



Oahu's Aging Condominiums

HONOLULU BOARD OF REALTORS®

**DANA
BERGEMAN**



- **CM Advisors**
- **27 Years of Experience**
- **Locally Established & Managed**
- Construction Project Management
- Building Asset Management
- Consulting Advice
- Investigation & Testing
- Construction Administration
- Construction Dispute Resolution
- Expert Witness
- Construction/Condo Mediation



**2023
VENDOR OF THE
YEAR

CONSTRUCTION
&
PROJECT
MANAGEMENT

MAHALO!**



BMH readers rate top service providers in construction and project management, finance and insurance, labor hire, plumbing and security.

For the second year, *Building Management Hawaii* readers have selected the winners of our Vendors of the Year awards. These awards recognize Hawaii's most trusted, valued and dependable contractors who local building managers count on each day to keep properties running smoothly.

Here are profiles of Hawaii's top vote-getters, as well as a listing of other companies nominated.

COMMON REALTOR QUESTIONS

What are the leading challenges Oahu's aging buildings face in both the short and long term?

What are we doing well and what are the areas where we need to do better?

How do our challenges compare to aging buildings in other areas of the Continental USA where your team works? Are there any success stories in those cities that we can learn from?

What is Honolulu Fire Safety Ordinance 22-2 and the Life Safety Evaluation?

Regarding Ordinance 22-2, what solutions has the Bergeman Group designed and implemented?



WHAT ARE THE LEADING CHALLENGES
HAWAII'S AGING BUILDINGS FACE?

- **Biggest Challenges**
- **Cost of Construction in Hawaii**
 - 40% above U.S. Average
 - 30% above West Coast Avg.
 - Neighbor Islands Even Worse
- **Deferred Maintenance**
- **Disasters** — Natural & Unnatural
- **Insurance**
 - Cost of Insurance
 - Availability of Insurance
 - Loss of Insurance
- **Construction Lawsuits**
 - New Construction
 - Rehabilitation



Stress Meter

Panic Attack!

Anxiety

Stressed

Coping

Relaxed

CONFUSED

LOST

UNSURE

UNCLEAR

PERPLEXED

BEWILDERED



- **Biggest Challenges:**
- **Condo Politics & Infighting**
 - Denial
 - Fear
 - Ego
- **Deadlocked Associations**
 - Poor Decisions
 - Not Getting Professional Expertise
 - Band Aid Solutions to Serious Problems
 - Recall the Board!
- **Resultant**
 - Higher Cost of Repair
 - Higher Cost of Insurance
 - Price Volatility
 - Intra-AOAO Lawsuits
 - Disasters





Rx

BUILDINGS NEED
HEALTHCARE!

As people age, we have
greater and greater
healthcare needs.
**Buildings are no
different.**

People that take care of
themselves as they
age, generally have
fewer or less severe
problems than those
who don't. **Buildings
are no different.**

**Deferred
Maintenance is a
silent killer!**

**Applies to both
Single-Family &
Multi-Family
Structures!**

**Commercial
Structures Too!**

HAWAII SPECIFIC CHALLENGES

SHORT TERM CHALLENGES

- Deferred Maintenance
- Lack of public awareness regarding common maintenance, weatherization, waterproofing and structural issues that can affect a building's lifespan
- Reactive approach by Owners and Property Managers regarding building maintenance issues
- Available Manpower / Skilled Labor
- Labor and Material Cost Volatility
- Assumptions and hearsay sometimes taken as fact by Owners and Board Members
- Misinformation or Disinformation causes bad decisions
- Cost of Money / Lending Rates

LONG TERM CHALLENGES

- Cost of Construction in Hawaii.
- Cost of Living in Hawaii; losing both skilled labor and professional expertise.
- Retrofitting aging buildings to be energy efficient. Other cities have posted energy scored and efficiency is tied to what you pay for utilities, etc.
- Educating Owners and Property Managers on the benefits of being proactive regarding potential building issues.
- Accurate Reserve Studies.
- Continued high turnover rate of Property Managers and Board Members results in a lack of consistency and follow through. In many cases, it's almost like starting at zero again.
- Inability for Building Owners to Self-Regulate; this will result in legislation and ordinances.
- Permitting and Enforcement.
- Climate Change Driven Building Challenges such as Subterranean Water Infiltration.

