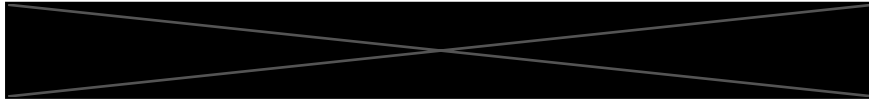


# HOA Document Analysis

## BUILDING



### QUICK RECAP

5 HIGH-risk, 5 MEDIUM, 2 LOW flags identified. Review the full report below — items in red are deal-impacting and should be addressed before listing or closing.

*Coverage: Three documents were reviewed: (1) the approved FY 2025-2026 operating budget, (2) the 2021 Rules and Regulations, and (3) a May 2025 pet policy reminder email. Critical documents NOT provided and which buyers should obtain before closing include: the Declaration of Condominium, the Articles of Incorporation, the By-Laws, the most recent SIRS (Structural Integrity Reserve Study), the most recent audited financial statements, the most recent reserve study for traditional (non-SIRS) components, current insurance certificate and renewal documentation, any pending or recent special assessment notices, board meeting minutes from the past 12–24 months, and any open violations or litigation disclosures. The documents reviewed represent a partial picture only. The absence of the Declaration, By-Laws, audited financials, and SIRS report are significant gaps that prevent a complete risk assessment.*

## Red flag report (12)

### HIGH

Financing Risk

#### **Partial reserve funding — SIRS only — eliminates traditional reserves entirely.**

The approved FY 2025-2026 budget is explicitly labeled 'Partial Reserve Funding (SIRS ONLY)'. The \$90,000/year traditional reserve contribution has been zeroed out. Under Fannie Mae, Freddie Mac, FHA, and VA lending guidelines, condominiums with inadequate reserve funding (less than 10% of budget allocated to reserves, or projects with known deferred maintenance and insufficient reserves) can be flagged as non-warrantable. Buyers using conventional, FHA, or VA financing should have their lender conduct a full condo project review before proceeding. This structure significantly increases the probability of a financing denial or non-warrantable project determination.

### HIGH

Financial Health

#### **Insurance budget reduced by ~\$107,000 (33%) in a rising Florida insurance market — unexplained and potentially unrealistic.**

Property/package insurance is budgeted at \$220,000 for FY 2025-2026 versus a projected actual of \$285,311 in 2024-2025 — a reduction of \$65,311 — and versus the 2024-2025 budgeted amount of \$326,994. This is a significant downward projection in a Florida coastal market where condominium insurance costs have been extremely volatile and generally increasing. If this reduction is not supported by a binding renewal quote, it could result in a mid-year budget shortfall requiring a special assessment. Buyers should demand documentation of the actual insurance renewal terms before closing.

**HIGH**

Financial Health

**Actual repairs and maintenance costs in 2024-2025 nearly doubled the budget (\$75,057 vs. \$44,327 budgeted), signaling unexpected or deferred maintenance.**

The 2024-2025 projected actual for repairs and maintenance is \$75,057 against a budget of \$44,327 — a \$30,730 overage (69% over budget). This is a material variance suggesting either deferred maintenance being addressed, unplanned failures, or ongoing building condition issues. The new budget of \$72,000 acknowledges elevated costs but does not explain the root cause. Buyers should request specifics on what repairs drove this overrun.

**HIGH**

Financial Health

**No SIRS study document provided — cannot verify that the \$200,000 SIRS reserve contribution is adequate or compliant.**

Florida law (§718.112(2)(g)) requires associations of buildings three stories or higher to obtain a Structural Integrity Reserve Study (SIRS) and fund reserves accordingly. The budget allocates \$200,000 to SIRS reserves, but the actual SIRS report was not provided. Without reviewing the SIRS, it is impossible to determine whether \$200,000 meets the minimum required annual contribution, whether there are critical structural items flagged, or whether the association is fully compliant. This is a critical missing document. Buyers must obtain and review the actual SIRS report prior to closing.

**HIGH**

Financing Risk

**Post-tension slab construction — extreme renovation restrictions apply.**

The Rules explicitly state 'POST-TENSION BUILDING: No slab penetration without written approval.' Post-tension construction means any drilling, coring, or slab penetration without proper engineering review can cause catastrophic structural damage. This materially limits renovation options and requires heightened contractor diligence. It may also affect certain lender appraisal reviews. Buyers planning renovations must understand this constraint fully before purchasing.

