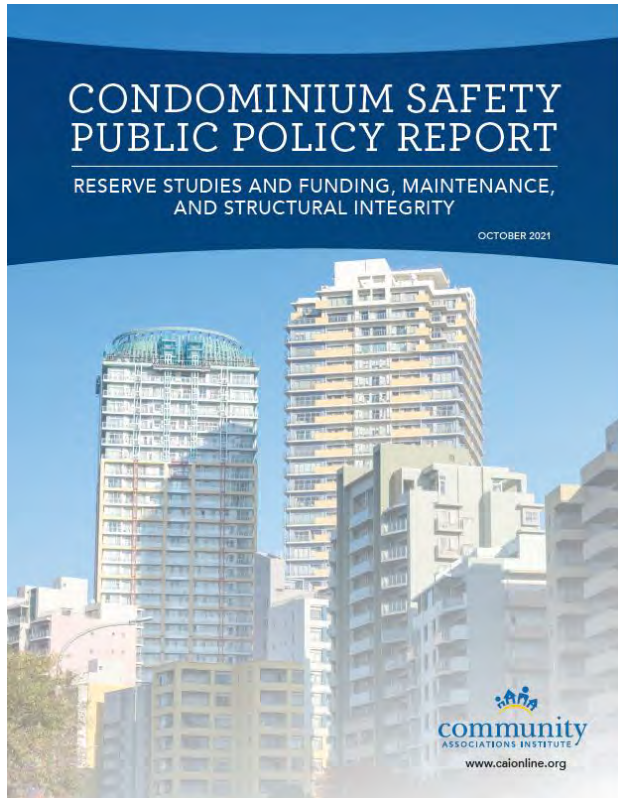
Some Background



The Tragedy of Champlain Towers Has Changed Our Industry For the Better !

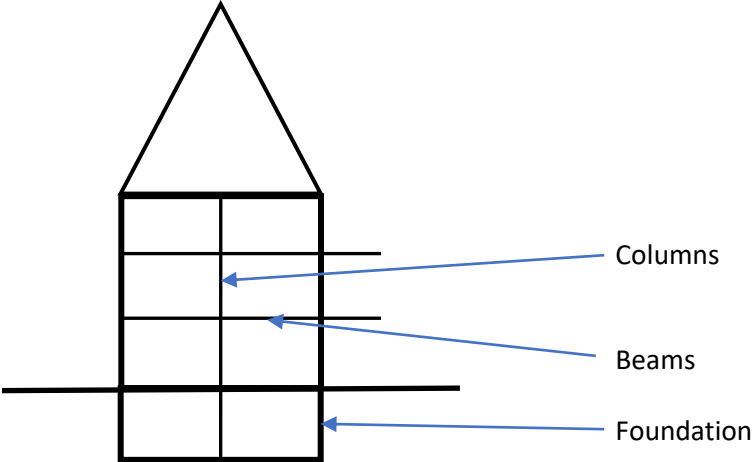
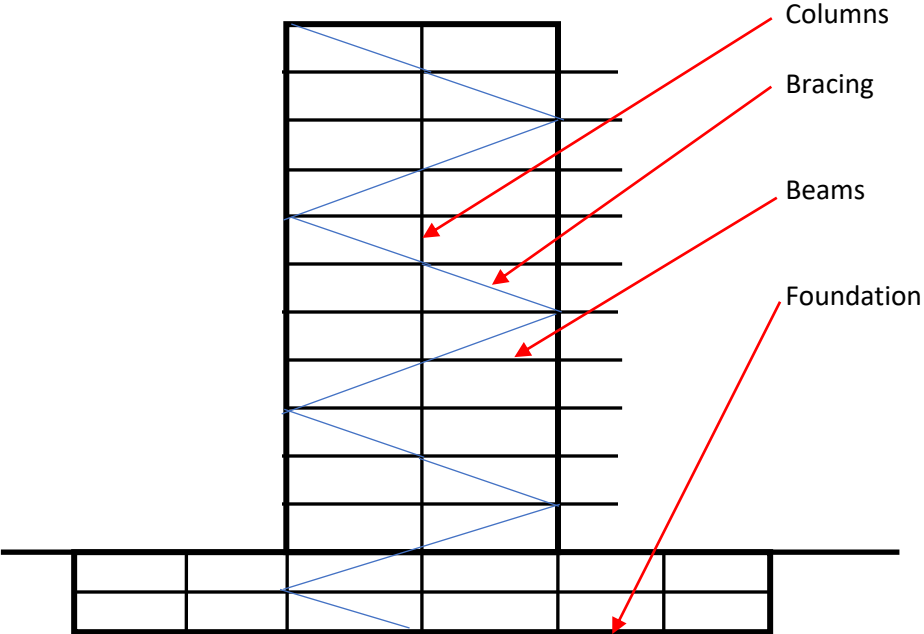
This new law is proof !!



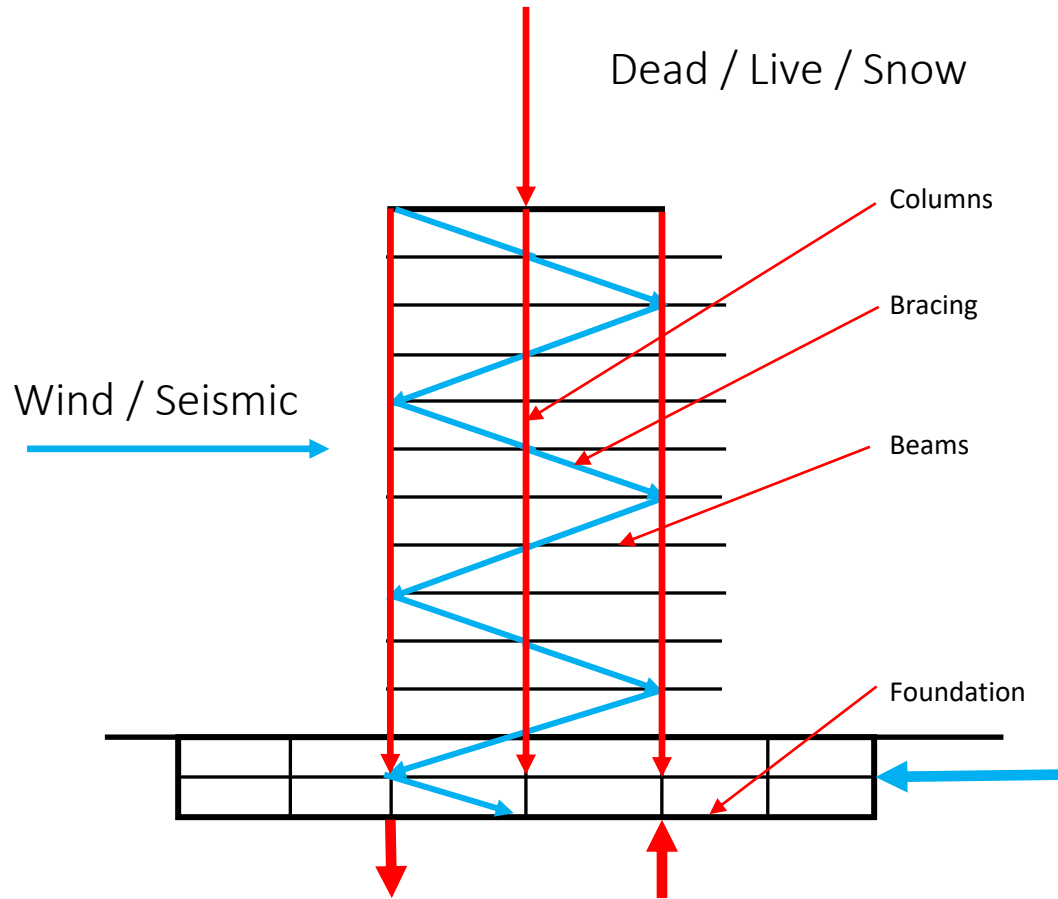


What is a Buildings Structure ?

A building's structure is what holds the building up.



