



The Regenesis Report



National Edition

Innovative Homeowner Association Management Strategies

Priceless

Regenesis means making new beginnings using eternal principles in innovative ways.

Regenesis believes that the goal of every homeowner association board should be to promote harmony by effective planning, communication and compassion.

The Regenesis Report provides resources and management tools for just that purpose. Every month, articles of common interest to homeowner associations nationwide are offered along with innovative strategies for addressing common problems.

Managing an HOA can be a lonely and frustrating task. Take heart. Help is on the way.



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Snipers & Terrorists

Out of the blue, an irate homeowner launches a smear campaign aimed directly at the board. It's relentless and focused. The motivation may be some personal grievance, hatred of a board policy, disagreement on how the board does business in general or loathing for the whole HOA concept. Rather than seeking redress in an orderly and open way, however, often it takes the form of poison pen letters, back alley rumor mills or a terrorist-like assault at a board meeting.

Board meeting terrorism is designed to hold the board hostage to relentless rants and demands. This form of HOA terrorism is designed to directly challenge board authority and to disrupt the orderly process. As with any terrorist attack, the board's initial reaction is usually disbelief. But, the cold reality of the assault soon becomes clear and the need to act urgent.

How should the board deal with this kind of attack? When presented a list of demands, should the items be discussed point by point? Should they be recorded in the minutes? What should be done?

Rule #1: Never negotiate with terrorists. The board is not obligated to discuss anything off the agenda. And it's unreasonable to expect informed answers to firing line questions. The response should be, "Thanks for making your points. We'll review them and give you a response in writing or consider them at the next board meeting."

Rule #2: Don't record a list of demands. Minutes are intended to discuss in broad terms the business accomplished by the board. Specific motions should have enough detail to describe them and the outcome of the vote. It is not a forum for soap boxing, editorializing or where items are entered into "evidence". It's enough

for the minutes to state, "Mr. Sniper asked that the board consider issues relating to (general description)."

Rule #3: Control the Owner Forum. To encourage owner input, an Owner Forum before the meeting should give each speaker owner up to, say, 5 minutes to speak, so the board can get on with its business. Letting someone hold the board hostage should never be allowed and it's up to the president to control such actions. An abusive person should not be allowed to continue for any length of time.

Rule #4: When attacked, respond quickly and firmly. When the attack becomes apparent, it's the president's job to interrupt and, if necessary, ask the attacker to leave the meeting. If the attacker refuses to comply, the president should adjourn the meeting and advise that such conduct will not be allowed at future meetings.

HOA terrorist attacks are designed to fan the flames of emotion and to promote rash response. The board needs to walk the high road and refuse to "dance". While this isn't easy when the attack is intense, the directors outnumber the attacker and with a unified response, should be able to defeat the challenge and even help point the terrorist toward a better way. ☀

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Ask the HOA Expert

Q I am having trouble contacting the individual directors on the board of directors. The HOA president says there are "privacy issues" to giving out phone numbers or email addresses. I've asked our property manager and I get the same response. I thought that as a homeowner I have a right to directly contact my board members.

A All members, including board members, have the right to privacy. Your board has hired a management company to handle business. The manager, in turn, contacts the board as needed when business matters exceed the manager's authority. I suggest you contact the manager with your request. Either he will be able to help you or will ask the board president or board for direction. This is a reasonable process to protect board member privacy.

Q Does an Architectural Review Committee (ARC) have the right to ignore published regulations relating to the installation of playground equipment on a residential lot? Our Rules and Regulations specifies that before an application is approved, the owners of adjacent properties must be notified.

A If the ARC has a procedure to follow and it has not been followed, you have the right to appeal the matter to the board of directors. The requirement for neighbor input was put there for a reason and should be honored as long as it exists.

Q Can owners and board members be prohibited from conferring with the HOA's lawyer by the board president who is the appointed liaison?

A Since conferring with an attorney triggers cost to the HOA, the board should have a strict policy concerning how and when it is done and who has authority to do so. This policy should be communicated to the attorney in writing so he knows who he authorized to deal with.

Q How susceptible are HOAs to embezzlement? What are common safeguards and how effective they are?

A Embezzlement in the past has not been common in HOAs because most had little money to embezzle. However, as more states enact mandatory reserve fund requirements, more HOAs are accumulating substantial funds for future repairs which will entice embezzlers.

