

Summary of Senate Bill 4-D & Impact to Beachplace

Background:

- Florida legislators passed a new law that modifies certain duties and rights of condo associations across the State of Florida. The new law, formerly known as [Senate Bill 4D](#), was signed by Governor Ron DeSantis on May 26, 2022 and became effective immediately.
- The goals of the statute are: Requiring preventive maintenance, inspections, and maintenance of adequate reserve funding.

Main Issues SB-4D:

Part I. Building Safety - Milestone Inspections

1. A “milestone inspection” is a very specific type of inspection that must be conducted by either a licensed architect or an engineer authorized to practice in Florida for purposes of attesting to the life safety and adequacy of the structural components of a building.
2. Milestone inspections will unfold in two phases:
 - Phase 1: The inspector will perform a visual examination of both habitable and non-habitable areas of the building. If no signs of “substantial structural deterioration” are present, then phase 2 is not required.
 - “Substantial structural deterioration” is described as substantial structural distress that negatively affects the building’s general structural condition and integrity.
 - Phase 2: Involves certain tests, such as destructive testing, that are left to the discretion of the inspector. The inspector will then prepare and submit certain reports that will be delivered to both the association, and to the Building Official of the local government which has jurisdiction.
3. If a building contains at least three stories, a “milestone inspection” is now required when a building reaches:
 - 30 years of age and every 10 years thereafter, or
 - 25 years of age and every 10 years thereafter if the building is located within three miles of a coastline, or
 - If a building received its Certificate of Occupancy on or before July 1, 1992, then the association must conduct its first milestone inspection before December 31, 2024 and 10 years thereafter
4. Milestone Inspection reports must be maintained by the association for 15 years, and any unit owner (and any prospective purchaser) will have the right to inspect an association’s copy or summary of the report.

- The milestone inspection reports will serve as the basis for the SIRS [Structural Integrity Reserve Study] initial funding.
5. Associations will be responsible for the scheduling and for all the costs arising from the milestone inspection.

Part II. Reserve Funding

1. Associations will be required to conduct “Structural Integrity Reserve Studies” [SIRS] for each building that is three stories or higher for purposes of ensuring that necessary future structural repairs of the common elements are appropriately funded.
2. SIRS must be completed at least every 10 years after the condominium’s creation with the initial study being completed by December 31, 2024, by a licensed engineer or architect.
3. SIRS must be completed for the following components:
 - a. Roof
 - b. Load-bearing walls/other primary structural members
 - c. Floor
 - d. Foundation
 - e. Fireproofing and fire protection systems
 - f. Plumbing
 - g. Electrical systems
 - h. Waterproofing and exterior painting
 - i. Windows

➤ **AND** Any other item that has a deferred maintenance expense or replacement cost that exceeds \$10,000 and the failure to replace or maintain such item negatively affects the items a-i above, as determined by the licensed engineer or architect performing the visual inspection portion of the structural integrity reserve study.
4. Upon completion by the architect or engineer, structural reserve studies are to be sent to each unit owner and maintained in the Association’s Official Records for at least 15 years.
5. The study must, at a minimum: (1) identify the common areas being visually inspected; (2) state the estimated remaining useful life/replacement cost or deferred maintenance expense of the common areas being visually inspected; and (3) provide a recommended annual reserve amount that achieves the estimated replacement cost of the common areas being inspected.
6. **As of December 31, 2024, an Association must fully fund the reserves for items required to be included in a Structural Integrity Reserve Study.** Furthermore, as of December 31, 2024, for items required to be included in a Structural Integrity Reserve

Study, an Association may no longer use those itemized reserve funds (or any interest accruing thereon) for other purposes, and an Association may only use those itemized reserve funds for their designated purposes. [Associations can no longer have an owner vote to re-categorize the reserve funds]

- Accordingly, unit owners will not be authorized to “opt-out” of this obligatory full funding of reserves to maintain, repair and replace these components that are deemed required for structural integrity.

7. If an association fails to complete a structural integrity reserve study, such failure is a breach of an officer’s and director’s fiduciary relationship to the unit owners.

Conclusions:

1. Benefits for Beachplace of the implementation of the new bill include:
 - a. Required reserve funding and associated changes will result in improved financial footing for the Association, and thus you, the owners,
 - b. Required inspections and remediation will increase stability and safety of the building’s structural elements.
 - c. Likewise, the Association and owners will likely have more access to insurance coverage and on favorable terms.
 - d. Beachplace owners, prospective owners, and renters will have increased rights to access information/inspection reports regarding the condition of the buildings.
 - e. These changes will increase Beachplace’s attractiveness, and likely increase property values.
2. Reserve funding requirements will result in higher annual assessments, due to:
 - a. Beachplace must reserve for items not previously included in our reserve funding [e.g., windows, doors, and foundation]
 - b. Association budgets must fully fund reserves.
3. While some of the provisions do not take effect until 1/1/2025, Beachplace must prepare now to put our campus on a secure foundation physically and financially.

Accordingly, we are starting with the following actions:

- a. Our budget deliberations this fall will reflect this planning process;
- b. Our annual reserve study update will begin to reflect some of these changes; planning for the SIRS must be completed by 12/31/2023
- c. Our remediation plans, starting with Building 1, will inform our campus-wide strategy for remediation consistent with the statutes;
- d. Our consultation with legal counsel will guide the steps we need to take to comply with both the spirit and letter of the law.

4. The Board, Committees and Beachplace Management all recognize that these are significant changes from the past. We will communicate with all owners, stakeholders, employees and vendors as frequently as needed in order to hear concerns and answer questions. Please feel free to reach out to us at any time.