

CID Report Card: Signs of a Happy Association

By: Kelly G. Richardson

More than one third of Californians currently live in one of the state's 41,000 common interest developments ("CIDs"), yet there is no licensing or certification of any kind for CIDs or their boards. How is a homebuyer or Realtor® to determine whether a home in a particular CID is more or less desirable?

There is no ironclad rule, but there are some indicators that an association is more likely to be well-run (and therefore more desirable).

Regular Meetings.

CID boards are required by law to meet at least quarterly. An organized board in all but the smallest associations will commonly meet monthly. A professionally run board is more likely to meet on a regular, predictable basis. Associations that meet rarely, and sporadically, might be managed more in a crisis mode.

Well-Run Meetings.

Is there time to attend a board meeting before you buy? The manner in which the directors conduct the meeting speaks volumes about the way the CID actually operates. The managers consulted in the writing of this article recommended this as a very strong indicator of how life will be in that CID.

Regular, Prompt and Concise Minutes.

State law requires that draft minutes of board meetings be made available to members within thirty days of a board meeting. Does the association have minutes? Are they concise, or does the secretary attempt almost to write a transcript of every meeting? A well-run CID will be more likely to have concise minutes, recording board attendance and the actions

taken (i.e., the motions made and what was the outcome of each motion).

Rainy Day Money - Reserves.

State law requires associations to obtain a study of the association's need for reserve fund accumulation, but does not specifically require associations to actually save up money for capital repairs and replacements. Many associations skimp on deposits into their reserve accounts in order to keep monthly assessments as low as possible. Reserve accounts are an important protection for the CID against sudden major financial needs, such as when the roof needs replacing or balconies need rebuilding. A CID which plans ahead, and which exercises fiscal discipline, is more likely to have a reserve account following the guidelines of a professionally prepared reserve study. Such a CID is less likely to require major reconstruction loans and the multi-year reconstruction loan special assessments that accompany those loans.

Professional Management.

Many associations feel that professional management service is an unaffordable luxury, and self management is often chosen by boards trying to keep costs under control. However, the toll on the directors is often far greater than the cost savings would indicate. Most associations that manage themselves are able to do so because of one or two directors who go "above and beyond the call of duty" to make sure the property is kept up and the expenses are paid. Those directors deserve medals, but their devotion and extraordinary time commitment can lead to burnout and conflict. It is not fair to ask a homeowner to keep track of all of the changes in required procedures each year, or to be able to find the vendors in a given area of expertise. Good managers do that, and

make board membership much less difficult. Solid management, by a credentialed professional manager, is a big plus.

Well-Maintained Property.

It seems obvious but look closely at the entire property. Is the landscaping well-maintained? Are visible portions of balconies and patios presentable? How does the building look? Does the association have maintenance contracts on any portions of the property? Normally one would not think of hiring a home inspector to inspect the entire building when one is buying a condominium, but perhaps the expenditure would be worthwhile.

Regular Communication to Members.

One important aspect of positive community association living is the knowledge that the board is keeping its members informed. An association can communicate in many ways, such as bulletin boards, newsletters or websites. Regular communication usually leads to a more cohesive community, with less conflict.

Insurance.

Does the CID have a full insurance package? What risks does it have covered? Is there earthquake insurance? Earthquake insurance coverage, while expensive, may mean the difference between an insolvent HOA and one that can rebuild.

Financial Information.

How many members are delinquent? Are vendors paid on time? Is there a budget? How long has it been since assessments were increased? A reality of life is that the cost of operating a CID increases as years pass and the building ages. A common means of keeping assessments low is to defer maintenance and repair.

The Governing Documents.

Reviewing governing documents is a chore, since they can be collectively over one hundred pages long. What use restrictions are in the CC&Rs? Read the association's rules. Do they seem burdensome or unduly strict? Are there any rules at all? Healthy associations have reasonable rules.

As stated at the outset, these are simply rules of thumb. There are as many ways to evaluate CIDs as there are to evaluate neighbors ... since the CID is at its core the embodiment of its members.

(Thanks to professional CID Managers David Brock, PCAM, Judy Campion, PCAM, and Joanne Pena, PCAM, for their contributions to this article)

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