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To safeguard these funds, they should be deposited in a separate bank account apart from regular operating funds and should only be accessible by a few designated parties, like the board president and treasurer, who have specific authority to sign checks. A property management company typically would not have authority to write checks for the reserve account. It's a good policy to require two signatures on reserve account checks although the bank typically will not reject checks that carry only one authorized signature.

It's also a great idea to provide all board members with monthly email copies of the bank statement. Embezzlement usually happens when only one person is getting this information. When others have regular

access to it, the odds of embezzlement drop.

Another form of embezzlement involves reimbursements. A board officer could easily steal money by submitting bogus or inflated requests for reimbursements. The board should have strict policies on reimbursements which include type and amount. No board member should be paying for HOA expenses from their personal account. It's just too easy to manipulate the invoice and embezzle. All invoices should be payable by the HOA and go through the normal payment system.

Embezzlement typically doesn't happen over night. The embezzler is one that usually is entrusted with substantial funds with no one else overseeing them. After a period of time, the temptation just gets too great. The theft often happens because of an urgent personal debt payment or a gambling, drug or alcohol addiction. The thief typically intends to repay but rarely does. Once stolen, the money is seldom recoverable. While two or more people could conspire to embezzle, it rarely happens. The key to avoiding embezzlement is to set up a system with unrelated parties watching the HOA's cookie jar.

Q Our HOA currently has a board member who is insisting that unit owners who choose to, should be allowed to clean their own unit's siding. (A former board had granted him permission to clean a small area on two units which had an accumulation of algae and the cleaning left a noticeable shadow.)

The board has scheduled cleaning for the entire building siding next year but this board member is insisting that we allow individuals to wash their own to save money. The board has denied his request however, I don't think he is going to give up. Can you provide me with some solid arguments toward why homeowners should not be allowed to perform their own maintenance?

A If the board decrees unit owners should not maintain building exteriors, that is the way it is. The common elements belong to ALL unit owners jointly so the HOA

has the responsibility to do maintenance and repairs, not individual unit owners. In addition, there are both risk and quality control issues when individual owners are involved.

Whether he is convinced or not, bottom line, the board majority has spoken and he needs to respect that decision. Part of serving on the board is respecting "majority rules". If he continues to undermine the board, he will be ostracized from the process by the other board members and lose his ability to make a difference. 🗳️

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HOA Managers: Rare Breed

Homeowner association management is one of the most challenging forms of property management there is. In residential, commercial and industrial rental management, there is a revocable agreement that allows the property owner a fair amount of control over the tenant. If the tenant doesn't live up to the agreement, the owner can terminate the agreement (and vice versa). This is not the case in HOAs which are controlled by the board, governing documents, HOA statutes and property rights.

HOA managers are called on to do everything that a rental property manager is supposed to do plus be an expert at diplomacy, mediation and human psychology. They are often called on to work a full day and then attend night meetings. It is demanding work and those that are good at it are a rare breed indeed.

HOA management companies typically work by contract for a monthly fee. But how is that amount computed? It generally is based on the estimated time it takes to accomplish the tasks outlined in the Management Agreement. There is often an extra hourly charge for tasks not deemed to be routine.

So what goes into the management fee? There are fixed costs like rent, phones, copier, insurance, computers and internet. Labor charges are based on the estimated time it will take to accomplish the prescribed work. Total fixed and labor costs plus profit margin equal the monthly management fee. It is common to divide this number by the total number of units/lots to derive the charge "per door". Size matters. Smaller HOAs pay more and larger ones pay less per door.

Typically, an HOA management company will assign a manager, a bookkeeper, a maintenance supervisor and possibly an administrative assistant to the account. All will handle multiple HOAs. The average manager may handle 10-15 accounts.

The salary levels of the staff can have a major impact on the management fees. If an HOA wants experienced professionals, there is a price to pay. This is one of the most challenging forms of management there is and a jack-of-all-trades just won't do. A qualified HOA manager attends seminars, has professional designations and credentials and focuses exclusively on HOA management. The HOA will benefit from this training and experience so expect to pay accordingly.

Managers spend a great deal of their time preparing for and following up on board meetings. For a typical board meeting, the manager gathers information and prepares a management report, reviews the financial statement, attaches relevant correspondence, puts board packets together and emails or mails them to individual directors.

Most board meetings are held on weekday evenings at the HOA so the manager is required to work after hours and travel, both of which costs the HOA money since it's built into the contract. After the meeting, the manager usually has a laundry list to follow up on that occupies most the following week. A manager can easily spend many hours on board meeting related business.