Primary Load Bearing System



“Primary load bearing system” means the assemblage of structural components within a building comprised of columns, beams, or bracing that by contiguous interconnection form a path by which external and internal forces applied to the building are delivered to the [ground] foundation. The foundation as well as any connected or attached balconies shall be included as part of the primary load bearing system evaluation.

The PLBS



The PLBS

If any one part of the PLBS deteriorates and can no longer support a portion or all the building, a collapse can occur.



The PLBS

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Life Cycle Cost

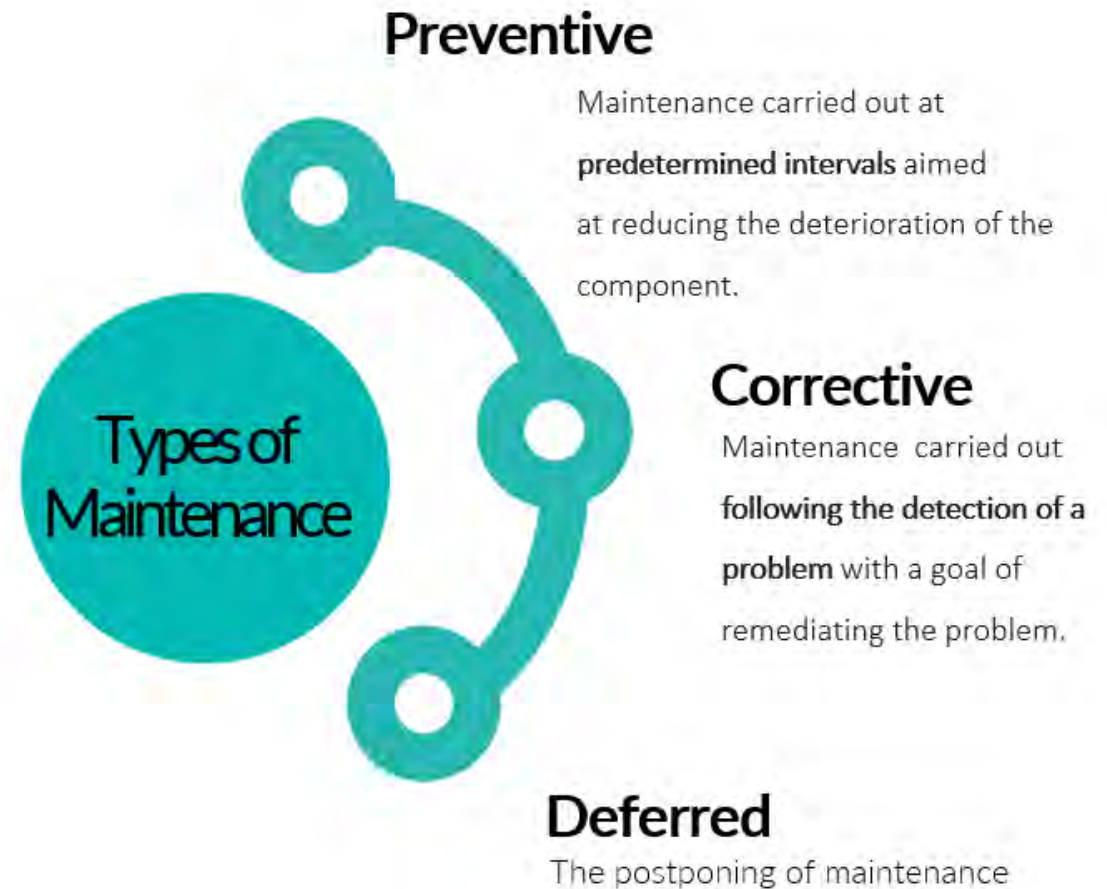
Life cycle costs (LCC) refer to the total cost associated with a building project over its entire life span.

It encompasses all expenses incurred over the building's life, including both initial and ongoing costs, in order to provide a comprehensive financial perspective for decision-makers.

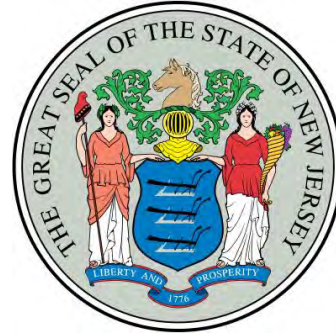
- Initial construction costs
- Operating costs (utilities, maintenance, cleaning, etc.)
- Maintenance and repair costs
- Energy and utility costs
- Replacement costs for major components

Maintenance

The process of preserving something



What's Included New Jersey Legislative Law



Periodic Structural Inspections

Reserve Study's

Reserve Funding

Maintenance

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. (New section) The Legislature finds and declares that:
 - a. The importance of the structural integrity of residential buildings in New Jersey has become a growing concern for many, especially in the wake of the tragic collapse of a high-rise, multifamily housing structure in Florida.
 - b. In light of these growing concerns, it is appropriate for the Legislature to put in place appropriate procedures for inspecting, evaluating and maintaining the structural integrity of certain residential housing structures within this State.

SENATE, No. 2760
STATE OF NEW JERSEY
220th LEGISLATURE

INTRODUCED JUNE 2, 2022

Sponsored by:
Senator TROY SINGLETON
District 7 (Burlington)
Senator LINDA R. GREENSTEIN
District 14 (Mercer and Middlesex)

SYNOPSIS
Concerns structural integrity regulations for certain residential buildings.

CURRENT VERSION OF TEXT
As introduced.



(Sponsorship Updated As Of: 6/2/2022)

Keep in mind as you listen today that what the legislation mandates for Structural Integrity and Reserves are not the same for all associations !

This is going to happen Even Without S2760/A4384

Fannie/Freddie

Insurance

Legislation

Community Planning



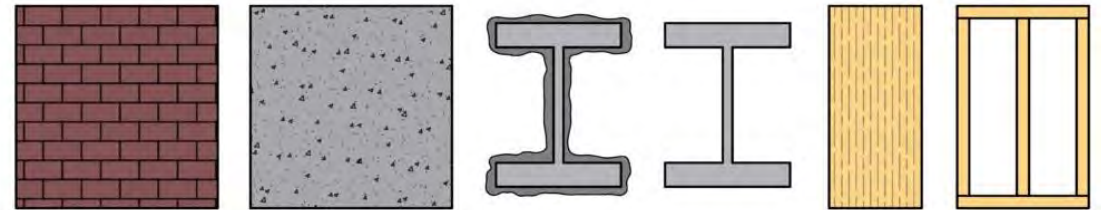
Structural Integrity Are You Included and, What is Included

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What is a Covered Building ?

30 “Covered building” means a residential ²condominium or
31 cooperative² building that ²**[is categorized as use group R-1 or use**
32 **group R-2, as those terms are defined in N.J.A.C.5:70-1.5, having]** has
33 a primary² load bearing ²system that is comprised of a² concrete,
34 masonry, steel, ²or² hybrid structure including, ²**[but not limited to]**
35 without limitation² , heavy timber ²**[.]**² and a building with podium
36 decks ², but not including an excluded structure² .



Key Point

Need for Inspections and Evaluation are based on type of structure, not height of building



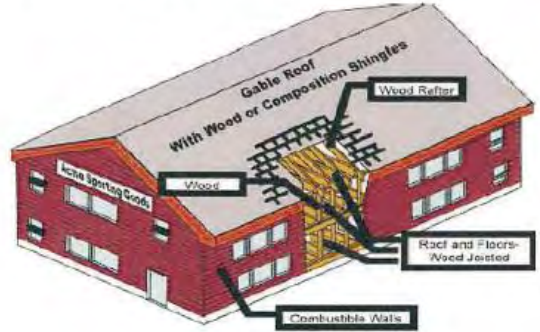
What is Excluded ?

- 40 2. "Excluded structure" means:
- 41 (1) International Standardization Organization ISO type 1
- 42 construction or frame-built construction with combustible walls or
- 1 roofs, but not including a podium deck on which the frame-built
- 2 construction is situated;
- 3 (2) a building with ancillary elements that are not part of the
- 4 primary load bearing system such as, but not limited to elevator shafts
- 5 or concrete, masonry, steel or heavy timber that the primary load
- 6 bearing system does not deliver a building's load to the foundation;
- 7 (3) a building that is not a condominium or cooperative, and
- 8 consists primarily of rental dwellings; or
- 9 (4) a single-family dwelling.