**MEDIUM**

Financial Health

**Security/concierge costs increased \$20,000 year-over-year and are the single largest operating expense line at \$150,000.**

Security/concierge is budgeted at \$150,000 for FY 2025-2026, up from a \$130,000 budget in 2024-2025, with actual projected spend of \$151,263. This is the largest single property expense line item. Continued cost pressure here, combined with the elimination of traditional reserves and uncertain insurance savings, leaves the association with limited budget flexibility.

**MEDIUM**

Resale Risk

**Short-term rentals are strictly prohibited — Airbnb/VRBO investment strategy is not viable.**

The Rules expressly prohibit short-term rentals, hotel use, and transient occupancy. The minimum lease term is 6 months and 1 day. Buyers purchasing for short-term rental income must abandon that strategy entirely. Advertising for short-term rentals is itself an enforceable violation.

**MEDIUM**

Financial Health

**Monthly assessment increased 6% year-over-year and may increase further given reserve funding gaps.**

Monthly dues rose from \$646 to \$685 (a \$39/month, ~6% increase) for FY 2025-2026. This is driven in part by the addition of \$200,000 in SIRS reserves. However, the elimination of traditional reserves means the building remains underfunded for non-SIRS capital needs. Future SIRS study updates, building repairs, or insurance cost increases could trigger additional assessment increases or special assessments.

**MEDIUM**

Legal

**Rules and Regulations were last updated in 2021 — may not fully reflect post-Surfside Florida condo law changes.**

The Rules were adopted June 3, 2021, predating the Surfside collapse (June 2021) and the significant Florida condo reform legislation (SB 4-D in 2022 and subsequent amendments). While the budget reflects SIRS compliance efforts, the governing Rules document has not been updated to reflect current statutory requirements. Buyers should confirm with Association counsel that the governing documents are current and compliant with Chapter 718 as currently amended.

**MEDIUM**

Lifestyle

**One pet per unit maximum with strict common area leash requirements and no pets in amenity areas.**

Only one pet is permitted per unit. Pets are prohibited from pool, fitness center, and other amenity areas (service/assistance animals excepted). Tenants with pets must pay an additional \$500 refundable deposit on top of the standard \$500 tenant deposit. Multi-pet households or buyers who prioritize pet-friendly amenity access should assess this carefully.

**LOW**

Lifestyle

**Strict renovation and contractor access windows — Monday to Friday, 9 AM to 4 PM only.**

All contractor work, deliveries, move-ins, and move-outs are restricted to weekdays 9:00 AM–4:00 PM, excluding legal holidays. This is a narrow window that can significantly delay and increase the cost of renovations. Move-ins and move-outs also require 48-hour advance reservation and a \$500 refundable damage deposit.

**LOW**

Legal

**Fines of \$1,000 or more may become a lien on the unit.**

Under Section 24 of the Rules, fines of \$1,000 or more may become a lien on the unit where permitted by Florida law. This is consistent with §718.303 but buyers should be aware that rule violations can escalate to lien exposure.

**Rules summary**

## RENTALS

Minimum lease term is six (6) consecutive months and one (1) day. All prospective tenants must complete Association application and receive written approval at least 15 days before lease commencement. Tenants must pay a refundable \$500 security deposit and a separate refundable \$500 pet deposit if applicable. Tenants must maintain a Florida HO-4 renter's insurance policy throughout tenancy. Tenants pay a \$100 usage fee for amenity reservations. Owner is responsible for tenant compliance.

## SHORT-TERM RENTALS

Strictly prohibited. Short-term rentals, hotel use, and transient occupancy are expressly forbidden. Advertising a unit for lease in violation of the minimum lease term is itself a violation subject to enforcement.

## PETS

One (1) pet per unit permitted. Pets must be leashed in all common areas at all times. Owners must clean up after pets. Pets are not permitted in amenity areas except legally protected assistance animals. Tenants with pets must pay a refundable \$500 pet deposit. Service animals and ESAs are permitted per federal and state law but require documentation on file with Management.

## PARKING

Parking limited to registered vehicles in assigned spaces only. Non-operational or expired-registration vehicles are prohibited. Disabled parking requires valid permit plus Association permit. EV charging requires preregistration. Violations may result in towing under Florida law. Association assumes no liability for vehicle loss or damage.