REGIONAL AWARENESS HELPS

- Local media coverage of recent tragic events affecting infrastructure – both local and mainland – is helping raise homeowner and building owner awareness of their own building's issues or potential issues.
- Ordinance 22-02: Forced Awareness.
- Outreach by local insurance agents, brokers and insurance providers is helping educate Board members of avoidable risks (or they let the rates do the talking).
- Industry organizations in Hawaii like Board of Realtors, BOMA, IREM, and CAI are providing a place for homeowners, Board Members, Real Estate Agents and service providers to meet and exchange ideas and solutions.
- Better awareness that nothing lasts forever; certain types of projects finally accepted as necessary.
 - Re-Piping Project
 - Concrete Spall Repair
- Better Asbestos Awareness

WHERE THERE IS ROOM FOR IMPROVEMENT

- Lack of Local Building Maintenance Regulation
- Minimal Code/Ordinance Enforcement; DPP severely understaffed.
- Permitting
- Clear communication by local government of expectations and deadlines for required building improvements.
- Hurricane & Fire Resistance Improvements
- Aesthetic Improvement Projects
- Project Incentives
- Utilizing Technology for Good
 - Repair / Construction Implementation
 - Building Automation
 - New Materials
- Poor Urban Planning
- Lack of Long-Term Thinking
- Inconsistent or Unqualified Vendor Advice
 - Inexperienced & Unqualified Vendors
 - Acquisitions/Expansions to capitalize on local events
 - Vendors Pretending to Be Run From Hawaii

HOW DO OUR
CHALLENGES
COMPARE TO
AGING BUILDINGS
IN OTHER AREAS
OF THE
CONTINENTAL USA
WHERE YOUR
TEAM WORKS?

ARE THERE ANY
SUCCESS STORIES
IN THOSE CITIES
THAT WE CAN
LEARN FROM?



**MAINLAND BUILDINGS
HAVE THE SAME PROBLEMS WE DO!**

**All Buildings
Need Healthcare**

Mainland Differences

POSITIVE DIFFERENCES (BETTER ON THE MAINLAND)

- Differences are Regionally Specific
- Municipalities Generally Less Tolerant & Better Staffed
- Association Boards' (generally) more proactive and less tolerant
- More Contractors (sort of...)
- Better Funding Availability
- Better Ordinances
- Better Enforcement

NEGATIVE DIFFERENCES (WORSE ON THE MAINLAND)

- Inconsistency in laws and ordinances from state to state, and even from neighboring city to city
- Lack of effective communication between Boards and homeowners
- Less "coconut wireless" (ironic as that may be)
- Less patient; antagonism is worse
- More Contractors (sort of...)



Major Difference is Legislation

- There are very few laws or ordinances in Hawaii that compel building owners, AOA's, commercial property owners and others to inspect and maintain structures thereby keeping structures in safe working condition and to protect the public from hazards.
- NYC – Local Law 11
- California – SB326
- Florida – Milestone Inspections
- More legislation expected after recent tragedies

Mainland Legislation Compels Repair Hawaii Has Few (if any) Such Laws/Ordinances

NYC FACADE INSPECTION SAFETY PROGRAM "LOCAL LAW 11"

- Requires buildings 7 stories or taller to have facades inspected and repaired every five years.
- First enacted in 1980 after tragedy; intended to protect New Yorkers from falling debris.
- Third-Party Qualified Exterior Wall Inspectors (QEWI's) must complete each five-year inspection.
- Inspection report must be filed within 60 days of the inspection. Failing to file the report results in a \$5,000 fine plus penalties.
- Facade condition status must now be posted in the lobby or vestibule of the building within 30 days.

