

Capital Repair vs. Replacement



THE AGENCY FOR
CO-OPERATIVE HOUSING
L'AGENCE DES
COOPÉRATIVES D'HABITATION

In the Agency's Best Practices for Capital Spending, a capital expenditure is described as an expense of \$2,000 or more spent on a building or its property. Capital spending is different from maintenance-related repairs or replacements or any items normally described as operating expenses.

It refers to the substantial expenditures required for the repair or replacement of major property components, such as roofing, exterior wall finishes (siding, masonry, EIFS...), mechanical and heating equipment, fire protection systems, etc.

Operating expenses are routine costs required for day-to-day property maintenance, while capital expenditures are larger investments that improve or extend the life of a building and its surroundings.

So, what is the difference between capital repair and replacement?

Repair

- Localized fix required to the component or system
- Temporary solution to a problem with the component or system

Replacement

- Full or major upgrade to the component or system
- Resolves the problem with the component or system

To decide if your co-op can repair or needs to replace a component or a building system...

Current Age

Find out the current age of the component and its remaining service life. Understand the typical estimated service life of the component and determine how many service years are left. When was it last replaced or installed?

Condition

Understand the current condition of the component. Study the extent of the damage. Is the component functionally impaired or only showing limited damage? Based on its current condition, is a partial repair enough or is partial or full replacement needed?

Review

Have a professional review or inspect the component or system. We strongly recommended having a professional review the component or system to advise on whether you should undertake repairs or a replacement. The professional will provide your co-op with a report outlining repair cost versus replacement cost and the expected life of the component if repaired.

What is estimated service life?

Estimated service life is the average expected lifespan of a component before it requires major work or full replacement.

For example, asphalt roof shingles have an estimated service life of 15 to 25 years, or longer. The type of material and its manufacturer are significant factors in a component's expected lifespan.

Check out the suggested resources for repairs versus replacement

- [Furnaces - Repair or replace? By Lennox](#)
- [Replace vs Repair a Roof](#)
- [Roof Repair vs. Roof Replacement By Home Depot](#)
- [Repair or Replace? How to Decide What's Best for Your Boiler](#)