What is Excluded ?

ISO Types 1-6: Construction Code Descriptions

ISO 1 – Frame (combustible walls or roof)



Source: www.isopropertyresources.com

5

What is
Excluded ?



What is
Included ?



First Inspection

- If constructed after bill passage
 - Within 15 years
 - 60 days after observable damage

43 ⁴~~[4.]~~ 3.⁴ (New section) a. Following the issuance of a
44 certificate of occupancy, an initial structural inspection of the
45 building components forming the primary load bearing system of a
46 covered building shall be undertaken by a post-occupancy structural
1 inspector retained by the covered building owner within the earlier
2 of:
3 (1) 15 years of the date on which the covered building receives a
4 certificate of occupancy pursuant to section 15 of P.L.1975, c.217
5 (C.52:27D-133); or
6 (2) 60 days after observable damage to the primary load bearing
7 system.

First Inspection

- If constructed prior to bill passage
 - 15 years or more since CO
 - Within 2 years
 - Less than 15 years since CO
 - Within 1 year of reaching 15 years

8 ²b.² If a covered building has received a certificate of occupancy
9 pursuant to section 15 of P.L.1975, c.217 (C.52:27D-133) prior to
10 the effective date of P.L. , c. (C.) (pending before the
11 Legislature as this bill), then an initial structural inspection shall be
12 undertaken by a structural inspector ²[within two years of] based
13 on the number of years the certificate of occupancy preceded² the
14 effective date of P.L. , c. (C.) (pending before the
15 Legislature as this bill) ², as provided in this subsection. If the
16 certificate of occupancy was provided:
17 (1) one day to ³[five] 14³ years ³and 364 days³ prior to the
18 effective date of P.L. , c. (C.) (pending before the
19 Legislature as this bill), then the structural inspection shall occur
20 within ³[six years following the effective date of P.L. ,
21 c. (C.) (pending before the Legislature as this bill)] one year
22 of the date 15 years following the date of the issuance of the
23 certificate of occupancy³ ; ³or³
24 (2) ³[five years and one day to ten years.] 15 or more years³
25 prior to the effective date of P.L. , c. (C.) (pending before
26 the Legislature as this bill), then the structural inspection shall
27 occur within ³[four] two³ years following the effective date of
28 P.L. , c. (C.) (pending before the Legislature as this bill)
29 ³[; or
30 (3) ten years and one day or longer prior to the effective date of
31 P.L. , c. (C.) (pending before the Legislature as this bill),
32 then the structural inspection shall occur within two years following
33 the effective date of P.L. , c. (C.) (pending before the
34 Legislature as this bill)]³.

First Inspection

- Conversion
 - Same as for a building which is not a conversion

35 c. A building that ³[is proposed to be] has been³ converted to
36 a condominium or cooperative form of ownership after the effective
37 date of P.L. , c. (C.) (pending before the Legislature as this
38 bill) shall, as part of the process of registering the project pursuant
39 to the “Planned Real Estate Development Full Disclosure Act,”
40 P.L.1977, c.419 (C.45:22A-21 et seq.) and the regulations
41 promulgated thereunder, be required to ³[have an inspection of the
42 primary load bearing system conducted in in conformity with
43 subsections d., e., and f. of this section, and a copy of the written
44 inspection shall be included in the project’s public offering
45 statement²] follow the schedule of inspections provided in
46 paragraphs (1) and (2) of subsection b. of this section³.

Reports

- Condition of primary load bearing system
- Required maintenance or repair and description
- Required corrective maintenance
- When next inspection is to be performed

1 ²[b.] d.² After the post-occupancy structural inspector has
2 performed an inspection pursuant to subsection a. of this section,
3 the post-occupancy structural inspector shall issue a written report
4 describing the condition of the primary load bearing system. The
5 post-occupancy structural inspection report shall:
6 (1) set forth with specificity any required maintenance or repairs
7 needed by the primary load bearing system;
8 (2) determine when the next inspection of the primary load
9 bearing system shall be performed, but in no event shall a
10 secondary inspection occur more than the earlier of: (a) 10 years
11 after the initial inspection has taken place; or (b) not more than 60
12 days after there is observable damage to the primary load bearing
13 system;
14 (3) be provided to the municipal appointing authority, the
15 construction official and the enforcing agency;
16 (4) be prepared in accordance with the protocol established by
17 the American Society of Civil Engineers, for the structural
18 condition assessment of a covered building or a similar protocol by
19 another nationally recognized structural engineering organization;
20 and

Reports

- Provided to Municipal authorities
- Provided to building owners and made available to residents on request

14 (3) be provided to the municipal appointing authority, the
15 construction official and the enforcing agency;

16 (4) Any written reports issued by the post-occupancy structural
17 inspector pursuant to this section shall be provided to the covered
18 building's owner and shall be made available to any resident of a
19 covered building upon request.

Inspections and Reports

- Prepared under the direction of “structural inspector” = licensed professional engineer

19 “Structural inspector” means:
20 (1) a construction official, as that term is used in section 8 of
21 P.L.1975, c.217 (C.52:27D-126), who is also an engineer licensed by
22 the State;
23 (2) an employee of the bureau who is also an engineer licensed by
24 the State; or
25 (3) an engineer licensed by the State ‘who has the same
26 qualifications required of an engineer under contract with the
27 enforcing agency’ with whom the covered building owner ‘[,
28 enforcing agency, or bureau]’ contracts to perform inspections of
29 covered buildings under ⁴[sections] section⁴ 3 ⁴[and 4]⁴ of P.L. , c.
30 (⁴[C. and]⁴ C.) (pending before the Legislature as this bill).
31

For “maintaining the structural integrity of a building” no vote of membership is required for a special assessment or borrowing to correct.

4 ⁴[9.] 8.⁴ (New section) a. Notwithstanding the terms of a
5 declaration, master deed, bylaws, or other governing document of an
6 association, the executive board may, without the consent of the
7 owners or approval of a developer selling units in the planned real
8 estate development, adopt an assessment payable by the owners over
9 one or more fiscal years or obtain a loan on such terms as the board
10 determines are reasonable, whenever necessary to fund the cost of
11 corrective maintenance of the primary load bearing system of the
12 planned real estate development pursuant to section ⁴[4] 3⁴
13 of P.L. , c. (C.) (pending before the Legislature as this bill).
14 Prior to adopting an assessment or obtaining a loan under this section,
15 the executive board shall make a determination that the assessment or
16 loan are necessary to maintain structural integrity of a building and
17 shall obtain a written report from an engineer or architect licensed by
18 the State that states that the failure to undertake corrective
19 maintenance of the primary load bearing system will:
20 (1) constitute an imminent or reasonably foreseeable hazard to
21 health or safety;
22 (2) constitute a violation of ⁴[sections] section⁴ 3 ⁴[and 4]⁴ of
23 P.L. , c. (⁴[C. and]⁴ C.) (pending before the Legislature
24 as this bill), or
25 (3) will result in a material increase in the cost of such corrective
26 maintenance if delayed.

RESERVES LEGISLATION

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New Jersey Legislative Reserve Law Who is Included ?

All Associations

From S 2760

17 7. (New section) a. Any association ²[created pursuant to
18 P.L.1977, c.419 (C.45:22A-21 et seq.)] of a planned real estate
19 development² shall undertake and fund a capital reserve study

From NJAC

"Planned Real Estate Development" or "development" means any real property situated within this State, whether contiguous or not, which consists of, or will consist of, separately owned areas, irrespective of form, be it lots, parcels, units or interests, and which are offered or disposed of pursuant to a common promotional plan, and providing for common or shared elements or interests in real property. This definition shall include, but not be limited to, "planned unit development" and "planned

Page 7 of 132

N.J.A.C. 5:26-1.3

unit residential development" as defined in the Municipal Land Use Law, P.L. 1975, c. 291 ([N.J.S.A. 40:55D-6](#)). This definition shall not include any form of timesharing subject to the New Jersey Real Estate Timeshare Act, P.L. 2006, c. 63.

New Jersey Legislative Reserve Law What is In Place Now ?

