



# nerej

## **Differences of a homeowners association verses a property**

July 02, 2015 - Owners Developers & Managers

With IREM offering homeowners association courses for property managers, we thought it was appropriate to talk about some of the differences of a homeowners association (HOA) verses a property. Managing HOA is very different from working for an owner of their leased property. The most important issues of association management are communication, document management, financial responsibility, investment owners, maintenance oversight, and transparency.

Communication with the board and owners is very important in running HOA. Most boards publish a monthly or quarterly newsletter for the association. This newsletter can be used as a record of communication on legal issues too. Items such as when the pool is opened or what hours the office is opened, or when the next board meeting date are all good notices for the newsletter. The manager must also keep the board abreast of important issues between board meetings. A weekly update on monday mornings to the board chair or representative will keep the board on top of issues too. In this case, the fitness center can become the water cooler center. If a resident contacts the office with information on serious owner violations, the manager should investigate and let the board decide whether they want to write a letter or set a meeting with the owner involved.

Each property has its own set of rules and regulations and a master deed, which is referred to as the documents. Managers must also be aware of the city or town, state, and federal regulations, which also govern the management of the property. These documents pretty much spell out all of the situations, which can and do come up in HOA management. Many states such as Colorado and Florida now require special manager licensing. It is a good idea to check your state licensing requirements before you take on the property. It is also extremely important a new owner coming into the association be given copies of the property document so they can understand the property operations. So there is no doubt of receipt these documents, require the closing attorney to obtain the new owners receipt signature making this record part of the closing documentation. Licensing for contractors working on the property is also important. Make sure contractors have a license and liability insurance.

Financial responsibility for the association is a major part of the management of the property. Managers must send a monthly financial report to the board. Budgets should be completed and approved by the association before the start of a new year. This budget should include a reserve fund for emergencies. If the property does not have a reserve fund, the pros and cons should be explained. It is easier on the owners to budget for a reserve fund than have to special assess each owner when an emergency maintenance situation arises. Monthly payments are in most cases completed with an ACH collection system of debiting the owner's account each month. All owners must keep their fee accounts up to date. The manager must inform the board of collections and implement legal action immediately if an owner becomes delinquent. Most states have limits as to how many months associations can recover. The rule of thumb now is two months delinquent starts

the automatic legal process for recovery.

Many owners purchase condominiums as an investment. Investment unit tenants cannot become a burden to the management office or the board. Owners are responsible to take care of all of the issues associated with their unit. Should a unit owner call with a request for help with an issue because they are out of town and cannot respond, have the owner put the request in writing by email or fax. Make sure they agree to the cost of the service call before the work is completed.

During each owner's holding period, certain maintenance must be done. If the work is just concerning their unit, the owner must pay for the repairs. The documents will outline what is owner included in the owner's unit and what is included in the associations part of the property. Keep to the documents on this issue at all times. Repairs can be costly. The association cannot ever be responsible for owner repair bills no matter how much the owner complains. Remind the owner of the signed move in documents. Owners must also realize they are not an island in an association. If someone or something in their unit causes damage to their neighbor they and or their insurance company is responsible. Therefore, it is a good idea to maintain office copies of all insurance policies of units.

Transparency is the key to good homeowner association management. The manager works for the association and not the individual unit owner. Managers manage the day-to-day operations but cannot work individually for an owner and be their leasing agent. Once an owner realizes the manager is a professional, keeper of the records, and manager of operations for the owner's benefit, the association operations will run smoothly.

Colleen Costa, CPM, ARM, is the 2015 IREM Boston president and president and principal of CPC Management, LLC, Kingston, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540