

ASSET MANAGEMENT: GETTING STARTED ON CAPITAL RESERVE PLANNING

Presenter:

Harmon Livingston P.Eng, MBA

Owner at HLC Consulting Ltd.



**H
L
C** CONSULTING LTD.

A QUICK NOTE ON HLC CONSULTING

- ▶ Originated in 2016
- ▶ Founded by Leo Camirand and Harmon Livingston
- ▶ Over 20 years combined experience
- ▶ Work across Canada



COMMON TERMINOLOGY

- ▶ PROPERTY CONDITION ASSESSMENT (PCA)
- ▶ RESERVE FUND STUDY (RFS)
- ▶ TERM OF ANALYSIS
- ▶ REPORTING OR COST THRESHOLD
- ▶ EXPECTED USEFUL LIFE
- ▶ EFFECTIVE AGE AND REMAINING USEFUL LIFE



PCA VS RFS: WHAT'S THE DIFFERENCE?

- ▶ Some confusion in industry
- ▶ RFS is much more detailed
- ▶ RFS compares forecasted expenditures against contributions
- ▶ PCA typically required by lender during transactions
- ▶ RFS is more appropriate for capital planning



RFS: WHY SHOULD WE CONSIDER THEM?

- Unforeseen costs can put housing groups in poor financial situations
- Some elements are not obvious
- Difficult for a board to forecast upcoming costs
- Don't want to contribute too much/little
- Used justify increases/Gov't grants
- Break down contributions to amount per unit per month/year



RFS: GENERAL THINGS TO LOOK FOR

- ▶ Term of Analysis – 25 to 30 years for capital planning
- ▶ Cost threshold - \$500 (CHF) or \$1,000 (Condo act) typical
- ▶ Standard: ASTM Designation – E 2018 – 15 – Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process



RFS: WHAT'S NOT INCLUDED

- ▶ Code Analysis/Compliance
- ▶ Destructive or Intrusive Investigation
- ▶ Costs for upgrades, etc (like for like replacement) unless documentation provided
- ▶ Design for any replacements
- ▶ Maintenance/Operating Expenses



THE PROCESS: SITE VISIT

- ▶ Provide any previous documents prior
- ▶ Some groups prefer to have detailed investigations complete prior to Site visit
- ▶ Visual walk-through
- ▶ All common elements and representative sample of housing units
- ▶ Architectural, Structural, Mechanical Electrical, Fire/Life Safety



THE PROCESS: SITE VISIT

- ▶ Knowledgeable Site Representative preferred
- ▶ Have available any install dates if possible (Ex. Boiler was replaced 5 years ago)
- ▶ Typically 1 – 4 hours (depending on property)
- ▶ Be prepared for roof access, mechanical/utility room access, etc.



THE PROCESS: THE REPORT

- ▶ Draft report typically provided 3-4 weeks from Site visit
- ▶ Electronic draft copy provided
- ▶ HLC's report comes in 2 parts:
 - Narrative Report
 - Cost Table Package



THE NARRATIVE REPORT

- ▶ Detailed/lengthy descriptions of Components
- ▶ Photos
- ▶ Each Component has “Description”, “Assessment” and “Recommendation”
- ▶ Describes which costs are included in cost table



NARRATIVE REPORT SNAPSHOT

5.1.3 Site Paving

- Description:** Paved parking lot areas are located throughout the various Sites. Individual parking stalls are delineated by line paint markings where applicable (multiple stalls).
- Assessment:** The majority of the asphalt paving is reportedly original to the individual site/building construction. Potholes, lineal cracking and minor deficiencies were observed throughout however no major deficiencies were observed/reported during the assessment. Based on conditions observed, the asphalt paving is considered to be in fair condition, overall. Paint line markings within surface parking areas were observed to be faded and worn.
- Recommendation:** Life-cycle replacement of the asphalt paving is anticipated during the analysis term as the asphalt will surpass its expected useful life of 30 years. Periodic allowances have been carried for phased replacement of the asphalt paving over the next 30 years (with prioritization given to areas that display heavy deterioration).
- Periodic repainting of the parking lines will be required throughout the 30 year analysis term. However, associated costing is anticipated to fall below the \$1,000 cost threshold of this report and therefore have not been included within the cost tables.