- Conditions requiring repair or maintenance within one (1) year must be considered "Unsafe".
- Conditions Safe requiring repair or maintenance within the next five (5) years are with a Repair and Maintenance Program (SWARMP).
- Unsafe must correct the conditions within ninety (90) days.
- If owners can't meet the deadline, they must notify the Building Department and provide supporting documents from the QEWI.
- In all cases, the QEWI must provide an exact date by which work must be completed. For Unsafe conditions, time frames must be within five years.
- Sidewalk Protection Required.

Mainland Legislation Compels Repair Hawaii Has Few (if any) Such Laws/Ordinances

CALIFORNIA SENATE BILL 326 (SB326) "THE BALCONY BILL"

- Requires Associations and multi-family properties to conduct regular inspection of balconies and other exterior structural elements.
- First enacted January 1, 2020, after Berkeley, California tragedy.
- An architect or engineer must evaluate load-bearing and related life safety components (balconies, railings, etc.) to determine if they are in "generally safe condition".
- If immediately dangerous concerns are identified, the Association and government authorities must be notified by the inspector within 15 days, and prompt corrective action must be taken to address the dangerous conditions.

- SB 326 established a five-year (5) window to complete the first inspection.
- The first safety inspection must be completed no later than January 1, 2025, and every nine years thereafter.
- The law applies to buildings that contain three (3) or more units and requires inspections of condominiums' Exterior Elevated Elements (EEE).
- Waterproofing systems must also be inspected.

Mainland Legislation Compels Repair

Hawaii Has Few (if any) Such Laws/Ordinances

FLORIDA MILESTONE INSPECTION REQUIREMENT

- Requires structural inspection for all condominium and cooperative buildings that are 3 stories or greater in height.
- After the tragic Surfside, Florida building collapse the Florida state legislature took action to implement inspection reform.
- Enacted May 2022; strengthens existing laws.
- Inspection required when a building is 30 years old and every ten years thereafter.
- Buildings within 3 miles of the coastline require inspection starting at 25 years old and every ten years thereafter.

- Purpose is to verify the safety and adequacy of the structural components of the building.
- There are two phases of this Milestone Inspection. If you pass the first, you don't need the second.
 - **Phase 1** is a visual examination and qualitative assessment.
 - **Phase 2** is a full assessment of distress to determine if the building is structurally sound and safe for its intended use.
 - A Florida Licensed Engineer or Architect must perform both phases of this Milestone Inspection.

Any Such Legislation on the Horizon for Hawaii?

Honolulu Resolution 23-207

- Currently Being Considered by City Council
- Proposed Amendment to ROH 2021 (Land Use Ordinance)
- Currently Limited to Waikiki Special Design District
- Proposed Ordinance Driven by Concern Over Sea Level Rise
- References Surfside, Florida tragedy.
- Proposes to change Design Guidelines to consider SLR Related Issues
- May be Precursor to Similar Legislation in Other Areas (outside Waikiki)
- May be Precursor to Inspection Ordinances Like NY-L11 or SB326

**WHAT ABOUT FIRE
SAFETY?**

**WHAT IS
HONOLULU FIRE
SAFETY
ORDINANCE 22-2**

PLEASE EXPLAIN

Only Significant Local Law: Honolulu Ordinance 22-2 – Fire Safety

- Ordinance 22-2 was previously known as Ordinance 19-4 before the latest revisions.
- On May 3, 2018, Mayor Caldwell signed City and County of Honolulu Ordinance 19-4 into law, compelling high-rise condominiums to take action relating to fire safety. Roughly 400 high-rise condominiums in Honolulu are affected by this law. Each of these buildings must achieve a passing score on a rigorous Life Safety Evaluation (LSE), or alternatively, install fire sprinklers throughout their buildings.
- The LSE process requires a licensed design professional to assess and score a building based on its existing components in order to determine if it meets the required minimum level of life safety from fire.