For Developers

- Reserve Funding

From NJAC 5:26-8.7

(7/19/2021)

(a) During developer control of the association's governing board, the association shall, prior to making an annual assessment, prepare and adopt an operating budget, which shall provide, for any and all common expenses to be incurred during the fiscal year, as well as adequate reserve funds for repair and replacement of the common elements and facilities.

New Jersey Legislative Reserve Law What is now Required ?

For Developers

- Preventive Maintenance Document
 - Maintenance Schedule
 - Timing for Preventive Maintenance
 - Cost
 - Periodic structural inspections
 - Timing
 - Cost

30 10. (New section) The developer shall prepare a document
31 which sets forth the preventative maintenance tasks to be
32 undertaken by the association over the life of the common area
33 components. This preventive maintenance document shall provide
34 the maintenance schedule and timing for preventive maintenance,
35 including, but not limited to, periodic inspections of the structural
36 components of the buildings or common areas which the association
37 is obligated to maintain. The developer shall include within the
38 budget prepared in accordance with the rules and regulations
39 adopted pursuant to section 15 of P.L.1977, c.419 (C.45:22A-35) all
40 operating expenses associated with the preventative maintenance set
41 forth in the preventative maintenance document prepared pursuant
42 to this section. The preventative maintenance document shall be
43 updated at the completion of any structural inspections performed
44 pursuant to section 3 of P.L. , c. (C.) (pending before the
45 Legislature as this bill) in order to reflect and address any required
46 corrective maintenance.

New Jersey Legislative Reserve Law What is in Place Now ?

For Developers

- Updates paid For By The Developer
 - As new common elements are added, phases
 - When as built differs from plans

(b) A new reserve study shall be prepared in the following situations:

1. When a developer submits an application for an expandable project for registration in accordance with N.J.A.C. 5:26-2.4. Each addition shall require an update to the reserve study to account for all new common elements and facilities to be constructed in each expansion phase and all common elements and facilities constructed in prior phases where repair and replacement costs were not previously accounted for in the most current reserve study.

i. The developer shall bear the expense of the reserve study for common elements in any new phase; and

ii. The association shall bear the expense of any new common element added to a phase that is built out and sold out at the time of submission of the application to add a new phase.

2. Where the common elements and facilities differ from the common elements and facilities shown on the building plans or described in the public offering statement, a new reserve study shall be conducted. The public offering statement shall be amended, filed, and registered in accordance with N.J.A.C. 5:26-4.5 to reflect the updated as-built common elements and facilities.

Reserve Studies and Funding What is Included

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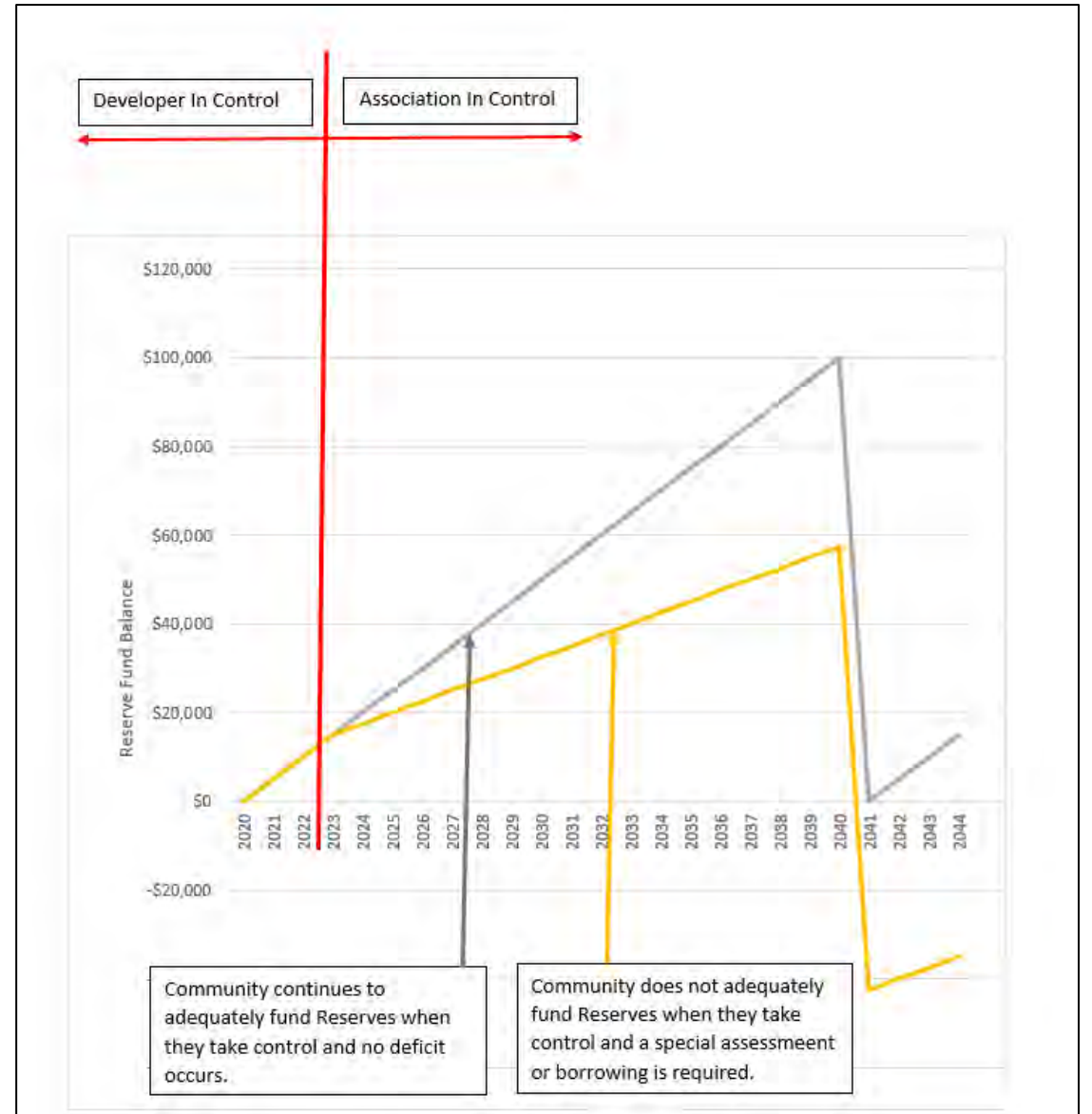
New Jersey Legislative Reserve Law What was in Place until Yesterday ?

For Associations

NOTHING !!

New Jersey Legislative Reserve Law

**So, What was the
Problem ?**



New Jersey Legislative Reserve Law What is the new Requirement ?

For Associations

- Must “undertake” and “fund”

17 7. (New section) a. Any association ²[created pursuant to
18 P.L.1977, c.419 (C.45:22A-21 et seq.)] of a planned real estate
19 development² shall undertake and fund a capital reserve study
20 which shall determine or assess the adequacy of the association's
21 capital reserve funds to meet the anticipated costs of replacement or
22 repair of the capital assets of a common interest community that the
23 association is obligated to maintain. All capital reserve studies
24 shall be prepared in conformity with the latest edition of the
25 National Reserve Study Standards of the Community Associations
26 Institute or similar standards by another recognized national
27 organization. A capital reserve study conducted pursuant to this
28 section shall be performed or overseen by a reserve specialist who
29 is credentialed through the ²[Association of Professional Reserve
30 Analysts] Community Associations Institute² or an engineer or
31 architect who is licensed by the State and shall include, but be not

New Jersey Legislative Reserve Law What is the new Requirement ?

