



Does Your Homeowners Association Make the Grade?

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Do you think your neighbors ever wonder where the monthly association dues are going? Is it all going into the flower bed at the front of the subdivision or are substantial neighborhood improvements underway? **Just how good a job is your homeowners association is doing?**

With thousands of homeowners associations operating communities throughout Georgia, it is a question that is being asked by more and more homeowners. Over the last 20 years, there has been an explosion in the growth of communities with homeowners associations and mandatory memberships. Unlike the membership in some organizations where you can resign if you're unhappy, these memberships are mandatory for as long as you own a home in the subdivision. So what is your association doing to help you? Since you're in it for the long haul, shouldn't you have a voice in where your dues are going?

While the entry island landscaping and pool maintenance used to be the standard for association control, homeowners associations have grown up quite a bit and are now responsible for more projects once reserved to local governments. This includes maintaining private roads, parks and utility systems, enforcing restrictions on how lots may be used and providing security and recreational programs. Virtually every new subdivision with a recreational facility is run by an association of homeowners. Typically organized as non-profit corporations, the associations operate through elected boards of directors.

The bottom line is that the ability of homeowners associations to influence the quality of life and property values in our communities is increasing dramatically. Homeowners wanting to protect their property values should seriously consider getting involved in their homeowners associations. If you decide to take the plunge, here are some key questions to ask in initially evaluating how well your homeowners association is doing.

1. Does your homeowners association identify and train new leaders?

All successful homeowners associations (and businesses for that matter) have systems in place to identify and train new leaders. Many associations conduct formal training of persons interested in serving on the board of directors. Others get new leaders involved in running committees as a way of familiarizing them with the operations of the Association. Homeowners associations are by and large volunteer organizations. Unless there are plans in place to bring new leaders into the fold, the pool of available talent can dry up. When this happens, the same leaders tend to remain in office for long periods of time creating a risk of the association stagnating. If the homeowners eventually grow tired of the existing board and throw them out of office en masse, valuable institutional knowledge will be lost regarding the operations of the association. Ideally, with every new election of directors, some directors should remain and some should go. In this way, there is a continuity in the leadership of the homeowners association from one board of directors to the next.

Interestingly, some homeowners associations have done so well training their leaders that they have gone on to serve in local government after finishing their terms. Current Cobb County Chairman, Sam Olens, and former Fulton County Commissioner, Bob Fulton, both started their political careers as directors of homeowners associations.

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2. Does your homeowners association have clear goals and a vision?

Every organization should have clear goals and a vision. Homeowners associations are no exception. Some directors of homeowners associations think of their goal as nothing more than maintaining what exists in the community. While there is nothing wrong with this as a goal, it simply doesn't go far enough. In a challenging real estate market, setting your community apart from others increases the value of each owner's property. If you drill down on association goals a bit, you quickly realize that there are many small choices that can be made to differentiate your community while achieving the original goal. For example, should maintenance be done cheaply or in a first class manner? Should maintenance be limited to what already exists or should there be a conscious effort to upgrade and improve the look of the community to remain competitive with newer communities? In trying to maintain the community, should homeowners be required to adhere to strict standards regarding the use of their properties or should such standards be relaxed? There are value judgments in answering each of these questions that should be openly debated in communities rather than presumed. Only in this way can the community build consensus and move forward in a way in which the majority of homeowners are comfortable.

3. Does your homeowners association have funds set aside for a rainy day?

There is nothing which creates greater turmoil and dissension in a community than a large special assessment. This is because very few people like surprises which require them to spend money. A well run homeowners association should have on-going studies conducted by engineers and other construction specialists to identify how much money they should be socking away to meet future needs. A sufficient amount should be included in annual budgets and reserves to meet these long term needs.

4. Does your homeowners association regularly communicate with its members?

The secret of success in any large organization is good communication. Homeowners associations that have good means of communicating usually end up with a more informed and happier membership. The means of communication available to homeowners associations are numerous and include newsletters, annual state of the homeowners associations reports, websites and e-blasts. Distributing minutes and financial reports and inviting owners to attend committee, annual and special meetings are other good ways to encourage good communication.

Deciding how to communicate is much easier than figuring out what to say in the communication. In this regard, discussing the problems and challenges facing the community is as important as discussing its successes. Owners understand that there will be challenges in running a homeowners association. Most owners want to understand what the challenges are and how they are being addressed. Communicating the process the board followed in making a decision and the options it considered are also helpful in getting members to understand the complexities of the issues often faced by the board of directors.

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5. Does your homeowners association have good procedures in place for safeguarding its money?

