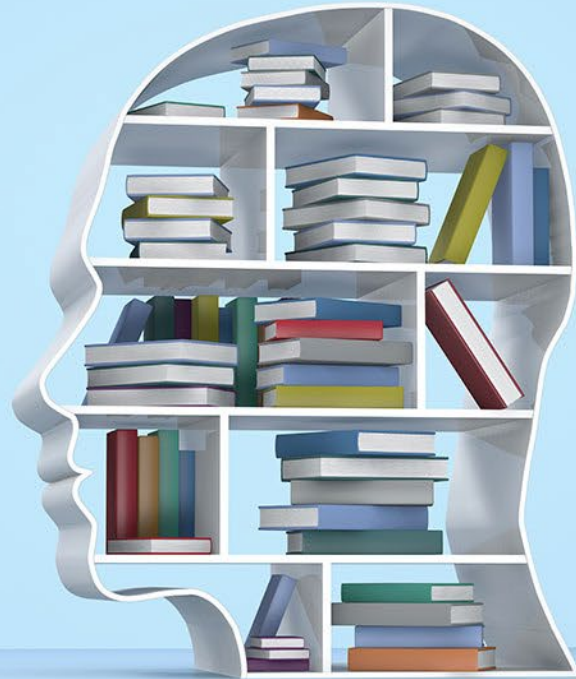


Under-Demolished: Condo Transactions Before and After Champlain Towers



David R. Shanks, Esq., LL.M. is the Florida operations manager of Stewart Title National Commercial Services. He has a background in taxation law, and title and underwriting managerial experience.



Presented By: David R. Shanks, Esq., LL.M.
Tuesday, April 26, 2022

Title Tenets Webinar Series

Outline

- The Collapse
- Condominium cowboys
- Surfside and the Hype
- Construction Industry
- Inspections
- Reserves and Reserve Studies
- Condo Boards and Deferred Maintenance
- Fannie and Freddie
- Legislative Action
- Opportunities
- Other Considerations

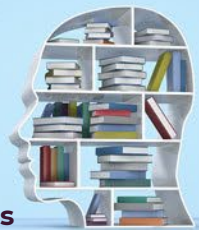


NYSE: STC: The information provided on this flyer is for general informational purposes only, should not be solely relied upon, and is subject to change without notice.
© 2022 Stewart and affiliates. All rights reserved. NYSE: STC. This presentation may not be distributed without written permission from Stewart Title.



The Collapse

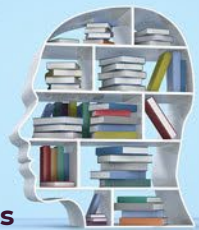
- June 24th, 2021 - 55 of 136 Condominium Units fell killing 98 people
- Developed in 1979 through 1980
- Was up for the 40-year certification process
- Volunteer-led Condo Board
- Deferred maintenance is thought to have played a role
- Oceanside condominium site
- According to the Florida Bar, some 912,000 individual condos in the State of Florida are 30 years old or more



Condominium Cowboys

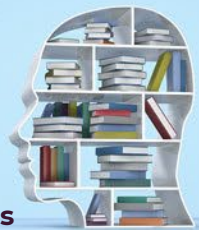
- Alfred Weisbrod: one of three General Contractors on the job
 - Negligence complaints
 - Habitually abandoned projects
- Nathan Reiber: the developer
 - Caught stealing from laundry machines
 - Allegedly committed tax evasion
 - Resigned from Canadian Bar in 1984
- William Friedman: the architect
 - Pylons previously designed found to be structurally deficient

**Nothing has been found to suggest any of the three had anything to do with the collapse*



Surfside and the Hype

- Traditionally a Canadian snowbird town
- Went through 8 city managers in 4 years
- Town was in a moratorium for developers because water and sewer were deemed inadequate
- The 13th story penthouse was added to the drawings after initial approvals
- The plans (on town website) do not conform completely to the plans as built.



Construction Industry

- Major changes were made to the construction code in 1989
- After Hurricane Andrew, 40-year certifications became more prominent
- Cement - it cracks
- Corrosion inhibitors



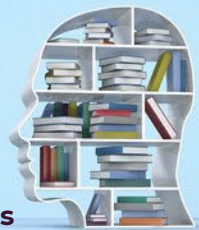
Inspections

- Who performs the inspections?
- Fines as a double-edged sword
- Structural Engineers – how do we know they are qualified?



Reserves and Reserve Studies

- No more than 36 months old (or recently updated)
- Prepared by a professional
- Inventory of Major Projects
- Financial analysis of reserve fund and adequacy
- Proposed fund plan
- Comment on the project's age and estimated remaining life



Condo Boards and Deferred Maintenance

- Playing catch-up
- Neighborly disputes
- Volunteer versus professional boards
- Under (salt) water?
- Where do they go?



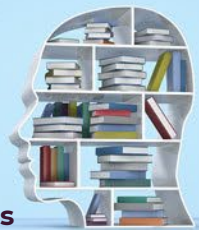
Fannie and Freddie

Freddie

- Delinquent assessments (15% rule)
- Independent professional assessments (up-to-date reserve studies)
- The reserve study must meet or exceed any state requirements
- At least 10% of the budget must provide funding for replacement reserves for capital expenditures and replacement cost of common area expenditures

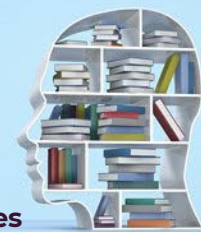
Fannie

- More general, more comprehensive



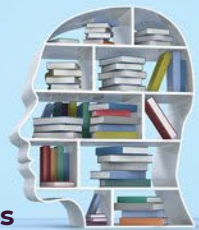
Legislative Action

- The Task Force
- Hold a Special Session?
- Pass Legislation?
 - The sticking points: Milestone inspections, funding of reserves, transparency



Opportunities

- Traditional Structures
 - Phased in - passing the buck assessments
 - Buying out the assessments
- Value-add Propositions
 - A leisurely drive
 - Collecting the minutes
- Bailing out middle-class retirees
 - The real cost of owning these condominiums (and is it rising?)

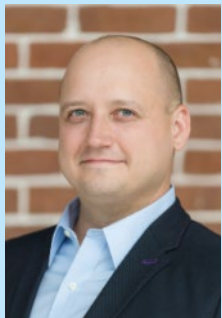


Other Considerations

Building Insurance

- Carriers leaving coastal areas
- Updating appraisals
- Massive increases





**Stewart Title Guaranty Company
National Commercial Services**

David R. Shanks, Esq., LL.M.
Operations Manager
stewart.com/commercial

Thank you



Title Tenets Webinar Series