For Associations

- Must assess “adequacy”

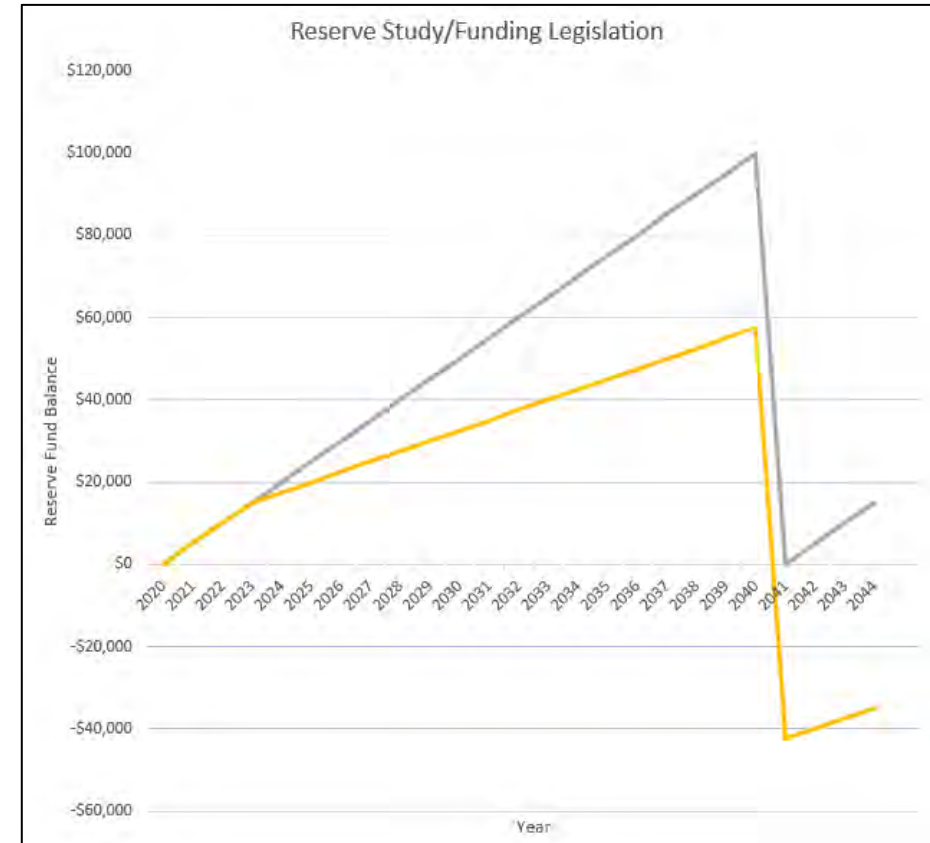
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22 repair of the capital assets of a common interest community that the
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28 section shall be performed or overseen by a reserve specialist who
29 is credentialed through the ²[Association of Professional Reserve
30 Analysts] Community Associations Institute² or an engineer or
31 architect who is licensed by the State and shall include, but be not

New Jersey Legislative Reserve Law What is the new Requirement ?

For Associations

- Definition of “adequacy”

8. (New section) a. An association ²[created pursuant to P.L.1977, c.419 (C.45:22A-21 et seq.)] of a planned real estate development² shall obtain a reserve study including a 30-year funding plan in order to ensure that the association has adequate reserve funds available to repair or replace the capital assets located on the common elements and facilities that the association is obligated to maintain without need to create a special assessment or loan obligation, except that in those cases in which a capital asset reaches the end of its established useful life earlier than predicted



New Jersey Legislative Reserve Law What is the new Requirement ?

For Associations

- Prepared in Conformance With Reserve Study Standards of CAI (or similar standards)
- Also to include what is included in legislation but not a requirement in the Standards

17 7. (New section) a. Any association ²[created pursuant to
18 P.L.1977, c.419 (C.45:22A-21 et seq.)] of a planned real estate
19 development² shall undertake and fund a capital reserve study
20 which shall determine or assess the adequacy of the association's
21 capital reserve funds to meet the anticipated costs of replacement or
22 repair of the capital assets of a common interest community that the
23 association is obligated to maintain. All capital reserve studies
24 shall be prepared in conformity with the latest edition of the
25 National Reserve Study Standards of the Community Associations
26 Institute or similar standards by another recognized national
27 organization. A capital reserve study conducted pursuant to this
28 section shall be performed or overseen by a reserve specialist who
29 is credentialed through the ²[Association of Professional Reserve
30 Analysts] Community Associations Institute² or an engineer or
31 architect who is licensed by the State and shall include, but be not

New Jersey Legislative Reserve Law What is required ?

- Costs associated with building maintenance
- Cost of future reserve studies
- Evaluation of “adequacy” with catch up period
- If a building requiring structural integrity inspections
 - Cost of future inspections
 - Cost of corrective maintenance

Associations Institute² or an engineer or architect who is licensed by the State and shall include, but be not limited to, the following:

- (1) the association’s capital reserve fund balances;
- (2) the association’s anticipated income and expenses;
- (3) an analysis of the physical status and of the common area components of the buildings and other common areas that the association is obligated to maintain;

(4) the anticipated costs associated with the building maintenance, as well as the anticipated costs of repair or replacement of common area building components, which are necessary to maintain the structural integrity of the buildings and other common area components that the association is obligated to maintain;

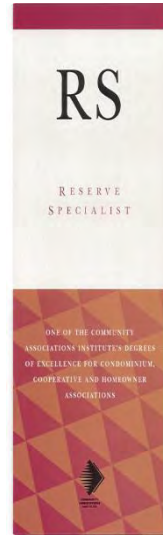
(5) a reasonable estimate of the cost of ²;
(a)² future reserve studies ² [or] ;
(b) reserve study² updates ²; and
(c) periodic structural inspections required pursuant to section ⁴[4] ³⁴ of P.L. , c. (C.) (pending before the Legislature as this bill²;

(6) a reasonable estimate of the costs associated with implementing any corrective maintenance deemed necessary pursuant to section ⁴[4] ³⁴ of P.L. , c. (C.) (pending before the Legislature as this bill);

New Jersey Legislative Reserve Law What is the new Requirement ?

For Associations

- Prepared or Overseen by **CAI Reserve Specialist (RS) or licensed Engineer or Architect**



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18 P.L.1977, c.419 (C.45:22A-21 et seq.)] of a planned real estate
19 development² shall undertake and fund a capital reserve study
20 which shall determine or assess the adequacy of the association's
21 capital reserve funds to meet the anticipated costs of replacement or
22 repair of the capital assets of a common interest community that the
23 association is obligated to maintain. All capital reserve studies
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26 Institute or similar standards by another recognized national
27 organization. A capital reserve study conducted pursuant to this
28 section shall be performed or overseen by a reserve specialist who
29 is credentialed through the ²[Association of Professional Reserve
30 Analysts] Community Associations Institute² or an engineer or
31 architect who is licensed by the State and shall include, but be not

New Jersey Legislative Reserve Law What is the new Requirement ?

For Associations

- The First Study, Existing Associations
 - If current study is more than 5 years old or if you do not have one, 1 year after passage

16 b. Associations which have not undertaken a reserve study
17 within five years of the effective date of P.L. , c. (C.)
18 (pending before the Legislature as this bill) shall undertake a
19 reserve study within one year of the effective date of P.L. , c.
20 (C.) (pending before the Legislature as this bill). Associations
21 formed after the effective date of P.L. , c. (C.) (pending
22 before the Legislature as this bill) shall undertake a reserve study as
23 soon as practicable after the election of a majority of an executive
24 board pursuant to section 5 of P.L.1983, c.30 (C.45:22A-47), but in
25 no event shall such study be undertaken more than two years
26 following the election of a majority of the executive board under
27 section 5 of P.L.1983, c.30 (C.45:22A-47).

New Jersey Legislative Reserve Law What is the new Requirement ?

For Associations

- The First Study, New Associations
 - 2 years after election of majority of Executive Board

16 b. Associations which have not undertaken a reserve study
17 within five years of the effective date of P.L. , c. (C.)
18 (pending before the Legislature as this bill) shall undertake a
19 reserve study within one year of the effective date of P.L. , c.
20 (C.) (pending before the Legislature as this bill). Associations
21 formed after the effective date of P.L. , c. (C.) (pending
22 before the Legislature as this bill) shall undertake a reserve study as
23 soon as practicable after the election of a majority of an executive
24 board pursuant to section 5 of P.L.1983, c.30 (C.45:22A-47), but in
25 no event shall such study be undertaken more than two years
26 following the election of a majority of the executive board under
27 section 5 of P.L.1983, c.30 (C.45:22A-47).

New Jersey Legislative Reserve Law What is the new Requirement ?

