



CBS12 NEWS

> THE IMPORTANCE OF RESERVE FUNDS

CONDO
COLLAPSE

Industry insiders say healthy reserve funds are 'essential' for condo associations

by Lexi Nahl Saturday, July 3rd 2021

WEST PALM BEACH, Fla. (CBS12) — In the wake of the [Surfside tragedy](#), some local municipalities are pushing for condominium associations to reconsider their inspection policies and become more proactive about making necessary repairs.

But one local lawyer says a state law needs to change if condo associations are to be expected to stay on top of maintenance and repairs.

Condo reserve funds are accounts used by associations to fund renovation and repair projects, and though many local buildings have sizable funds, Florida law allows condo owners to vote to defer, partially fund, or even completely eliminate the funding of these accounts.

Attorney Brennan Grogan says this enables condo associations to attract new buyers by keeping assessment fees low, while also kicking the can down the road when it comes to making necessary repairs.

“If something’s too good to be true, it’s probably not true,” Grogan said. “If the assessment is really, really low in a building, it’s probably because they’re not taking care of items that they probably should be paying for.”

Grogan says the fact that the assessment in Surfside was a whopping \$15 million before the collapse signals to him that there were significant issues with the building that went unaddressed.

“We saw that with Surfside,” Grogan said. “Had there have been money in the reserve accounts that had been properly funding the reserve studies all along, you probably wouldn’t need a \$15 million special assessment.”

Real estate expert **Bonnie Heatzig** says many buildings in Palm Beach County already have reserve funds in place, but some don’t, so it’s important for potential buyers to ask about reserve fund accounts before buying a condo.

“It’s an essential question that everybody should ask whether it’s a condominium or homeowners association,” said **Heatzig**, the Executive Director of Luxury Sales at Douglas Elliman. “You first want to know whether there are reserve funds being held by the association and if so, how much, and what percentage are the reserves of the annual revenue budget? And all of those questions together will give you an idea of the financial health of the building.”

Heatzig says these questions become all the more important if the building is older.

“You would want to see a higher percentage of reserves being held if the building is older,” he said.

Grogan says buildings that have been around for decades should be prioritized if the state were to create new condo reserve mandates.

As of now, Palm Beach County has no recertification requirements for older buildings.