Homeowners associations are probably at greater risk when it comes to losing their money than other types of organizations. There are two reasons for this -- they are volunteer organizations and they usually have significant sums of money in their bank accounts. Checks and balances must therefore be put into place to ensure that money is safeguarded. The best way to do this is for your homeowners association to be professionally managed where someone other than the directors collects the dues, pays the bills and generates financial reports for the board of directors to review. While this significantly helps reduce the risk of theft, it doesn't eliminate it. The manager must also be supervised and periodically audited to protect against the rare event of the manager getting sticky fingers. Regardless of whether your homeowners association is professionally managed or not, it is important that there be more than one set of eyes reviewing checks, bank records, invoices and other financial records to ensure that the association's financial affairs are in good order.

6. Does your community look good?

At the end of the day, the proof is in the pudding. If the community looks good, it usually means that something positive is going on in the community. Unfortunately, the same is usually true in reverse.

In thinking about how your community stacks up with respect to its appearance, pretend that you are seeing it for the first time. Is the landscaping well maintained? Are recreational facilities clean? Are walls and fences in good repair? Are the homes well maintained? Do any homes or yards in the community look like eyesores? All of these questions reflect on whether the homeowners association is performing its duties and requiring that the homeowners do the same.

7. Does your homeowners association periodically survey its members on the nature of the restrictions all of the owners have agreed to follow?

If a homeowners association can be thought of as a private, small town government, its covenants and rules and regulations are its local ordinances. The only difference is that in a homeowners association, the initial set of laws are written by the developer's attorney rather than being adopted by the local citizens.

This is *your* property and *your* money being used to maintain the neighborhood so your input should be heard and valued. Laws in any government need to be periodically reviewed to ensure that they are current and reflect the values of the citizenry. In a homeowners association, the review should not only be done by the board of directors but by a committee of the homeowners as well. The key questions both groups should be asking are whether there are any restrictions the association is uncomfortable enforcing and whether there should be other restrictions added to the covenants to help preserve and protect property values. If the association is uncomfortable enforcing a restriction, it should be removed from the covenants

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through the amendment procedure to avoid claims that the association is picking and choosing which covenants to enforce. The same procedure should be followed in adding restrictions.

8. Does your homeowners association carefully evaluate its insurance needs?

Insurance is one of those things that many of us don't think about until we need it. Unfortunately, with the tremendous exposure of homeowners associations to liability claims, this is an area where homeowners associations cannot afford to make any mistakes. For example, if a child drowns in the community swimming pool, the homeowners association will likely be defending a multi-million dollar lawsuit. Therefore, all successful homeowners associations regularly review their insurance policies to ensure that they are current, cover the appropriate risks and are in sufficient amounts to cover any likely loss. Doing anything less than this is betting the farm, or the homeowners association, that a catastrophic loss will not occur.

The most important types of insurance homeowners associations should obtain include property insurance, liability insurance, directors and officers liability insurance, and fidelity bond coverage.

9. Is your homeowners association careful in hiring the vendors who serve the community?

There are a host of professionals who are employed by homeowners associations. These include property managers, landscapers, building and pool maintenance companies, trash pick up services, insurance salespersons, lifeguards, accountants and even attorneys. Each of these professionals helps set a tone for your community as a more or less desirable place to live. Smart boards of directors carefully select the service personnel that will help them perform their duties. They recognize that while the board of directors can delegate its authority to others to help run the community, the buck stops with the board and it cannot delegate its ultimate responsibility to ensure that things run smoothly and efficiently. While a property manager may give the homeowners association names of qualified vendors to do particular jobs, the final decision on which vendor gets hired should always be made by the board of directors. More importantly, homeowners associations should focus not only on the price being charged by a particular vendor, but their knowledge, experience and reputation since, in the end, you usually get what you pay for.

10. Is your homeowners association focused on building a sense of community?

In the final analysis, a major function of homeowners associations is to make the communities they serve enjoyable places to live. The more positive the interactions are between neighbors, the greater the sense that the community is a special place in which to live.

Successful homeowners associations focus on community building activities. These include such obvious things as association sports teams, holiday get togethers, community yard sales, and volunteer work days. Innovative associations have taken community building activities to entirely new levels. Many are using their websites to encourage owners with similar interests to find one another. This has resulted in book clubs, gardening clubs, card groups, travel clubs and even community orchestras being organized in communities. It used to be that

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building a sense of community in a neighborhood took years to develop. Homeowners associations are now discovering that they can use technology to greatly accelerate this process.

The above questions should give interested owners, and their association's board members, a place to get started to evaluate the performance of their homeowners associations. It should be remembered, however, that criticizing is always much easier than doing. If you're not willing to serve, you will likely end up with the kind of homeowners association you deserve.