For Associations

- Updates
 - Maximum of 5 Years

28 c. A covered building owner ², as defined in section 2 of
29 P.L. . c. (C.) (pending before the Legislature as this bill).²
30 shall ensure that a capital reserve study conducted pursuant to this
31 section shall be reviewed by a licensed architect, engineer, or
32 credentialed reserve specialist, and that a capital reserve study be
33 conducted and reviewed at least once every five years.

New Jersey Legislative Reserve Law What is the new Requirement ?

For Associations

- What if you are not adequately funded
 - If it affects the overall budget by more than 10 % you must become adequately funded
 - Within 10 years
 - Or, by the time of a replacement that results in a deficit occurs

20 c. If an association existing as of the effective date of P.L. ,
21 c. (C.) (pending before the Legislature as this bill) does not
22 have an adequate reserve fund as described in subsection a. of this
23 section, and the increase in the association's budget line item for
24 reserve funding to render it adequate as set forth in the reserve
25 study would, without reference to any other budget line item
26 adjustments, require an increase of more than 10 percent of the
27 previous year's common expense assessment, the deficiency shall
28 be made adequate within the ²earlier of the² following ²[five] 10²
29 fiscal years, ²[provided that each] or the projected date predicted
30 by the reserve study by which absent increased funding, the balance
31 in the association's reserve account would fall below zero. In either
32 case, the² annual increase in reserve funding during the ²[following
33 five fiscal years] required period of time² shall be an equal annual
34 line item increase in the reserve fund until the reserve fund is made
35 adequate, notwithstanding causing an increase of more than 10
36 percent in the annual common expense assessment.

New Jersey Legislative Reserve Law What is the new Requirement ?

For Associations

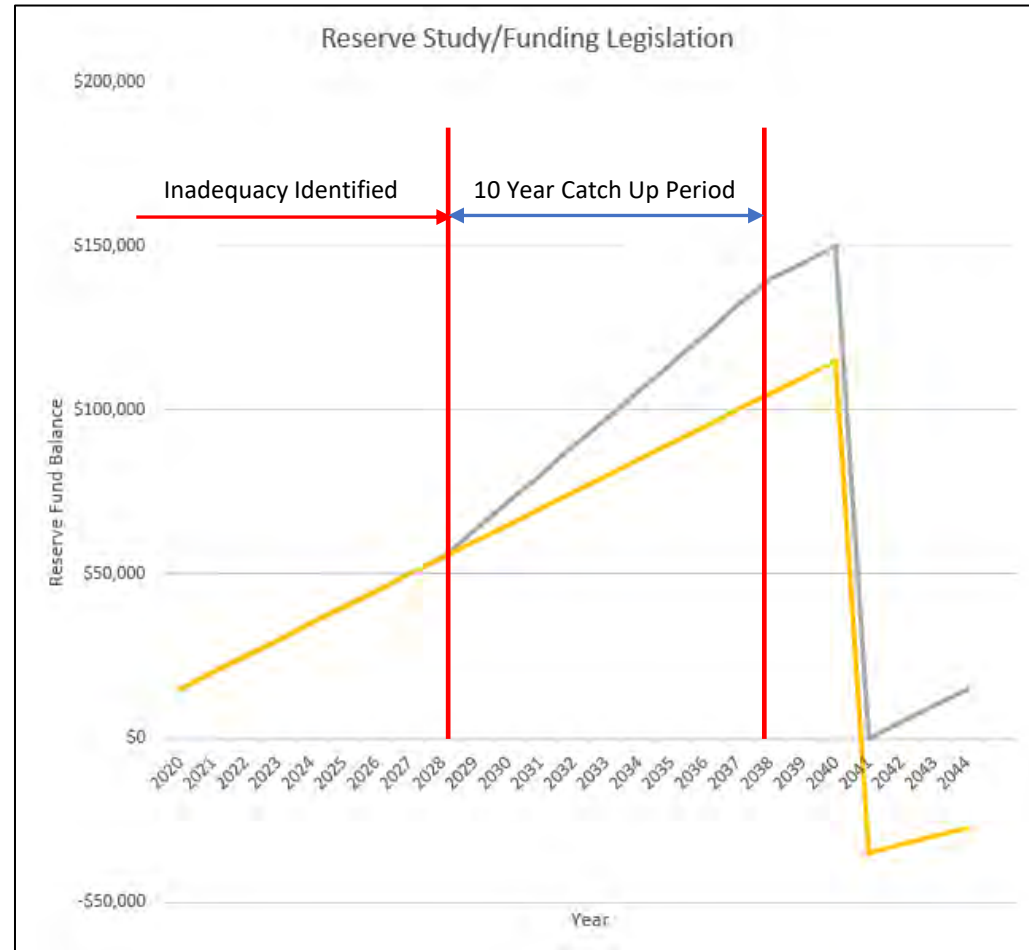
- What if you are not adequately funded
 - If it affects the overall budget by less than 10 % you must become adequately funded
 - Within 2 years

37 d. If an association existing as of the effective date of P.L. ,
38 c. (C.) (pending before the Legislature as this bill) does not
39 have an adequate reserve fund as described in subsection a. of this
40 section, and the increase in the association's budget line item for
41 reserve funding to render it in conformity with the reserve study
42 would, without reference to any other item adjustments, require an
43 increase of less than 10 percent of the previous year's common
44 expense assessment, the deficiency shall be made adequate within
45 the following two fiscal years.

More Than 10% Increase in Common Expense Assessment

Scenario One

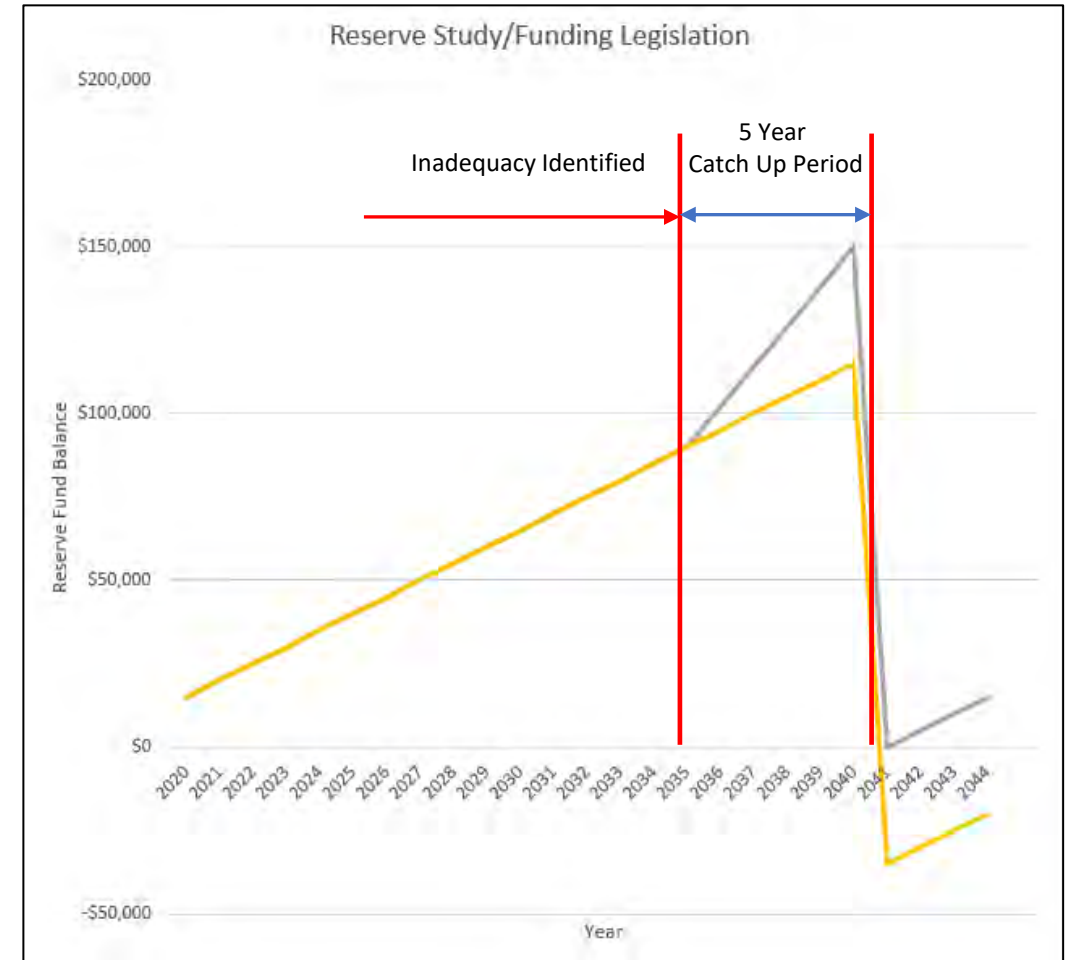
- Prior Year Common Expense Assessment
 - \$300,000
- Increase To Reach Reserve Adequacy
 - \$35,000 (12%)
- Catch Up to Adequacy Period
 - 10 years
 - \$3,500/year



