A PricewaterhouseCooper study notes that 1 in 4 hard copy documents go missing or are destroyed over a period of five years. Apply those numbers when considering the vast amount of documents, particularly documents a builder is required to turn over to a homeowner or a homeowners association. For just a single project, that number can be upwards of half-a-million pages. Many builders and developers are confident that their record management systems are solid. Yet, Compendia’s research reveals more often than not, there are significant gaps in the collection and distribution process; and that these gaps leave builders open to greater liability. However, by adopting and/or outsourcing a collection and distribution process that identifies the required documents and systematically tracks and records their availability, relevance and accuracy, builders and developers will

- Comply with state and federal laws,
- Avoid potential legal hazards down the line
- Provide the owner or association with the proper information to maintain their investment.

The Case of the High Rise HOA

Much like Las Vegas, Philadelphia, San Francisco and other major metropolitan centers we service, the skyline of downtown Los Angeles is constantly evolving. Several residential high rises have been constructed over the past two years. One such project was recently completed and began the process of preparing the turnover documents; risk reducing and legally required documents such as warranty and maintenance information the homeowner’s association.

As this major developer chose to outsource the resource-intensive job of creating the homeowner’s association (aka Condominium Association) maintenance and warranty manuals, they were instructed to provide all the warranty, care and maintenance documentation they had on hand and a list of all the subcontractors responsible for the various installed manufactured products (MP) in the building. This developer was confident they had provided all the necessary documentation to transfer to the association.

Upon further research which included a thorough audit of the documents and a systematic subcontractor contact program, Compendia offered the following assessment: The developer had not provided information on 92 of the 248 listed components. This is a gap rate of 37%. Additionally, of the 156 MPs, 69 were

“These documents shall also be provided to the homeowner in conjunction with the initial sale of the residence.”

Senate Bill 800
Title 7, Chapter 4 §912 (c)
Referencing manufactured product maintenance, preventative maintenance and limited warranty information
missing care and maintenance documentation (44%) and 18 were missing warranty information (11.5%). In the end 179 of the 248 products were missing or incomplete. This is a **Final Gap Score of 27.9% (72.1% incomplete)**.

The unique aspects of a high rise make collecting a challenge. Our analysis shows there are 30 to 40 percent more manufactured products included in the common areas. These consist of electrical, security and access controls, fire systems, elevators, HVAC systems, ventilation and exhaust systems and other complex interdependent and integrity-critical components.

The importance of the HOA Board and property management organization possessing a comprehensive set of maintenance and warranty instructions can be the difference between a simple check for leaks and a multi-million dollar lawsuit. As often happens, builders do not remain on the HOA Board past sell-out, but are still responsible for all the warranties, including the ones provided by subcontractors. This is another key reason to ensure the completeness and consistency of maintenance and warranty information.

This developer was stunned to see the holes in their documentation. Compendia worked closely with the developer and general contractor in an attempt to track down all the missing documents.

As part of the outsourced service, Compendia “played detective” and tracked down a large majority of the missing subcontractors. In turn, Compendia was able to recover a significant portion of the absent documents.

Upon delivery of the final product to the Homeowners Association, the manual contained **93.1%** of all the documents: 231 of the 248 requested documents were accounted for. **Compendia’s process improved this developer’s documentation coverage by 335%**.

<table>
<thead>
<tr>
<th>Category</th>
<th>Manufacturer</th>
<th>Product/Model</th>
<th>Warranty</th>
<th>Maint. Doc.</th>
<th>Missing Data</th>
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<td>Minosa Lighting</td>
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</table>

**Above is an excerpt from a Gap Report** that identifies every Manufactured Product installed in a residence (high rise or SFD). The Compendia Research Audit reveals the “gaps” or the lack of identified or collected documents for inclusion in a Homeowners Association Maintenance Reference Guide.

Compendia’s Maintenance Reference Guide includes the requirements and best practices for the care and proper upkeep of the common area of a single-family community or high rise residence. It also includes the warranty and maintenance on all the manufactured products, schedules, and maintenance log matrix. And when requested: CC&Rs, builder’s warranty, floor plans, service contracts are also included.

Compendia is the only outsource partner that provides complete turnkey service that includes maintenance content, document collection and MP collection audits.
**The Case of the Wayward Warranties**

Another case finds a Denver-based community missing more than 43% of their warranty documents. Combine that with a deficit of 57% of the manufactured products missing care and maintenance information. With units already selling, it was important to make sure the HOA documentation was ready to turn over to the Board within 90 days.

The extensive research by Compendia's HOA Services Team identified several issues that are not unique to this one project or builder. A majority of the documentation was not all in one place. As a national corporate entity, the builder's documentation was considerably decentralized. Add to that the issues of the varied completion schedules of the common area construction phases and that many of the required records were spread over multiple departments and subcontractors. A final issue was with the recent market slump, the builder had experienced a notable turnover in project managers and other key positions. The tribal wisdom of where certain items were housed was lost.

By following the proven collection and distribution process, the HOA Services Team made remarkable progress. Through cross-analysis of similar communities, accessing Compendia's vast library of manufactured product data and warranty information, and other proprietary processes, the team closed the gap. Compendia tracked down 82% of the missing warranty information which raised the documentation total to 91%.

**Not Isolated Incidents**

The cases illustrated above are not isolated incidents. On average, depending on the size of the community, between 50-60% of all the warranty and maintenance documents for HOA common areas are not turned over by the builder (according to Compendia's research). Compendia's proven service, which includes a thorough MP documentation audit, Gap Report, and location and recovery assistance for missing documents significantly increases the documentation coverage.

With Compendia, the builder enjoys greater confidence that the transition to the HOA Board is professional, seamless and comprehensive. This proper transference of maintenance and warranty detail (including the manufactured products) is a major component of a builder's risk mitigation platform, compliance and quality assurance strategies. Therefore, ensuring that the documentation is accurate and as complete as possible prevents costly lawsuits and offers the Board an effective tool to be efficient stewards of the community.

Want to learn more about Compendia's Gap Reports and MP Collection process? Call us at 800-990-0885. Or visit us on the web at www.compendiainc.com.