THE COST TABLE PACKAGE

- ▶ The real “meat and potatoes” of the report
- ▶ Spreadsheet with all expected expenditures
- ▶ Organized by component
- ▶ Includes: cost for each component and when cost is expected



THE COST TABLE PACKAGE

- ▶ Based on expected useful life and conditions observed (effective age)
- ▶ Costing from RS Means (HLC)
- ▶ Inflation applied to total annual values
- ▶ Cash flow scenarios – current contributions and suggested contributions
- ▶ Required by Condos only – Ideal Reserve Fund Balance



COST TABLE PACKAGE SNAP SHOT (TABLE A)

TABLE A - ELEMENT LISTING AND EVENT COSTS



Item #	Element Name	Installation Year	Expected Useful Life (Years)	Actual Age (Years)	Effective Age (Years)	Condition Rating	Description of Event	Event Classification	Time to Next Event (Years)	Initial Event Year	Frequency of Repetition (Years)	Quantity	Unit	Unit Cost (2019 Dollars)	Event Cost (2019 Dollars)	Total Opinion of Probable Cost (30 Years)
5.1 SITE COMPONENTS																
5.1.3 Site Paving																
1	Asphalt Parking	1955	30	64	25	Fair	Allowances for periodic repaving (asphalt overlay) of the asphalt paved surface parking areas.	Lifecycle Replacement	5	2024	2	1	Lump Sum	\$ 7,500	\$ 7,500	\$ 97,500
5.1.4 Site Flat-Work																
2	Chain-link/Metal Fencing	1955	30	64	28	Fair	Periodic allowances for repair/partial replacement of chain-link and metal fencing as required.	Deferred Maintenance	2	2021	2	1	Lump Sum	\$ 1,500	\$ 1,500	\$ 22,500
5.1.7 Utilities																
3	Underground Piping Contingency Allowance	1955	50	64	45	Fair	Contingency allowance to address any unforeseen repairs or replacements to the underground distribution piping (domestic water, sanitary drainage and stormwater drainage)	Contingency	5	2024	5	1	Lump Sum	\$ 10,000	\$ 10,000	\$ 60,000
5.2 STRUCTURAL FRAME AND BUILDING ENVELOPE																
5.2.3 Exterior Walls																
4	Stucco / Vinyl Siding	1955	75	64	74	Fair	Periodic allowances for repair/partial replacement of stucco and vinyl siding.	Deferred Maintenance	1	2020	1	1	Lump Sum	\$ 2,500	\$ 2,500	\$ 75,000
5	Main/Secondary Entrance Doors	1955	25	64	24	Fair	Periodic allowances for replacement of main/secondary entrance doors as required.	Lifecycle Replacement	1	2020	1	1	Lump Sum	\$ 1,500	\$ 1,500	\$ 45,000
6	Windows	1955	32	64	31	Fair	Allowances for replacement of failed window units.	Lifecycle Replacement	1	2020	1	1	Lump Sum	\$ 5,000	\$ 5,000	\$ 150,000
5.2.4 Roofing																
7	Asphalt Shingles	1955	20	64	15	Fair	Allowances for phased replacement of the asphalt shingles atop the individual units.	Lifecycle Replacement	5	2024	20	39	Each	\$ 3,400	\$ 132,600	\$ 265,200
5.2.6 Balconies and Patios																
8	Main/Secondary Entrance Decks	1955	30	64	27	Fair	Periodic allowances for replacement of the main/secondary entrance decks.	Lifecycle Replacement	3	2022	3	1	Each	\$ 6,500	\$ 6,500	\$ 65,000



COST TABLE PACKAGE SNAP SHOT (TABLE B)