More Than 10% Increase in Common Expense Assessment

Scenario Two

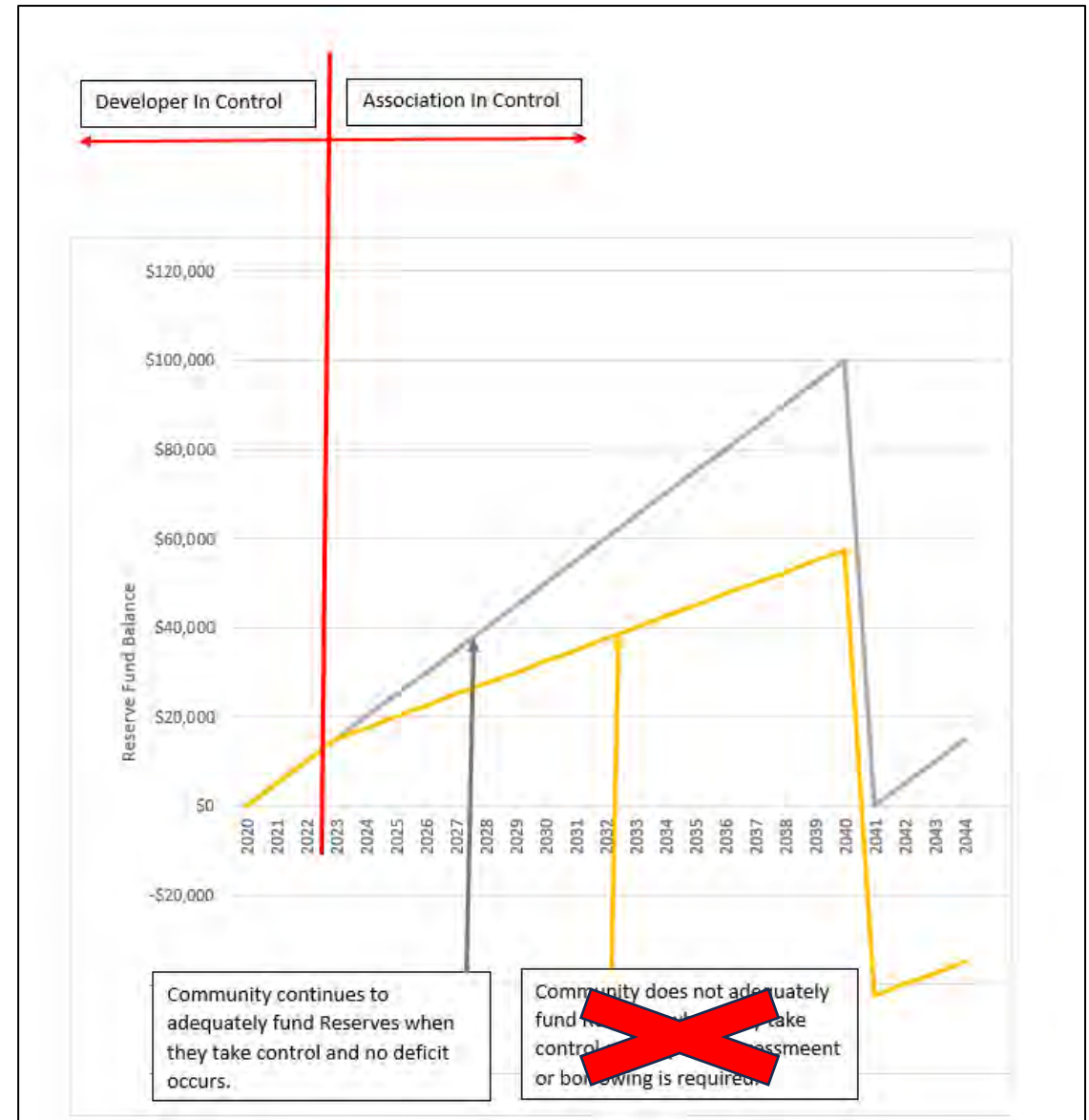
- Prior Year Common Expense Assessment
 - \$300,000
- Increase To Reach Reserve Adequacy
 - \$35,000 (12%)
- Years to Deficit
 - 5 years (varies)
- Catch Up to Adequacy Period
 - 5 years (varies)
 - \$7,000/year



New Jersey Legislative Reserve Initiative

Problem Solved

Adequate Funding Will Be Assured



New Jersey Legislative Reserve Law What is the new Requirement ?

- How much can you use ?

b. When an expenditure of the reserve funds is required to repair or replace a component pursuant to subsection a. of this section, the association shall use only the amount of reserve funds allocated by the reserve study to make such repair or replacement, unless:

(1) the use of such additional funds from the reserve fund is not reasonably anticipated to prevent or interfere with the ability of the association to undertake additional repairs or replacements in the five years subsequent to the additional expenditure; and

(2) the association's executive board adopts a written resolution requiring that the expenditure of these additional funds shall be recovered within the following ²~~three~~ five² fiscal years.

| COMPONENT | QUANTITY | | UNIT COST | REPLACEMENT COST | BEGINNING FUND BALANCE | ESTIMATED USEFUL LIFE | ESTIMATED REMAINING USEFUL LIFE | ANNUAL RESERVE FUNDING REQUIRED | FULL FUNDING BALANCE | NOTES |
|---------------|----------|----|------------|------------------|------------------------|-----------------------|---------------------------------|---------------------------------|----------------------|-------|
| Component 1 | 2,310 | SF | \$4.20 | \$9,702 | \$0 | 20 | 20 | \$485 | \$0 | |
| Component 2 | 2,070 | LF | \$24.62 | \$50,962 | \$0 | 25 | 25 | \$2,038 | \$0 | |
| Component 3 | 800 | SF | \$10.00 | \$8,000 | \$0 | 15 | 15 | \$533 | \$0 | |
| Component 4 | 115 | LF | \$18.20 | \$2,093 | \$0 | 10 | 10 | \$209 | \$0 | |
| Component 5 | 250 | SF | \$60.00 | \$15,000 | \$0 | 5 | 5 | \$3,000 | \$0 | |
| Component 6 | 1 | LS | \$5,000.00 | \$5,000 | \$0 | 20 | 20 | \$250 | \$0 | |
| TOTALS | | | | \$90,757 | \$0 | | | \$6,516 | \$0 | |

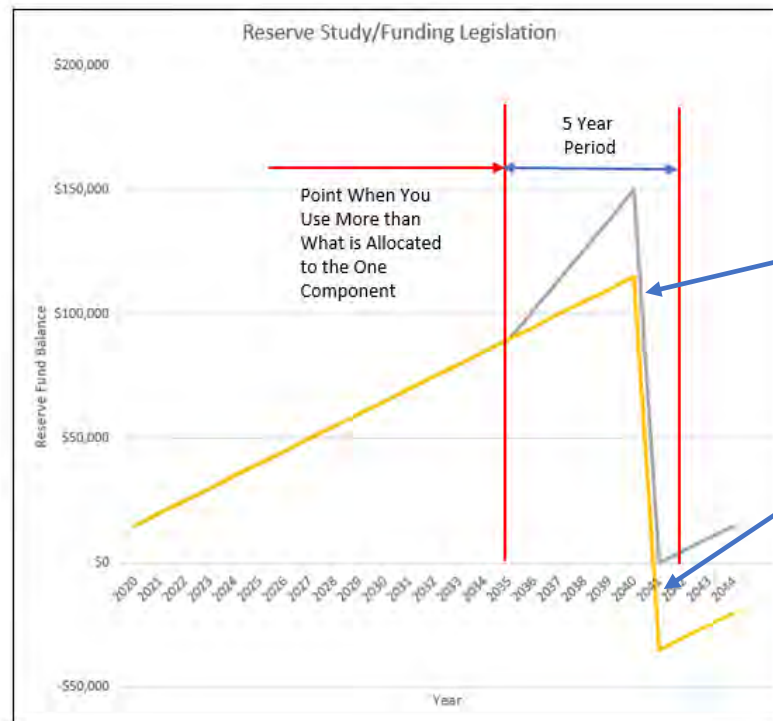
New Jersey Legislative Reserve Law What is the new Requirement ?