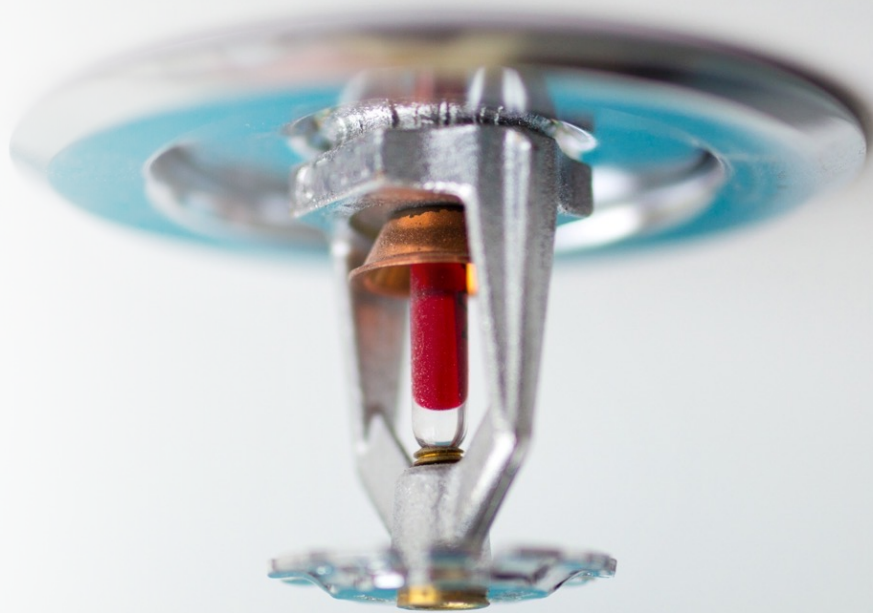
Honolulu Ordinance 22-2

“Fire Life-Safety Evaluation”

- Requires buildings 75 feet or taller (7 stories) without a building-wide sprinkler system to achieve a passing score on a Life Safety Evaluation (LSE), or alternatively, install fire sprinklers throughout the building.
- Enacted May 3, 2018, following the Marco Polo tragedy.
- Marco Polo fire claimed several lives and did hundreds of millions of dollars in damage to hundreds of condominium units and common areas.
- LSE exam is **Pass or Fail**. LSE exam is not subjective; based on formula provided by HFD. Must be conducted by a third-party architect or engineer.
- HFD: Fire Sprinklers Save Lives
- Got Sprinklers? Pau!
- **OPTION 1:** If a building elects to install fire sprinklers, you automatically skip the LSE process, but must install sprinklers by 2038.
- **OPTION 2:** If a building elects **NOT** to install fire sprinklers, you must pass the LSE, must have the owners vote to “opt-out”, must post placards in the lobby, and must regularly update “knox box” information for HFD. Currently 2030 but keeps changing.

Is it Just Less Expensive to Install Sprinklers?

- Maybe.
- In many cases, installing fire sprinklers may be less expensive than attempting to repair or upgrade an older building to achieve a passing LSE score.
- But there is a catch....



Insurance for Non-Sprinklered Buildings has become a Critical Factor

- We're not insurance experts, but we understand that:
 - Carriers More Proactive in Pushing for Sprinklers irrespective of Ordinance 22-02.
 - Insurance can be Less Expensive for Sprinklered Buildings.
 - If you have an event, carriers will drop or non-renew.
 - Cost of insurance on secondary market as much or more that the cost of sprinklers.
 - Harder time selling units in these buildings!