TABLE B - ELEMENT EVENT COSTS SUMMARY



Item #	Element Name	Event Classification	EVENT COSTS (2019 DOLLARS)													Total Opinion of Probable Cost (30 Years)
			SHORT TERM (2019 - 2024)						LONG TERM (2025 - 2049)							
			Immediate 2019	Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023	Year 5 2024	Years 6 to 10 2025 - 2029	Years 11 to 15 2030 - 2034	Years 16 to 20 2035 - 2039	Years 20 to 25 2040 - 2044	Years 25 to 30 2045 - 2049			
5.1 SITE COMPONENTS																
5.1.3 Site Paving																
1	Asphalt Parking	Lifecycle Replacement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,500	\$ 15,000	\$ 22,500	\$ 16,000	\$ 22,500	\$ 15,000	\$ 15,000	\$ 97,500	
Subtotal			\$ -	\$ -	\$ -	\$ -	\$ 7,500	\$ 15,000	\$ 22,500	\$ 16,000	\$ 22,500	\$ 15,000	\$ 15,000	\$ 97,500		
5.1.4 Site Flat-Work																
2	Chain-Link/Metal Fencing	Deferred Maintenance	\$ -	\$ -	\$ 1,500	\$ -	\$ 1,500	\$ -	\$ 4,500	\$ 3,000	\$ 4,500	\$ 3,000	\$ 4,500	\$ 4,500	\$ 22,500	
Subtotal			\$ -	\$ -	\$ 1,500	\$ -	\$ 1,500	\$ -	\$ 4,500	\$ 3,000	\$ 4,500	\$ 3,000	\$ 4,500	\$ 22,500		
5.1.7 Utilities																
3	Underground Piping Contingency Allowance	Contingency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 60,000	
Subtotal			\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 60,000		
5.2 STRUCTURAL FRAME AND BUILDING ENVELOPE																
5.2.3 Exterior Walls																
4	Stucco / Vinyl Siding	Deferred Maintenance	\$ -	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 75,000	
5	Main/Secondary Entrance Doors	Lifecycle Replacement	\$ -	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 45,000	
6	Windows	Lifecycle Replacement	\$ -	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 150,000	
Subtotal			\$ -	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 270,000	
5.2.4 Roofing																
7	Asphalt Shingles	Lifecycle Replacement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132,600	\$ -	\$ -	\$ -	\$ -	\$ 132,600	\$ -	\$ 265,200	
Subtotal			\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132,600	\$ -	\$ -	\$ -	\$ -	\$ 132,600	\$ -	\$ 265,200	

TABLE B - ELEMENT EVENT COSTS SUMMARY



Item #	Element Name	Event Classification	EVENT COSTS (2019 DOLLARS)													Total Opinion of Probable Cost (30 Years)
			SHORT TERM (2019 - 2024)						LONG TERM (2025 - 2049)							
			Immediate 2019	Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023	Year 5 2024	Years 6 to 10 2025 - 2029	Years 11 to 15 2030 - 2034	Years 16 to 20 2035 - 2039	Years 20 to 25 2040 - 2044	Years 25 to 30 2045 - 2049			
25	Site A - Emergency Lighting and Exit Sign Install	Lifecycle Replacement	\$ -	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000	
26	Office Security System Replacement	Lifecycle Replacement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ -	\$ -	\$ -	\$ 3,000	
Subtotal			\$ -	\$ 3,000	\$ 6,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ -	\$ -	\$ -	\$ 6,000	
TOTAL EXPENDITURES (2019 DOLLARS)			\$ -	\$ 60,000	\$ 119,500	\$ 63,500	\$ 58,500	\$ 234,600	\$ 514,000	\$ 441,000	\$ 483,900	\$ 481,400	\$ 520,000	\$ 2,976,600		
OPTIONAL REPAIR EXPENDITURES (2019 DOLLARS)			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
COMPOUNDED INFLATION RATE			0%	2%	4%	6%	8%	10%	17%	29%	43%	58%	74%			
FUTURE VALUE EXPENDITURE (INCLUDES OPTIONAL REPAIR EXPENDITURES)			\$ -	\$ 61,200	\$ 124,328	\$ 67,387	\$ 63,322	\$ 259,017	\$ 599,505	\$ 571,747	\$ 696,725	\$ 749,589	\$ 901,523	\$ 4,114,244		