- How much can you use ?

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(1) the use of such additional funds from the reserve fund is not reasonably anticipated to prevent or interfere with the ability of the association to undertake additional repairs or replacements in the five years subsequent to the additional expenditure; and

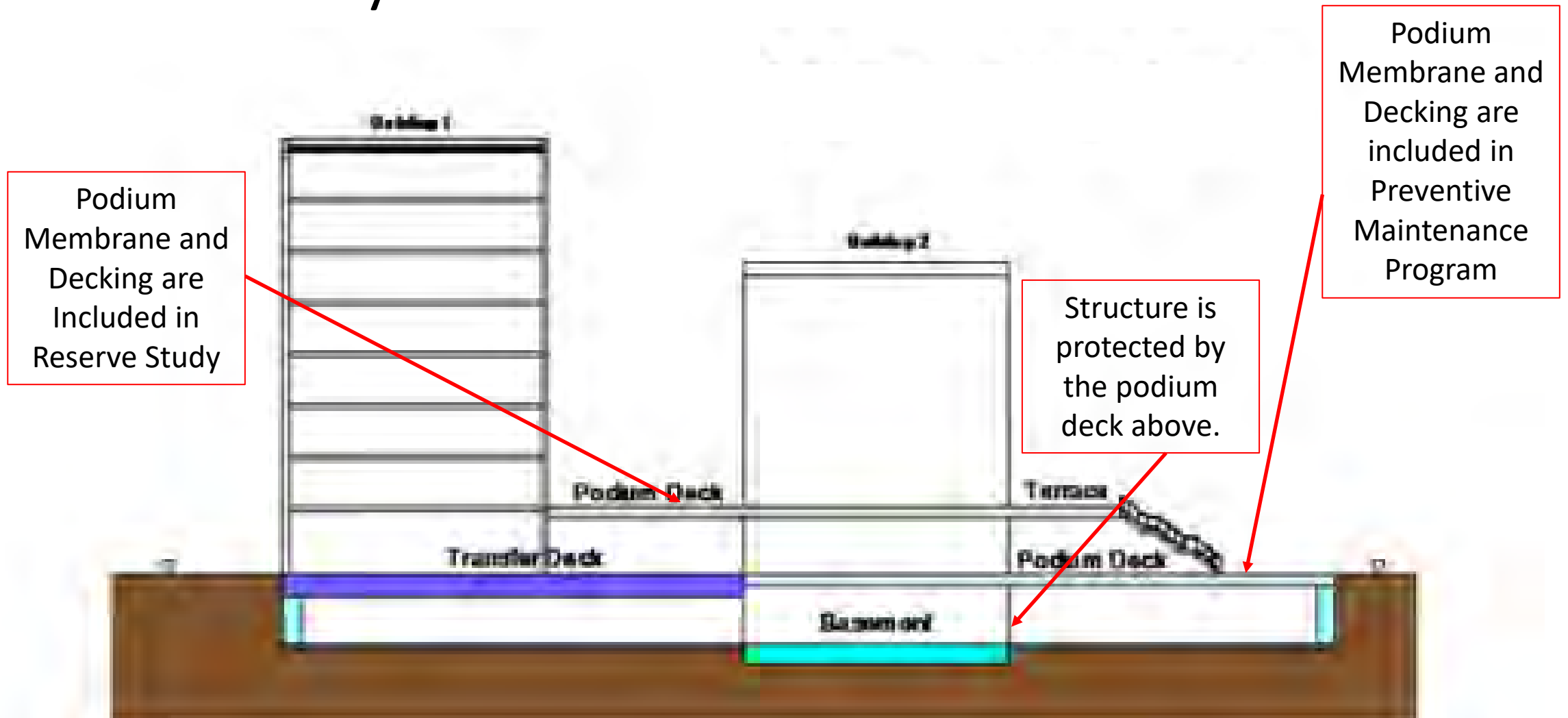
(2) the association's executive board adopts a written resolution requiring that the expenditure of these additional funds shall be recovered within the following ²[three] five² fiscal years.



OK

NG

Structure/Reserves/Maintenance How Do They Connect ?



Preventive Maintenance Will Also Be Required

- Experts estimate that approximately 4-5% of the replacement costs should be spent on Preventive Maintenance
- Corrective Maintenance = 30x cost of Preventive Maintenance
- Naomi Millan, senior editor Building Operating Magazine



Results of PM

Not including corrective maintenance = 30X Cumulative PM

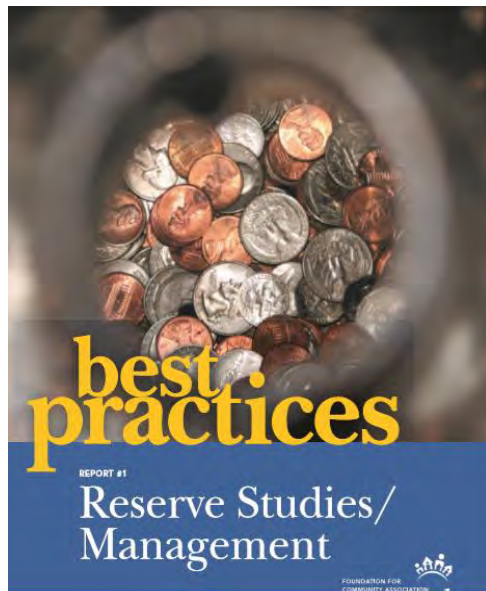
Savings with Preventive Maintenance

30 Year Funding

| | |
|----------------|---------------------|
| Without PM | \$33,849,677 |
| With PM | \$31,797,549 |
| Savings | \$ 2,052,128 |

Some References

Not already mentioned

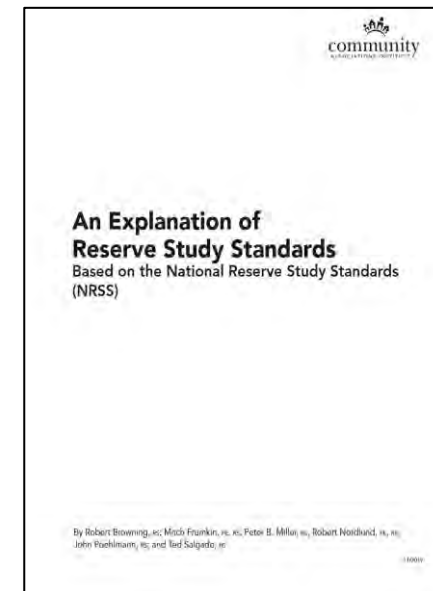


Best Practices
Co Chair Mitchell H. Frumkin



Reserve Funds: How and Why
Community Associations Invest
Assets

(Currently being updated)
Co Author: Mitchell H. Frumkin



Explanation of
Reserve Study Standards
Currently Being Updated
Co Author Mitchell H. Frumkin

Example of Association with Reserve Deficit

- Current Reserve Scenario

- 3-Year Old Reserve Study Contribution: \$100,000
- Amount Contributed for 3 Years: \$50,000
- Accumulated Reserve Deficit: \$150,000

- Next Annual Budget

- Reserve Contribution Per Study: \$100,000
- Reserve Catchup Over 10 Years: \$15,000
- Total Reserve Contribution in Next Budget \$115,000

Questions ?

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