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AUGUST-SEPTEMBER 2015

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REPIPE REGRET

Why Waiting Doesn't Pay

Take advantage of today's construction costs and replace aging or faulty plumbing systems

BY ERIC LECKY

When plumbing systems start to fail, boards at AOAOs are faced with some difficult decisions. As pipe replacement is not typically considered (or budgeted for appropriately) as part of a reserve study, Hawaii's condominiums are often confronted with tough financial considerations when faced with the prospect of a repipe.

As leaks begin to mount, residents are inconvenienced, repair costs climb, insurance claims increase and AOAOs are often forced to ask for large special

assessments from their homeowners to cover the cost.

Another option is to go through the process of financing the repipe, which can be a difficult task.

As a result, boards often postpone the decision, saying they will continue to get the leaks fixed, and will address the problem at a future date. However, simply waiting might be the worst alternative, as mounting costs, insurance risks and even legal considerations could make delaying the project exponentially more expensive than finding a solution in the near term.

Financial Considerations

Much of the decision to repipe a condominium in Hawaii is cost-based, and it's simply a matter of fact that it's cheaper to repipe now than it will be in the future.

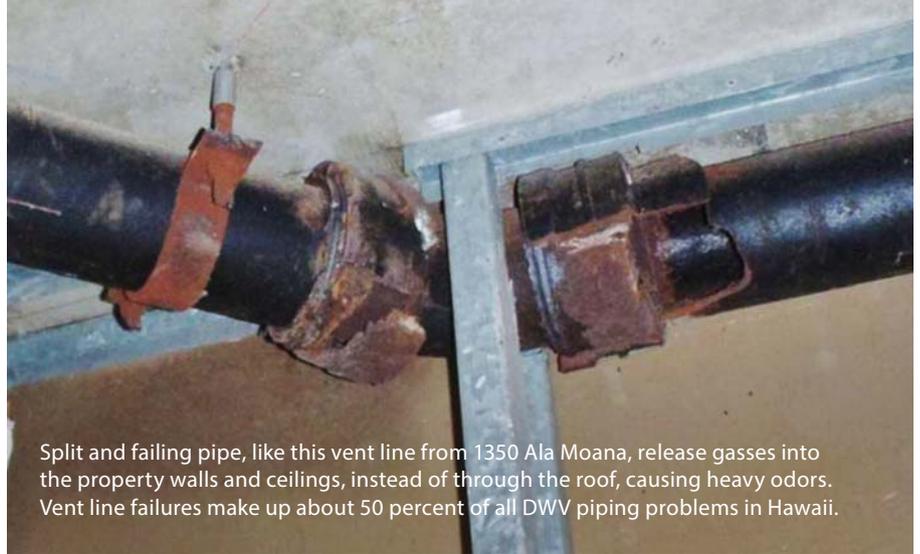
Construction costs are currently rising at a 7 percent annual rate across the Islands, according to Rider Levett Bucknall's "USA Report: Quarterly Construction Cost Report, Second Quarter 2015."

That means waiting just five years will increase the total job cost by more than 40 percent. Add the continued costs of leak and damage repair over the next five years, and total costs could double what it will cost to fix the problem immediately.

In addition, loan costs are at historic lows. According to one local bank, rates are typically running 3.85 to 5 percent on a construction renovation loan like



Proactively replacing pipes can save a lot of money while simultaneously improving property values and owner satisfaction.



Split and failing pipe, like this vent line from 1350 Ala Moana, release gasses into the property walls and ceilings, instead of through the roof, causing heavy odors. Vent line failures make up about 50 percent of all DWV piping problems in Hawaii.

you would need for a repipe.

Given market uncertainties, it's unlikely these rates will drop further, so waiting to finance the project in a few years, rather than today, could cost your AOA more in interest expense as well.

But these are the obvious, tangible costs.

There are also numerous intangible costs associated with continuing to have leaking pipes. Insurance rates are sure to rise as the volume of claims increases.

Owner Considerations

We all know that building reputation in Hawaii is paramount to driving desirability and increasing resale values. When plagued by plumbing leaks, building reputation is damaged, directly affecting resale values. This can frustrate homeowners who often feel like the board may not be acting in their best interests. As owner and board relationships become tense, things can quickly escalate from bad to worse.

For board members, AOA bylaws always imply fiduciary responsibility

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Clogged drain pipes can cost significantly more to replace by waiting just a couple of years, rather than dealing with the problem now.

to maintain the building. As previously mentioned, waiting too long to address chronic plumbing problems can result in loss of insurance coverage.

Unfortunately, in today's litigious environment, many disgruntled homeowners are waiting for this to happen so they can sue the board over their leak and the resulting damages. When pipe problems escalate to the political and legal realm, total costs can skyrocket as fees for

lawyers on both sides accumulate on top of plumbing and insurance costs.

Be Proactive

There is good news in all of this. While it may not seem easy, the best course of action is to address the issue right now, today. Due to low lending costs, experienced turnkey contractors ready to help and numerous financing options, pipe replacement can be

completed quickly and without a political headache.

In an informal survey of recent AOAO board members who have completed a repipe project in the last three years, 100 percent reported that they were happy they went through the process and now live in a worry-free building.

"While there were numerous concerns from the board, our insurance company and the lender over completing our repipe project, in the end it was simply the right thing to do for our building," says Ron Komine, general manager at 1350 Ala Moana. "Regardless of the cost and inconvenience, the peace of mind that comes with knowing we will have a worry-free plumbing system for decades to come is simply priceless." 

Eric Lecky is the chief marketing officer at SageWater, a pipe replacement and restoration contractor that operates throughout Hawaii and the mainland. He can be reached at elecky@sagewater.com.



Eric Lecky

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HAWAII'S TECHNOLOGY LEADER

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Corroded Cast Iron DWV, Rain Leaders and Copper Supply Pipe Replacement

UNITS:
40

STORIES
12

BUILT:
1976

DURATION:
3 Months

PROBLEM:

Severely corroded drain, waste and vent piping and rain leaders.

SOLUTION:

Turnkey pipe replacement, including asbestos abatement and removal/resetting of kitchens and bathrooms.

In 20 of the units, this project entailed the removal and resetting of entire kitchens to access the piping systems. In the remaining units, SageWater removed and reset the bathroom fixtures, vanities and washers/dryers. This project also required asbestos remediation in all units.