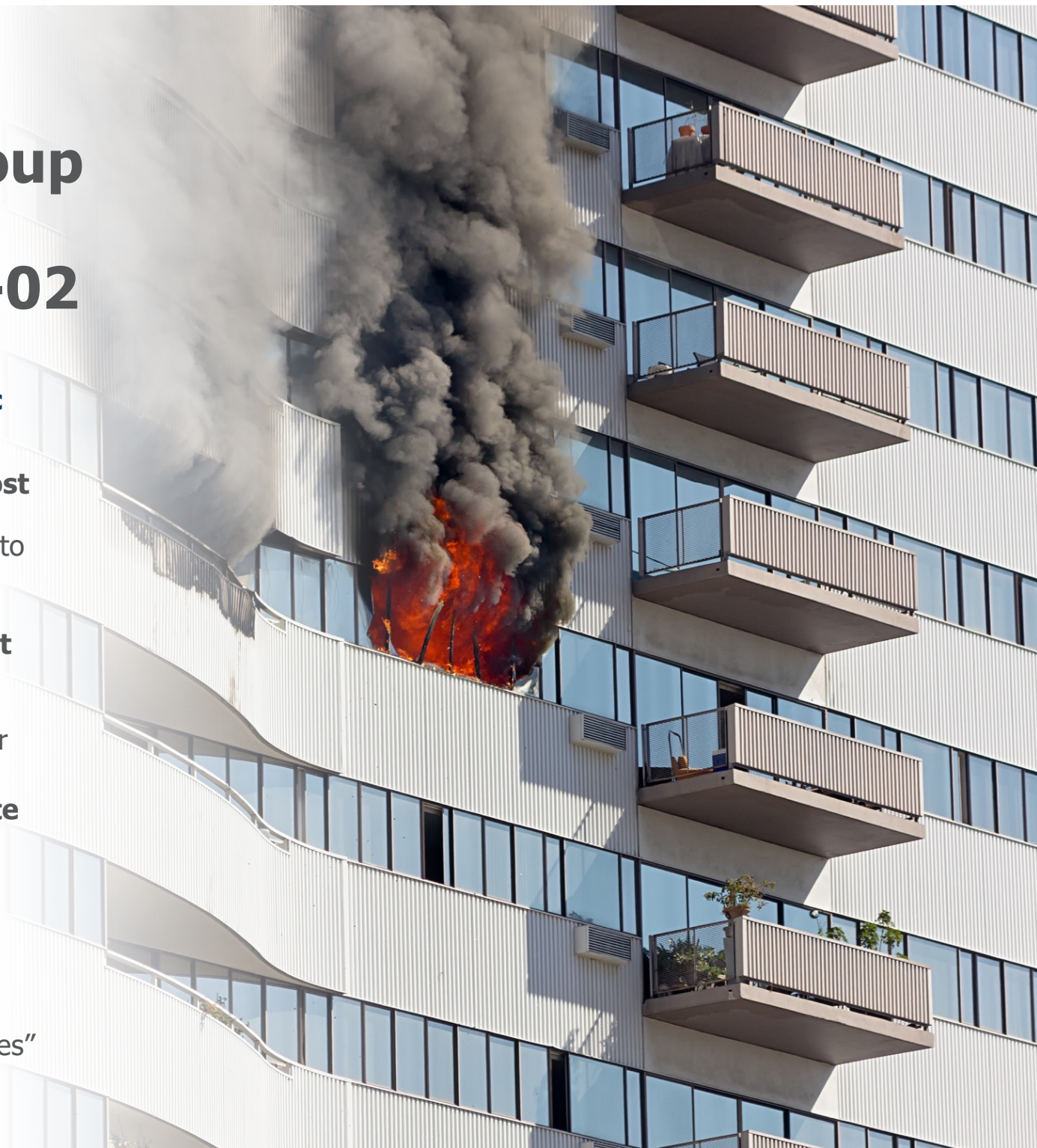


**REGARDING
ORDINANCE 22-2**

**WHAT SOLUTIONS
HAS BERGEMAN
GROUP DESIGNED
AND IMPLEMENTED?**

Bergeman Group Solutions to Ordinance 22-02

- **Absolutely Building Specific**
- **Short Term Construction Cost**
 - What's cheaper, a combination of LSE "fixes" to achieve a passing score or Sprinklers?
- **Long Term Opportunity Cost**
 - Working with Insurance Agents
 - Higher Insurance Cost Over Time
- **AOAO Desire & Risk Appetite**
 - Concern over Disclosures
 - Want Safer Building
- **50% - 50%**
 - Originally no one wanted sprinklers.
 - Trending towards more sprinklers and less LSE "fixes"





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FREE CONSULTATIONS !