COST TABLE PACKAGE SNAP SHOT (TABLE C)

TABLE C - IDEAL RESERVE FUND BALANCE SCHEDULE (YEARS 1 to 15)



Item #	Element Name	Event Classification	EVENT COSTS (2019 DOLLARS)															
			SHORT TERM (2019 - 2024)					LONG TERM										
			Immediate 2019	Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023	Year 5 2024	Year 6 2025	Year 7 2026	Year 8 2027	Year 9 2028	Year 10 2029	Year 11 2030	Year 12 2031	Year 13 2032	Year 14 2033	Year 15 2034
5.1 SITE COMPONENTS																		
5.1.3 Site Paving																		
1	Asphalt Parking	Lifecycle Replacement	\$ -	\$ -	\$ -	\$ -	\$ 3,750	\$ 7,500	\$ 3,750	\$ 7,500	\$ 3,750	\$ 7,500	\$ 3,750	\$ 7,500	\$ 3,750	\$ 7,500	\$ 3,750	\$ 7,500
Subtotal			\$ -	\$ -	\$ -	\$ -	\$ 3,750	\$ 7,500	\$ 3,750	\$ 7,500	\$ 3,750	\$ 7,500	\$ 3,750	\$ 7,500	\$ 3,750	\$ 7,500	\$ 3,750	\$ 7,500
5.1.4 Site Fit-Work																		
2	Chain-link/Metal Fencing	Deferred Maintenance	\$ -	\$ 750	\$ 1,500	\$ 750	\$ 1,500	\$ 750	\$ 1,500	\$ 750	\$ 1,500	\$ 750	\$ 1,500	\$ 750	\$ 1,500	\$ 750	\$ 1,500	\$ 750
Subtotal			\$ -	\$ 750	\$ 1,500	\$ 750	\$ 1,500	\$ 750	\$ 1,500	\$ 750	\$ 1,500	\$ 750	\$ 1,500	\$ 750	\$ 1,500	\$ 750	\$ 1,500	\$ 750
5.1.7 Utilities																		
3	Underground Piping Contingency Allowance	Contingency	\$ -	\$ 2,000	\$ 4,000	\$ 6,000	\$ 8,000	\$ 10,000	\$ 2,000	\$ 4,000	\$ 6,000	\$ 8,000	\$ 10,000	\$ 2,000	\$ 4,000	\$ 6,000	\$ 8,000	\$ 10,000
Subtotal			\$ -	\$ 2,000	\$ 4,000	\$ 6,000	\$ 8,000	\$ 10,000	\$ 2,000	\$ 4,000	\$ 6,000	\$ 8,000	\$ 10,000	\$ 2,000	\$ 4,000	\$ 6,000	\$ 8,000	\$ 10,000
5.2 STRUCTURAL FRAME AND BUILDING ENVELOPE																		
5.2.3 Exterior Walls																		
4	Shuoco / Vinyl Siding	Deferred Maintenance	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
5	Main/Secondary Entrance Doors	Lifecycle Replacement	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
6	Windows	Lifecycle Replacement	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Subtotal			\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000
5.2.4 Roofing																		
7	Asphalt Shingles	Lifecycle Replacement	\$ 99,450	\$ 106,080	\$ 112,710	\$ 119,340	\$ 125,970	\$ 132,600	\$ 6,630	\$ 13,260	\$ 19,890	\$ 26,520	\$ 33,150	\$ 39,780	\$ 46,410	\$ 53,040	\$ 59,670	\$ 66,300
Subtotal			\$ 99,450	\$ 106,080	\$ 112,710	\$ 119,340	\$ 125,970	\$ 132,600	\$ 6,630	\$ 13,260	\$ 19,890	\$ 26,520	\$ 33,150	\$ 39,780	\$ 46,410	\$ 53,040	\$ 59,670	\$ 66,300
5.2.6 Balconies and Patios																		
8	Main/Secondary Entrance Decks	Lifecycle Replacement	\$ -	\$ 2,167	\$ 4,333	\$ 6,500	\$ 2,167	\$ 4,333	\$ 6,500	\$ 2,167	\$ 4,333	\$ 6,500	\$ 2,167	\$ 4,333	\$ 6,500	\$ 2,167	\$ 4,333	\$ 6,500
Subtotal			\$ -	\$ 2,167	\$ 4,333	\$ 6,500	\$ 2,167	\$ 4,333	\$ 6,500	\$ 2,167	\$ 4,333	\$ 6,500	\$ 2,167	\$ 4,333	\$ 6,500	\$ 2,167	\$ 4,333	\$ 6,500