## RENOVATIONS / ARC

Contractors must be preapproved and insured. Work, repairs, deliveries, move-ins and move-outs permitted Monday–Friday 9:00 AM–4:00 PM only, excluding legal holidays. Service elevator reservation required. Construction debris must be removed offsite. CRITICAL: Building is post-tension construction — no slab penetration without prior written approval. No exterior wiring, conduit, satellite lines, or visible cabling permitted. No building envelope penetration permitted. Association must be provided emergency key. Owners responsible for HVAC maintenance, condensate drain lines, plumbing fixtures, and water heaters (10-year max from manufacture date).

## GUEST POLICY

Guests must comply with all building rules. Residents are responsible for guest conduct. Children under 12 must be supervised by an adult 21+ at the pool. Minors under 12 are prohibited in the fitness center; ages 12–16 must be accompanied. Pets brought by guests or pet sitters must comply with all pet rules. No explicit guest stay duration limit found in provided documents.

## Fees & financial overview

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### MONTHLY DUES

Approved FY 2025–2026 monthly assessment is \$685 per unit per month (with SIRS reserves only; traditional reserves have been eliminated from the new budget). Prior year assessment was \$646/month. This represents a \$39/month (approximately 6%) increase effective July 1, 2025.

### SPECIAL ASSESSMENTS

No special assessments are referenced in the provided documents. However, the elimination of traditional reserves and a significant operating budget restructuring increase the risk of future special assessments. Not found in provided documents beyond budget context.

#### RESERVE FUND

CRITICAL PROBLEM: The FY 2025-2026 budget is labeled 'Partial Reserve Funding (SIRS ONLY).' Traditional (non-SIRS) capital reserves of \$90,000 per year have been entirely eliminated from the new budget. Only \$200,000 in SIRS reserves is funded. Prior year funded \$90,000 in traditional reserves. The association is knowingly operating on partial reserve funding, which means the building is underfunded for non-SIRS capital items.

#### SIRS COMPLIANCE

The budget explicitly designates \$200,000 for SIRS (Structural Integrity Reserve Study) pooled reserves in FY 2025-2026, compared to \$0 in the prior year. This indicates the association is moving into SIRS compliance as required by Florida law (Chapter 718.112(2)(g), as amended by SB 4-D/HB 1021). However, the budget covers SIRS reserves only and eliminates all other reserve funding, which may indicate the full SIRS study recommendations have not been fully funded or that the association is relying on minimum compliance only. No actual SIRS study document was provided.

#### PENDING ITEMS


Insurance costs are budgeted to drop significantly — from \$326,994 projected in 2024-2025 to \$220,000 budgeted in 2025-2026, a reduction of approximately \$107,000 (33%). This is a large and unexplained decrease in a Florida coastal market where insurance costs have been rising. Security/concierge costs increased \$20,000 year-over-year. General repairs and maintenance nearly doubled in the 2024-2025 projection (\$75,057 vs. \$44,327 budgeted), suggesting deferred or unexpected maintenance issues. Traditional reserve funding has been zeroed out.

### Key dates & deadlines

June 3, 2021	Rules and Regulations adopted by the Board of Directors.
July 1, 2025	FY 2025-2026 budget takes effect. Monthly assessment increases to \$685/month. SIRS reserves of \$200,000/year begin. Traditional reserves eliminated.
June 30, 2026	End of FY 2025-2026 budget period.
July 24, 2025	Date budget document was produced/approved.
May 23, 2025	Pet rules community reminder email distributed to residents.

### Seller risk analysis

#### Listing readiness · HIGH RISK

 presents multiple HIGH-severity issues that a buyer's agent or attorney will exploit aggressively. The FY 2025-2026 budget eliminates all traditional reserves (keeping only SIRS funding), contains an unexplained 33% insurance cost reduction, and shows a 69% repair cost overrun from the prior year — all without the SIRS study to verify structural reserve adequacy. These issues create direct financing risk (non-warrantable condo determination), price negotiation leverage, and credible deal-exit grounds. Sellers should expect informed buyers to demand concessions, seller-paid credits, or price reductions, and should be prepared for deals to fall apart entirely if the buyer's lender flags the project during underwriting.

## RISK #1

### **Partial reserve funding (SIRS only) creating non-warrantable condo and financing denial risk**

How buyers use this: Buyer's agent or attorney will direct the buyer's lender to conduct a full condo project review immediately. If the lender flags the project as non-warrantable — which is likely given that traditional reserves have been entirely zeroed out and the budget is explicitly labeled 'Partial Reserve Funding' — the buyer gains full justification to either renegotiate price downward to offset future special assessment risk, demand a seller credit at closing to pre-fund reserves, or walk away under a financing contingency with full deposit return. Even buyers using portfolio lenders who approve the loan will use this issue to demand a price reduction arguing the association's financial instability depresses market value and increases their carrying risk. The leverage here is structural: the association itself labeled the budget as partial funding, giving buyers documentary evidence without needing to argue interpretation.