What can you do to reduce management costs? Keep board meetings to two hours maximum and consider daytime meetings. Move the

board meeting to the management office and hold them during normal business hours. Reduce monthly to quarterly meetings. With an approved budget, proper policies in place and a management planning calendar, the manager should be able to handle most issues with only occasional input from the president. Letting the manager manage without micro-management from the board may be the single biggest cost saver.

Another cost saving involves manager administration of insurance claims and damage reconstruction. Insurance matters can take many hours of a manager's time. If the management agreement specifically states that insurance claim work is an extra cost to the HOA, the management company can bill the insurance claim for the time it takes to administrate a claim and renovation work. A similar principle involves time spent on collections or legal action against an owner. This management time should be billed to the delinquent owner.

How about the manager providing sale disclosure statements to owners who are selling their homes and buyers' lenders? The management company should bill owners and buyers separately and not have the homeowner association bear the cost.

These are but a few ways that management costs can be trimmed. Be sensitive to your manager's time and don't pile on unnecessary tasks that ultimately will raise the cost. While it's important to get what you pay for it's equally important to pay extra for extra services. The best approach is to forge a partnership with the management company and adjust as time and work load demands.

HOA managers are a breed apart and waiting to serve. Put them to work for your homeowner association and get back to living that carefree lifestyle advertised in the brochure. 🗳️

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Model Remodeling

Owning your own home is an American dream. In urban settings, homeowner associations have become a dominant form of new construction, often representing over two thirds of new homes. While HOA homeowners have many rights and privileges, they often concede certain freedoms usually enjoyed in more traditional home ownership. One particular area of concession involves remodeling.

To control uniformity, look and feel, many HOAs have material, color and design standards which must be adhered to. In common wall and multi-story HOAs, structural integrity demands that changes made in one unit do not undermine or compromise the remaining units. For these reasons, it is important for the homeowner association to keep the owners informed and reminded of material standards and remodeling guidelines to avoid inadvertent violations.

Here are a number of requirements and guidelines which can be included in a Remodeling Policy as appropriate:

1. For smaller projects (mostly aesthetic, no structural or utility work involved), submit to the board for written approval prior to commencement of work a description of the work to be performed, who will do it and the anticipated schedule.
2. For involved projects (includes structural, utility work) owner must submit architectural plans, copies of permits and contractor agreements to the board for written approval prior to commencing work. If warranted, the board may seek the review and approval of an architect or engineer with related costs to be paid by owner.
3. If view is a consideration in project, require disclosure of proposed structure height and whether removal of trees is contemplated for better view.
4. All power tool operation must be accomplished either in the unit or off property unless authorized by the board in writing and provided there is no unreasonable objection from the neighbors.
5. Contractors are permitted to work only from 9:00 a.m. to 5:00 p.m.

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Monday through Saturdays. No work on Sundays.

6. All demolition and construction material shall be disposed of off property, not in HOA dumpsters.
7. Contractor shall clean up affected common area *daily*.
8. Owner will provide adequate parking for contractor. Contractor may not use guest parking or block fire lanes.
9. Common utility (electrical, water, gas, etc.) interruption must be approved and coordinated by the board.
10. If landscaping renovation is proposed and the HOA has landscape standards, a comprehensive plan should be submitted showing proposed changes.
11. Establish specific standards (brand, model, color) for paint color, roofing material, storm doors, screen doors, awnings and other common add-ons.

Since the desire to remodel can happen anytime as the spirit moves the remodeler, the board needs to be proactive in keeping owners informed of expectations. Publish the Remodeling Policy on the HOA website and reference it in all newsletters and periodic email updates. Since remodeling will happen, make sure you do all possible to direct a model outcome.🌩

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Hi Yo Silver!

Being a person that wants to serve and protect your own interests, you get yourself elected to the board. At the first board meeting, the president gives you a pep talk about not giving instructions to contractors or discussing board issues with other members unless you preface comments with “the board policy/decision is...”. You bristle at

this. Who does this guy think he is? This is America, Home of the Free and Land of the Lone Ranger. Why shouldn't you be able to say what you want, when you want and to whoever you want?

As a director on the board, you wear two hats: one as an elected official and another as a member of the HOA. While you are clearly entitled to your personal opinion, you need to be careful how and when you express your opinion as a board member. Once elected to serve the interests of the HOA, you need to view things through corporate glasses. This can be difficult when the issues are contentious.