TABLE C - IDEAL RESERVE FUND BALANCE SCHEDULE (YEARS 1 to 15)



Item #	Element Name	Event Classification	EVENT COSTS (2019 DOLLARS)															
			SHORT TERM (2019 - 2024)					LONG TERM										
			Immediate 2019	Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023	Year 5 2024	Year 6 2025	Year 7 2026	Year 8 2027	Year 9 2028	Year 10 2029	Year 11 2030	Year 12 2031	Year 13 2032	Year 14 2033	Year 15 2034
TOTAL EXPENDITURES (2019 DOLLARS)			\$ 404,773	\$ 443,114	\$ 475,453	\$ 448,293	\$ 460,883	\$ 518,473	\$ 379,763	\$ 411,053	\$ 271,443	\$ 309,233	\$ 334,323	\$ 344,413	\$ 370,003	\$ 401,093	\$ 348,483	\$ 384,273
OPTIONAL REPAIR EXPENDITURES (2019 DOLLARS)			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COMPOUNDED INFLATION RATE			0%	2%	4%	6%	8%	10%	13%	16%	17%	20%	22%	24%	27%	29%	32%	35%
FUTURE VALUE EXPENDITURE (EXCLUDES OPTIONAL REPAIR EXPENDITURES)			\$ 404,773	\$ 451,976	\$ 494,661	\$ 475,732	\$ 520,524	\$ 572,436	\$ 427,900	\$ 472,171	\$ 318,273	\$ 369,562	\$ 407,538	\$ 430,721	\$ 469,254	\$ 518,857	\$ 440,080	\$ 519,873



THE PROCESS: DRAFT REVIEW MEETING

- ▶ Important for board member to understand report
- ▶ HLC will attend a draft review meeting
- ▶ Go through cost table item by item
- ▶ Receive any feedback or info that was missed during Site visit
- ▶ Allows board input for capital plan
- ▶ Board usually provides feedback on Narrative Report outside of draft review



THE PROCESS: FINAL REPORT

- ▶ Draft review feedback is implemented
- ▶ Final report provided within 1 week of meeting typically
- ▶ Condominiums require study to be updated every 5 years
- ▶ HLC also recommends updating every 5 years (pricing/condition changes over time)



SOUNDS GREAT! SO WHAT'S THIS GOING TO COST....?

- ▶ Costs vary based on property size, age, amenities and type
- ▶ Very basic (3 story walk-up, ~20 units) would be ballpark \$3,900
- ▶ Very large corporation (~200 units, ~25 buildings, etc.) could exceed \$10,000
- ▶ Quotes are free and Boards should get at least 3 quotes
- ▶ Note: Price is not everything, you get what you pay for



ON SELECTING A PROVIDER

- ▶ We suggest the firm has at least one of:
 - P.Eng – Professional Engineer
 - CRP – Certified Reserve Planner
 - Architect
 - Building Technician
- ▶ Level of detail varies between different designations (CRP vs P.Eng for example)
- ▶ Ask for references





Contact Information:

Harmon Livingston P.Eng, MBA

Phone: (204) 232 9487

Email:

hlivingston@hlccconsultingltd.ca

QUESTIONS/COMMENTS?



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