Mitigation: Seller should proactively obtain a written letter from Association management or the board confirming SIRS compliance status, the rationale for eliminating traditional reserves, and any plan to restore non-SIRS reserve funding. If the seller can produce a binding insurance renewal quote showing the \$220,000 budget figure is realistic, that removes one compounding concern. Seller may also consider offering a closing credit sized to 12 months of the eliminated traditional reserve contribution (\$90,000 annually, prorated or negotiated) to neutralize buyer objections. Engaging a lender who specializes in non-warrantable condo financing and pre-qualifying the unit before listing would allow the seller to control the narrative.

## RISK #2

### **Unexplained 33% insurance budget reduction (\$107,000 drop) in a rising Florida coastal insurance market**

How buyers use this: Buyers and their attorneys will treat the \$220,000 insurance budget as a red flag rather than a benefit. In Florida's post-Ian, post-Nicole coastal insurance environment, a one-third reduction in a condominium insurance budget is anomalous and demands explanation. Without a binding renewal quote in hand, buyers will argue that the budget is artificially suppressed to keep assessments low, that a mid-year insurance shortfall is probable, and that a special assessment to cover the gap is a foreseeable near-term event. This gives buyers leverage to demand a price reduction, a seller escrow holdback, or a closing credit to hedge against a potential special assessment. Sophisticated buyers will condition closing on receipt and review of the actual insurance binder or renewal commitment showing the \$220,000 premium is locked in. If the seller cannot produce that document, the buyer has documented grounds to renegotiate or exit.

Mitigation: Seller must obtain from the Association the actual insurance renewal commitment or binder confirming the \$220,000 premium before listing or immediately upon going under contract. If the premium is locked in, this risk evaporates. If it is not locked in or if the actual renewal comes in higher, the seller should price that exposure into the list price or offer a defined closing credit. Sellers should not list at full price without having this document in hand, as any buyer attorney who reviews the budget will surface this issue within 24 hours of receiving documents.

### RISK #3

#### **2024-2025 repair and maintenance costs ran 69% over budget (\$75,057 actual vs. \$44,327 budgeted) with no explanation provided**

How buyers use this: Buyers will argue this cost overrun signals either deferred maintenance being addressed, unplanned building system failures, or an ongoing pattern of underbudgeting that will continue. Because no explanation is provided in the documents reviewed, buyers have grounds to demand full disclosure of what drove the overrun — and if the seller or association cannot or will not explain it, buyers will use the uncertainty to justify a lower offer price or demand a repair credit. Combined with the elimination of traditional reserves and the absence of the SIRS report, this overrun fits a pattern that a buyer attorney will characterize as a financially stressed association masking building condition issues. Buyers may also use this to justify extending the inspection period or demanding access to board meeting minutes from the past 24 months to identify what repairs were performed and why.

**Mitigation:** Seller should request from the Association a written itemization of what drove the 2024-2025 repair and maintenance overrun before going to market. If the overrun was caused by a one-time event (equipment replacement, vendor contract correction, storm response) that has been resolved, that documentation neutralizes the issue. If the overrun reflects ongoing or systemic maintenance issues, the seller needs to price that risk into the listing. Seller should also proactively pull and review available board meeting minutes and be prepared to disclose material known defects as required under Florida law to avoid post-closing liability.

*Recommended next step: Do not list at market price without first resolving three items: (1) obtain the actual insurance renewal commitment or binder confirming the \$220,000 premium is realistic and locked in, (2) obtain from the Association a written explanation of the 2024-2025 repair and maintenance overrun and a copy of the SIRS report to confirm the \$200,000 SIRS reserve contribution is compliant and adequate, and (3) have the seller's agent or attorney conduct a preliminary lender warrantability check with at least one conventional lender before accepting offers — if the project is non-warrantable, the seller must either price for cash or non-warrantable buyer pools or advocate with the Association for a reserve funding correction before listing. Failing to take these steps will result in deals falling apart at the financing or attorney review stage, costing the seller time, carrying costs, and negotiating position on re-listing.*

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This report provides general informational analysis only and does not constitute legal or financial advice. Always verify HOA documents with a licensed Florida real estate attorney before making purchasing or listing decisions.