The homeowner association form of government is a representative democracy...a few are elected to represent the many. A fundamental concept of democracy is rule by the majority. Thus, decisions of the board do not require consensus, just that *most* agree. This may leave some directors in the minority opinion and in even direct opposition with the rest.

When it comes to being a minority position director, there are several approaches, one good and one bad. An HOA board needs diverse points of view to make good decisions. If few have an opinion, usually the loudest voice will prevail and effectively the board will run by a dictator. Dictators don't work well within the democratic context. Having dissenting opinions expands the perspective and dissenters can often have a major impact on shaping key parts of the final decision. A Lone Ranger dissenter may not carry the day but can still impact the outcome.

On the other hand, a dissenter can choose to express opposition by churning the board's decision through the HOA grist mill, spinning the facts and creating ill will. It compromises the ability of the board to do its job and causes bad feelings among neighbors. That's bad for everyone.

That said, there are times when a board or board officer is acting irresponsibly or even criminally. Whistle blowing is

certainly appropriate when there is self dealing going on. If the matter is irresponsibility or neglecting HOA business, a vigilant director can be effective by promoting candidates that are more suitable or encourage ineffective directors to step down. But bad mouthing the current regime to neighbors over the back fence is usually self-defeating. It makes the Lone Ranger look small minded, he will be ostracized or minimized by the remaining directors and lose ability to impact decisions.

A Lone Ranger director can also compromise the HOA's interests by interfering with day to day management. One of the most frustrating things a contractor goes through is trying to respond to many "chiefs". In a professionally managed HOA, the manager is usually authorized to direct contractors. But when a Lone Ranger director steps in to micro-manage a project, the contractor will often try to respond to both the manager and Lone Ranger. But it takes more time and effort and reduces the chances of a successful outcome.

Tonto was the Lone Ranger's sidekick and mentor. With his wise manner, he would balance the Ranger's hero compulsivity. Between the two and creative thinking, they always figured out a way to save the day.

In the final analysis, while dissent is a fundamental part of the democratic process and can produce good outcomes, consistently being a Lone Ranger erodes the ability for the board to work as a team. Tonto understood the concept of teamwork and often gave the Ranger a different point of view by providing additional information and options. Encourage opposing points of view but strive to forge an outcome that works for the majority. Hi yo Silver! 🌟

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Like a River

Last night I went paddling and was reminded yet again why I love rivers so much. Wild or quiet, no river is ever the same from day to day, season to season.

Water transforms the world. To enter the water is to enter another universe. The river takes the solid world we walk around in every day and shape-shifts it into another reality, a fluid reality of change and flow.

Flowing water is time itself unfolding. There is no other place where it's possible to experience so vividly how time moves into the future as on a river. It is not the inexorable march of seconds, each the same as the next, or the hands of a watch ticking away. On a river, time moves because the world flows, now accelerating and then slowing, eddying and swirling to push and tumble ahead, never the same but always downward and onward.

The river is a constant reminder that we are capable of continual evolution, that every shape is only temporary, that time is always moving, that the world is constantly creating itself anew.

Science suggests that all elements heavier than hydrogen and helium have been through the life of at least one star. The oxygen and iron in our blood, the carbon that is the backbone of our metabolism and life tissue, the potassium and sodium that allow us thought and action, they all have an ancient pedigree billions of years old, born of stellar explosions, of planets dying and being reborn, of life beginning and evolving.

Everything within us has gone through this most epic journey. And through it all, a true miracle, that somehow we are given self-awareness. Over time, everything with us flows like water. Our very being is as transient as the surface of a river.

The river speaks all this and much more. It speaks of time and the currents of the world, of shaping canyons and cutting through continents. Of this instant and eternity. "We are made of dust, and the light of a star."

From an article by Doug Ammons 🌟

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Ouch! That Hurts!

Mary was waiting for her first appointment with a new dentist and noticed the name on his certificate. She recalled a tall, handsome boy with the same name that had been in her high school class.

Upon seeing the dentist, however, she quickly discarded the possibility that this could be him. The balding, gray-haired man with the deeply lined face was far too old to have been her classmate!

After he had examined her teeth, she asked if he had attended the local high school. "Yes," he replied. "When did you graduate?" He answered, "In 1964." "Why, you were in my class!" she exclaimed.

He looked closely and then asked, "What did you teach? 🌟"

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